

**Safeguarding Tomorrow Through Ongoing Risk Management
(STORM)
Revolving Loan Fund**

**Proposed Priority System, Intended Use Plan, and Project Proposal List
for
Federal Fiscal Year 2024 / State Fiscal Year 2025**

**New Jersey
Community Hazard Assistance Mitigation Program
(NJ CHAMP)
Financing Program**



New Jersey Office of Emergency Management

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1. INTRODUCTION

1.1. Status of the New Jersey Community Hazard Assistance Mitigation Program (NJ CHAMP) Safeguarding Tomorrow Revolving Loan Fund

The Intended Use Plan (“IUP” or “Report”) must be developed and undergo a public participation process prior to applying to the Federal Emergency Management Agency (“FEMA”) to qualify for Safeguarding Tomorrow Through Ongoing Risk Management (“STORM”) grant funds. The Office of Emergency Management in the Division of State Police in the Department of Law and Public Safety of the State of New Jersey (“NJOEM”) submits this IUP in support of its application for STORM funds for federal fiscal year (“FY”)2024/State Fiscal Year (“SFY”)2025 (July 1, 2024, to June 30, 2025) as part of the application by the State of New Jersey (the “State”) to FEMA’s FY2024 Notice of Funding Opportunity (“NOFO”) for STORM grant funds. The New Jersey Infrastructure Trust Act, N.J.S.A. § 58:11B-1 et seq. (the “Act”) established the Community Hazard Assistance Mitigation Program (“NJ CHAMP”) to fund hazard mitigation and resilience projects undertaken by the State, local government units, and nonprofit organizations in accordance with the provisions of the STORM Act. The Act authorizes the New Jersey Infrastructure Bank (“I-Bank”) to co-administer NJ CHAMP with NJOEM which will act as the State’s grantee recipient for STORM funds. STORM grant funds will be utilized to administer a revolving loan fund (“RLF”), to provide below market rate financing to communities for projects that address climate risks.

NJOEM is responsible for developing the prioritization system in consultation with the New Jersey Department of Environmental Protection (“NJDEP”) regarding the development of climate change priorities. The IUP’s proposed Priority Methodology and Project Proposal List (“PPL”) (**Appendices C.1 and C.2**, respectively) prioritize projects sponsored by local communities and utilities or any other entity eligible to receive funds pursuant to the STORM program (together “Local Government Units,” or “LGUs”). This year, NJ CHAMP program eligibility is limited to project sponsors that are seeking FEMA grant funds through the FEMA Hazard Mitigation Planning Process in New Jersey. STORM funds will supplement any other FEMA grant funds (e.g., Hazard Mitigation Assistance (“HMA”) grants, Hazard Mitigation Grant Program (“HMGP”)) these projects receive to finance their projects. To ensure equity among Program participants, the Program incorporates the Centers for Disease Control and Prevention (“CDC”) Social Vulnerability Index (“SVI”) CDC SVI into its prioritization metrics. This Report discusses the objectives of the SFY2025 NJ CHAMP program, the ranking prioritization methodology, and general financing and loan disbursement terms.

As the entity responsible for the financial administration of NJ CHAMP, the I-Bank anticipates there will be opportunities to co-fund projects by leveraging STORM funds with other State revolving loan fund programs administered by the I-Bank, including funds from the capitalization grants from the U.S. Environmental Protection Agency (“USEPA”) State Revolving Fund (“SRF”) Program that the I-Bank co-administers in partnership with NJDEP for clean water and drinking water infrastructure projects (“Water Bank”), and the funds of the State’s Transportation Bank, in partnership with the New Jersey Department of Transportation (“NJDOT”) for surface transportation projects (“Transportation Bank”). In the event that funds from more than one financing program would be used to finance a single project, the eligibility, technical requirements, and financial flow of funds would be distinct. The Act requires that the funds in each of the I-Bank’s separate programs must be segregated, specifically proscribing combining or commingling funds across programs, and prohibiting the use of a specific financing program’s funds for non-program costs or disbursements. Therefore, the financial administration of the NJ CHAMP fund will not be “combined” with the administration of any other revolving loan fund. Instead, NJ CHAMP will be administered “in parallel” with other revolving loan programs of the I-Bank. As with its current financing programs, in the event a project is co-funded with multiple sources of funds from separate financing programs, the I-Bank makes, and the borrower receives, a separate loan agreement from each financing

program that provides funds. Repayments for those loans are directed to separate accounts (a repayment account at a bond series trustee if the loan is included in a collateralized bond pool, or a separate custodial account for the specific financing program if the financing is through a direct (i.e., non-leveraged) loan. In this manner, all loan repayments, excluding repayments used to make principal and interest payments on program bond funds, but including interest earned on those funds, are maintained within a specific RLF program (in this case, NJ CHAMP).

Pursuant to the Act, NJOEM is charged with development of the project priority list for funding for each fiscal year. NJOEM bases the NJ CHAMP prioritization system on the State's Hazard Mitigation Plan ("HMP") which captures historic disaster experiences and reflects the natural and human-caused hazards New Jersey faces, based on science and research. The State HMP is reviewed, updated, and submitted to FEMA for approval at least once every five years. FEMA last approved the State HMP in FY2019. FEMA's approval for the upcoming State HMP is anticipated to be received no later than April 2024.

1.2. Updates for Federal Fiscal Year 2024 NJ CHAMP Safeguarding Tomorrow RLF

The I-Bank and NJOEM formally established NJ CHAMP via statute in 2023. The NJOEM is the party responsible for developing the PPL and the I-Bank is responsible for developing and managing the financing structures. The NJ CHAMP fund has been established at the I-Bank's custodial bank and has been prefunded with match funds. The Program has identified eligible projects, has established an online application system, and has begun outreach to potential project sponsors to ensure the full allocation of existing funds. See Sections 1.1, 2.2.3, 2.2.4, 3.2, 4.1, 4.2 and 5.4 for additional details.

