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FEB - 1 2012

State of New Jersey
Department of Environmental Protection
Clean Water Financing Program/State Revolving Fund

**PROPOSED AMENDMENTS TO
THE FFY2011 PRIORITY SYSTEM, INTENDED USE PLAN,
AND PROJECT PRIORITY LIST**

February 2, 2012

Introduction

In August 2010, the Department issued its FFY2011 Clean Water Priority System Intended Use Plan and Project Priority List proposal document to solicit interest in the FFY2011/SFY2012 Financing Program and explain the Department's funding policies for the forthcoming financing cycle. In January, 2011, the Department issued amendments to announce a second chance opportunity for project sponsors, to change the financing terms and to establish a project ranking methodology, funding policies and issue a "Call for Projects" that are designed to remove pollutants that adversely impact the Barnegat Bay.

The Department is proposing to amend the FFY2011/SFY2012 Priority System document to allow any of the Barnegat Bay basin retrofit projects listed in the approved SFY2012 legislation that are able to submit complete, planning, design and a loan application on or before **April 2, 2012**, an opportunity to be financed in the SFY2012 Program and the ability to receive up to 25% of their funding in the form of a principal forgiveness loan. The ability of the Department to approve financing for these projects under the current approved legislation expires on June 30, 2012 and all approvals and loan awards must occur on or before that date. Project sponsors interested in this package are encouraged to apply for all necessary permits and approvals and submit complete documents as soon as possible to allow sufficient time for Department approvals and public bidding before the end of the fiscal year.

Public Review and Comment

On February 2, 2012, the Department distributed a public notice that describes the proposed changes and that announced the availability of this amendment to the FFY2011 Priority System/Intended Use Plan proposal. The notice was also posted at <http://www.nj.gov/dep/dwq/cwpl.htm> and <http://www.njcit.org/> and was distributed via a mailing to the standard mailing list of potential project sponsors and other interested parties.

The comment period for this proposal will close on March 5, 2012.

Written comments on the proposed amendments should be submitted to:

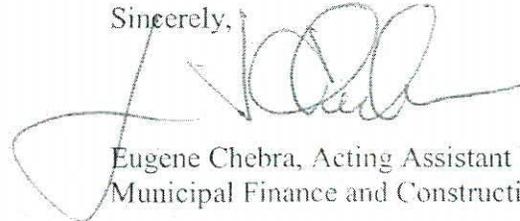
Mail Code 401-03D
NJ Department of Environmental Protection
Eugene Chebra, Acting Assistant Director
Municipal Finance and Construction Element
P.O. Box 420
Trenton, NJ, 08625-0420

All comments submitted in accordance with the deadline will be considered in the preparation of the final FFY2011 Priority System/Intended Use Plan documents, as amended.

If you have any questions, please contact:

Scott Shymon, Acting Chief, Policy, Program Development and Administration	609-292-3144
Steve Betz, Acting Chief, Bureau of Engineering and Environmental Reviews	609-633-1170
Gautam Patel, Chief, Bureau of Construction and TWA/CSO Permitting	609-633-1180

Sincerely,

A handwritten signature in black ink, appearing to read 'Eugene Chebra', written over a large, faint circular stamp or watermark.

Eugene Chebra, Acting Assistant Director
Municipal Finance and Construction Element

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Department of Environmental Protection
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AND PROJECT PRIORITY LIST**

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Introduction

In July 2011, the Department issued its FFY2012 Clean Water Priority System Intended Use Plan and Project Priority List proposal document to solicit interest in the FFY2012/SFY2013 Financing Program and explain the Department's funding policies for the forthcoming financing cycle. The proposal was open for public comment and sponsors of 56 projects totaling more than \$346 million submitted initial requests for funding in October 2011.

The Department is proposing three amendments to the original proposal as outlined below:

1. To announce a **second chance** opportunity to allow project sponsors **statewide**, that missed the initial deadline in October 2011, to participate in the FFY2012/SFY2013 Program,
2. To redirect principal forgiveness funding from the base program and offer **incentivized financing** to projects that utilize green technologies to help mitigate stormwater runoff in the **Barnegat Bay Watershed**, as well as providing a renewed opportunity for all Barnegat Bay stormwater runoff mitigation projects to participate in the SFY2013 Program with extended deadlines, and
3. To create a **new classification** for projects that were not able to meet the SFY2012 financing deadlines but will receive all the necessary approvals and are awarded Interim Loans on or before April 20, 2012. This new class of projects or legacy projects will be prioritized over any new projects seeking loans in the SFY2013 Program (including second chance projects noted above).

The amendments are designed to encourage owners and operators of wastewater treatment systems and stormwater management facilities to take advantage of the low-cost financing available through the SFY2013 Environmental Infrastructure Financing Program.

Second Chance Provisions

The Department is proposing to include a second chance opportunity to accommodate project sponsors that missed the initial commitment letter and planning document deadline of October 3, 2011 to participate in the FFY2012/ SFY2013 Financing Program. Sponsors of such projects are required to satisfy the following requirements by the deadlines identified below:

FFY2012/SFY2013 Loan Program Schedule SECOND CHANCE PROJECTS ONLY	
Activity	Deadline
Commitment Letter (Letter of Intent), Planning, Design and Loan Application	March 5, 2012

Sponsors of projects not currently listed on the FFY2012 Priority List will also need to submit basic project information with their commitment letter (Letter of Intent) in order to be considered for the second chance opportunity in the FFY2012/SFY2013 Financing Program. The submittal of an electronic copy of the Letter of Intent must be submitted to the Trust in electronic format by close of business on **March 5, 2012**. All electronic submissions must be on CD or DVD in PDF, TIFF, or JPG format. Please refer to www.njcit.org/forms.htm for further guidance.

