

schedule a substance in schedule I on a temporary basis. Such an order may not be issued before the expiration of 30 days from (1) the publication of a notice in the **Federal Register** of the intention to issue such order and the grounds upon which such order is to be issued, and (2) the date that notice of a proposed temporary scheduling order is transmitted to the Assistant Secretary of HHS. 21 U.S.C. 811(h)(1).

Inasmuch as section 201(h) of the CSA directs that temporary scheduling actions be issued by order and sets forth the procedures by which such orders are to be issued, the DEA believes that the notice and comment requirements of section 553 of the Administrative Procedure Act (APA), 5 U.S.C. 553, do not apply to this temporary scheduling action. In the alternative, even assuming that this action might be subject to section 553 of the APA, the Deputy Administrator finds that there is good cause to forgo the notice and comment requirements of section 553, as any further delays in the process for issuance of temporary scheduling orders would be impracticable and contrary to the public interest in view of the manifest urgency to avoid an imminent hazard to the public safety.

Further, the DEA believes that this temporary scheduling action final order is not a "rule" as defined by 5 U.S.C. 601(2), and, accordingly, is not subject to the requirements of the Regulatory Flexibility Act (RFA). The requirements for the preparation of an initial regulatory flexibility analysis in 5 U.S.C. 603(a) are not applicable where, as here, the DEA is not required by section 553 of the APA or any other law to publish a general notice of proposed rulemaking. Additionally, this action is not a significant regulatory action as defined by Executive Order 12866 (Regulatory Planning and Review), section 3(f), and, accordingly, this action has not been reviewed by the Office of Management and Budget (OMB).

This action will not have substantial direct effects on the States, on the relationship between the national government and the States, or on the distribution of power and responsibilities among the various levels of government. Therefore, in accordance with Executive Order 13132 (Federalism) it is determined that this action does not have sufficient federalism implications to warrant the preparation of a Federalism Assessment.

Pursuant to section 808(2) of the Congressional Review Act (CRA), "any rule for which an agency for good cause finds...that notice and public procedure thereon are impracticable, unnecessary,

or contrary to the public interest, shall take effect at such time as the Federal agency promulgating the rule determines." It is in the public interest to schedule these substances immediately because they pose a public health risk. This temporary scheduling action is taken pursuant to section 811(h), which is specifically designed to enable the DEA to act in an expeditious manner to avoid an imminent hazard to the public safety from new or designer drugs or abuse of those drugs. Section 811(h) exempts the temporary scheduling order from standard notice and comment rulemaking procedures to ensure that the process moves swiftly. For the same reasons that underlie section 811(h), that is, the DEA's need to move quickly to place these substances into schedule I because they pose a threat to public health, it would be contrary to the public interest to delay implementation of the temporary scheduling order. Therefore, in accordance with section 808(2) of the CRA, this order shall take effect immediately upon its publication.

List of Subjects in 21 CFR Part 1308

Administrative practice and procedure, Drug traffic control, Reporting and recordkeeping requirements.

Under the authority vested in the Attorney General by section 201(h) of the CSA, 21 U.S.C. 811(h), and delegated to the Deputy Administrator of the DEA by Department of Justice regulations, 28 CFR 0.100, Appendix to Subpart R, the Deputy Administrator hereby intends to order that 21 CFR part 1308 be amended as follows:

PART 1308—SCHEDULES OF CONTROLLED SUBSTANCES

- 1. The authority citation for part 1308 continues to read as follows:

Authority: 21 U.S.C. 811, 812, 871(b), unless otherwise noted.

- 2. Section 1308.11 is amended by adding paragraphs (h)(12), (13), and (14) to read as follows:

§ 1308.11 Schedule I.

* * * * *

(h) * * *

(12) 2-(4-iodo-2,5-dimethoxyphenyl)-N-(2-methoxybenzyl)ethanamine, its optical, positional, and geometric isomers, salts and salts of isomers—7538 (Other names: 25I-NBOMe; 2C-I-NBOMe; 25I; Cimbi-5)

(13) 2-(4-chloro-2,5-dimethoxyphenyl)-N-(2-methoxybenzyl)ethanamine, its optical, positional, and geometric isomers, salts and salts of isomers—7537 (Other

names: 25C-NBOMe; 2C-C-NBOMe; 25C; Cimbi-82)

(14) 2-(4-bromo-2,5-dimethoxyphenyl)-N-(2-methoxybenzyl)ethanamine, its optical, positional, and geometric isomers, salts and salts of isomers—7536

(Other names: 25B-NBOMe; 2C-B-NBOMe; 25B; Cimbi-36)

Dated: November 7, 2013.

Thomas M. Harrigan,
Deputy Administrator.

[FR Doc. 2013-27315 Filed 11-14-13; 8:45 am]

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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

24 CFR Parts 50, 55, and 58

[Docket No. FR-5423-F-02]

RIN 2501-AD51

Floodplain Management and Protection of Wetlands

AGENCY: Office of the Secretary, HUD.

ACTION: Final rule.

SUMMARY: This final rule revises HUD's regulations governing the protection of wetlands and floodplains. With respect to wetlands, the rule codifies existing procedures for Executive Order 11990 (E.O. 11990), Protection of Wetlands. HUD's policy has been to require the use of the 8-Step Process for floodplains for wetlands actions performed by HUD or actions performed with HUD financial assistance. This rule codifies this wetlands policy and improves consistency and increases transparency by placing the E.O. 11990 requirements in regulation. In certain instances, the new wetlands procedures will allow recipients of HUD assistance to use individual permits issued under section 404 of the Clean Water Act (Section 404 permits) in lieu of 5 steps of the E.O. 11990's 8-Step Process, streamlining the wetlands decisionmaking processes. With respect to floodplains, with some exceptions, the rule prohibits HUD funding (e.g., Community Development Block Grants, HOME Investment Partnerships Program, Choice Neighborhoods, and others) or Federal Housing Administration (FHA) mortgage insurance for construction in Coastal High Hazard Areas. In order to ensure maximum protection for communities and wise investment of Federal resources in the face of current and future risk, this final rule also requires the use of preliminary flood maps and advisory base flood elevations where the Federal Emergency

Management Agency (FEMA) has determined that existing Flood Insurance Rate Maps (FIRMs) may not be the “best available information” for floodplain management purposes. This change in map usage requirements brings HUD’s regulations into alignment with the requirement in Executive Order 11988 that agencies are to use the “best available information” and will provide greater consistency with floodplain management activities across HUD and FEMA programs. The rule also streamlines floodplain and wetland environmental procedures to avoid unnecessary processing delays. The procedures set forth in this rule would apply to HUD and to state, tribal, and local governments when they are responsible for environmental reviews under HUD programs.

DATES: Effective December 16, 2013.

FOR FURTHER INFORMATION CONTACT:

Danielle Schopp, Director, Office of Environment and Energy, Office of Community Planning and Development, Department of Housing and Urban Development, 451 7th Street SW., Room 7250, Washington, DC 20410–8000. For inquiry by phone or email, contact Jeremiah Sanders, Environmental Review Division, Office of Environment and Energy, Office of Community Planning and Development, at 202–402–4571 (this is not a toll-free number) or at Jerimiah.J.Sanders@hud.gov. Persons with hearing or speech impairments may access this number through TTY by calling the Federal Relay Service at 800–877–8339 (this is a toll-free number).

SUPPLEMENTARY INFORMATION:

I. Background

A. The December 12, 2011, Proposed Rule

Federal departments and agencies (agencies) are charged by E.O. 11990, entitled Protection of Wetlands, dated May 24, 1977 (42 FR 26961) and Executive Order 11988 (E.O. 11988), entitled “Floodplain Management,” dated May 24, 1977 (42 FR 26951), with incorporating floodplain management goals and wetland protection considerations in their respective planning, regulatory, and decisionmaking processes. A floodplain refers to the lowland and relatively flat areas adjoining inland and coastal waters including flood-prone areas of offshore islands that, at a minimum, are subject to a one percent or greater chance of flooding in any given year (often referred to as the “100-year” flood). Wetlands refers to those areas that are inundated by surface or ground water with a frequency sufficient to support, and under normal

circumstances does or would support, a prevalence of vegetative or aquatic life that requires saturated or seasonally saturated soil conditions for growth and reproduction. Wetlands generally include swamps, marshes, bogs, and similar areas, such as sloughs, potholes, wet meadows, river overflows, mud flats, and natural ponds.

On December 12, 2011, HUD proposed revising its regulations governing floodplain management (76 FR 77162, as corrected by 76 FR 79145) to codify the procedures applicable to wetlands authorized by E.O. 11990. The procedures authorized by E.O. 11990, which focus on protection of wetlands, require the completion of an 8-step process referred to as the “8-Step Process” of evaluation, public notice, environmental review, and evaluation of alternatives. This review and evaluation process is similar to the process required for protection of floodplains under E.O. 11988, Floodplain Management, which is already codified in HUD regulations, (See 24 CFR 55.20).

The 8-Step Process is administered by HUD, state governments, units of general local government, or tribal governments. Step 1 requires a determination regarding whether or not the proposed project to be developed with HUD financial assistance will be in a wetland. If the project is in a wetland, Step 2 requires that public notice be issued to inform interested parties that a proposal to consider an action in a wetland has been made. Following this notice, Step 3 requires the identification and evaluation of practicable alternatives to avoid locating the project in a wetland. Step 4 requires the identification and evaluation of the potential direct and indirect impacts associated with the occupancy or modification of wetlands. Step 4 also requires the identification of the potential direct support of wetlands development, such as housing or public-service structures that require additional investment such as food service or parking, and indirect support of wetlands development that can be caused by infrastructure, such as water and waste water systems for the development that could induce further development due to proximity to the wetland. Step 5 requires an analysis of practicable modifications and changes to the proposal to minimize adverse impacts to the wetlands and to the project as a result of its proposed location in wetlands. Under Step 6, the practicable alternatives developed under Step 3 are evaluated. If there is no practicable alternative to the proposed wetland development, Step 7 requires a second notice to be issued to the public

stating that the decision has been made and providing details associated with the decision. After this second notice, Step 8 implements the action, including any mitigating measures established during the decisionmaking process. The December 12, 2011, rule also proposed requiring appropriate compensatory mitigation for adverse impacts to more than one acre of wetlands.

The December 12, 2011, rule also proposed streamlining the wetlands decisionmaking process by allowing HUD and HUD’s recipients of assistance to use permits issued under section 404 of the Clean Water Act (33 U.S.C. 1344) (Section 404) in lieu of performing the first 5 steps of the 8-Step Process. Section 404 of the Clean Water Act establishes a program to regulate the discharge of dredged or fill material into waters of the United States, including wetlands. Activities in waters of the United States regulated under this program include fill for development, water resource projects (such as dams and levees), infrastructure development (such as highways and airports) and mining projects. Section 404 requires a permit before dredged or fill material may be discharged into waters of the United States, unless the activity is exempt from Section 404 regulation (e.g., certain farming and forestry activities). In order to obtain a permit, an applicant must show that it has: (1) Taken steps to avoid wetland impacts, (2) minimized potential impacts on wetlands, and (3) provided compensation for any remaining unavoidable impacts.