For FY2024, NJ CHAMP will continue to provide programmatic outreach to LGUs on the HMP to identify projects across the State eligible and interested in financing through the NJ CHAMP program. Since the submission of the IUP for the FY2023 capitalization grant, the State has appropriated to NJ CHAMP: i) \$500,000 to be utilized for operating and administrative costs, and ii) State match funds of \$646,297 for additional NJ CHAMP loan funds. In addition, federal STORM Act funds in the amount of \$6,462,963 has been awarded to the State. Pursuant to the requirements of the STORM Act, NJ CHAMP loan interest rates will continue to be set at one percent (1%).

NJOEM and the I-Bank are committed to the long-term success of NJ CHAMP. As such, the co-administration of NJ CHAMP continues to be staffed and resourced to provide the critical knowledge necessary to manage the operation and finances of the Program.

2. USES OF THE NJ CHAMP SAFEGUARDING TOMORROW RLF

2.1. NJ CHAMP Objectives

The objective of NJ CHAMP is to provide low-cost financing for local projects that support and are in conformance with the State's initiatives to reduce future losses from hazards.

The goals of the Program align with the goals of the State's HMP, specifically:

- (i) Protect life;
- (ii) Protect property;
- (iii) Increase public readiness and awareness;
- (iv) Develop and maintain an understanding of risks from hazards;
- (v) Provide an additional financing source to complement existing FEMA programs and alleviate the funding gap of those program for disadvantaged and socially vulnerable communities;
- (vi) Enhance state and local mitigation capabilities to reduce hazard vulnerabilities; and
- (vii) Support continuity of operations both pre-, during, and post-hazard events.

NJ CHAMP will provide loans and financial support as early as the design phase of a project in the form of short-term and long-term loans, or some combination thereof, for hazard mitigation projects that reduce the risk from natural hazards. The prioritization of projects, including those sponsored by communities most in need, in the early years of the NJ CHAMP Program will follow the prioritization methodology of the State HMP.

2.2. NJ CHAMP Goals

2.2.1. Connection to Other Hazard Mitigation Plans & Goals

New Jersey's intent is to utilize NJ CHAMP to supplement and complement state and federal hazard mitigation/risk reduction funding. Projects considered for funding will achieve goals consistent with the goals and actions identified in the State HMP. NJOEM will review proposed projects in relation to goals and objectives established in the relevant hazard mitigation plans. In the early years, pending the establishment of the funding level from FEMA, the NJ CHAMP PPL is composed of projects identified and publicly vetted through the FEMA Hazard Mitigation Planning Process in New Jersey. For copies of available NJ State HMPs, see: <https://nj.gov/njoem/mitigation/hazard-mitigation-plans.shtml>.

2.2.2. NJ CHAMP Mitigation and Resiliency Goals

Resilience projects financed by NJ CHAMP will assist participating borrowers by reducing disaster recovery costs, reducing payments associated with FEMA's Public Assistance ("PA") Program, reducing insurance payments / premiums, and lessening the disruption to critical facilities caused by natural disasters, etc. Additional goals and objectives are identified in the State and local HMPs.

2.2.3. Entity's Safeguarding Tomorrow Revolving Loan Fund Short-Term Goals

NJ CHAMP's short-term goals are to i) identify projects in the State utilizing FEMA grant funds that need additional funding, ii) efficiently disburse funds to those projects, and iii) ensure that low-income geographic areas and underserved communities are prioritized to receive NJ CHAMP funds.

NJ CHAMP will identify eligible resilience projects requiring additional financing beyond that which is received from FEMA's HMA grant programs and distribute funds in the early stages of a project. The I-Bank and NJOEM will coordinate to publicize NJ CHAMP to inform potential recipients of the Program's nature and benefits. In addition, the I-Bank and NJOEM are designing policies and procedures that ensure the sustainability and revolving nature of the STORM RLF funds in the State.

After loan closing, funds are disbursed to project sponsors, based on costs incurred, as evidenced by requisitions submitted for review and approval. In this manner, staff will closely monitor the integrity and compliance of funds drawn and ensure projects are completed in a timely manner avoiding waste, fraud, and abuse. The requisition process is designed based on the successful Water Bank and Transportation Bank requisition processes administered by the I-Bank, which includes oversight of federal compliance requirements during construction. In these existing programs, funds are disbursed on an expedited basis upon receipt of invoice based on a rapid requisition approval process relieving project sponsors from utilizing cash-on-hand or expensive working capital lines of credit to pay contractors and vendors.

NJOEM has identified projects on the PPL that qualify for STORM Act funds, and which align with the State's HMP. The prioritization methodology established for the State HMP was developed in compliance with federal requirements (FEMA, etc.) as well as through the collaborative process facilitated by the State Hazard Mitigation Team ("SHMT").

NJOEM and the I-Bank will leverage the identification and outreach initiatives in the existing programs at both the I-Bank and NJOEM, to coordinate with low-income geographic areas and underserved communities. The Program will cross reference these high priority communities on the PPL and make efforts to reach out directly to these communities to ensure their success in this Program.

2.2.4. Entity's Safeguarding Tomorrow Revolving Loan Fund Long-Term Goals

NJ CHAMP long-term goals are to establish a viable revolving loan fund that coordinates well with existing financing programs and establishes rigorous policies and procedures.

NJ CHAMP funds are statutorily committed to the Program and may not be commingled with other program funds or used for any other purpose except for NJ CHAMP. In addition, NJ CHAMP will maintain sustainability in perpetuity by offering its funds as low-rate loans, repayments of which will be repaid into the NJ CHAMP loan fund. As funds are repaid, the monies will be invested in short-term investments until such time that these monies are relent. All interest earnings will be made available for new NJ CHAMP loans. The Program will charge participating borrowers a small administrative fee to recoup its operating and administrative costs (to offset the use of STORM funds available for administrative costs). Finally, borrowers must satisfy the I-Bank Credit Policy (see **Appendix A.2**). The objective of the Credit Policy is to avoid credit-based losses and protect Program funds for future use.

Initially, NJ CHAMP will require an upfront investment. The State has committed \$500,000 to the I-Bank for start-up legal and operating expenses. As the program grows, more loans will produce more income to support the Program to self-sufficiency and produce a loan/expense ratio that allows for a perpetual program.