Second chance project sponsors must also provide proof that all applicable DEP permits/approvals that are required to implement the proposed project have been applied for on or before **March 5, 2012**.

Second chance projects will be eligible for loans (at one-quarter the market rate) in the SFY2013 Financing Program provided the project meets the program requirements in a timely manner and that there are sufficient CWSRF monies based on the project's rank. Second chance projects will be ranked in accordance with the FFY2012 Priority System and assigned a rank below the projects that met the October deadline which have been identified in the January Report to Legislature.

Incentivized Financing for Barnegat Bay Projects

All projects that utilize green infrastructure practices to remove pollutants that adversely impact the Barnegat Bay approved in the FFY2012/SFY2013 Financing Program qualify for principal forgiveness up to 25% of the allowable project costs, not to exceed \$2 million per project sponsor. As part of this change, the Department is proposing to commit the full amount of principal forgiveness available to the State through its FFY2012 allotment to benefit high-ranking projects on the Priority List to stormwater runoff mitigation projects in the Barnegat Bay Watershed that utilize green practices. Principal forgiveness will be awarded to the projects in priority order until the funds set aside are fully utilized.

Green infrastructure practices including various types of bioretention and infiltration techniques, permeable pavement, and water harvesting, including the following activities:

- Implementation of a green streets program and wet weather management systems for parking areas, and the use of permeable pavement, bioretention, trees, green roofs and other practices such as constructed wetlands that can be designed to mimic natural hydrology and reduce effective imperviousness,
- Stormwater harvesting and reuse projects, such as cisterns, tree boxes and other systems that allow for the collection/storage/utilization of stormwater as a resource,
- Downspout disconnection and comprehensive retrofit programs to minimize stormwater runoff, such as green walls, urban reforestation, bioretention cells, removal of impervious cover and replantings, etc., and

- Establishment or restoration of riparian buffers, floodplains, wetlands and other natural features, including vegetated buffers and the management of wetlands to improve water quality and reduce runoff, including constructed wetlands.

Local governmental units in the Barnegat Bay Watershed can also apply for low-cost financing for a wide variety of stormwater and nonpoint source control projects including, but not limited to, the following:

- Lake dredging,
- Street Sweepers and other equipment purchases,
- Land acquisition and conservation measures,
- Land acquisition for siting a new, or expanding an existing, stormwater basin,
- Stormwater outfall relocation or extension,
- Installation of tide gates,
- Stormwater sewer system rehabilitation,
- Replacement of existing storm drains,
- End-of-pipe treatment devices,
- Salt domes, and
- Other nonpoint source controls.

Sponsors of such projects are required to satisfy the following requirements by the deadlines identified below:

FFY2012/SFY2013 Loan Program Schedule BARNEGAT BAY SECOND CHANCE PROJECTS ONLY	
Activity	Deadline
Commitment Letter (Letter of Intent)	March 5, 2012
Planning Documents	July 2, 2012
Design Documents and Loan Application	August 27, 2012

Sponsors of projects not currently listed on the FFY2012 Priority List will also need to submit basic project information with their commitment letter (Letter of Intent) in order to be considered in the FFY2012/SFY2013 Financing Program. The submittal of an electronic copy of the Letter of Intent must be submitted to the Trust in electronic format by close of business on **March 5, 2012**. All electronic submissions must be on CD or DVD in PDF, TIFF, or JPG format. Please refer to www.njeit.org/forms.htm for further guidance. Second chance project sponsors must also provide proof that all applicable DEP permits/ approvals that are required to implement the proposed project have been applied for on or before August 27, 2012.

Failure of the project sponsor to submit the Letter of Intent, complete planning documents, design documents and applications within the time periods specified in the Priority System, Intended Use Plan and Project Priority List for the specified State fiscal year(s) will result in the Department's bypassing of the project sponsor's project unless the Department, at its discretion, approves, for good cause, an extension to these periods. Written notice of a bypass action shall be sent to the project sponsor. As a result of such an action, the project on the Project Priority List shall become ineligible to receive a Fund loan in SFY2013. This may allow the next highest ranked project to fall within the fundable range on the Project Priority List.

Legacy Projects

The Department is proposing to create a new classification for projects that receive all the necessary approvals and are awarded an Interim Loan on or before April 20, 2012, but are approved too late in the fiscal year to escrow close on a Trust loan in March 2012 and be included in the Trust's bond sale scheduled for April 2012. This new class of projects or legacy projects will be prioritized over any new projects seeking loans in the SFY2013 Program (including second chance projects).

Projects eligible for financing in the 2013 Program will be offered loan awards in the following order: (1) Supplemental Loans, (2) Emergency Projects, (3) Legacy Projects, (4) New Projects in rank order based on Project Priority List ranking methodology that met the initial program deadline in October 2011 and (5) second chance projects.

Public Review and Comment

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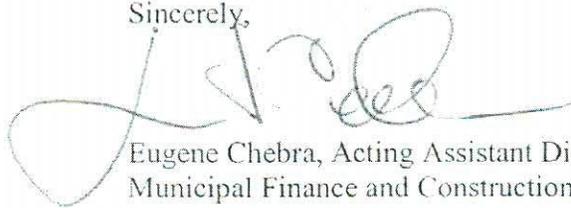
Mail Code 401-03D
NJ Department of Environmental Protection
Eugene Chebra, Acting Assistant Director
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