The use of Section 404 permits was proposed to reduce costs and the processing time for complying with parts of the 8-Step Process. The proposed rule provided that if the applicant had obtained an individual Section 404 permit and submitted the permit with its application for a HUD program, then HUD or a responsible entity assuming HUD’s authority need complete only the last 3 steps of the 8-Step Process. The rule also proposed to streamline project approvals by expanding the use of the current “5-Step Process” for repairs, rehabilitations, and improvements to facilitate rehabilitation of certain residential and nonresidential properties.

Several other changes were proposed by the December 12, 2011, rule including a proposal to require the use of FEMA’s preliminary flood maps and advisory base flood elevations in post-disaster situations where the FEMA has determined that the official FIRMs may not be the most up-to-date information. In addition, the proposed rule suggested exempting certain activities, such as

leasing some already insured structures, allowing entities to adopt previous reviews performed by a responsible entity or HUD, and modifying a categorical exclusion from review under the National Environmental Policy Act of 1969 (NEPA). Further, the rule proposed prohibiting HUD funding or FHA mortgage insurance for the construction of new structures in Coastal High Hazard Areas. The rule also proposed to encourage nonstructural floodplain management, when possible, to encourage resiliency. When HUD or a recipient analyzes alternatives, the nonstructural alternative should be chosen if all other factors are considered to be equal. For a full discussion of the proposed rule, please see the December 12, 2011 **Federal Register** (76 FR 77162).

B. Solicitation of Specific Comment on Requiring That Critical Actions Be Undertaken at the 500-Year Base Flood Elevation

HUD's proposed rule also solicited specific comment regarding a potential change to § 55.20(e), Step 5 of the "Decisionmaking process" to require that all new construction of "critical actions" in the 100- or 500-year floodplain be elevated to the 500-year base flood elevation. While HUD received comments on this issue, which will be discussed later in this preamble, HUD has decided not to make any changes to address this issue at this time. HUD will continue to research the impact of allowing critical actions below the 500-year base flood elevation.

C. This Final Rule

This final rule follows publication of the December 12, 2011, proposed rule. HUD received four public comments, which are detailed in the section of this preamble labeled "Discussion of Public Comments received on the December 12, 2011 Proposed Rule," and is making several changes in response to public comment. In addition, HUD is making selected changes in the final rule to provide greater consistency between the regulatory text, the intent expressed in the proposed rule preamble language, paragraph 2(b) of E.O. 11990, and other codified HUD regulations. HUD is also revising § 55.20(a) to make it more consistent with the preamble of the proposed rule and the requirements of E.O. 11990. Section 55.28 is also revised to make it more consistent with the preamble of the proposed rule and section 404 of the Clean Water Act.

A summary of key changes in the final rule from the proposed rule follow.

Changes made in response to public comments.

- Clarification of § 55.1(c)(3), which describes the exceptions to the prohibition on HUD financial assistance for noncritical actions in high hazard areas, to allow "infrastructure" improvements and reconstruction following destruction caused by a disaster in Coastal High Hazard Areas. This change is intended to reduce confusion. It also narrows the proposed prohibition and makes HUD's policies for grantees more consistent with FEMA policies. Section 55.11(c) is also revised to make the table in this section consistent with § 55.1(c)(3).

- Revision of the definition of Coastal High Hazard Areas in § 55.2(b)(1) to allow FEMA flood insurance studies to be used in addition to flood insurance maps in making the determinations of the boundaries of the Coastal High Hazard Areas, 100- and 500-year floodplains, and floodways. HUD is also clarifying that when available, the latest interim FEMA information, such as advisory base flood elevations or preliminary maps or studies, shall be used as the source of these designations.

- Modification of the definition of wetlands in § 55.2(b)(11) to cover manmade wetlands in order to ensure that wetlands built for mitigation would be preserved as natural wetlands would be preserved.

- Revision of the scope of assistance eligible for the 5-Step Process in § 55.12(a)(3) by providing that certain types of projects not be categorized as substantial improvements as defined by § 55.2(b)(10). Projects that are "substantial improvements" remain subject to the 8-Step Process, while projects that fall below that rehabilitation threshold are eligible for the 5-Step Process for the residential and nonresidential rehabilitations at § 55.12(a)(3) and (4). This will allow less costly housing units and those housing units damaged by events to receive expedited processing, while more costly and more severely damaged units will continue to be subject to the full 8-Step Process.

Changes made to more closely align the regulatory text with the statutory language and the Executive Order.

- Revision of § 55.12(c) to remove the exclusion from part 55 for HUD's implementation of the full disclosure and other registration requirements of the Interstate Land Sales Disclosure Act (15 U.S.C. 1701–1720) (ILSDA). Section 1061(b)(7) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, 12 U.S.C. 5581(b)(7), transferred all of HUD's consumer protection functions under ILSDA to the Bureau of Consumer Financial Protection.

- Clarification of § 55.20(a), which describes Step 1 in the decisionmaking process. The change removes redundant language and clarifies that actions that result in new construction in a wetland are covered actions. The revised regulatory text is more consistent with E.O. 11990 and current policy to protect wetlands impacted by off-site actions. For example, it would now cover such situations as damming a stream, which could result in diking or impounding of wetlands offsite. This change will allow wetlands to be considered consistent with the hydrology of the land as opposed to the property boundaries that often do not reflect hydrological conditions. An estimated 275 8-Step Processes for wetlands and floodplains will be performed on HUD-assisted projects each year.

- Clarification of § 55.28(a)(2) to permit recipients of HUD assistance to use permits issued by state and tribal governments under section 404(h) of the Clean Water Act in lieu of 5 steps of the Executive Order's 8-Step Process. State agencies and tribes were specifically mentioned in the proposed rule preamble, and the terms are now included in the regulatory text to provide effective notice to affected parties that these entities are covered. Michigan and New Jersey currently exercise the authority under section 404(h) of the Clean Water Act to issue Section 404 permits.

II. Discussion of Public Comments Received on the December 12, 2011, Proposed Rule

By the close of the public comment period on February 10, 2012, HUD received four public comments on the proposed rule. Comments were submitted by two individuals; a national, nonprofit organization representing state floodplain managers; and the Floodplain Management Branch of FEMA. The comments generally expressed support for the proposed rule, but several raised questions about the rule or offered suggestions for additional amendments. After careful consideration of the issues raised by the commenters, HUD has decided to adopt the regulatory amendments as proposed, with some minor changes as already discussed.

The following section of this preamble summarizes the significant issues raised by the commenters on the December 12, 2011, proposed rule and HUD's responses to these comments. To ease review of the comments, the comments and responses are presented in the sequence of the sections presented for proposed amendment in the proposed rule.

Comment: Prohibit HUD funding or FHA multifamily mortgage insurance for construction of new structures in Coastal High Hazard Areas. One commenter supported the prohibition on construction in Coastal High Hazard Areas (V Zones, one of the FEMA-defined Special Flood Hazard Areas in the 100-year Floodplain) that was contained in the proposed rule. The commenter stated that HUD may, under existing regulations, fund construction activities in the Coastal High Hazard Area as long as the structures meet FEMA regulations establishing acceptable construction standards. The commenter referenced HUD's current policy in relationship to current FEMA regulations in 44 CFR 60.3(e), "Floodplain management criteria for flood-prone areas" and stated that these minimal construction standards would still result in significant residual risk and an increased flood risk, particularly given the current sea level rise projections. Accordingly, the commenter supported HUD's proposal to completely eliminate HUD funding for construction in these areas.

Another commenter addressing this issue stated that the regulatory text of proposed § 55.1(c)(3), which lists some regulatory exceptions to the general prohibition on HUD assistance, was not clear as to the meaning of "an improvement of an existing structure" and "reconstruction." The commenter also stated that it was unclear as to whether some definitions would be retained. In addition, the commenter suggested minimization for V Zones and floodways, which are defined in § 55.2(b)(4).

HUD Response. HUD appreciates these comments. In response, HUD has decided to clarify § 55.1(c)(3), which would prohibit the use of HUD financial assistance with respect to most noncritical actions in Coastal High Hazard Areas, by removing reference to improvements to existing "structures" and "structures" destroyed by disasters. HUD is making this clarification since HUD's proposed rule prohibited new construction of structures, a term that is defined by FEMA regulations at 44 CFR 9.4 to mean walled or roofed buildings, including mobile homes and gas or liquid storage tanks. HUD believes that referencing the term "structures" could be misinterpreted as limiting improvements of projects that are not structures under the FEMA regulations, such as roads and utility lines. Such an interpretation does not accurately describe current HUD regulations and policies or accurately portray the intent of the proposed rule changes. Namely, HUD has been interpreting currently

codified § 55.1(c)(3) to allow infrastructure reconstruction in V Zones. HUD has changed the language to "existing construction (including improvements)" to better describe the eligible activities and in order to make the provision more consistent with § 55.1(c)(3)(ii), which uses the term "existing construction." Under the same rationale, HUD has changed the § 55.1(c)(3) language from "reconstruction of a structure destroyed by a disaster" to "reconstruction following destruction caused by a disaster." HUD made the change to follow the intent of the proposed rule, which was not to limit reconstruction to structures alone. Additionally, these changes are consistent with the intent of the preamble to the December 12, 2011, proposed rule, which expresses HUD's goal of aligning HUD's development standards with those of FEMA grant programs.

Section 55.11(c) is also revised to make a corresponding change to a table in this section describing the type of proposed actions allowed in various locations.

Comment: The "Coastal High Hazard Area" definition is confusing and seems to address multiple topics. A commenter stated that too many references were made within the "Coastal High Hazard Area" definition at § 55.2(b)(1). The commenter also stated that the "Coastal High Hazard Area" definition is not consistent with that of the National Flood Insurance Program (NFIP). In addition, the commenter expressed concern as to whether other terms from the codified regulations not mentioned in the proposed rule would be retained.

HUD Response. HUD has decided to retain the current definition of "Coastal High Hazard Area" in order to maintain consistency with HUD's preexisting codified environmental regulations. This definition is also consistent with FEMA's "Coastal High Hazard Area" definition at 44 CFR 9.4, which is used for FEMA grant programs. Terms are retained as indicated in the proposed rule.

Comment: Require the use of preliminary flood maps, Flood Insurance Studies, and Advisory Base Flood Elevations where they may be deemed best available data. A commenter stated that HUD's requirement to use updated and preliminary data where existing official published data, such as FIRMs, is not the "best available information" is a useful course of action. The commenter also stated that past experience has shown that flood events frequently highlight the inadequacy of older flood

maps and studies. A commenter also recommended the use of Flood Insurance Studies (FIS).

HUD Response. HUD agrees with this comment and will, in the interest of public safety, require the use of the latest interim FEMA information. HUD has also added a reference to FIS at § 55.2(b)(1). In addition, HUD clarifies that, when available, the latest interim FEMA information, such as an Advisory Base Flood Elevation or preliminary map or study, is the best available information for the designation of flood hazard areas or equivalents. If FEMA information is unavailable or insufficiently detailed, other Federal, state, or local data may be used as "best available information" in accordance with E.O. 11988.

Comment: Mitigation banking should not be used in an urban area and this term should be restricted to areas of open space and significant environmental areas. Mitigation banking means the restoration, creation, enhancement, and, in exceptional circumstances, preservation of wetlands and/or other aquatic resources expressly for the purpose of providing compensatory mitigation in advance of authorized impacts to similar resources. A commenter stated that mitigation banking could be a "check the box" analysis.