As it does in its other federal revolving fund program, the I-Bank will reconcile NJ CHAMP accounts with monthly bank statements and will utilize its asset-liability model to monitor the sources and uses of all funds in the Program. This ensures the accuracy of the Program's fund balance in real time to safeguard NJ CHAMP from overextension and human input errors.

The I-Bank's statute requires two annual reports that list a prioritization methodology linked to the State's HMP (which includes a public notice process), as well as a description of the terms under which the projects which qualify for funding will be financed. Terms include rates, fees, maximum maturities, etc. This statutory construct mirrors the requirements of the I-Bank's other infrastructure financing programs.

The I-Bank has a long history of successfully complying with State and federal requirements (over three decades of SRF activity, 10-plus years involvement with the Robert T. Stafford Disaster Relief and Emergency Management Act, and very recently, the USEPA's Water Infrastructure Finance and Innovation Act ("WIFIA") program). The I -Bank will manage any required single audit of the Program and build covenant obligations into the program loan documents to ensure recipients of funds establish and maintain compliance with federal requirements. The aforementioned requisition process will incorporate a review of compliance with any federal technical requirement.

NJOEM will utilize the existing planning process to identify potential projects and determine the most appropriate funding options for a project, including NJ CHAMP funds. In addition, the I-Bank's existing Water Bank and Transportation Bank programs) hold annual seminars and staff attend multiple conferences marketing these programs which will provide co-funding and co-marketing opportunities for the Program. Note that the Water Bank has a 10-year history of co-funding projects with FEMA funds, and along with Texas, was a catalyst and supporter of the [Memorandum of Agreement Between the U.S.](#)

[Department of Homeland Security/FEMA and the USEPA](#) (as updated in 2023) by and between these two federal agencies.

Through existing planning, as well as ongoing efforts being developed, NJOEM will identify and conduct outreach to underserved and socially vulnerable populations.

The I-Bank has developed and currently utilizes cashflow models for its existing financing programs and will do the same for NJ CHAMP. These cashflow models provide critical information regarding sources and uses of funds, forecasted available funds for project financing, program parameters, and/or coverage ratios in the event funds are leveraged to ensure the Program does not overextend/ double count its available loan funds.

Similar to the State’s co-funded Statewide Assistance Infrastructure Loan (“SAIL”) Disaster Program (utilizing FEMA PA/HMGP, and USEPA funds), NJ CHAMP will ensure that all federal requirements will be met during design and construction phases, and no funds will be disbursed for repayment of expenses that are not compliant with all federal and state laws and regulations. NJOEM and the I-Bank will work with engineers to confirm that a project’s technical requirements are met. Participants are not authorized to solicit bids without program certification of such compliance. The I-Bank also reviews all project expense line items and reimburses participants for only those expenses that have been prequalified and authorized.

2.3. NJ CHAMP Priorities

2.3.1. Increase Resilience and Reduce Risk

The intent of NJ CHAMP is to supplement and complement existing FEMA funding opportunities at the State level. Resilience and risk reduction activities will be identified and selected through the HMP process.

2.3.1.1. Hazard Mitigation

Hazard mitigation planning in New Jersey is a priority. Building upon New Jersey’s success in meeting the federal requirements of other FEMA-funded programs, STORM Act funds will be targeted towards mitigation and risk reduction activities as identified within the State’s multi-jurisdictional/multi-hazard HMP. The I-Bank has a strong history of making loans to local communities for infrastructure projects, including hazard mitigation and resilience projects. Together the NJOEM and the I-Bank are well equipped and experienced to provide funding for the projects targeted through the STORM RLF program.

2.3.1.2. Zoning and Land-Use Planning

Zoning and land use planning are well established within New Jersey. STORM Act funding may be utilized for these activities to elevate the portfolio. We do not believe this is a major issue at this time, and we do not believe there will be high demand in the State for this form of activity.

2.3.1.3. Building Code Adoption and Enforcement

Building code adoption and enforcement continues to be well-funded in New Jersey through other sources. For example, FEMA authorized a \$2 million set aside to each state during the FY2023 Building Resilient Infrastructure and Communities (“BRIC”) Building Code Activities. Ten municipalities applied for a portion of this funding. Building code adoption and enforcement projects are not currently a priority for NJ CHAMP, nor is NJ CHAMP an appropriate funding source for this activity in New Jersey relative to the prioritized projects on the PPL. We do not believe this is a major unfunded issue at this time.

2.3.1.4. Cost Share

Federal grants, including FEMA's STORM RLF and HMA grants, typically require a local cost share (i.e., for 90/10 cost share programs, there is a need to help the recipients meet the 10% match). To assist Program participants with their HMA match requirement, NJ CHAMP may provide STORM RLF funds as the match component to each participant's HMA grant.

2.3.2. Partnerships

NJ CHAMP does not anticipate having the resources to fund partnership projects in its early years, given the limited amount of funds anticipated to be available to states through the new STORM RLF program, and the complexities involving two or more communities.

2.3.3. Regional Impacts

Hazard mitigation activities in New Jersey have undertaken a regional approach to risk reduction in the past. NJOEM has encouraged regional hazard mitigation efforts in the past and will continue to do so with STORM Act funding through the Program's proposed ranking methodology.

2.3.4. Major Economic Sectors and National Infrastructure

NJOEM and the I-Bank each have a long history of implementing new programs that support and finance pre- and post-disaster resilience projects. Each has a proven track record of managing and funding resilience projects from application and design through to completion and long-term financing (e.g., BRIC, SHMT, SAIL, SRF).

Resilience projects are, by their nature, efficient drivers of economic activity, both in the construction industry as well as the business environments they support. Given New Jersey's geographic location on the east coast corridor, and its importance as a commerce and transportation link with national ports and airports, NJ CHAMP's hazard mitigation / resilience projects will have an economic impact at the State and national level. The State's Hazard Mitigation Plan dictates and prioritizes those projects and sectors / communities which the State deems are most at risk and of greatest importance (i.e., cost of life and property). For copies of available NJ State HMPs, see: <https://nj.gov/njoem/mitigation/hazard-mitigation-plans.shtml>.

