



Regulatory Services – Environmental Environmental Reviews for HUD-Funded Programs POLICIES

This Virgin Islands Housing Finance Authority (VIHFA) manual provides guidance for VIHFA programs. Printed versions are considered uncontrolled. For controlled documents, please visit www.vihfa.gov for the latest version.

Policy Number:	RS1-GP-001
Effective Date:	Jan 16, 2020
Version Number:	2.0
Revision Date:	Sep 10, 2026
Approved by:	Signed by: <i>Derek Gabriel</i> Derek Gabriel Executive Director VIHFA 10/13/2026 Date

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Version Control Table

MOC Number	Version Number	Date Revised	Description
-	1.0	-	Original Document
010724-001	2.0	10Sep26	Added: - Policy Reviews and Modifications - Procedural references - Environmental Compliance Factors - Recordkeeping and Retention - Mitigative Measures and Monitoring - Lead-Based Paint Compliance Removed: - Policy Change Control Board (PCCB) - All procedural language

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SECTION I: VERSION CONTROL AND GOVERNANCE

1.0 Version History

Version history is tracked in the table on the Version History page, with notes regarding version changes. The dates of each publication are also tracked in this table. The first version of this document is 1.0.

Any substantive modifications to this document that constitute a policy change will prompt the release of a new version, indicated by an increment in the primary version number (2.0, 3.0...).

Non-substantive changes such as minor wording and editing, or clarification of existing policy that do not affect the interpretation or applicability of the policy will be included in minor version updates denoted by a sequential number increase behind the primary version number (1.1, 1.2...).

2.0 Policy Reviews and Modifications

Policy reviews and modifications for a program are managed through a structured change control process. When clarifications, additions, or deletions are required to refine program rules, or when changes are necessitated by HUD requirements, federal and local regulations, or organizational updates, VIHFA personnel must submit a Change Request Form for evaluation. The executive leadership team member responsible for the requesting department will review and authorize the proposed changes according to their signatory privileges.

3.0 Governance

This document sets forth the policy governing Environmental Reviews. These guidelines are intended to aid and provide guidance in implementation and should not be construed as exhaustive instructions. All activities must comply with the policies hereby stated. In addition, VIHFA staff must adhere to established program policies and procedures and all federal and state laws and regulations in effect, as applicable, in the execution of program activities.

SECTION II: POLICY

1.0 Policy Overview

VIHFA acts as the Department of Housing and Urban Development's (HUD) Responsible Entity (RE) in the Territory. As a result, VIHFA is required to conduct and oversee environmental reviews for all HUD-assisted projects in the USVI. The agency manages Community Development Block Grant – Disaster Recovery (CDBG-DR), Community Development Block Grant – Mitigation (CDBG-MIT), and Electrical

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Grid (e-Grid) funds, administering these across housing, infrastructure, and economic resilience and revitalization projects.

To comply with the National Environmental Policy Act of 1969 (NEPA), Council on Environmental Quality (CEQ) regulations (40 CFR 1500 – 1508), and HUD environmental review regulations (24 CFR), VIHFA, as the Responsible Entity, enforces environmental compliance for all HUD-assisted programs and projects. Projects receiving HUD funding must undergo an environmental review to assess potential environmental impacts and determine adherence to relevant federal and domestic environmental standards before any program-eligible activities are funded. Each review examines both natural and human environmental factors.

No work may begin on any proposed project until the environmental review process is complete, regardless of whether non-HUD funds are used for that portion of the work. Environmental clearance is required for each project prior to committing federal or non-federal funds to any costs or contracts. Failure to follow this requirement may result in loss of federal funding and disallowance of any costs incurred before completing the environmental review.

The policy safeguards the territory's natural and human environments while supporting transparent, responsible use of federal and non-federal resources. Ultimately, these guidelines are designed to promote sustainable development, protect public health and safety, and maintain eligibility for critical funding that benefits the community.

2.0 Scope

The policy governs environmental compliance through the environmental review process for all projects. The guidelines are designed to assist VIHFA staff, subrecipients, contractors, and subcontractors in meeting all federal and local environmental regulations. They also provide direction to VIHFA program staff to support adherence to environmental requirements through project approval, monitoring, and closeout procedures. The document is not intended as a comprehensive set of instructions. All activities must be conducted in accordance with the stated policies, and all program staff are required to follow established procedures and comply with applicable federal, state, and local laws and regulations.

VIHFA may revise this policy as needed to maintain compliance with NEPA, HUD, territorial, and other relevant federal and local regulations.

3.0 Roles and Responsibilities

The Environmental Unit at VIHFA is responsible for preparing required documentation for environmental reviews of HUD-funded projects. Most reviews for

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HUD-assisted projects are conducted by this unit; however, a third-party environmental firm may be hired when necessary. If an external contractor is engaged, the Level of Review Determination Form and Preliminary Environmental Review Document must be completed by VIHFA's Environmental Unit and submitted to the relevant VIHFA Program prior to the start of the review, after which the program will forward these documents to the contractor.

The sections below outline general roles and responsibilities in the review process. Detailed roles and responsibilities are noted in all procedures and guidelines.

3.1 Responsible Entity

VIHFA is responsible for conducting a comprehensive environmental review for each project activity prior to the commitment or expenditure of any funds. The Environmental Unit will oversee and execute the environmental review process. It will also provide technical support and training as necessary to program staff, subrecipients, contractors, and other relevant stakeholders. As the Responsible Entity (RE), VIHFA will make the final determination regarding a project's compliance with all applicable environmental regulations.