HUD Response. HUD declines to adopt the commenter's recommendation, although HUD agrees that mitigation banking, or compensatory mitigation as defined in the rule, is not appropriate for all sites. Due to the various different state and local mitigation programs around the United States, HUD supports the flexibility to allow state and local governments to determine what is best for projects. For this reason, the definition of compensatory mitigation at § 55.2(b)(2) will remain broad as presented in the proposed rule.

Comment: The proposed definition of wetlands does not include manmade wetlands. The commenter stated that the Environmental Protection Agency (EPA) and United States Army Corps of Engineers (USACE) programs often create wetlands, and these wetlands are not covered by the definition.

HUD Response. HUD has clarified the definition based on the commenter's recommendation. The definition in the proposed rule is the definition that is stated in E.O. 11990. HUD has added a sentence to the regulatory text of § 55.2(b)(11) to ensure that the definition covers manmade wetlands under compensatory programs. The definition of wetlands at § 55.2(b)(11)

now includes “constructed wetlands” in the final regulatory text.

Comment: The Department of Fish and Wildlife should be involved in wetlands protection. One commenter stated that consultation with, or permit approvals from, the “Department of Fish and Wildlife” should be involved with wetlands protection.

HUD Response. HUD has decided not to revise the proposed rule language. HUD encourages its employees and recipients of financial assistance from HUD to consult with the United States Fish and Wildlife Service (USFWS). If the HUD employee or responsible entity wants to challenge the USFWS National Wetlands Inventory (NWI) maps, they must consult with the USFWS, under § 55.2(b)(11)(ii-iv). In addition, all federal requirements (including Section 404 permits) and state and local laws apply to HUD assistance.

Comment: HUD should include all available sources in wetlands evaluations. One commenter stated that all sources should be used in the wetlands evaluation and not just federal sources.

HUD Response. HUD declines to adopt the commenter’s recommendation. The final rule encourages the use of other sources in the wetlands evaluation after using the NWI maps as primary screening. HUD does not require, but recommends, other sources as well as the NWI maps. At § 55.2(b)(11)(iii), the regulatory text states: “As secondary screening used in conjunction with NWI maps, HUD or the responsible entity is encouraged to use the Department of Agriculture, Natural Resources Conservation Service (NRCS) National Soil Survey (NSS) and any state and local information concerning the location, boundaries, scale, and classification of wetlands within the action area.”

Comment: Opposition to HUD’s broadening the use of the 5-Step Process for repairs, rehabilitations, and improvements. One commenter opposed HUD’s proposal to broaden use of the 5-Step Process which eliminates the consideration of alternatives at Step 3, and the two notices at Step 2 and Step 7. The commenter stated that applications of the 5-Step Process as provided in the proposed rule would increase the possible risk to federal investments in these floodplain areas. The commenter also stated opposition to placing some critical actions under the 5-Step Process; for example, making hospitals and nursing homes, which are critical facilities that must be operable and accessible during flood events, eligible for the 5-Step Process. A commenter also questioned what was

meant by the terminology not “significantly increasing the footprint or paved areas.”

HUD Response. HUD declines to accept all of these recommendations, but has made some changes. HUD has found that the 5-Step Process has worked well for repairs, rehabilitations, and improvements under HUD mortgage insurance programs, and that using the full 8-Step Process for these activities has not resulted in significant differences in comments or project outcomes.

HUD has revised the proposed expansion of types of assistance subject to the 5-Step Process by requiring in paragraph (a)(3) and (a)(4) of § 55.12 that a project be below a threshold of a “substantial improvement” to be eligible for the 5-Step Process for residential and nonresidential rehabilitations.

“Substantial improvement” is generally defined as any repair, reconstruction, modernization, or improvement of a structure, the cost of which equals or exceeds 50 percent of the market value of the structure either: (1) before the improvement is started; or (2) if the structure has been damaged and is being restored, before the damage occurred. Setting the substantial improvement criteria as a threshold will allow less costly repairs and less damaged housing units to be subject to expedited processing, while more costly repairs and more severely damaged units will continue to be subject to the full 8-Step Process.

In general, HUD has not received public comments during its administration of the 8-Step notice and comment process for the vast majority of HUD or HUD-assisted projects that have not risen to the level of substantial improvements. However, the public remains welcome to inspect the full environmental review record developed on floodplain impacts, or any other aspect of environmental reviews.

HUD considers an increase in the footprint up to 10 percent not to be significant. This is consistent with the policy regarding reconstruction in V Zones under § 55.1(c)(3).

Comment: Exemption of certain activities from the 8-Step Process for floodplain management compliance. One commenter opposed the proposed exemptions for leasing structures (except those that are in floodways or Coastal High Hazard Areas, and critical actions in either the 100-year or 500-year floodplains), special projects to increase access for those with special needs, and activities involving ships or waterborne vessels. However, the commenter supported the exemption for

activities that preserve or enhance natural and beneficial functions of floodplains.

HUD Response. HUD declines to adopt the commenter’s recommendation to delete the exemptions proposed in the proposed rule, but appreciates the commenter’s statement supporting the proposed exemption of activities that preserve or restore beneficial functions.

HUD has found that the 8-Step Process has not been beneficial for projects that only allow access for those with special needs or involving ships and waterborne vessels due to the activities’ lack of impacts or alternatives. HUD supports greater participation in the National Flood Insurance Program. The exception for leasing requires the purchase of flood insurance for the structure. HUD also believes that the economic costs of the premiums and the financial protection of the property through insurance are adequate mitigation where the building is not owned by HUD or the recipient of financial assistance.

Comment: Environmental justice is an unresolved issue. One commenter questioned how environmental justice was addressed by HUD.

HUD Response. HUD is charged with addressing environmental justice under Executive Order 12898, Federal Actions to Address Environmental Justice in Minority Populations and Low-Income Populations (dated February 11, 1994 (59 FR 7629)). Executive Order 12898 requires Federal agencies to ensure that consideration is given to disproportionately high and adverse health and environmental effects on minority and low-income populations. This analysis is done on a site-by-site basis by determining the concentration of minority and low-income populations and then analyzing environmental and health risks in the area. Environmental justice is an integral part of HUD’s mission. HUD works with multiple stakeholders and other Federal agencies in its efforts to assure environmental justice concerns are addressed and are part of the environmental review for HUD-assisted projects. HUD recently published a final strategy on environmental justice. (See Department of Housing and Urban Development Summary of Public Comments, Response to Public Comments, and Final 2012–2015 Environmental Justice Strategy, dated April 16, 2012 (77 FR 22599)). For a copy of that notice see the following Web site: http://portal.hud.gov/hudportal/HUD?src=/program_offices/sustainable_housing_communities. HUD requires consideration of environmental justice as part of the floodplain management

process at § 55.20(c)(2)(ii). Additional background information on environmental justice and links can be found at the following Web site: http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/environment/review/justice.

Comment: HUD should include birds, fish, and wildlife in the floodplain evaluation. A commenter suggested that HUD include language specifying that effects on birds, fish, and wildlife be included in the final rule.

HUD Response. HUD believes that the proposed rule already included this language. The rule includes an evaluation of “Living resources such as flora and fauna” at § 55.20(d)(1)(ii). Fauna is typically interpreted to include all birds, fish, and wildlife of an area.

Comment: Infiltration and stormwater capture and reuse should have standards as they can be subject to contamination or disease. The commenter stated that oil and gas contamination as well as avian disease should be addressed and suggested that HUD impose standards.

HUD Response. HUD declines to adopt the commenter’s recommendation. HUD relies on other Federal, state, and local agencies to regulate water quality issues. Typically, stormwater capture and reuse involves a cistern to store the water pending reuse. This storage isolates the water from groundwater. In addition, this water is normally not used for human consumption. Instead, the water is most often used for toilets or landscaping. For these reasons, stormwater standards are beyond the scope of this rule and are unnecessary.

Infiltration, as used in this rule, relates only to flooding and is not meant to address industrial or other contamination issues. Any contamination issues should be addressed during the environmental review regulated under the processes established by § 50.3(i) or § 58.5(i)(2). If contamination issues cannot be sufficiently remediated, the project and HUD financial assistance should be cancelled, and these techniques should not be used under § 55.20(c)(1).

Comment: The evacuation plans and routes established by HUD are not feasible or enforceable. The commenter stated that the plans and routes were not feasible or enforceable, and that the responsible party for the evacuation plans and routes for critical actions was not clearly identified.

HUD Response. HUD declines to adopt any changes to the regulations as these issues are already addressed. Depending on the program, either HUD employees or state or local authorities

are responsible for approving these routes and plans. All routes and plans are included in the environmental record and subject to public review and monitoring by HUD staff. Further, the current language has been in the regulation for at least 18 years and has produced a number of evacuation plans for subject properties. HUD will continue to monitor its own employees and state and local authorities and to provide guidance regarding evacuation plans and routes. HUD also encourages its employees’ involvement with local emergency response staff to attain higher levels of preparedness and safety.

Comment: Allow HUD or a responsible entity to adopt previous review processes that were performed by another responsible entity or HUD. One commenter supported the provision in the proposed rule that allows reviews performed by HUD or a responsible entity under E.O. 11988 and E.O. 11990 to be adopted by HUD or a different responsible entity for the same project.

HUD Response. HUD agrees with the commenter and believes this provision will eliminate duplication and speed processing for projects receiving assistance from multiple programs.

Comment: Use permits issued under section 404 of the Clean Water Act for E.O. 11990, Protection of Wetlands, purposes. A commenter supported explicitly allowing HUD and HUD’s recipients of assistance to use permits issued by state and tribal governments under section 404 of the Clean Water Act (33 U.S.C. 1344) (Section 404) in lieu of performing the first 5 steps of the 8-Step Process.

HUD Response. HUD agrees with this comment and this provision remains in the final rule. HUD has changed the text of the rule to explicitly allow Section 404 permits issued by state and tribal governments under programs approved by EPA. HUD also discussed this policy in the preamble of the proposed rule, and accordingly, inclusion of specific language on state and tribal governments in the final rule language is consistent with the preamble of the proposed rule.

Comment: HUD should allow USACE nationwide permits issued under the authority provided by Section 404 to be used in lieu of 5 steps. One commenter requested that nationwide permits under Section 404 be allowed to be used in place of 5 of the steps of the 8-Step Process.¹ The commenter also requested

that these permits be allowed to substitute for 5 steps in the 8-Step Process for floodplains.

HUD Response. HUD cannot adopt the commenter’s recommendation as it is inconsistent with the requirements of E.O. 11988 to provide two notices to the public, it focuses on wetlands as opposed to floodplains, and it would not result in adequate permitting. Further, while HUD agrees that many wetlands are in 100-year floodplains, HUD is also aware of many wetlands that are not in floodplains. HUD does not believe that wetlands outside of the 100-year floodplain are rare on a nationwide basis and believes that the Department must provide for these situations in the rule.