3. CRITERIA AND METHOD FOR DISTRIBUTION OF FUNDS

3.1. Loan Management Information

Availability of funds for NJ CHAMP is limited to funds received as grants from this revolving loan program, funds appropriated by the State for match, all repayments, fees, and interest earned on loans and unutilized funds in the State's loan account. To date, NJ CHAMP was appropriated and has received \$646,297 as match funds from the State to be disbursed as loans.

The loan application process (see **Appendix A.1** for the complete loan application process, including project certification and credit requirements) will mirror the I-Bank's application process for its Water and Transportation Bank programs. Specifically, participants are required to provide initial information on the project including location, project size (i.e., estimated dollar amount), project construction schedule, and scope of work, as well information on the recipient, including but not limited to their federal tax ID number, population served by the asset to be financed, a completed financial addendum form, credit information, and eventually, confirmation of compliance with the State's public bond law process.

The I-Bank provides flexible financing, similar to a line of credit loan, in each of its financing programs up to and including project construction completion. The I-Bank utilizes separate funds provided for each of

its financing programs for these loans. Providing loan funds on a requisition basis through construction completion allows maximum flexibility for both cost overrun and cost underrun adjustments. Project sponsors will not be required to make repayments until construction completion.

The I-Bank uses a cash flow model to manage future loan projects (see Section 2.2.4). In addition, the I-Bank ensures that the Program's funds are properly managed and used for eligible purposes by implementing covenants in its loan agreements. Such covenants include borrower guarantees of repayment obligations as well as remedies in the event of default. Loan covenants also provide restrictions on the project itself, ensuring that it is properly maintained and utilized for its intended purpose. The I-Bank has almost four decades of experience lending to municipalities and LGUs without a single default in its bond program.

In the short-term, NJ CHAMP anticipates committing approximately \$7 million of its STORM RLF grant and State match funds to eligible projects by December 31, 2024. In the mid- and long-term, and depending on future STORM RLF grant funds from FEMA, NJOEM and the I-Bank expect to expand NJ CHAMP and leverage the Program to serve multiple coastal and riparian communities with hazard mitigation needs. **This last projection is dependent on the amendment of the STORM RLF Act to allow flexible interest rates from private bond investors.**

3.2. Criteria and Method for Loan Distribution

The I-Bank and NJOEM are both experienced and adept at assisting program participants with navigating federal application and reporting requirements. Additionally, both administrators work with engineering, bond counsel and construction industry members in the State to facilitate a streamlined application and construction process for program participants. Resilience project participants may lack the necessary technical, financial, and/or managerial skill sets for the compliance requirements pertaining to the application, remediation, and construction processes.

As part of their coordination of the State's HMP, NJOEM has developed and implemented checklists for project compliance with FEMA regulations that would be applicable to NJ CHAMP. NJOEM has a history of strong working relationships already built into their process with local communities, health departments, inspector offices, etc. throughout the State.

Similar to the Water Bank's SAIL disaster relief program that the I-Bank manages in cooperation with NJOEM, NJ CHAMP will provide oversight on projects to ensure participants which may lack the technical, managerial, and/or financial capacity are in compliance with federal and state laws. Also similar to the SAIL disaster relief program, no FEMA funds will be disbursed to any project until such compliance is confirmed. Again, as in the discussion with requisitions (see Section 2.2.3), the I-Bank will disburse funds to participants as expenses are incurred once all supporting documentation of such expenses has been provided to the I-Bank.

The ranking methodology is consistent and based upon the social vulnerability criteria established through the FEMA hazard mitigation planning process. In its early years, given the limited amount of funds available, the Program intends to issue all loans with consistent terms to each participating borrower. Prioritized borrowers / projects will receive the available funds within the financing program.

For the complete loan distribution methodology refer to **Appendix B.1.**

3.2.1. Creating a Project Proposal List

Refer to the Project Proposal List in **Appendix C.2**.

3.2.1.1. Prioritization Methodology

NJ CHAMP utilizes a ranking system to determine the priority order of projects to be financed. NJ CHAMP's ranking methodology prioritizes projects that are located in areas designated as a Disadvantaged Community as defined by the CDC SVI. NJ CHAMP also prioritizes projects that are located in low-income geographic areas as defined in 42 U.S.C. § 5135 (m)(6). See **Appendix C.1** for the complete ranking system utilized by NJ CHAMP.

3.2.1.2. Tie-Breaking Procedure

If there are insufficient funds to fund all projects in a given fiscal year and two or more applications with equal ratings request a short-term loan closing, the first criterion (i.e., the Project is located in an area designated as a Disadvantaged Community as defined by the CDC SVI) will function as the primary tiebreaker and projects having the greatest CDC SVI score will be given. The second criterion (i.e., the Project is located in a low-income geographic area as defined in 42 U.S.C. § 5135 (m)(6)) will serve as a secondary tiebreaker, as needed. The final tiebreaker will be the number of documented insurance and/or FEMA claims concerning the Project area, as needed.

4. FINANCIAL MANAGEMENT

4.1. Financial Status of the NJ CHAMP Safeguarding Tomorrow Revolving Loan Fund

The I-Bank will oversee the credit, legal and financing requirements and processes for all NJ CHAMP borrowers. The I-Bank will also manage the receipt, disbursement and reporting of all funds received and or associated with the loan fund. The I-Bank has 38 years of experience managing revolving loan programs in New Jersey.

The Program loan fund will be comprised of FEMA's STORM RLF capitalization grant funds and State match funds. The I-Bank also received a small appropriation from the State for Program administrative expenses. In addition, the I-Bank also anticipates earning interest on all funds sitting in the loan fund. Any interest earned on the loan fund will remain in the fund for future loans. Fees received from NJ CHAMP borrowers will be allocated to operating expenses. Loan repayments will be deposited back into the Program loan fund. NJ CHAMP funds shall be invested pursuant to the I-Bank's Investment Policy (see **Appendix A.3**), in short-term investments until such time that the funds are utilized for new loans/project expense disbursement. Loan repayments are redeployed to the next qualified, ranked project.