3.2 Environmental Unit

VIHFA's Environmental Unit will be responsible for conducting 24 CFR 58 environmental reviews, including tasks such as:

- Writing the project narrative
- Obtaining maps of the project area
- Soliciting comments from appropriate local and federal agencies
- Facilitating responses to comments received on the environmental findings

The unit will also be responsible for conducting quality control (QC) reviews for all 24 CFR 58 environmental documentation submitted by contractors, subrecipients, and developers to ensure the environmental reviews are compliant prior to approval by the certifying officer.

3.3 Certifying Officer

The certifying officer is responsible for legally ensuring all environmental requirements are met. This includes:

- Signing off on Finding of No Significant Impacts (FONSIs)
- Signing off on the Request for Release of Funds and Certification (RROF-C)
- Developing official environmental determinations
- Maintaining accountability for compliance with all relevant laws

If certifying duties are delegated to another staff member, the transfer must be formally documented and submitted to HUD. These responsibilities cannot be assigned to developers, subrecipients, or contractors.

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3.4 Subrecipients and Implementing Partners

Subrecipients and implementing partners receiving HUD funds are required to provide all necessary documentation for the environmental review process associated with their projects.

If the subrecipient or implementing partner is conducting the environmental review, VIHFA will first assess each project or activity to determine the appropriate type of environmental review via a Level of Review Determination Worksheet and identify the required tests and consultations via a Preliminary Environmental Review Guidance Document. This determination will then be communicated to the relevant Program Staff who will then communicate the relevant determination to the subrecipient or implementing partner for implementation. While subrecipients and implementing partners may contribute to the environmental review process, they are not permitted to assume legal responsibility for its completion. Only VIHFA, serving as the RE, has the authority to make final environmental compliance decisions, manage public notification, and submit the HUD form 7015.15 RROF-C to HUD.

Subrecipients and implementing partners must use HUD-recommended formats and partner worksheets for completing their ERR submissions, which should be sent to the VIHFA Environmental Unit for review and approval in the specified format. In certain cases, VIHFA may permit eligible subrecipients and implementing partners to submit reviews electronically through the HEROS system, contingent on their capacity and training availability.

3.5 Consultant and Contractors

VIHFA uses Request for Qualifications and Request for Proposals processes to select contractors who assist with environmental reviews for HUD-funded projects by preparing checklists and documentation. Contractors and subrecipients must use HUD Partner Worksheets for compliance reporting, but VIHFA retains final authority and responsibility for review completion and compliance. Contractors may receive HEROS system access and necessary training from VIHFA staff, with their duties and oversight determined by project needs.

4.0 Environmental Review

An environmental review is a process that assesses a project and its potential impacts on the environment to determine compliance with federal, state, and local standards. This review considers how the proposed project may affect both people and the natural environment within the area and evaluates how the environment may influence the project and its users. The environmental review process is required for all HUD-assisted projects to ensure these projects comply with regulations and do not cause adverse environmental or health effects.

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While each project's environmental impact must be considered, the scope of review varies depending on the activity. However, all projects are required to adhere to the National Environmental Policy Act (NEPA) and other applicable federal and territorial laws. Subrecipients, implementing partners, and developers must complete an environmental review for all project activities before federal and non-federal funds are obligated, committed, or spent.

4.1 Environmental Review Governance

Environmental review rules are outlined in 24 CFR 58A to 24 CFR 58H, with additional requirements from NEPA, CEQ regulations (40 CFR 1500–1508), and other applicable laws based on project type and review level. These references are included in HUD and NEPA regulations. More details are available at Section III of this document and at HUD Exchange. (The link is found in Section 2.0 of the Appendices.)

24 CFR 58 allows environmental reviews to be conducted by RE staff, partners, or consultants. However, the RE remains accountable for the:

- Environmental review record's accuracy
- Compliance findings
- Public Notices
- Final project approval decision

While various parties may participate in conducting environmental reviews under the guidance of 24 CFR 58 and other relevant regulations, the ultimate responsibility for ensuring compliance, accuracy, and approval of HUD-funded projects rests solely with the RE. This governance framework helps safeguard both environmental and public interests throughout the review process.

Section 1.0 of the Appendices provides a detailed illustration of the Environmental Review Process.

5.0 Timing of Environmental Reviews

Once an application is submitted by a potential subrecipient to VIHFA, a federal nexus is established, and the 24 CFR 58 requirements apply to the project. An environmental review must be conducted before committing any funds, regardless of source, to an activity or project. At this stage, the subrecipient and other project participants are required to halt all project activities until the environmental review is completed. According to 24 CFR 58, no further project actions or activities may take place until the review has been finalized and environmental clearance determined.

If a subrecipient or other participant begins a private project in good faith, VIHFA may still consider a subsequent application for federal assistance related to that project. However, the third party must suspend further project actions until completion of the

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environmental review process. Project activities can proceed once approval from VIHFA is granted following completion of the environmental review.

REs must complete their environmental reviews, RROF-Cs, and clearance-related paperwork prior to:

- Any commitment of CDBG-DR, CDBG-MIT, e-Grid funds for activities.
- Any commitment of non-CDBG-DR, CDBG-MIT, e-Grid funds that could result in adverse environmental impacts or limit alternative choices.