HUD, therefore, cannot allow the abbreviated 3-Step Process to substitute for the 8-Step Process in floodplains, because E.O. 11988 requires two notices at sec. 2(a)(2) and (4) instead of just one notice as required by E.O. 11990. As a result, the single notice under the 3-Step Process would be insufficient for E.O. 11988 purposes. In addition, the USACE Section 404 permitting process does not provide notice or analysis regarding floodplain impacts, so the permitting process would not adequately address the 5 steps, for which HUD is allowing the permit, to substitute for the purposes of floodplains and E.O. 11988.

HUD has also chosen not to allow nationwide permits at this time because the permits are not as site-specific in nature as individual permits. While HUD supports the use of nationwide permits, it has chosen not to allow these permits to substitute for 5 steps of the process. HUD believes that the more intense review under individual permits is a better starting point to begin this process. If HUD and grantees encounter the anticipated high degree of success with the streamlined process provided by this rule using individual permits, HUD will consider expanding this streamlined process to nationwide permits. Additionally, any mitigation under the nationwide permit could be used as part of HUD’s 8-Step Process for E.O. 11990 compliance.

Comment: HUD should allow applicants to forego 5 steps of the 8-Step Process for wetlands before a Section 404 permit is secured. One commenter stated that it is an unreasonable hardship on the applicant to require the acquisition of a wetlands permit prior to

adverse effects on the aquatic environment. The NWP’s authorize a variety of activities, such as aids to navigation, utility lines, bank stabilization activities, road crossings, stream and wetland restoration activities, residential developments, mining activities, commercial shellfish aquaculture activities, and agricultural activities.

¹ USACE issues nationwide permits (NWP’s) to authorize certain activities that require Department of the Army permits under Section 404 of the Clean Water Act and/or Section 10 of the Rivers and Harbors Act of 1899. The NWP’s authorize activities that have minimal individual and cumulative

entering the abbreviated 3-Step wetlands process.

HUD Response. The 3-Step Process is only applicable when a permit has been granted. If the permit has not yet been granted, the public would not have access to supporting documentation that was necessary for the permit. This information is necessary for HUD to adequately perform the 8-Step Process and for HUD to provide adequate notice to the public as required by E.O. 11990 at sec. 2(b) and NEPA. For these reasons, HUD will require the full 8-Step Process unless a Section 404 permit has been issued prior to the environmental review.

Comment: HUD should not modify the Categorical Exclusion (CatEx) from environmental review under NEPA for minor rehabilitation of one- to four-unit residential properties by removing the qualification that the footprint of the structure may not be increased in a floodplain or wetland. Two commenters objected to the proposed removal of the footprint qualification for the categorical exclusion for minor rehabilitation of one- to four-unit residential properties. One commenter recognized that this may seem like a trivial matter, but the expansion can increase risk to the property or adjacent properties and may increase the base flood elevation level.

HUD Response. HUD declines to adopt the commenters' recommendations, and will retain the proposed language to remove the footprint qualification in the final rule. HUD assistance for minor rehabilitations in a floodplain or wetland will remain subject to E.O. 11988 and E.O. 11990 8-Step-process review, unless 24 CFR 55.12(b)(2) or another exception applies. However, a full environmental assessment will no longer be required unless extraordinary circumstances indicate the potential of significant environmental impact. HUD has found that a full environmental assessment has not been productive in the past. Further, this change will subject rehabilitations of one- to four-unit properties to the same review level as new construction of one- to four-unit buildings, which are currently categorically excluded at 24 CFR 58.35(a)(4), instead of requiring a greater level of review.

III. Comment on Solicitation of Views on Requirement That Critical Actions Be Undertaken at the 500-Year Base Flood Elevation

Comment: HUD should require that critical actions be elevated to the 500-year floodplain level. The commenter supported HUD's potential change submitted for public comment requiring

that all new construction of "critical actions" in the 100- or 500-year floodplain level be elevated to the 500-year base flood elevation. The commenter supported making this change because those actions, such as funding a community wastewater facility, can be among the most significant investments a community will make. Further, such type of facility must be operable during and after a flood event. The commenter also supported, as HUD requested comment on, consistency with the Water Resources Council guidance on critical actions.

HUD Response. HUD appreciates the commenter's support. HUD has decided, however, not to make any changes to address moving "critical actions" at this time. HUD intends to gather more data to analyze factors such as, perhaps, costs and benefits, safety, and project viability. HUD will continue to research the impact of allowing critical actions below the 500-year base flood elevation, and, if adequate data is available, propose changes to HUD regulations at § 55.20(e).

IV. Findings and Certifications

Regulatory Review—Executive Orders 12866 and 13563

Under Executive Order 12866 (E.O. 12866) (Regulatory Planning and Review), a determination must be made whether a regulatory action is significant and, therefore, subject to review by the Office of Management and Budget (OMB) in accordance with the requirements of the order.

Executive Order 13563 (E.O. 13563) (Improving Regulations and Regulatory Review) directs executive agencies to analyze regulations that are "outmoded, ineffective, insufficient, or excessively burdensome, and to modify, streamline, expand, or repeal them in accordance with what has been learned." E.O. 13563 also directs that, where relevant, feasible, and consistent with regulatory objectives, and to the extent permitted by law, agencies are to identify and consider regulatory approaches that reduce burdens and maintain flexibility and freedom of choice for the public. This rule was determined to be a "significant regulatory action" as defined in section 3(f) of E.O. 12866 (although not an economically significant regulatory action, as provided under section 3(f)(1) of the Executive Order).

As discussed in this preamble, this rule revises HUD's regulations for the protection of wetlands and floodplains to incorporate existing procedures for E.O. 11990 Protection of Wetlands and,

in certain instances, to allow recipients of HUD assistance to use permits issued under section 404 of the Clean Water Act in lieu of 5 steps of E.O. 11990's 8-Step Process. With respect to floodplains, with some exceptions, the rule prohibits HUD funds or mortgage insurance for the construction of new structures in Coastal High Hazard Areas. The rule thus streamlines processes and codifies procedures that are currently addressed in guidance.

Regulatory Impact Analysis

The Office of Management and Budget (OMB) reviewed this regulation under E.O. 12866 (entitled "Regulatory Planning and Review"). The regulation has been determined to be a "significant regulatory action," as defined in section 3(f) of E.O. 12866, but not economically significant, as provided in section 3(f)(1) of the Executive Order.

The majority of the regulatory changes made by this rule will have minor economic effects. The primary purpose of this rule is to streamline the existing procedures pertaining to floodplain management and protection of wetlands. However, two changes proposed by HUD are anticipated to have some economic effect. These two changes are: (1) HUD's streamlining the approval process for rehabilitations, repairs, and improvements of HUD-funded properties in floodplains and wetlands; and (2) HUD's prohibiting new construction that would either be funded by HUD or have mortgages insured by FHA in Coastal High Hazard Areas. The streamlined process for rehabilitations will lower costs for projects, which could induce more improvement activities. The prohibition of new construction in Coastal High Hazard Areas could affect the siting of properties, but these projects are rarely proposed or approved even in the absence of a prohibition.

Streamlined Procedures for Minor Repairs and Improvements of Properties in Floodplains

HUD or responsible entities reviewing proposals for rehabilitations, repairs, and improvements to multifamily properties located in floodplains are required to follow the 8-Step Process to minimize the impact to floodplains. This rule abbreviates the process for these proposals because the process no longer requires public notices or the consideration of alternatives for floodplain Executive order compliance. The benefits of this change arise from the reduced compliance costs associated with the eliminated steps. Total labor compliance costs for the entire 8-Step Process have been estimated at \$320 per

project. A more detailed step-by-step cost estimate is not available.

Without precise estimate concerning the costs of the specific steps eliminated, HUD ran Monte Carlo simulations to estimate the percentage reduction in costs. Any one step is assumed to have a cost of either 0 and 1 units of effort. Fixed costs are assumed to equal the number of steps less variable costs so that all of the randomized cost functions result in the same total cost. Expected variable costs are equal to 4 units $\frac{1}{2} \times 8$). Eliminating 3 steps could result in a reduction of between 0 and 3 units of effort. Of the eight possible combinations, a reduction of 1.5 is the average. Thus, the average reduction in total costs would be 18.75 percent, which we observe in simulations. The median and mode of our distribution is often lower, however, and equal to 12.5 percent. For this reason we use a range of between 10 and 15 percent as a measure of central tendency.

If eliminating the 3 steps saves 10 to 15 percent of the total labor cost of compliance, then each rehabilitation project would save between \$32 and \$48. Costs to publish the notices would be added to this amount for the overall cost of compliance. The precise number of proposed rehabilitation, repair, and improvement projects is not available, although the overall number is estimated through a survey of HUD field staff to be less than 100 annually. Although the reduced compliance costs could, on the margin, induce an increase in the requests for funding, that increase is unlikely considering that the cost of these projects generally range from thousands to millions of dollars. For this analysis, HUD estimates an annual total of 100 projects, including the induced projects. One hundred such projects would produce benefits ranging from \$3,200 and \$4,800 plus minimal costs of publication. Since these assessments rarely lead to a different outcome for rehabilitation, repair, and improvement projects, the lost benefits (additional public notice) of not conducting a full floodplain assessment—the cost of this provision—are negligible. These publication steps are typically not costly beyond the publication costs due to HUD providing notice templates to HUD staff and recipients.

Prohibition on New Construction in Coastal High Hazard Areas

Prohibiting new construction in Coastal High Hazard Areas would force developers to locate HUD-funded or FHA-insured properties out of hazard areas subject to high velocity waters.

This prohibition would not affect developments that are destroyed by floods and that need to be rebuilt. Existing property owners interested in developing in Coastal High Hazard Areas would either incur transaction costs from selling the existing property and purchasing an alternative site, or obtain a more expensive source of funding/assistance. HUD would prefer to mitigate existing units from storm damage rather than increase the number of units in these areas. In addition, increasing the footprint of structures in Coastal High Hazard Areas can prevent open spaces from absorbing the storm surge and increase debris that will be carried inland causing additional damage to preexisting structures.

Based on HUD's records, it is extremely rare for HUD to fund, or provide mortgage insurance for, a new construction proposal in these coastal areas. HUD found only one project that had been completed in a Coastal High Hazard Area, and one additional project was recently under review but never built. These projects were approximately 6 years apart.

The benefits are not expected to be significant because only very few properties appear to be affected (2 over 6 years). Calculating the benefits (as measured by the reduction in expected damage) would require an extensive analysis of weather data. Additionally, the use of sea walls and dunes has effectively removed areas from V Zones² in many areas by protecting structures from storm surge. This type of approach would eliminate some risk and lower flood insurance costs while allowing the land to be developed with HUD funds. However, it would be difficult to estimate the number of seawalls and dunes, if any, that would be built due to this rule change. HUD believes that this provision will not have a significant impact. For developers preferring to build in V Zones, this rule would require them to acquire an alternate source of funding or mortgage insurance or relocate to a potentially less preferable location.

Preference for Nonstructural Alternatives

When HUD or recipients analyze alternatives, the nonstructural alternative should be chosen if all other factors are considered to be equal. This complies with E.O. 11988's purpose of avoiding floodplain development. This provision is intended to focus on resiliency in the 8-Step Process.

² Coastal areas with a 1 percent or greater chance of flooding and an additional hazard associated with storm waves.