NJOEM has a long withstanding history of overseeing projects receiving FEMA funding and has proven measures in place to ensure oversight. These same measures will be utilized.

The I-Bank will not combine other revolving loan funds with NJ CHAMP loan funds. The I-Bank statute requires the I-Bank to manage each of its financing program's sources of funds separately. However, NJ CHAMP projects may be co-funded with the I-Bank's SRF or Transportation Bank revolving loan programs. In such instances NJ participants will receive separate loans from each financing program.

The I-Bank has received \$500,000 from the State to cover its first few years of administrative and operating costs. To the extent that the State's initial commitment of \$500,000 is insufficient to cover the I-Bank's administrative expenses, the parties will look to the revolving loan funds' grant monies to make

up the difference to the extent permitted under the law. At this point, it is not anticipated that any funds greater than two percent (2%) of the revolving loan funds may be needed to supplement internal funds.

4.1.1. Financial Status of the NJ CHAMP Loan Fund

4.1.1.1. Financial Status of the NJ CHAMP Loan Fund for Fiscal Year 2023

Available loan funds for FFY2023 NJ CHAMP total \$7,109,260 including the FFY2023 capitalization grant of \$6,462,963, and match Funds of \$646,297. In addition, the State appropriated \$500,000 to the I-Bank for operating and administrative expenses. During FFY2023 the I-Bank used a portion of these appropriated funds for operating and administrative costs and will use the remainder of the appropriated funds for operating and administrative expenses over the next 18 months. See Table 1 & Table 2 in Section 4.1.1.2 below, for a breakdown of the NJ CHAMP Loan Fund and administrative fund sources and uses.

4.1.1.2. Financial Status of the NJ CHAMP Loan Fund for Fiscal Year 2024

The sources of funds for NJ CHAMP in FY2024 include the FY2023 capitalization grant, the FY2023 non-federal Match funds and State appropriated funds. During FY2024 NJ CHAMP Loan Funds are expected to be used for operating and administrative costs, with the remainder for financing capital projects. See Table 1 & Table 2 below, for a breakdown of NJ CHAMP Loan Fund sources and uses.

Table 1: NJ CHAMP Loan and Administrative Funds Sources

<i>Sources</i>	<i>Previous Fiscal Year 2023</i>	<i>Current Fiscal Year 2024</i>
Loan Fund Capitalization Grant	\$6,462,963	\$6,462,963 (carryover)
Loan Fund State Match	\$646,297	\$646,297 (carryover)
Total for Loan Fund	\$7,109,260	\$7,109,260
Administrative Fund	\$500,000	\$463,659 (carryover)

Table 2: NJ CHAMP Loan and Administrative Funds Uses

<i>Uses</i>	<i>Previous Fiscal Year 2023</i>	<i>Current Fiscal Year 2024</i>
Loan Fund	\$0	\$7,109,260 (anticipated)
Administrative Fund	\$36,341	\$240,000 (anticipated)

4.2. Financial Terms of Loans

Each NJ CHAMP participant may receive a loan as early as the project’s planning and design, and construction phases with a five-year draw period, wherein interest will accrue at one percent (1%). The loan will convert from a line of credit loan during the draw period to a fixed rate, fixed maturity loan at the earlier of project completion or at the end of the draw period (the “Effective Date”). Each loan will have a maturity of up to 30 years (depending on borrower type). Interest and principal will not be payable until the Effective Date. Projects that remain incomplete at the end of the draw period may be eligible to receive additional time to draw down any unspent proceeds, however repayments will not be deferred.

Each borrower is required by statute to provide the I-Bank with a pledge on its repayment obligation in the form of a bond guarantee. The I-Bank requires such bonds be backed by either a general obligation pledge (for public entities) or a revenue pledge (for non-public entities).

Financing through NJ CHAMP will have the following terms:

- **Maturity** - NJ CHAMP maturity terms for local government units will be limited to the lesser of the project's useful life as certified by the borrower's engineer or:
 - 1) Ten (10) years for loans of \$150,000 less than or equal to \$500,000;
 - 2) Fifteen (15) years for loans greater than \$500,000 and less than or equal to \$1,000,000;or
 - 3) Maximum allowable limit permitted by the STORM Act for loans greater than \$1,000,000.

- **Interest Rate** - Pursuant to the STORM Act:
 - All NJ CHAMP loans will be charged one percent (1%) interest.

- **Fees** - Similar to the I-Bank's two other financing programs:
 - **Application Fee**: 2% of the project cost amount with half (1%) due up front (incorporated in loan amount – i.e., no cash outflow for borrower at time of closing). Balance to be paid at the Effective Date (i.e., the lesser of construction completion or 5 years).

 - **Annual Loan servicing fee**: 0.17% of total amount of Program funds provided per annum. Program fees will be used to fund NJ CHAMP administrative and operating costs. Any excess fees may be used to fund future loans.

- **Repayments**: Borrowers will begin NJ CHAMP loan repayments within one year of project completion or five years, whichever occurs first. Additionally, as above, loans made to municipal and county local government units are secured by the full faith and credit thereof, secured by their ad valorem taxing power. In accordance with the STORM Act, borrower's repayments will be deposited back into the NJ CHAMP loan fund to be used for future loans.

4.2.1. Standard Loans

See Section 4.2 above for loan terms.

The I-Bank requires repayment pledges in the form of a bond backed by a public entity's ad valorem taxing authority or a non-public entity's general revenue pledge.

4.2.2. Loans for Low-Income Geographic Areas or Underserved Communities

As described in Section 3.2 and Section 4.2, in its early years, given the limited amount of funds available and the low-interest rate limitations imposed by the STORM Act, NJ CHAMP intends to issue loans with consistent terms to each participating borrower. Underserved communities and those in low-income geographic areas are prioritized pursuant to the ranking methodology provided by NJOEM.

4.3. Loan Disbursements

Given its experience and success with its two other successful existing loan programs, the I-Bank anticipates that all available STORM capital funds which NJ CHAMP receives in its early years of operations will be committed to the Program's highest ranked projects as direct loans within the first 12 to 15 months upon receipt of such grant funds. Based on historical data regarding construction duration, Water Bank projects typically take 2 to 5 years for project completion and Transportation Bank projects typically take

1 to 3 years for project completion, the I-Bank expects NJ CHAMP resilience projects to have similar durations based on project type.