5.1 Choice Limiting Action

A choice limiting action refers to any activity undertaken by a grantee, including the commitment or expenditure of HUD or non-HUD funds, which diminishes or eliminates the grantee's ability to select project alternatives that could avoid or reduce environmental impacts or enhance the quality of the human environment. Such actions include but are not limited to acquisition, rehabilitation, construction, and contracting. Once a federal nexus is established, no activity or project may proceed because the activity or project could create an adverse environmental impact or restrict reasonable alternative options (24 CFR 58.22A). These activities cannot be initiated, even with the use of private funds, prior to securing environmental clearance for the use of HUD funds, as they compromise VIHFA's compliance with NEPA, 24 CFR 58, and other federal and territorial environmental regulations. Actions taken without appropriate environmental clearance may result in violations of federal and local laws and authorities, disrupting the standard review processes designed to ensure compliance. Initiating prohibited activities before receiving approval from VIHFA may jeopardize an applicant's eligibility for HUD assistance. VIHFA is not permitted to commit funds until a favorable environmental review has been completed.

Certain activities may be conducted without risking non-compliance with 24 CFR 58 requirements, such as engaging a consultant to prepare a Phase I Environmental Site Assessment (to investigate potential environmental hazards), commissioning an engineering design study or plan, or studying soil and geological conditions. Reference 24 CFR 58.34 and 24 CFR 58.35B for further details. Approval from VIHFA to conduct these activities is required.

5.1.1 Option Contracts and Agreements

A contract to acquire property for a project before the completion of the environmental review is classified as a choice limiting action and should not be executed until the review process is finished. However, an option contract may be entered into beforehand and could result in acquisition after the environmental review is complete. Option contracts provide subrecipients with site control while granting time to conclude the environmental review.

Option contracts can be used to secure site control for properties of various types, including commercial, industrial, and residential, for activities or reuse such as

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demolition, new construction, and conversion of use, provided that the contract is specifically contingent on receiving environmental clearance. A real estate option contract or agreement is a legal arrangement between a potential buyer and the owner of a property. It grants the potential buyer the exclusive right to purchase the property at a set price within a designated timeframe.

The option agreement does not:

- Require the potential buyer to purchase the property.
- Obligate the seller to sell at the specified price if the option to buy is exercised as outlined in the contract.

Under HUD regulations at 24 CFR 58.22D, option agreements for any project prior to the completion of the environmental review are permitted if the following conditions are met:

- The option agreement remains subject to a determination by the recipient regarding the suitability of the property for the project, which depends on the completion of the environmental review per 24 CFR 58.
- The cost of the option represents a nominal portion of the purchase price. Flexibility in interpreting nominal is allowed, and any reasonable definition is acceptable.
- The nominal amount for option contracts may differ depending on local real estate market conditions and the purchase price.

6.0 Environmental Review Record

The RE must prepare and maintain a written record of the environmental review undertaken for each project, including exempt activities such as administrative costs. This ERR must be available for public review. The ERR must contain at least the following information:

- **Project Description**
A description of the entire project and each of the activities comprising the project, regardless of individual activity funding source.
 - To the extent feasible, grantees are encouraged to conduct environmental reviews for improvements to target areas and neighborhoods rather than limiting the environmental assessment to just the activity being proposed or to the streets being addressed within a neighborhood.
 - The review should include all potential activities and phases of planned investments.
- **Written Determinations**
The ERR must also contain written determinations and other review findings such as:
 - Exempt and categorically excluded determinations

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- Environmental assessments
- Findings of No Significant Impact
- Documentation

The ERR shall also contain documentation that verifies compliance with:

 - NEPA
 - Federal laws and authorities cited in compliance checklists (Tier IIs)
 - Environmental Assessments
 - Environmental Impact Statements including but not limited to memos and consultations
- Public Notices, when applicable
 - NOI-RROF
 - FONSI
 - Early Floodplain Notice
 - Final Floodplain Notice
- Public Comments

Public comments and concerns must be appropriately resolved by the VIHFA prior to requesting release of funds from HUD and must be fully documented in the ERR.
- Funding Request and Project Approval Documentation, when applicable
 - RROF – Form 7015.15
 - AUGF – Form 7015.16
- Mitigation Monitoring Documentation, when applicable

If an environmental review posits mitigation measures for a property, VIHFA's Environmental Unit will monitor the implementation of said measures throughout the project's duration. Not all projects will have mitigation measures thus not all projects will require mitigation monitoring.
- Monitoring Documentation

All projects require incremental inspections to ensure continued environmental compliance with all federal, state, and local regulations.

7.0 Environmental Review Process

7.1 Identifying the Level of Review

To begin the environmental review process, the RE must first determine the most appropriate level of review for each activity of the project. The term project can be defined as an activity or group of activities geographically, functionally, or integrally related, regardless of funding source, to be undertaken by VIHFA, consultants, subrecipients, or a public or private entity. If the project has various activities with

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different classifications, they must follow the review steps required for the most stringent classification.