The provision is advisory and is not a binding requirement. If a decisionmaker were to avoid floodplain development, the cost savings associated with not purchasing flood insurance, floodproofing or elevating, or creating and maintaining a levee would result in cost savings. In addition, threats to safety and investment would also decrease as the hazard area is avoided. This provision helps HUD accomplish its mission of supplying safe, decent, and affordable housing.

Use of Individual Permits Under Section 404 of the Clean Water Act for HUD Executive Order 11990 Processing Where All Wetlands Are Covered by the Permit

This final rule permits recipients of HUD assistance to use permits issued by state and tribal governments under section 404 of the Clean Water Act in lieu of 5 steps of the E.O. 11990 8-Step Process. Specifically, the rule permits applicants that have obtained an individual Section 404 permit to submit it with his or her application for a HUD program. By doing so, HUD or the responsible entity assuming HUD's authority would only need to complete the last 3 steps of the 8-Step Process. HUD expects that this provision would apply to fewer than five projects a year since recipients generally complete an environmental review prior to obtaining a Section 404 permit or general or nationwide permit. As a result, HUD has determined that the costs and benefits of eliminating these steps, specifically the reduced delay of one notice and cost of documenting other steps, would be minimal.

Accordingly, this regulation is expected to create an annual economic impact ranging from \$3,200 to \$4,800, which are avoided costs resulting from a streamlined approval process for rehabilitations of properties located in floodplains. Thus, the implementation of this rule will not create an impact exceeding the \$100 million threshold established by E.O. 12866.

The docket file is available for public inspection in the Regulations Division, Office of General Counsel, Department of Housing and Urban Development, 451 7th Street SW., Room 10276, Washington, DC 20410-0500. Due to security measures at the HUD Headquarters building, please schedule an appointment to review the docket file by calling the Regulations Division at 202-402-3055 (this is not a toll-free number). Individuals with speech or hearing impairments may access this number via TTY by calling the Federal Relay Service at 800-877-8339 (this is a toll-free number).

Regulatory Flexibility Act

The Regulatory Flexibility Act (RFA) (5 U.S.C. 601 *et seq.*) generally requires an agency to conduct a regulatory flexibility analysis of any rule subject to notice and comment rulemaking requirements, unless the agency certifies that the rule would not have a significant economic impact on a substantial number of small entities. This final rule will not have a significant economic impact on a substantial number of small entities.

As discussed more fully in the Background section of the preamble, this final rule is largely a procedural rule that codifies HUD's existing policies and procedures implementing E.O. 11990, Protection of Wetlands. The goal of E.O. 11990 is to prevent adverse impacts associated with the destruction or modification of wetlands. E.O. 11990 establishes a uniform set of requirements designed to meet this goal, which are applicable to both large and small entities that propose to use HUD financial assistance in wetlands. HUD is codifying these procedures in 24 CFR part 55 to increase consistency and transparency in these processes and to reduce confusion when working with other Federal agencies. The rule also broadens the use of the abbreviated 8-Step Process, also known as the 5-Step Process, used by HUD and responsible entities when considering the impact on floodplains in connection with the repair of existing structures. Specifically, the rule authorizes the use of the abbreviated process for all of HUD's rehabilitation programs. The current regulations limit the use of the abbreviated process to repairs financed under HUD's mortgage insurance programs. Finally, the rule requires the use of preliminary flood maps and advisory base flood elevations where FEMA has determined that existing FIRMs may not be the best available information.

Section 601 of the Regulatory Flexibility Act defines the term "small entity" to include small businesses, small organizations, and small governmental jurisdictions. HUD asserts that this rule would neither increase the incidence of floodplain and wetlands assessments nor increase the burdens associated with carrying out such an assessment. As discussed above, the focus of this rule is to codify procedures for protection of wetlands that are already in place. The rule would not prohibit HUD support of activities in floodplains or wetlands (except for certain activities in Coastal High Hazard Areas), but would create a consistent departmental policy governing such

support. HUD's codification of these procedures will neither increase the incidence of floodplain and wetlands assessment nor increase the burdens of carrying out an assessment. The rule also streamlines floodplain and wetland environmental review procedures to avoid unnecessary processing delays. As described in HUD's Regulatory Impact Analysis, the benefits of HUD's streamlined floodplain and wetland review will provide a beneficial cost impact on entities of all sizes and decrease burdens on both large and small entities.

This final rule contains several other provisions that will reduce administrative burden for entities of all sizes. It removes the footprint qualification for the categorical exclusion for minor rehabilitation of one- to four-unit residential properties and, to avoid unnecessary delays, exempts leasing from the 8-Step Process for floodplain management where the building is insured with the National Flood Insurance Program and not located in a floodway or Coastal High Hazard Area. Exemptions are also added for special projects directed to the removal of material and architectural barriers that restrict the mobility of and accessibility to elderly and persons with disabilities, and activities that involve ships or waterborne vessels. The rule also exempts from review activities that restore and preserve natural and beneficial functions of floodplains and wetlands. Together, these changes will reduce administrative burdens and unnecessary delays and assist communities that choose to engage in actions beneficial to floodplains and wetlands.

In HUD's December 12, 2011, proposed rule, HUD certified that this rule would not have a significant economic impact on a substantial number of small entities and invited public comment on HUD's certification. HUD received no comment in response to its certification. Therefore, the undersigned has determined that the rule will not have a significant economic impact on a substantial number of small entities.

Environmental Impact

A Finding of No Significant Impact (FONSI) with respect to environment was made at the proposed rule stage in accordance with HUD regulations at 24 CFR part 50, which implement section 102(2)(C) of NEPA (42 U.S.C. 4332(2)(C)). The FONSI remains applicable to this final rule and is available for public inspection at www.regulations.gov under docket number FR-5423-F-02. The FONSI is

also available for public inspection between the hours of 8 a.m. and 5 p.m., weekdays, in the Regulations Division, Office of General Counsel, Room 10276, Department of Housing and Urban Development, 451 7th Street SW., Washington, DC 20410. Due to security measures at the HUD Headquarters building, please schedule an appointment to review the FONSI by calling the Regulations Division at 202-708-3055 (this is not a toll-free number). Individuals with speech or hearing impairments may access this number via TTY by calling the Federal Relay Service at (800) 877-8339 (this is a toll-free number).

E.O. 13132 Federalism

E.O. 13132 (entitled "Federalism") prohibits an agency from publishing any rule that has federalism implications if the rule either imposes substantial direct compliance costs on state and local governments and is not required by statute, or preempts state law, unless the agency meets the consultation and funding requirements of section 6 of the Order. This rule does not have federalism implications and would not impose substantial direct compliance costs on state and local governments nor preempt state law within the meaning of the Order.

Unfunded Mandates Reform Act

Title II of the Unfunded Mandates Reform Act of 1995 (2 U.S.C. 1531-1538) (UMRA) establishes requirements for Federal agencies to assess the effects of their regulatory actions on state, local, and tribal governments, and on the private sector. This rule does not impose any Federal mandates on any state, local, or tribal governments, or on the private sector, within the meaning of UMRA.

Paperwork Reduction Act

The information collection requirements contained in this rule have been submitted to OMB for review and approval under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520 *et seq.*). The information collection requirement for Floodplain Management and Wetland Protection is assigned OMB control number 2506-0151. The information collection requirements in this final rule include largely preexisting information collection requirements. However, the preexisting information collection requirements are being revised to reduce the paperwork burden. Specifically, the information collection requirements reflect a slight decrease to the paperwork burden as a result of revising the scope of assistance eligible for the streamlined 5-Step

Process. Under the rule, recipients' actions under any HUD program for the repair, rehabilitation, modernization, or improvement of existing multifamily housing projects are eligible for the 5-Step Process for residential and nonresidential rehabilitations as long as the action does not meet the threshold of substantial improvement under § 55.2(b)(10). Similarly, financial

assistance for weatherizations and floodplain and wetland restoration activities would also be granted the use of the shortened 5-Step Process. These changes will allow for expedited processing and a decreased amount of analysis for projects that have no or little adverse impact or have beneficial effects.

The sections in this rule that contain the current information collection requirements and the upcoming revisions that are awaiting OMB approval, as well as the estimated adjusted burden of the pending revisions, are set forth in the following table.

CFR Section	Number of respondents	Total annual responses	Average hours per response	Total annual burden hours	Total annual cost (\$40/hr)
§ 55.20 Decisionmaking process	275	1	8	2200	\$88,000
§ 55.21 Notification of floodplain hazard	300	1	1	300	12,000
Totals	575	2	9	2500	100,000

All estimates include the time for reviewing instructions, searching existing data sources, gathering or maintaining the needed data, and reviewing the information. The docket file is available for public inspection. For information on, or a copy of, the paperwork package submitted to OMB, contact Colette Pollard at 202-708-0306 (this is not a toll-free number) or via email at *Colette.Pollard@hud.gov*. In accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520), an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information, unless the collection displays a valid OMB control number.

List of Subjects

24 CFR Part 50

Environmental impact statements.

24 CFR Part 55

Environmental impact statements, Floodplains, Wetlands.

24 CFR Part 58

Community development block grants, Environmental impact statements, Grant programs—housing and community development, Reporting and recordkeeping requirements.

Accordingly, for the reasons stated in the preamble above, HUD amends 24 CFR parts 50, 55, and 58 as follows:

PART 50—PROTECTION AND ENHANCEMENT OF ENVIRONMENTAL QUALITY

■ 1. The authority citation for part 50 is revised to read as follows:

Authority: 42 U.S.C. 3535(d) and 4332; and Executive Order 11991, 3 CFR, 1977 Comp., p. 123.

■ 2. In § 50.4, revise paragraphs (b)(2) and (3) to read as follows:

§ 50.4 Related federal laws and authorities.

* * * * *

(b) * * *
 (2) HUD procedure for the implementation of Executive Order 11988 (Floodplain Management), (3 CFR, 1977 Comp., p. 117)—24 CFR part 55, Floodplain Management and Protection of Wetlands.

(3) HUD procedure for the implementation of Executive Order 11990 (Protection of Wetlands), (3 CFR, 1977 Comp., p. 121)—24 CFR part 55, Floodplain Management and Protection of Wetlands.

* * * * *

PART 55—FLOODPLAIN MANAGEMENT AND PROTECTION OF WETLANDS

■ 3. The authority citation for part 55 is revised to read as follows:

Authority: 42 U.S.C. 3535(d), 4001-4128 and 5154a; E.O. 11988, 42 FR 26951, 3 CFR, 1977 Comp., p. 117; E.O. 11990, 42 FR 26961, 3 CFR, 1977 Comp., p. 121.

■ 4. Revise the part heading for part 55 to read as set forth above.

■ 5. Amend § 55.1 as follows:

■ a. Revise paragraph (a);

■ b. Redesignate paragraph (b) as paragraph (b)(1);

■ c. Add paragraph (b)(2); and

■ d. Revise paragraphs (c)(1), (c)(3) introductory text, and (c)(3)(i).

The revisions and addition read as follows:

§ 55.1 Purpose and basic responsibility.

(a)(1) The purpose of Executive Order 11988, Floodplain Management, is “to avoid to the extent possible the long and short-term adverse impacts associated with the occupancy and modification of floodplains and to avoid direct or indirect support of floodplain development wherever there is a practicable alternative.”