The I-Bank would like to be able to finance more Program projects by leveraging STORM Act funds through a bond program. The STORM Act's cap on interest rates that States may charge on STORM funds makes this structure impossible. An amendment to the STORM Act to permit higher interest rates would allow States to introduce private loan funds. Assuming such an amendment is enacted and once a critical mass of assets has been achieved, the I-Bank would look to leverage Program funds at a 2:1 ratio (i.e., 200% utilization) to increase the lending capacity of NJ CHAMP.

The I-Bank has a 37-year history of working with local governments to make loans for critical infrastructure with and without a dedicated revenue source. The I-Bank has made approximately \$9 billion of loans over this time to over 400 counties, municipalities, and water systems in New Jersey under two separate revolving loan programs (i.e., a water program with rate-based revenue sources, and a transportation program back by general budget sources). As such, the I-Bank is well-versed in local revenue streams, tax-exempt credits, and the State's rules and regulations for local government units to issue and repay bonds. In addition, the I-Bank has strict statutory and credit requirements for a project sponsor's qualification pursuant to its Enabling Act and Credit Policy, respectively. In its 37-year history of issuing loans to public entities, the I-Bank has never had a default in its bond program.

5. ENTITY PROGRAM MANAGEMENT

5.1. Technical Assistance

In the early years, NJ CHAMP is based on current HMP needs. Due to the limited amount of funds anticipated to be available to states through this new program, NJ CHAMP will not be offering technical assistance, although Program staff at the NJOEM and the I-Bank will assist NJ CHAMP participants with application requirements just as each party currently does in their existing programs.

5.2. Local Capacity Development

NJOEM currently utilizes HMA funds to obligate capacity building projects. However, should a need emerge through project identification and community outreach, NJ CHAMP will evaluate the best method to meet the need.

5.3. Environmental and Historic Preservation Compliance

Projects that may impact the environment, including, but not limited to, the construction of communication towers, modification or renovation of existing buildings, structures, and facilities, or new construction including replacement of facilities, must participate in the EHP review process. Project types that do not require EHP reviews include mitigation planning, building code adoption and enforcement, and zoning and land-use planning. Because NJ CHAMP will be funding the local match share of only those prioritized projects which have been identified by FEMA to receive a FEMA grant, NJ CHAMP will rely on FEMA's Environmental and Historic Preservation ("EHP") reviews.

5.4. Public Meetings and Comment Activities

The proposed IUP setting the project priorities and project priority list underwent a public participation process by publication and notice of this IUP and the project priority list from March 18, 2024 through April 26, 2024. No comments were received on either the IUP or the project priority list. However, NJOEM has engaged in conversation with Project Sponsor on the existing PPL and has incorporated their comments and feedback in our selection process. NJOEM has utilized media, notices on the NJOEM webpage, direct communication with stakeholders, and messaging through the New Jersey League of

Municipalities in their periodic newsletter sent to all municipalities in the State to amplify the programmatic messaging; however, minimal comments have been received.

The client base for both NJOEM and the I-Bank consists of local governments. Leveraging existing communication structures at the I-Bank and NJOEM is the primary source for outreach (e.g., websites, conferences, seminars, mailing lists, bulletins, social media, and blog posts). With this broad customer base of local governments, NJ CHAMP's co-administrators have a state-wide reach and the capability to get the word out, although potential funding amounts do limit the level of resources available for allocation to this process. Current relationships with municipal and construction associations within the State (e.g., League of Municipalities, Council of Mayors, Utility & Transportation Contractors Association) facilitate expanded outreach for future marketing and project ideas.

6. AUDITS AND REPORTING

6.1. Compliance with Federal Reporting Requirements

Ensuring transparency and accountability, all program materials are posted on the I-Bank's [website](#). The I-Bank's current financial auditor (CliftonLarsonAllen LLP), which performs a comprehensive audit for the I-Bank and its existing financing programs, including a single audit and the Clean Water / Drinking Water audit for the Water Bank program, will conduct an independent audit of the Program to ensure financial integrity for the Annual and Biennial Audits. The I-Bank Board's audit and governance committee is responsible for the procurement and oversight of I-Bank audits and reviews the financial audit report for each year directly with the I-Bank's auditor.

We commit to entering project and benefits data into the FEMA Non-Disaster Grants system ("ND Grants") and financial data in the Payment and Reporting System to support the evaluation of the NJOEM and I-Bank's Program. Among other parameters, FEMA will use the data from the audits and reporting to evaluate how the entity loan funds:

- Efficiently administer the fund
- Provide project benefits to local communities
- Promote equity

We will enter project benefits data into ND Grants by the end of the quarter in which the capitalization grant is received. After the period of performance, we will enter required project benefits data into FEMA's ND Grants by the end of the fiscal year for this Intended Use Plan.

6.2. Publication of Information

The I-Bank shall publicly acknowledge, through a dedicated page for the Program on its [website](#), the type and location of each project financed as well as the dollar amount received from NJ CHAMP, and the project's expected funding schedule and completion date. It is expected that the Program's individual project information will be updated quarterly.

6.3. Loan Recipient Auditing and Reporting

NJ CHAMP will be managed in a manner that mirrors the I-Bank's Water and Transportation Bank Programs with respect to project review and requisition payments. Borrowers will receive a loan based on a consulting engineer's project cost estimate for the duration of planning, design, and construction of the project. NJ CHAMP loan funds are not disbursed to any borrower unless and until a borrower submits invoices accompanied by supporting documentation that such costs were incurred (i.e., a borrower need not pay the expense, but must incur the expense, and forward the invoice and supporting paperwork to

the I-Bank) and the invoices relate to an activity that complies with Program requirements. If a Borrower misuses the Program or looks to receive funds for an ineligible cost or non-approved change order, the I-Bank does not release loan funds to the borrower for those expenses. In this way, NJ CHAMP maintains tight control over the performance of each project and each borrower's use of STORM RLF funds.