7.2 Types of Reviews

7.2.1 Exempt Activities

Exempt activities (24 CFR 58.34) are those that are unlikely to have any direct impact on the environment and thus are not subject to most of the procedural requirements of environmental reviews under NEPA. These activities include:

- Environmental and other studies, resource identification and the development of plans and strategies
- Information and financial services
- Administrative and management activities
- Public services that will not have a physical impact or result in any physical changes, including but not limited to services concerned with employment, crime prevention, childcare, health, drug abuse, education, counseling, energy conservation and welfare or recreational needs
- Inspections and testing of properties for hazards or defects
- Purchase of insurance
- Purchase of tools
- Engineering or design costs
- Technical assistance and training
- Assistance for temporary or permanent improvements that do not alter environmental conditions and are limited to protection, repair, or restoration activities necessary only to control or arrest the effects from disasters or imminent threats to public safety including those resulting from physical deterioration
- Payment of principal and interest on loans made or obligations guaranteed by HUD
- Any of the categorical exclusions listed in 24 CFR 58.35A if there are no circumstances which require compliance with any other Federal laws and authorities cited in 24 CFR 58.5.

Exempt activities necessitate environmental evaluation solely with respect to the following compliance factors (24 CFR 58.6):

- HUD's requirement for disclosure of properties situated in airport runway clear zones
- The Coastal Barriers Resources Act
- The Flood Disaster Protection Act

7.2.2 Categorically Excluded, Not Subject to 24 CFR 58.5

Categorical Exclusions Not Subject to (CENST), as defined under 24 CFR 58.5, pertain to actions that are categorically excluded and not subject to the Federal laws

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and authorities referenced in 24 CFR 58.5. The activities, enumerated in section 58.35B, include:

- Tenant-based rental assistance
- Supportive services, which may encompass:
 - Healthcare
 - Housing services
 - Permanent housing placement
 - Day care and nutritional services
 - Short-term payments for rent, mortgage, or utility costs
 - Assistance with accessing local and federal government benefits and services
- Operating costs, such as:
 - Maintenance
 - Security
 - Operations
 - Utilities
 - Furnishings
 - Equipment
 - Supplies
 - Staff training
 - Recruitment
 - Other incidental expenses
- Economic development activities, including:
 - Equipment purchases
 - Inventory financing
 - Interest subsidies
 - Operating expenses and costs unrelated to construction or expansion of current operations
- Activities supporting homebuyers in purchasing existing or newly constructed dwelling units, including:
 - Closing costs and down payment assistance
 - Interest buydowns and similar initiatives leading to transfer of title
- Affordable housing pre-development costs, including:
 - Legal and consulting fees
 - Developer expenses related to obtaining site options
 - Project financing
 - Administrative costs and loan commitment fees
 - Zoning approvals and other related activities without physical impact

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- Approval of supplemental assistance (including insurance or guarantees) to an already approved project under this part, provided the approval is conducted by the same responsible entity that performed the initial environmental review, and no re-evaluation of the environmental findings is required under 24 CFR 58.47
- HUD's guarantee of loans for one to four family dwellings on trust land and fee land within an Indian reservation, as well as fee land owned by an Indian Tribe outside tribal reservation boundaries, under Section 184 Indian Housing loan guarantee program, executed without additional review or prior approval from HUD or the responsible entity before construction or rehabilitation contracts and loan closing

CENST activities necessitate environmental evaluation solely with respect to the following compliance factors (24 CFR 58.6):

- HUD's requirement for disclosure of properties situated in airport runway clear zones
- The Coastal Barriers Resources Act
- The Flood Disaster Protection Act

7.2.3 Categorically Excluded, Subject to 24 CFR 58.5

Categorical Exclusions Subject to (CEST) 24 CFR 58.5 refers to a category of actions that do not individually or cumulatively have potential for a significant effect on the environment (40 CFR 1508.4). Therefore, neither an Environmental Assessment nor Environmental Impact Statement is required. Although these actions are categorically excluded under NEPA, a determination must still be made as to whether they would alter any environmental conditions that would require a review or compliance determination under the Federal laws and authorities cited in 24 CFR 58.5. The laws and authorities cited in 24 CFR 58.5 are independent of NEPA and include the National Historic Preservation Act of 1966, the Executive Orders on Floodplain Management and Wetlands Protection, and several HUD-specific regulations concerning the health and safety of project occupants, to name a few. REs must certify that it has complied with the requirements under these laws and consider the criteria, standards, policies and regulations of these laws and authorities. These include:

- Acquisition, repair, improvement, reconstruction or rehabilitation of public facilities and improvements (other than buildings) when the facilities and improvements are in place and will be retained in the same use without change in size or capacity by more than 20%.
 - For example, replacement of water or sewer lines, reconstruction of curbs and sidewalks, repaving of streets fall into this category.
- Special projects directed to the removal of material or architectural barriers that restrict the mobility of and accessibility to elderly and handicapped people.

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- Rehabilitation of buildings and improvements only when all the following conditions are met:
 - In the case of residential buildings with one to four units:
 - The density is not increased beyond four units.
 - The land use is not changed.
 - The footprint of the building is not increased in a floodplain or in a wetland.
 - In the case of multifamily residential buildings:
 - The unit density is not changed by more than 20%.
 - The project does not involve changes in land use from residential to non- residential.
 - The estimated cost of rehabilitation is less than 75% of the total estimated cost of replacement after rehabilitation.
 - In the case of non-residential structures, including commercial, industrial and public buildings:
 - The facilities and improvements are in place and will not be changed in size or capacity by more than 20%.
 - The activity does not involve a change in land use, such as from non-residential to residential, commercial to industrial or from one industrial use to another.
- Individual Actions
 - An individual action on a one to four family unit dwelling where there is a maximum of four units on any one site. The units can be four one-unit buildings or one four-unit building or any combination in between.
 - An individual action on a project of five or more housing units developed on scattered sites when the sites are more than 2,000 feet apart and there are no more than four housing units on any one site. Paragraphs A4I and II of 24 CFR 58.35 do not apply to rehabilitation of a building for residential use with one to four units. Paragraph A3I addresses this.
- Acquisition (including leasing) or disposition of, or equity loans on an existing structure or acquisition (including leasing) of vacant land provided the structure or land acquired or disposed of or financed will be retained for the same use.
- Any combination of the above activities.