(2) The purpose of Executive Order 11990, Protection of Wetlands, is “to avoid to the extent possible the long- and short-term adverse impacts associated with the destruction or modification of wetlands and to avoid direct or indirect support of new construction in wetlands wherever there is a practicable alternative.”

(3) This part implements the requirements of Executive Order 11988, Floodplain Management, and Executive Order 11990, Protection of Wetlands, and employs the principles of the Unified National Program for Floodplain Management. These regulations apply to all HUD (or responsible entity) actions that are subject to potential harm by location in floodplains or wetlands. Covered actions include the proposed acquisition, construction, demolition, improvement, disposition, financing, and use of properties located in floodplains or wetlands for which approval is required either from HUD, under any applicable HUD program, or from a responsible entity authorized by 24 CFR part 58.

(4) This part does not prohibit approval of such actions (except for certain actions in Coastal High Hazard Areas), but provides a consistent means for implementing the Department’s interpretation of the Executive Orders in the project approval decisionmaking processes of HUD and of responsible entities subject to 24 CFR part 58. The implementation of Executive Orders 11988 and 11990 under this part shall be conducted by HUD for Department-administered programs subject to environmental review under 24 CFR part 50 and by authorized responsible entities that are responsible for environmental review under 24 CFR part 58.

(5) Nonstructural alternatives to floodplain development and the destruction of wetlands are both favored and encouraged to reduce the loss of life and property caused by floods, and to restore the natural resources and functions of floodplains and wetlands. Nonstructural alternatives should be discussed in the decisionmaking process where practicable.

(b) * * *

(2) Under section 582 of the National Flood Insurance Reform Act of 1994 (42 U.S.C. 5154a), HUD disaster assistance that is made available in a special flood hazard area may not be used to make a payment (including any loan assistance payment) to a person for repair, replacement, or restoration of damage to any personal, residential, or commercial property if:

(i) The person had previously received Federal flood disaster assistance conditioned on obtaining and maintaining flood insurance; and

(ii) The person failed to obtain and maintain the flood insurance.

(c) * * *

(1) Any action other than a functionally dependent use or floodplain function restoration activity, located in a floodway;

* * * * *

(3) Any noncritical action located in a Coastal High Hazard Area, unless the action is a functionally dependent use, existing construction (including improvements), or reconstruction following destruction caused by a disaster. If the action is not a functionally dependent use, the action must be designed for location in a Coastal High Hazard Area. An action will be considered designed for a Coastal High Hazard Area if:

(i) In the case of reconstruction following destruction caused by a disaster or substantial improvement, the work meets the current standards for V zones in FEMA regulations (44 CFR 60.3(e)) and, if applicable, the Minimum Property Standards for such construction in 24 CFR 200.926d(c)(4)(iii); or

* * * * *

■ 6. Amend § 55.2 as follows:

■ a. Revise paragraph (a);

■ b. Revise paragraphs (b) introductory text and (b)(1);

■ c. Redesignate paragraphs (b)(2) through (6) and (7) and (8) as paragraphs (b)(3) through (7) and (9) and (10), respectively;

■ d. Add new paragraphs (b)(2) and (b)(8);

■ e. Revise newly designated paragraph (b)(9); and

■ f. Add paragraph (b)(11).

The revisions read as follows:

§ 55.2 Terminology.

(a) With the exception of those terms defined in paragraph (b) of this section, the terms used in this part shall follow the definitions contained in section 6 of Executive Order 11988, section 7 of Executive Order 11990, and the Floodplain Management Guidelines for Implementing Executive Order 11988 (43 FR 6030, February 10, 1978), issued by the Water Resources Council; the terms “special flood hazard area,” “criteria,” and “Regular Program” shall follow the definitions contained in FEMA regulations at 44 CFR 59.1; and the terms “Letter of Map Revision” and “Letter of Map Amendment” shall refer to letters issued by FEMA, as provided in 44 CFR part 65 and 44 CFR part 70, respectively.

(b) For purposes of this part, the following definitions apply:

(1) *Coastal high hazard area* means the area subject to high velocity waters, including but not limited to hurricane wave wash or tsunamis. The area is designated on a Flood Insurance Rate Map (FIRM) or Flood Insurance Study (FIS) under FEMA regulations. FIRMs and FISs are also relied upon for the designation of “100-year floodplains” (§ 55.2(b)(9)), “500-year floodplains” (§ 55.2(b)(4)), and “floodways” (§ 55.2(b)(5)). When FEMA provides interim flood hazard data, such as Advisory Base Flood Elevations (ABFE) or preliminary maps and studies, HUD or the responsible entity shall use the latest of these sources. If FEMA information is unavailable or insufficiently detailed, other Federal, state, or local data may be used as “best available information” in accordance with Executive Order 11988. However, a base flood elevation from an interim or preliminary or non-FEMA source cannot be used if it is lower than the current FIRM and FIS.

(2) *Compensatory mitigation* means the restoration (reestablishment or rehabilitation), establishment (creation), enhancement, and/or, in certain circumstances, preservation of aquatic resources for the purposes of offsetting unavoidable adverse impacts that remain after all appropriate and practicable avoidance and minimization have been achieved.

Examples include, but are not limited to:

(i) *Permittee-responsible mitigation*: On-site or off-site mitigation undertaken by the holder of a wetlands permit under section 404 of the Clean Water Act (or an authorized agent or contractor), for which the permittee retains full responsibility;

(ii) *Mitigation banking*: A permittee’s purchase of credits from a wetlands mitigation bank, comprising wetlands that have been set aside to compensate for conversions of other wetlands; the mitigation obligation is transferred to the sponsor of the mitigation bank; and

(iii) *In-lieu fee mitigation*: A permittee’s provision of funds to an in-lieu fee sponsor (public agency or nonprofit organization) that builds and maintains a mitigation site, often after the permitted adverse wetland impacts have occurred; the mitigation obligation is transferred to the in-lieu fee sponsor.

* * * * *

(8) *New construction* includes draining, dredging, channelizing, filling, diking, impounding, and related activities and any structures or facilities begun after the effective date of Executive Order 11990. (See section 7(b) of Executive Order 11990.)

(9) *100-year floodplain* means the floodplain of concern for this part and is the area subject to inundation from a flood having a one percent or greater chance of being equaled or exceeded in any given year. (See § 55.2(b)(1) for appropriate data sources.)

* * * * *

(11) *Wetlands* means those areas that are inundated by surface or ground water with a frequency sufficient to support, and under normal circumstances does or would support, a prevalence of vegetative or aquatic life that requires saturated or seasonally saturated soil conditions for growth and reproduction. Wetlands generally include swamps, marshes, bogs, and similar areas such as sloughs, potholes, wet meadows, river overflows, mud flats, and natural ponds. This definition includes those wetland areas separated from their natural supply of water as a result of activities such as the construction of structural flood protection methods or solid-fill road beds and activities such as mineral extraction and navigation improvements. This definition includes both wetlands subject to and those not subject to section 404 of the Clean Water Act as well as constructed wetlands. The following process shall be followed in making the wetlands determination:

(i) HUD or, for programs subject to 24 CFR part 58, the responsible entity, shall make a determination whether the action is new construction that is located in a wetland. These actions are subject to processing under the § 55.20 decisionmaking process for the protection of wetlands.

(ii) As primary screening, HUD or the responsible entity shall verify whether the project area is located in proximity

to wetlands identified on the National Wetlands Inventory (NWI). If so, HUD or the responsible entity should make a reasonable attempt to consult with the Department of the Interior, Fish and Wildlife Service (FWS), for information concerning the location, boundaries, scale, and classification of wetlands within the area. If an NWI map indicates the presence of wetlands, FWS staff, if available, must find that no wetland is present in order for the action to proceed without further processing. Where FWS staff is unavailable to resolve any NWI map ambiguity or controversy, an appropriate wetlands professional must find that no wetland is present in order for the action to proceed without § 55.20 processing.

(iii) As secondary screening used in conjunction with NWI maps, HUD or the responsible entity is encouraged to use the Department of Agriculture, Natural Resources Conservation Service (NRCS) National Soil Survey (NSS) and any state and local information concerning the location, boundaries, scale, and classification of wetlands within the action area.

(iv) Any challenges from the public or other interested parties to the wetlands determinations made under this part must be made in writing to HUD (or the responsible entity authorized under 24 CFR part 58) during the commenting period and must be substantiated with verifiable scientific information. Commenters may request a reasonable extension of the time for the commenting period for the purpose of substantiating any objections with verifiable scientific information. HUD or the responsible entity shall consult FWS staff, if available, on the validity of the challenger's scientific information prior to making a final wetlands determination.

■ 7. In § 55.3, revise paragraphs (a)(1), (b)(1) and (2), and (c) and add paragraph (d) to read as follows:

§ 55.3 Assignment of responsibilities.

(a)(1) *The Assistant Secretary for Community Planning and Development (CPD)* shall oversee:

(i) The Department's implementation of Executive Orders 11988 and 11990 and this part in all HUD programs; and

(ii) The implementation activities of HUD program managers and, for HUD financial assistance subject to 24 CFR

part 58, of grant recipients and responsible entities.

* * * * *

(b) * * *

(1) Ensure compliance with this part for all actions under their jurisdiction that are proposed to be conducted, supported, or permitted in a floodplain or wetland;

(2) Ensure that actions approved by HUD or responsible entities are monitored and that any prescribed mitigation is implemented;

* * * * *

(c) *Responsible Entity Certifying Officer.* Certifying Officers of

responsible entities administering or reviewing activities subject to 24 CFR part 58 shall comply with this part in carrying out HUD-assisted programs. Certifying Officers of responsible entities subject to 24 CFR part 58 shall monitor approved actions and ensure that any prescribed mitigation is implemented.

(d) *Recipient.* Recipients subject to 24 CFR part 58 shall monitor approved actions and ensure that any prescribed mitigation is implemented. Recipients shall:

(1) Supply HUD (or the responsible entity authorized by 24 CFR part 58) with all available, relevant information necessary for HUD (or the responsible entity) to perform the compliance required by this part; and

(2) Implement mitigating measures required by HUD (or the responsible entity authorized by 24 CFR part 58) under this part or select alternate eligible property.

■ 8. The heading for subpart B is revised to read as follows:

Subpart B—Application of Executive Orders on Floodplain Management and Protection of Wetlands

■ 9. Revise § 55.10 to read as follows:

§ 55.10 Environmental review procedures under 24 CFR parts 50 and 58.

(a) Where an environmental review is required under the National Environmental Policy Act of 1969 (NEPA) (42 U.S.C. 4321 *et seq.*), and 24 CFR part 50 or part 58, compliance with this part shall be completed before the completion of an environmental assessment (EA), including a finding of no significant impact (FONSI), or an

environmental impact statement (EIS), in accordance with the decision points listed in 24 CFR 50.17(a) through (h), or before the preparation of an EA under 24 CFR 58.40 or an EIS under 24 CFR 58.37. For types of proposed actions that are categorically excluded from NEPA requirements under 24 CFR part 50 (or part 58), compliance with this part shall be completed before the Department's initial approval (or approval by a responsible entity authorized by 24 CFR part 58) of proposed actions in a floodplain or wetland.

(b) The categorical exclusion of certain proposed actions from environmental review requirements under NEPA and 24 CFR parts 50 and 58 (see 24 CFR 50.20 and 58.35(a)) does not exclude those actions from compliance with this part.