APPENDICES

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APPENDIX A

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APPENDIX A.1

Loan Application Process

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Loan Application Process

A separate application is required for each NJ CHAMP Project. Loan applications are accepted at any time throughout the year, and to that end, readiness is a central component of Project prioritization. Applications are not accepted after construction advertisement. The Program's funding commitment arises at the time of loan closing, subject to the project sponsor's receipt of an I-Bank authorization to award a construction contract related to that loan. Generally, the loan application process is as follows:

1. The Project Sponsor's submission of the following:
 - Project Description form; with Environmental Letter of Interest / Historic Preservation Documentation (as applicable);
 - Loan Application;
 - Engineering design and specifications;
 - Applicable permits;
 - An executed engineering or construction contract (or draft thereof); and
 - A completed FAF.
2. The I-Bank's issuance of:
 - Creditworthiness Approval;
 - Authorization to Advertise Construction;
 - Applicable Contract Award Authorization; and
 - Applicable Contract Certification.
3. The NJ Division of Local Government Services issuance of:
 - Approval of the Project Sponsor's Note or Bond issued to the I-Bank (as applicable).
4. FEMA issuance of:
 - Environmental (National Environmental Policy Act ("NEPA") determination (as applicable); and
 - Historic Preservation determination (as applicable).
5. Execution of a Loan Agreement.¹

Conference Calls / Meetings

Upon receipt of a Project's initial application, conference calls or meetings will be held with a project sponsor and its professional advisors to provide the project sponsor with an overview of the application process as it relates to its specific Project. A project sponsor is provided with guidance as to what, if any, submissions are required to document a project's potential impact upon the environment and historic properties (if applicable). In addition, a project sponsor is provided with other information to further reduce confusion, application-related costs and delays.

A project sponsor is also provided guidance as to the submission of the engineering contract (draft or executed) and FAF in preparation for loan closing to ensure Program funding is in place to pay for professional services throughout the project application process.

¹. While loans are made for the total estimated project cost, funding commitments are limited to the approved (certified) contract, typically commencing with the engineering contract, and ending with the final construction contract.

Environmental Planning/Historic Preservation

NJ CHAMP intends to fund the local match share of only those projects which are receiving a FEMA grant. As such, NJ CHAMP will rely on FEMA's Environmental and Historic Preservation ("EHP") reviews.

Projects that may impact the environment, including, but not limited to, the construction of communication towers, modification or renovation of existing buildings, structures, and facilities, or new construction including replacement of facilities, must participate in the EHP review process. Project types that do not require EHP reviews include mitigation planning, building code adoption and enforcement, and zoning and land-use planning.

Engineering

Program approval of engineering contracts (if financed through the Program), construction plans and construction contract specifications, as well as construction contract award is required as part of all NJ CHAMP applications.

Project sponsors are initially required to submit draft contract documents, including:

- Certification that the project sponsor has not and shall not enter into any contract with any person debarred/suspended from government contracting;
- Certification that the project sponsor and its contractors shall comply with discrimination and affirmative action provisions of N.J.S.A. 10:2-1 through 10:2-4;
- Disclosure of Investment Activities in Iran form; and
- Certification of Non-Involvement in Prohibited Activities in Russia or Belarus form.

Project sponsors are also required to submit draft documents (e.g., Plans & Specifications) produced by a licensed professional engineer including but not limited to the following:

- A set of detailed plan drawings including site plan/section/elevation views;
- Current NJ prevailing wage rates;
- Bonding (performance, payment, maintenance as applicable) (N.J.S.A. 40A:2-1 et seq. and N.J.S.A. 40A:3-1 et seq.);
- Competition, brand name or equal unless otherwise justified (N.J.S.A. 40A:11-13(d));
- Equal Employment Opportunity certification form;
- Affidavit of Non-Collusion form;
- Certification of Non-Segregated Facilities form;
- Disclosure of Investment Activities in Iran form; and
- Certification of Non-Involvement in Prohibited Activities in Russia or Belarus form.

NJ CHAMP retains the right to elicit additional information from the project sponsor in conducting its review of either a project's potential environmental impacts or engineering compliance with governing regulations.

Prevailing Wage/Permitting

NJ CHAMP borrowers are required to pay not less than the prevailing wage rate to workers employed in the performance of any construction contract pursuant to P.L.1963, c.150 (C.34:11-56.25 et seq.) and P.L.1985, c.334 s.26 (N.J.S.A. 58:11b-26(b)), as applicable. Project sponsors are furnished with relevant provisions to be inserted in contract specifications during the application process.

NJ CHAMP borrowers are required to satisfy relevant NJ State permits.

Construction Contract Advertisement/Award

Upon the I-Bank's approval of the application and technical submissions for each contract as compliant with NJ CHAMP requirements, the I-Bank will authorize the borrower to advertise and award the contract in accordance with the provisions of New Jersey's Local Public Contracts Law N.J.S.A. 40A:11-1 et seq. Borrowers shall submit construction bids, an official action authorizing the construction award, and an executed construction contract within 24 months of loan closing and within 120 days of issuance of the I-Bank's Authorization to Advertise. Failure to award construction in a manner compliant with the provisions of this paragraph shall result in the immediate revocation of the Authorization to Advertise, require the immediate repayment of the loan with reference to the stated contract and render the contract ineligible for I-Bank funding. If a project is compliant with the requirements of, and has received approval for assistance from, another FEMA Grant program, the I-Bank will rely on the previously obtained approvals, as applicable, in lieu of the review requirements listed in this section above.

I-Bank Project Certification – For a Project to receive NJ CHAMP financing, the I-Bank must certify that a Project's component contracts satisfy NJ CHAMP program requirements in compliance with the STORM Act (e.g., engineering contract certification is a determination that costs associated with a Project's environmental planning and/or engineering design are eligible for financing, and construction contract certification is a determination by the NJ CHAMP program staff that construction costs are eligible for financing).