7.2.4 Environmental Assessments

Projects that do not qualify for exemption or categorical exclusion are subject to an environmental assessment. According to 24 CFR 58, such projects must complete an Environmental Assessment as outlined in 24 CFR 58.36. In addition to meeting HUD and NEPA requirements, compliance with other legal provisions advancing the objectives of NEPA, as specified in 24 CFR 58.5, is also required.

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7.2.5 Environmental Impact Statement

If a project or activity is likely to have significant impacts, an environmental impact statement (EIS) must be prepared. If it is evident without preparing an EA that an EIS is required under 58.37, the RE should proceed directly to an EIS. An EIS is a comprehensive written document (Section 102(2C)) of NEPA and 40 CFR 1502) that describes, analyzes, and assesses changes in environmental conditions, whether adverse or beneficial, resulting from the proposed action or actions and examines alternatives. The statement should include qualitative assessments of the significance of environmental impacts. VIHFA will consult with HUD as soon as it is determined that an EIS is required.

The consultation between VIHFA and HUD, when it is determined that an EIS is required, serves several important purposes. First, it ensures that VIHFA is following the correct procedures and meeting all federal requirements for preparing the EIS under NEPA and HUD regulations. Through consultation, HUD can provide guidance, clarify regulatory expectations, and help identify the scope of environmental issues that must be addressed. This process also facilitates coordination on public involvement, technical methodologies, alternatives analysis, and documentation standards. Ultimately, the consultation aims to ensure that the EIS is comprehensive, legally sufficient, and that all significant environmental impacts and reasonable alternatives are thoroughly evaluated before any decisions or commitments are made regarding the proposed project.

7.3 Tiered Reviews

Tiering, as defined in 40 CFR 1508.28, is a means of making the environmental review process more efficient by allowing parties to eliminate repetitive discussions of the same issues and to focus on the actual issues ripe for decision at each level of environmental review (40 CFR 1502.20).

A tiered review consists of two stages:

- **Tier I – Broad Level Review**
The broad-level review identifies and assesses issues that can be addressed and resolved, regardless of the extent of knowledge about the project. It must define the standards, constraints, and processes for conducting site-specific reviews.
- **Tier II – Site Level Review**
As individual sites are chosen for evaluation, the site-specific review assesses any outstanding issues in accordance with the policies outlined during the broad-level review.

The broad-level review and the site-specific review together form a comprehensive environmental review that addresses all necessary elements. Funds may not be spent or committed for a specific site or activity until completion of both reviews for that site. In a tiered environmental review, the RE publishes a FONSI and an RROF

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at the conclusion of the Tier I review. VIHFA is not required to republish these notices or submit further RROF documentation after the site-specific Tier II reviews. Documentation from Tier II remains in the Environmental Review Record (ERR).

7.3.1 Tier I – Broad Level Review

Broad-level reviews identify issues ready for decision and outline procedures for site-specific concerns. They address general topics and set the stage for future, detailed decisions, such as activity locations and mitigation measures.

VIHFA must review all applicable environmental laws and authorities, resolving compliance matters, when possible, at this stage. If a project is fully outside areas like floodplains or coastlines, broad-level reviews may confirm compliance with specific acts, such as the Coastal Barrier Resources Act or Flood Disaster Protection Act.

If compliance cannot be verified broadly, the review must establish protocols for achieving it at site-specific levels, outlining strategies for assessing impacts, ensuring compliance, and excluding non-compliant sites. For example, if part of a project is in the Coastal Zone, the broad-level review provides steps for site-level compliance checks and necessary consultations or excludes Coastal Zone projects from applying.

Requirements depend on review type. Tiered CEST reviews analyze all relevant laws per 24 CFR 58.5 and 24 CFR 58.6, while environmental assessments require comprehensive analysis and detail to justify FONSI, supported by adequate procedures preventing significant impacts.

Clear public notices are essential for tiered reviews, communicating the project's scope and potential impacts in straightforward language, since vague notifications can leave requirements unmet.

7.3.2 Tier II – Site Specific Reviews

Once the location of an individual project has been determined, HUD or VIHFA, in its RE role, is required to conduct a site-specific review. This review must be completed prior to any commitment of HUD funds for the project. The site-specific review should not duplicate previously conducted analyses or decisions. Instead, it should focus on any issues that were not addressed in the broad-level review (refer to 40 CFR 1508.28). Following the protocols established at the broad level, the site-specific review must verify and document the project's compliance with all applicable protocols and any outstanding requirements outlined in the broad-level review.

If a particular site-specific activity does not conform to the parameters set forth in the broad-level review, the results of the broad-level review cannot be applied to that site. For instance, sites located outside the designated geographic boundaries, those that do not meet defined protocols for specific laws or authorities, or activities not included

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in the project description covered by the broad-level review will necessitate a new, independent environmental review separate from the tiered review process.