■ 10. Revise § 55.11 to read as follows:

§ 55.11 Applicability of Subpart C decisionmaking process.

(a) Before reaching the decision points described in § 55.10(a), HUD (for Department-administered programs) or the responsible entity (for HUD financial assistance subject to 24 CFR part 58) shall determine whether Executive Order 11988, Executive Order 11990, and this part apply to the proposed action.

(b) If Executive Order 11988 or Executive Order 11990 and this part apply, the approval of a proposed action or initial commitment shall be made in accordance with this part. The primary purpose of Executive Order 11988 is "to avoid to the extent possible the long and short term adverse impacts associated with the occupancy and modification of floodplains and to avoid direct or indirect support of floodplain development wherever there is a practicable alternative." The primary purpose of Executive Order 11990 is "to avoid to the extent possible the long and short-term adverse impacts associated with the destruction or modification of wetlands and to avoid direct or indirect support of new construction in wetlands wherever there is a practicable alternative."

(c) The following table indicates the applicability, by location and type of action, of the decisionmaking process for implementing Executive Order 11988 and Executive Order 11990 under subpart C of this part.

TABLE 1

Type of proposed action (new reviewable action or an amendment) ¹	Type of proposed action			
	Floodways	Coastal high hazard areas	Wetlands or 100-year floodplain outside coastal high hazard area and floodways	Nonwetlands area outside of the 100-year and within the 500-year floodplain
Critical Actions as defined in § 55.12(b)(2).	Critical actions not allowed.	Critical actions not allowed.	Allowed if the proposed critical action is processed under § 55.20. ²	Allowed if the proposed critical action is processed under § 55.20. ²
Noncritical actions not excluded under § 55.12(b) or (c).	Allowed only if the proposed non-critical action is a functionally dependent use and processed under § 55.20. ²	Allowed only if the proposed noncritical action is processed under § 55.20 ² and is (1) a functionally dependent use, (2) existing construction (including improvements), or (3) reconstruction following destruction caused by a disaster. If the action is not a functionally dependent use, the action must be designed for location in a Coastal High Hazard Area under § 55.1(c)(3).	Allowed if proposed non-critical action is processed under § 55.20. ²	Any noncritical action is allowed without processing under this part.

¹ Under Executive Order 11990, the decisionmaking process in § 55.20 only applies to Federal assistance for new construction in wetlands locations.

² Or those paragraphs of § 55.20 that are applicable to an action listed in § 55.12(a).

■ 11. Revise 55.12 to read as follows:

§ 55.12 Inapplicability of 24 CFR part 55 to certain categories of proposed actions.

(a) The decisionmaking steps in § 55.20(b), (c), and (g) (steps 2, 3, and 7) do not apply to the following categories of proposed actions:

(1) HUD's or the recipient's actions involving the disposition of acquired multifamily housing projects or "bulk sales" of HUD-acquired (or under part 58 of recipients') one- to four-family properties in communities that are in the Regular Program of National Flood Insurance Program and in good standing (i.e., not suspended from program eligibility or placed on probation under 44 CFR 59.24). For programs subject to part 58, this paragraph applies only to recipients' disposition activities that are subject to review under part 58.

(2) HUD's actions under the National Housing Act (12 U.S.C. 1701) for the purchase or refinancing of existing multifamily housing projects, hospitals, nursing homes, assisted living facilities, board and care facilities, and intermediate care facilities, in communities that are in good standing under the NFIP.

(3) HUD's or the recipient's actions under any HUD program involving the repair, rehabilitation, modernization, weatherization, or improvement of existing multifamily housing projects, hospitals, nursing homes, assisted living facilities, board and care facilities,

intermediate care facilities, and one- to four-family properties, in communities that are in the Regular Program of the National Flood Insurance Program (NFIP) and are in good standing, provided that the number of units is not increased more than 20 percent, the action does not involve a conversion from nonresidential to residential land use, the action does not meet the thresholds for "substantial improvement" under § 55.2(b)(10), and the footprint of the structure and paved areas is not significantly increased.

(4) HUD's or the recipient's actions under any HUD program involving the repair, rehabilitation, modernization, weatherization, or improvement of existing nonresidential buildings and structures, in communities that are in the Regular Program of the NFIP and are in good standing, provided that the action does not meet the thresholds for "substantial improvement" under § 55.2(b)(10) and that the footprint of the structure and paved areas is not significantly increased.

(b) The decisionmaking process in § 55.20 shall not apply to the following categories of proposed actions:

(1) HUD's mortgage insurance actions and other financial assistance for the purchasing, mortgaging or refinancing of existing one- to four-family properties in communities that are in the Regular Program of the NFIP and in good standing (i.e., not suspended from program eligibility or placed on

probation under 44 CFR 59.24), where the action is not a critical action and the property is not located in a floodway or Coastal High Hazard Area;

(2) Financial assistance for minor repairs or improvements on one- to four-family properties that do not meet the thresholds for "substantial improvement" under § 55.2(b)(10);

(3) HUD or a recipient's actions involving the disposition of individual HUD-acquired, one- to four-family properties;

(4) HUD guarantees under the Loan Guarantee Recovery Fund Program (24 CFR part 573) of loans that refinance existing loans and mortgages, where any new construction or rehabilitation financed by the existing loan or mortgage has been completed prior to the filing of an application under the program, and the refinancing will not allow further construction or rehabilitation, nor result in any physical impacts or changes except for routine maintenance; and

(5) The approval of financial assistance to lease an existing structure located within the floodplain, but only if;

(i) The structure is located outside the floodway or Coastal High Hazard Area, and is in a community that is in the Regular Program of the NFIP and in good standing (i.e., not suspended from program eligibility or placed on probation under 44 CFR 59.24);

(ii) The project is not a critical action; and

(iii) The entire structure is or will be fully insured or insured to the maximum under the NFIP for at least the term of the lease.

(c) This part shall not apply to the following categories of proposed HUD actions:

(1) HUD-assisted activities described in 24 CFR 58.34 and 58.35(b);

(2) HUD-assisted activities described in 24 CFR 50.19, except as otherwise indicated in § 50.19;

(3) The approval of financial assistance for restoring and preserving the natural and beneficial functions and values of floodplains and wetlands, including through acquisition of such floodplain and wetland property, but only if:

(i) The property is cleared of all existing structures and related improvements;

(ii) The property is dedicated for permanent use for flood control, wetland protection, park land, or open space; and

(iii) A permanent covenant or comparable restriction is placed on the property's continued use to preserve the floodplain or wetland from future development.

(4) An action involving a repossession, receivership, foreclosure, or similar acquisition of property to protect or enforce HUD's financial interests under previously approved loans, grants, mortgage insurance, or other HUD assistance;

(5) Policy-level actions described in 24 CFR 50.16 that do not involve site-based decisions;

(6) A minor amendment to a previously approved action with no additional adverse impact on or from a floodplain or wetland;

(7) HUD's or the responsible entity's approval of a project site, an incidental portion of which is situated in an adjacent floodplain, including the floodway or Coastal High Hazard Area, or wetland, but only if:

(i) The proposed construction and landscaping activities (except for minor grubbing, clearing of debris, pruning, sodding, seeding, or other similar activities) do not occupy or modify the 100-year floodplain (or the 500-year floodplain for critical actions) or the wetland;

(ii) Appropriate provision is made for site drainage that would not have an adverse effect on the wetland; and

(iii) A permanent covenant or comparable restriction is placed on the property's continued use to preserve the floodplain or wetland;

(8) HUD's or the responsible entity's approval of financial assistance for a

project on any nonwetland site in a floodplain for which FEMA has issued:

(i) A final Letter of Map Amendment (LOMA), final Letter of Map Revision (LOMR), or final Letter of Map Revision Based on Fill (LOMR-F) that removed the property from a FEMA-designated floodplain location; or

(ii) A conditional LOMA, conditional LOMR, or conditional LOMR-F if HUD or the responsible entity's approval is subject to the requirements and conditions of the conditional LOMA or conditional LOMR;

(9) Issuance or use of Housing Vouchers, Certificates under the Section 8 Existing Housing Program, or other forms of rental subsidy where HUD, the awarding community, or the public housing agency that administers the contract awards rental subsidies that are not project-based (i.e., do not involve site-specific subsidies);

(10) Special projects directed to the removal of material and architectural barriers that restrict the mobility of and accessibility to elderly and persons with disabilities;

(11) The approval of financial assistance for acquisition, leasing, construction, rehabilitation, repair, maintenance, or operation of ships and other waterborne vessels that will be used for transportation or cruises and will not be permanently moored.

(12) The approval of financial assistance for restoring and preserving the natural and beneficial functions and values of floodplains and wetlands, including through acquisition of such floodplain and wetland property, but only if:

(i) The property is cleared of all existing structures and related improvements;

(ii) The property is dedicated for permanent use for flood control, wetland protection, park land, or open space; and

(iii) A permanent covenant or comparable restriction is placed on the property's continued use to preserve the floodplain or wetland from future development.

■ 12. The heading for subpart C is revised to read as follows:

Subpart C—Procedures for Making Determinations on Floodplain Management and Protection of Wetlands

■ 13. Amend § 55.20 by revising the introductory text and paragraphs (a), (b) introductory text, (b)(3), (c), (d), (e), (f), (g)(1), and (h) to read as follows:

§ 55.20 Decisionmaking process.

Except for actions covered by § 55.12(a), the decisionmaking process

for compliance with this part contains eight steps, including public notices and an examination of practicable alternatives when addressing floodplains and wetlands. The steps to be followed in the decisionmaking process are as follows:

(a) *Step 1.* Determine whether the proposed action is located in the 100-year floodplain (500-year floodplain for critical actions) or results in new construction in a wetland. If the action does not occur in a floodplain or result in new construction in a wetland, then no further compliance with this part is required. The following process shall be followed by HUD (or the responsible entity) in making wetland determinations.

(1) Refer to § 55.28(a) where an applicant has submitted with its application to HUD (or to the recipient under programs subject to 24 CFR part 58) an individual Section 404 permit (including approval conditions and related environmental review).

(2) Refer to § 55.2(b)(11) for making wetland determinations under this part.

(3) For proposed actions occurring in both a wetland and a floodplain, completion of the decisionmaking process under § 55.20 is required regardless of the issuance of a Section 404 permit. In such a case, the wetland will be considered among the primary natural and beneficial functions and values of the floodplain.

(b) *Step 2.* Notify the public and agencies responsible for floodplain management or wetlands protection at the earliest possible time of a proposal to consider an action in a 100-year floodplain (or a 500-year floodplain for a Critical Action) or wetland and involve the affected and interested public and agencies in the decisionmaking process.

* * * * *

(3) A notice under this paragraph shall state: The name, proposed location, and description of the activity; the total number of acres of floodplain or wetland involved; the related natural and beneficial functions and values of the floodplain or wetland that may be adversely affected by the proposed activity; the HUD approving official (or the Certifying Officer of the responsible entity authorized by 24 CFR part 58); and the phone number to call for information. The notice shall indicate the hours of HUD or the responsible entity's office, and any Web site at which a full description of the proposed action may be reviewed.

(c) *Step 3.* Identify and evaluate practicable alternatives to locating the proposed action in a 100-year floodplain

(or a 500-year floodplain for a Critical Action) or wetland.