Credit Approval – All Borrowers that receive a form of loan financing from the I-Bank are required to satisfy the I-Bank's Credit Policy. In brief, all project sponsors are required to have no less than an investment grade rating (e.g., at least BBB+, Baa1, or BBB+) or two investment grade ratings if the lower of the two ratings is BBB/Baa2/BBB, or BBB-/Baa3/BBB-from Fitch Ratings, Moody's Investors Service or Standard & Poor's Ratings, respectively. There are limited exceptions to this requirement listed in the Credit Policy (e.g., the ability of a borrower to supply the I-Bank with a Municipal Qualified Bond Act bond pursuant to State Law wherein the NJ State Treasurer pays the borrower's debt service directly to the bond Trustee from State Aid that the borrower would otherwise receive from the State Treasurer). In addition, each project sponsor is required to secure its note or bond to the I-Bank with a General Obligation tax pledge.

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APPENDIX A.2

Financial Planning Methodology:

I-Bank Credit Policy

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APPENDIX A.3

Financial Planning Methodology:

I-Bank Investment Policy

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APPENDIX B

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APPENDIX B.1

Loan Distribution Methodology

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Loan Distribution Methodology

NJ CHAMP will offer loans at a one percent (1%) interest rate designed to significantly reduce the financing cost for a Borrower participating in the Program relative to the financing cost associated with independent financing by that Borrower.

Each Project financed through NJ CHAMP will receive a loan to finance the cost of engineering work and construction, as well as certain soft costs. Borrowers are not obligated to make repayments until the Effective Date, generally at construction completion, at which time the loan amount and schedule of repayment is set. This structure offers: (i) low-cost capital (through a flexible loan) from Project design through construction completion; (ii) generally, no debt service repayment until after construction completion; (iii) a loan maturity that is the lesser of the Project's useful life (as certified by the Project Sponsor's engineer) or 10, 15 or 20 years (30 years for low-income geographic areas as defined at 42 U.S.C. § 5135(m)(5)); and (iv) significantly lower interest rates on loans compared to independent financing by the Project Sponsor.

Project Sponsors may close on a loan for the entire eligible cost of the project after the I-Bank has certified at least one of the Project's contract(s) (e.g., engineering, construction management, or construction). Funds become available to the Project Sponsor for eligible Project costs upon loan closing and each individual contract certification and are disbursed upon the I-Bank's receipt and approval of requisitions and contractor invoices. Loan interest rates will be charged at a fixed rate of one percent (1%), consistent with the requirements of the STORM Act. The Borrower is generally not obligated to repay principal or interest during the term of the design and construction phases of the loan. Interest charges are accrued and may be capitalized for the term of the loan for up to six months after construction completion. The loan draw period is generally termed out at the earlier of construction completion or five (5) years. Payments of principal, interest, and fees commence after the Effective Date of the Loan.

Assuming the Project Sponsor has the requisite approvals in place, loans are available within as little as three (3) weeks of receiving (i) I-Bank contract certification, (ii) approval by the Director of Local Government Services, and (iii) satisfaction of NJ CHAMP's creditworthiness standards defined in the I-Bank Credit Policy. Loan maturity has a maximum term equal to 10, 15 or 20 years (30 years for low-income geographic areas as defined at 42 U.S.C. § 5135(m)(5)), as determined by the size of the Loan.

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APPENDIX C

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APPENDIX C.1

Project Proposal List Prioritization Methodology

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Project Proposal List Prioritization Methodology

The following information illustrates the ranking and scoring system utilized by NJ CHAMP to evaluate each project financing application for prioritization.

#	Criteria	Potential Total Points
1	Project is located in an area designated as a Disadvantaged Community as defined by the Centers for Disease Control and Prevention (CDC) Social Vulnerability Index (SVI). Note: Areas with a CDC SVI greater than or equal to 0.60, as well as geographic areas within Tribal jurisdictions are considered disadvantaged.	25
2	Project is located in a low-income geographic area as defined in 42 U.S.C. § 5135 (m)(6).	25
3	Risk Reduction/Resilience Effectiveness – the project will reduce risk and increase resilience. Point Breakdown: 1. Creates a safer community by reducing loss of life and property (10); 2. Enables individuals to recover more rapidly from floods and other disasters (5); 3. Lessens the financial impact on the Treasury, States, Tribes, and communities (5)	20
4	Repetitive loss – project will mitigate repetitive losses related to two (2) or more documented insurance and/or FEMA claims	20
5	Repetitive loss – project will mitigate repetitive losses related to one (1) documented insurance and/or FEMA claim	10
6	Climate Change and Other Future Conditions - the project will enhance climate adaptation and resilience and be responsive to the effects of climate change ¹ (such as sea level rise ²) and/or other future conditions (population/demographic/land use, etc.)	10
7	Project aligns with the statutory objectives of the State’s current Hazard Mitigation Plan.	10
8	Incorporation of nature-based solutions for hazard mitigation. For more information on potential nature-based solutions, please reference Building Community Resilience with Nature-Based Solutions: A Guide for Local Communities .	5
9	Designation as an Economically Disadvantaged Rural Community (as defined in 42 U.S.C. § 5133(a) as a small, impoverished community), or a federally recognized Tribal government, or any community with a CDC SVI of 0.80 or higher.	5
10	Project addresses multiple hazards or related to a larger and/or externally funded Hazard Mitigation project.	5

¹. Climate change is defined as “Changes in average weather conditions that persist over multiple decades or longer. Climate change encompasses both increases and decreases in temperature, as well as shifts in precipitation, changing risk of certain types of severe weather events, and changes to other features of the climate system.” ([Fourth National Climate Assessment](#) applies definition set forth in the U.S. Global Change Research Program [glossary](#))

². May use any valid source that is based on recognized sea level rise estimation methods for sea level rise. Several federal government sources are available for relative sea level rise data along coastal areas. Some of these sources include, but are not limited to National Oceanic and Atmospheric Administration Center for Operational Oceanographic Products and Services’ Mean Annual SLR Trend Data (<https://tidesandcurrents.noaa.gov/sltrends/sltrends.html>) and U.S. Army Corps of Engineers Sea-Level Change Curve Calculator (Version 2022.72) (https://cwbi-app.sec.usace.army.mil/rcslc/slcc_calc.html).

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APPENDIX C.2

Project Proposal List