The Tier Review Process workflow is further illustrated in Section 1.0 of the Appendices.

7.4 Environmental Compliance Factors

7.4.1 Environmental Review Procedures

Environmental Review Procedures, 24 CFR 58, outlines the environmental review procedures required by HUD for its grant recipients and designated responsible entities. Under 24 CFR 58, HUD's recipients and designated responsible entities are responsible for conducting environmental reviews and for obtaining approval of a Request for Release of Funds. The environmental review must ensure program or project compliance with federal laws and regulations designed to protect the environment. These reviews assess potential impacts related to issues such as floodplains, wetlands, historic properties, noise, and hazardous substances before funds are committed or actions are taken. Section III details all federal environmental requirements and regulations.

The regulations specify the steps HUD grant recipients or designated responsible entities must follow, including identifying environmental requirements, evaluating project sites, and documenting findings to ensure that projects do not cause significant harm to the environment or violate applicable laws. 24 CFR 58 is distinct from 24 CFR 50, which governs environmental reviews performed by HUD. VIHFA, as HUD's responsible entity for the US Virgin Islands, is governed by 24 CFR 58.

8.0 Mitigative Measures and Monitoring

8.1 Mitigative Measures

HUD requires that any identified adverse impacts to the environment be addressed through appropriate mitigative measures. These measures should be incorporated into the project's design and implementation to minimize harm, especially when projects may affect sensitive areas such as floodplains.

The process involves:

- Identifying potential environmental risks during the review process.
- Developing and documenting specific actions to mitigate or reduce these risks.
- Ensuring mitigative measures are clearly outlined and implemented as part of the project plan.
- Monitoring the effectiveness of these measures throughout the project's lifecycle.
- Maintaining records of mitigation actions and monitoring results within the project files.

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Mitigative measures are established through a structured process that begins with the identification of potential environmental risks during a project's environmental review. This assessment evaluates the potential impacts on sensitive regions, such as floodplains, wetlands, and habitats supporting protected species. Upon recognition of these risks, project planners work in conjunction with environmental specialists and stakeholders to devise targeted strategies aimed at addressing or reducing each specific risk. These mitigation strategies are formally documented and integrated into the project plan, ensuring their systematic implementation.

Furthermore, the selection of mitigative measures commonly involves an examination of regulatory frameworks, industry best practices, and recommendations from federal and local agencies. Soliciting public feedback and consulting with relevant authorities also contributes to the development and selection of appropriate mitigation actions, ensuring full compliance with legal and environmental obligations.

8.2 Monitoring

HUD also requires ongoing monitoring to verify that mitigative measures are working as intended and to ensure continued compliance with federal and local environmental regulations. This includes:

- Keeping thorough records of all mitigation activities
- Monitoring reports
- Following up on actions taken

The type of monitoring required for a project is determined by nature and scope of the identified environmental risks, the specific mitigative measures proposed, and applicable regulatory requirements. During the environmental review process, assessments determine which aspects of the project require ongoing oversight based on potential impacts and the complexity of mitigation strategies. This evaluation considers factors such as the sensitivity of affected resources, the likelihood of adverse outcomes, and whether mitigation involves ongoing activities or one-time actions. As a result, monitoring plans are tailored to ensure that the effectiveness of each mitigation measure is adequately tracked and documented throughout the project lifecycle.

Additionally, guidance from HUD and local agencies, as well as feedback from public consultations, can influence the scope and frequency of monitoring activities. In some cases, specific statutes or permit conditions may dictate the minimum monitoring requirements, ensuring compliance and accountability for environmental protection commitments.

Proper documentation should be retained in the environmental review records for each project, as part of responsible stewardship and regulatory compliance.

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9.0 Recordkeeping and Retention

Environmental Review Records as well as mitigation monitoring should be on file within project files. General records to keep on file include:

- 24 CFR 58 with:
 - Environmental determinations
 - Documentation of compliance with other applicable laws and authorities (e.g.: maps, tests, consultations)
 - Public notices
 - Publisher's affidavit
 - Coordination letter for or from other agencies
 - Public comments
- Tiered Reviews with:
 - Environmental determinations
 - Documentation of compliance with other applicable laws and authorities (e.g.: maps, tests, consultations)
 - Public notices
 - Publisher's affidavit
 - Coordination letters for or from other agencies
 - Public comments
- Environmental re-evaluations (if necessary)
- Request for Release of Funds and Certification form
- Authority to Use Grant Funds form
- Official correspondence
- Mitigative measures taken
- Site inspections reports
- Project closeout reports

HUD generally considers the ERR valid for five years.

SECTION III: FEDERAL REQUIREMENTS

Federal statutes governing this policy are listed below. This list should not be perceived as exhaustive.

1.0 Airport Hazards

Airport Hazards under 24 CFR 51D set federal standards for locating HUD-assisted projects near civil airports, aiming to avoid risks such as noise and aircraft accidents. The regulation restricts new residential and sensitive land uses within Runway Clear Zones and Accident Potential Zones, helping protect public safety and prevent incompatible development close to airports.

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2.0 Coastal Barrier Resources Act

The Coastal Barrier Resources Act, as amended in 1990, is a federal law that restricts federal financial assistance in designated coastal areas, including flood insurance and infrastructure funding. Its purpose is to discourage development, reduce risk and federal spending on storm damage, and protect natural habitats.