(1) Except as provided in paragraph (c)(3) of this section, HUD's or the responsible entity's consideration of practicable alternatives to the proposed site selected for a project should include:

(i) Locations outside and not affecting the 100-year floodplain (or the 500-year floodplain for a Critical Action) or wetland;

(ii) Alternative methods to serve the identical project objective, including feasible technological alternatives; and

(iii) A determination not to approve any action proposing the occupancy or modification of a floodplain or wetland.

(2) Practicability of alternative sites should be addressed in light of the following:

(i) Natural values such as topography, habitat, and hazards;

(ii) Social values such as aesthetics, historic and cultural values, land use patterns, and environmental justice; and

(iii) Economic values such as the cost of space, construction, services, and relocation.

(3) For multifamily projects involving HUD mortgage insurance that are initiated by third parties, HUD's consideration of practicable alternatives should include a determination not to approve the request.

(d) *Step 4.* Identify and evaluate the potential direct and indirect impacts associated with the occupancy or modification of the 100-year floodplain (or the 500-year floodplain for a Critical Action) or the wetland and the potential direct and indirect support of floodplain and wetland development that could result from the proposed action.

(1) *Floodplain evaluation:* The focus of the floodplain evaluation should be on adverse impacts to lives and property, and on natural and beneficial floodplain values. Natural and beneficial values include:

(i) Water resources such as natural moderation of floods, water quality maintenance, and groundwater recharge;

(ii) Living resources such as flora and fauna;

(iii) Cultural resources such as archaeological, historic, and recreational aspects; and

(iv) Agricultural, aquacultural, and forestry resources.

(2) *Wetland evaluation:* In accordance with Section 5 of Executive Order 11990, the decisionmaker shall consider factors relevant to a proposal's effect on the survival and quality of the wetland. Among these factors that should be evaluated are:

(i) Public health, safety, and welfare, including water supply, quality,

recharge, and discharge; pollution; flood and storm hazards and hazard protection; and sediment and erosion;

(ii) Maintenance of natural systems, including conservation and long-term productivity of existing flora and fauna; species and habitat diversity and stability; natural hydrologic function; wetland type; fish; wildlife; timber; and food and fiber resources;

(iii) Cost increases attributed to wetland-required new construction and mitigation measures to minimize harm to wetlands that may result from such use; and

(iv) Other uses of wetlands in the public interest, including recreational, scientific, and cultural uses.

(e) *Step 5.* Where practicable, design or modify the proposed action to minimize the potential adverse impacts to and from the 100-year floodplain (or the 500-year floodplain for a Critical Action) or the wetland and to restore and preserve its natural and beneficial functions and values.

(1) Minimization techniques for floodplain and wetland purposes include, but are not limited to: the use of permeable surfaces, natural landscape enhancements that maintain or restore natural hydrology through infiltration, native plant species, bioswales, evapotranspiration, stormwater capture and reuse, green or vegetative roofs with drainage provisions, and Natural Resource Conservation Service conservation easements. Floodproofing and elevating structures, including freeboard above the required base flood elevations, are also minimization techniques for floodplain purposes.

(2) Appropriate and practicable compensatory mitigation is recommended for unavoidable adverse impacts to more than one acre of wetland. Compensatory mitigation includes, but is not limited to: permittee-responsible mitigation, mitigation banking, in-lieu fee mitigation, the use of preservation easements or protective covenants, and any form of mitigation promoted by state or Federal agencies. The use of compensatory mitigation may not substitute for the requirement to avoid and minimize impacts to the maximum extent practicable.

(3) Actions covered by § 55.12(a) must be rejected if the proposed minimization is financially or physically unworkable. All critical actions in the 500-year floodplain shall be designed and built at or above the 100-year floodplain (in the case of new construction) and modified to include:

(i) Preparation of and participation in an early warning system;

(ii) An emergency evacuation and relocation plan;

(iii) Identification of evacuation route(s) out of the 500-year floodplain; and

(iv) Identification marks of past or estimated flood levels on all structures.

(f) *Step 6.* Reevaluate the proposed action to determine:

(1) Whether the action is still practicable in light of exposure to flood hazards in the floodplain or wetland, possible adverse impacts on the floodplain or wetland, the extent to which it will aggravate the current hazards to other floodplains or wetlands, and the potential to disrupt the natural and beneficial functions and values of floodplains or wetlands; and

(2) Whether alternatives preliminarily rejected at Step 3 (paragraph (c)) of this section are practicable in light of information gained in Steps 4 and 5 (paragraphs (d) and (e)) of this section.

(i) The reevaluation of alternatives shall include the potential impacts avoided or caused inside and outside the floodplain or wetland area. The impacts should include the protection of human life, real property, and the natural and beneficial functions and values served by the floodplain or wetland.

(ii) A reevaluation of alternatives under this step should include a discussion of economic costs. For floodplains, the cost estimates should include savings or the costs of flood insurance, where applicable; flood proofing; replacement of services or functions of critical actions that might be lost; and elevation to at least the base flood elevation for sites located in floodplains, as appropriate on the applicable source under § 55.2(b)(1). For wetlands, the cost estimates should include the cost of filling the wetlands and mitigation.

(g) *Step 7.* (1) If the reevaluation results in a determination that there is no practicable alternative to locating the proposal in the 100-year floodplain (or the 500-year floodplain for a Critical Action) or the wetland, publish a final notice that includes:

(i) The reasons why the proposal must be located in the floodplain or wetland;

(ii) A list of the alternatives considered in accordance with paragraphs(c)(1) and (c)(2) of this section; and

(iii) All mitigation measures to be taken to minimize adverse impacts and to restore and preserve natural and beneficial functions and values.

* * * * *

(h) *Step 8.* Upon completion of the decisionmaking process in Steps 1 through 7, implement the proposed action. There is a continuing

responsibility on HUD (or on the responsible entity authorized by 24 CFR part 58) and the recipient (if other than the responsible entity) to ensure that the mitigating measures identified in Step 7 are implemented.

§ 55.21 [Amended]

- 14. Amend § 55.21 by removing the term "grant recipient" and adding in its place the term "responsible entity."
■ 15. Revise § 55.24 to read as follows:

§ 55.24 Aggregation.

Where two or more actions have been proposed, require compliance with subpart C of this part, affect the same floodplain or wetland, and are currently under review by HUD (or by a responsible entity authorized by 24 CFR part 58), individual or aggregated approvals may be issued. A single compliance review and approval under this section is subject to compliance with the decisionmaking process in § 55.20.

§ 55.25 [Amended]

- 16. Amend § 55.25 as follows:
■ a. Remove, in paragraph (c), the term "grant recipient" and add in its place the term "responsible entity;" and
■ b. Remove in paragraph (d)(2) the term "grant recipients" and add in its place the term "responsible entities."
■ 17. In § 55.26, revise the introductory text and paragraph (a) to read as follows:

§ 55.26 Adoption of another agency's review under the executive orders.

If a proposed action covered under this part is already covered in a prior review performed under either or both of the Executive Orders by another agency, including HUD or a different responsible entity, that review may be adopted by HUD or by a responsible entity authorized under 24 CFR part 58, provided that:

(a) There is no pending litigation relating to the other agency's review for floodplain management or wetland protection;

* * * * *

- 18. Amend § 55.27 as follows:
■ a. Revise paragraph (a);
■ b. Remove, in paragraph (b), the term "grant recipient" and add, in its place, the words "responsible entity" and;
■ c. Remove, in paragraph (c), the term "grant recipients" and add, in its place, the words "responsible entities".

The revision reads as follows:

§ 55.27 Documentation.

(a) For purposes of compliance with § 55.20, the responsible HUD official who would approve the proposed action (or Certifying Officer for a responsible entity authorized by 24 CFR part 58) shall require that the following actions be documented:

(1) When required by § 55.20(c), practicable alternative sites have been considered outside the floodplain or wetland, but within the local housing market area, the local public utility service area, or the jurisdictional boundaries of a recipient unit of general local government, whichever geographic area is most appropriate to the proposed action. Actual sites under review must be identified and the reasons for the nonselection of those sites as practicable alternatives must be described; and

(2) Under § 55.20(e)(2), measures to minimize the potential adverse impacts of the proposed action on the affected floodplain or wetland as identified in § 55.20(d) have been applied to the design for the proposed action.

* * * * *

- 19. Add § 55.28 to read as follows:

§ 55.28 Use of individual permits under section 404 of the Clean Water Act for HUD Executive Order 11990 processing where all wetlands are covered by the permit.

(a) Processing requirements. HUD (or the responsible entity subject to 24 CFR part 58) shall not be required to perform the steps at § 55.20(a) through (e) upon adoption by HUD (or the responsible entity) of the terms and conditions of a Section 404 permit so long as:

(1) The project involves new construction on a property located outside of the 100-year floodplain (or the 500-year floodplain for critical actions);

(2) The applicant has submitted, with its application to HUD (or to the recipient under programs subject to 24 CFR part 58), an individual Section 404 permit (including approval conditions) issued by the U.S. Army Corps of Engineers (USACE) (or by a State or Tribal government under Section 404(h) of the Clean Water Act) for the proposed project; and

(3) All wetlands adversely affected by the action are covered by the permit.

(b) Unless a project is excluded under § 55.12, processing under all of § 55.20 is required for new construction in wetlands that are not subject to section 404 of the Clean Water Act and for new construction for which the USACE (or a

State or Tribal government under section 404(h) of the Clean Water Act) issues a general permit under Section 404.

PART 58—ENVIRONMENTAL REVIEW PROCEDURES FOR ENTITIES ASSUMING HUD ENVIRONMENTAL RESPONSIBILITIES

- 20. The authority citation for part 58 continues to read as follows:

Authority: 12 U.S.C. 1707 note; 42 U.S.C. 1437o(i)(1) and (2), 1437x, 3535(d), 3547, 4332, 4852, 5304(g), 11402, and 12838; E.O. 11514, 3 CFR, 1966–1970, Comp., p. 902, as amended by E.O. 11991, 3 CFR, 1977 Comp., p.123.

- 21. In § 58.5, revise paragraph (b)(2) to read as follows:

§ 58.5 Related federal laws and authorities.

* * * * *

(b) * * *

(2) Executive Order 11990, Protection of Wetlands, May 24, 1977 (42 FR 26961), 3 CFR, 1977 Comp., p. 121, as interpreted in HUD regulations at 24 CFR part 55, particularly sections 2 and 5 of the order.

* * * * *

- 22. In § 58.6, add paragraph (a)(4) to read as follows:

§ 58.6 Other requirements.

* * * * *

(a) * * *

(4) Flood insurance requirements cannot be fulfilled by self-insurance except as authorized by law for assistance to state-owned projects within states approved by the Federal Insurance Administrator consistent with 44 CFR 75.11.

* * * * *

- 23. In § 58.35, revise paragraph (a)(3)(i) to read as follows:

§ 58.35 Categorical exclusions.

* * * * *

(a) * * *

(3) * * *

(i) In the case of a building for residential use (with one to four units), the density is not increased beyond four units, and the land use is not changed;

* * * * *

Dated: November 6, 2013.

Mark Johnston,

Deputy Assistant Secretary for Special Needs.

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