3.0 Flood Insurance

The Flood Disaster Protection Act of 1973 and the National Flood Insurance Reform Act of 1994 require property owners in designated flood-prone areas to obtain flood insurance to qualify for federal financial assistance. These laws aim to minimize flood-related financial losses and encourage responsible land use, while also mandating that communities implement and enforce floodplain management regulations to remain eligible for federal flood insurance programs.

4.0 Clean Air Act

The Clean Air Act is a federal law designed to protect and improve air quality in the United States. Specifically, Section 176C and 176D, along with 40 CFR 6, 40 CFR 51, and 40 CFR 93, require federal agencies to ensure that their projects do not violate EPA air quality standards and that they conform to state clean air plans. These regulations establish the procedures for demonstrating compliance during project planning and implementation.

5.0 Coastal Zone Management

The Coastal Zone Management Act (CZMA), specifically sections 307C and 307D, requires that federal actions, permits, and licenses affecting coastal zones comply with state coastal management programs. This ensures federally supported projects are reviewed for alignment with state policies to protect and responsibly manage coastal resources, minimizing negative environmental impacts from development.

6.0 Contamination and Toxic Substances

Contamination and Toxic Substances regulations 24 CFR 50.3I and 24 CFR 58.5I2 require federal agencies to assess HUD-assisted project sites for environmental contamination and hazardous substances. The goal is to ensure sites are free from pollutants that could harm future occupants. Agencies must review both the history and current condition of properties and mitigate any identified hazards before moving forward with development or funding, thereby safeguarding public health and the environment.

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7.0 Endangered Species Act of 1973

The Endangered Species Act of 1973 is a federal law aimed at protecting threatened and endangered plants and animals, as well as their habitats. Section 7 mandates that federal agencies ensure their actions do not harm these species or their critical habitats. The law requires agencies to consult with the U.S. Fish and Wildlife Service or the National Marine Fisheries Service to evaluate and address any potential impacts on protected species during project planning and implementation.

8.0 Explosive and Flammable Hazards

Federal regulations (24 CFR 51C) require assessing risks from explosive or flammable materials near HUD-assisted sites. These rules prevent placing sensitive developments close to hazardous facilities, protecting occupants through risk evaluation and safety measures.

9.0 Farmland Protection Policy Act of 1981

The Farmland Protection Policy Act of 1981 and its regulations aim to prevent the unnecessary loss of productive farmland to federal projects. Federal agencies must evaluate the impact of proposed developments on prime, unique, or important farmland and consider alternatives that preserve these agricultural resources.

10.0 Floodplain Management

Floodplain Management regulations under Executive Order 11988 and 24 CFR 55 require federal agencies, especially HUD, to avoid projects in floodplains unless there is no viable alternative. Agencies must assess and minimize potential flood risks, consider alternatives, and ensure public participation in decisions regarding development in flood-prone areas to protect people, property, and natural floodplain functions.

11.0 Historic Preservation

The National Historic Preservation Act of 1966, especially sections 106 and 110, alongside 36 CFR 800, establishes federal procedures for protecting historic properties and cultural resources. Section 106 requires federal agencies to assess and consult on potential impacts of their projects on historic places, while Section 110 obligates agencies to proactively identify and preserve historic assets under their control. These rules ensure that historic and cultural sites are considered and safeguarded during federal project planning and execution.

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12.0 Noise Control Act of 1972

The Noise Control Act of 1972, as amended by the Quiet Communities Act of 1978, together with 24 CFR 51B, refers to federal policies and regulations designed to minimize the impact of noise pollution, particularly from federally assisted projects. These laws require federal agencies to assess, control, and reduce noise levels associated with activities such as construction of roads, housing, or facilities, especially when these projects are located near sensitive areas like homes, schools, or hospitals. The regulations set standards and procedures for evaluating noise impacts and encourage alternatives or mitigation measures to protect public health and welfare, creating quieter, healthier communities.

13.0 Safe Drinking Water Act of 1974

The Safe Drinking Water Act, especially Section 1424E, lets the EPA designate aquifers as sole sources if they supply at least half of an area's drinking water and have no alternatives. Federally funded projects that could pollute these aquifers must be specially reviewed (40 CFR 149) to protect community water supplies.

14.0 Wetlands Protection

Wetlands protection under Executive Order 11990 requires federal agencies to minimize harm to wetlands when considering federally funded or permitted projects. Agencies must evaluate impacts, consider alternatives, and provide public notice and involvement to ensure transparency. The regulation aims to preserve wetlands' ecological, water quality, and flood control benefits in federal decision-making.

15.0 Wild and Scenic Rivers Act of 1968

The Wild and Scenic Rivers Act of 1968 protects designated rivers with notable natural, cultural, and recreational values by keeping them free-flowing and limiting development that could alter their character. Sections 7D and 7C require federal agencies to obtain approval from the Secretary of the Interior before permitting or funding projects that might harm these rivers or their surroundings, ensuring federally assisted activities do not compromise their integrity.

16.0 Lead-Based Paint Compliance

HUD requires projects receiving federal financial assistance to comply with 24 CFR 35 and the Lead Safe Housing Rule. These requirements protect children and occupants from lead poisoning. Applicants participating in housing rehabilitation and reconstruction programs must receive lead hazard information brochures and sign an acknowledgment confirming receipt. For homes built before 1978, paint on all surfaces is presumed to be regulated and must be evaluated. Before construction begins, a lead-based paint risk assessment must be completed for areas that will be

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disturbed. Inspection results must be provided to applicants, and all related documents must be maintained and uploaded into the system of records. For residential properties receiving an average of more than \$5,000 per unit in federal rehabilitation assistance, the participating Program must stabilize paint on positive components disturbed by rehabilitation in accordance with 24 CFR 35.1330A and B. After paint stabilization is complete, an EPA-certified lead risk assessor must perform a clearance examination of affected dwelling units and common areas in accordance with 24 CFR 35.1340.

Reconstruction projects must also be evaluated for lead hazards to determine whether Resource Conservation and Recovery Act requirements apply.

When remediation is required, an EPA-certified lead remediation contractor must perform the work, and an EPA-certified lead risk assessor must complete the clearance. Applicants must receive required notices when evaluations or hazard reduction activities occur. The contractor performing the abatement may not conduct the assessment or clearance.

Environmental staff must confirm that lead-based paint evaluations, hazard reduction work, clearance results, applicant notices, certifications, and contractor qualifications are complete before approving construction closeout. Records must demonstrate that all required activities were completed by qualified personnel, that applicants received timely notices, and that the project file contains sufficient documentation to support compliance during monitoring, audit, or closeout review.

Policy Ends

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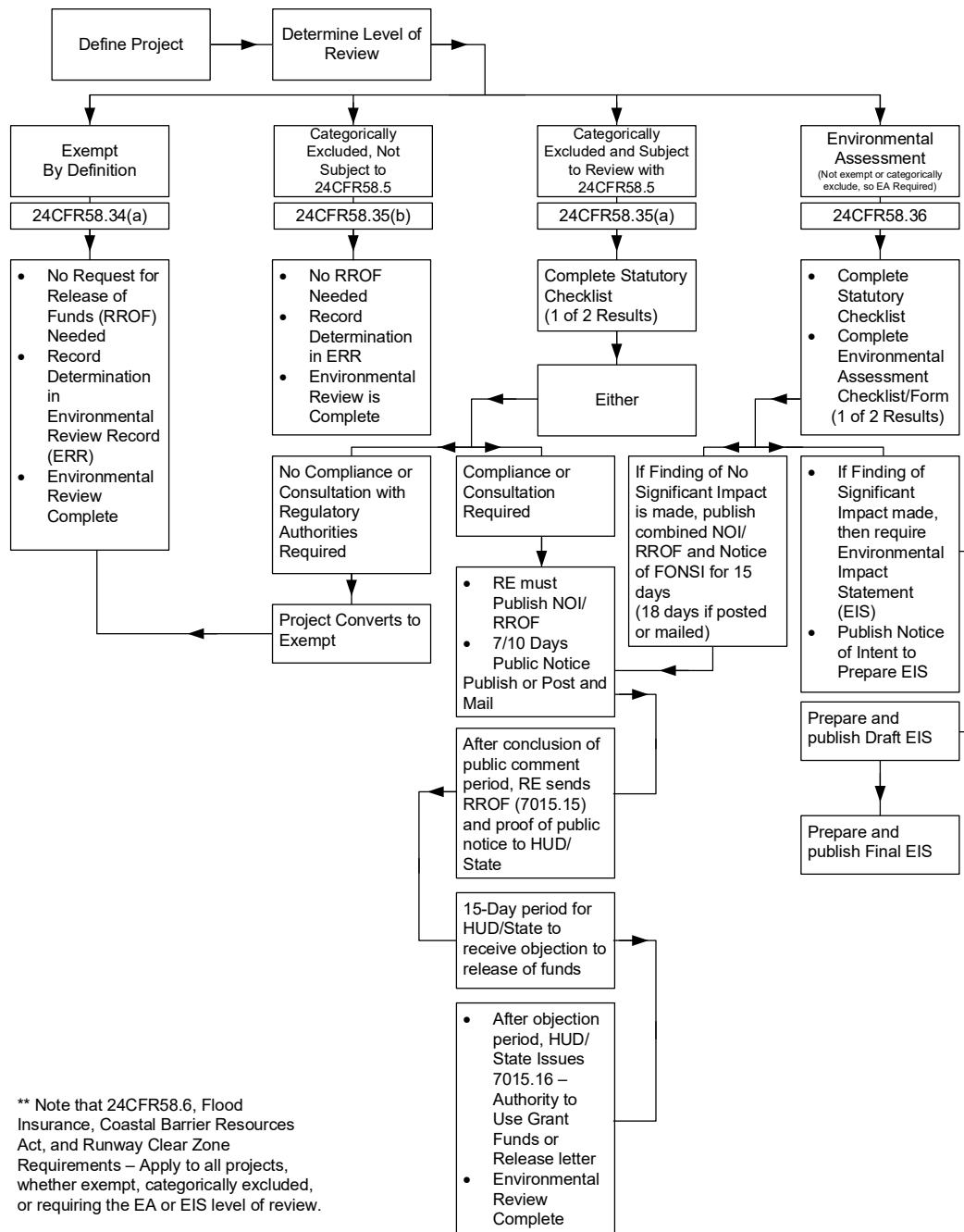
APPENDICES

1.0 Workflow

1.1 Environmental Review Process

The chart below summarizes the steps to complete the environmental review process (24 CFR 58) for the varying levels or reviews. These steps are carried out by the RE.

Environmental Review Process

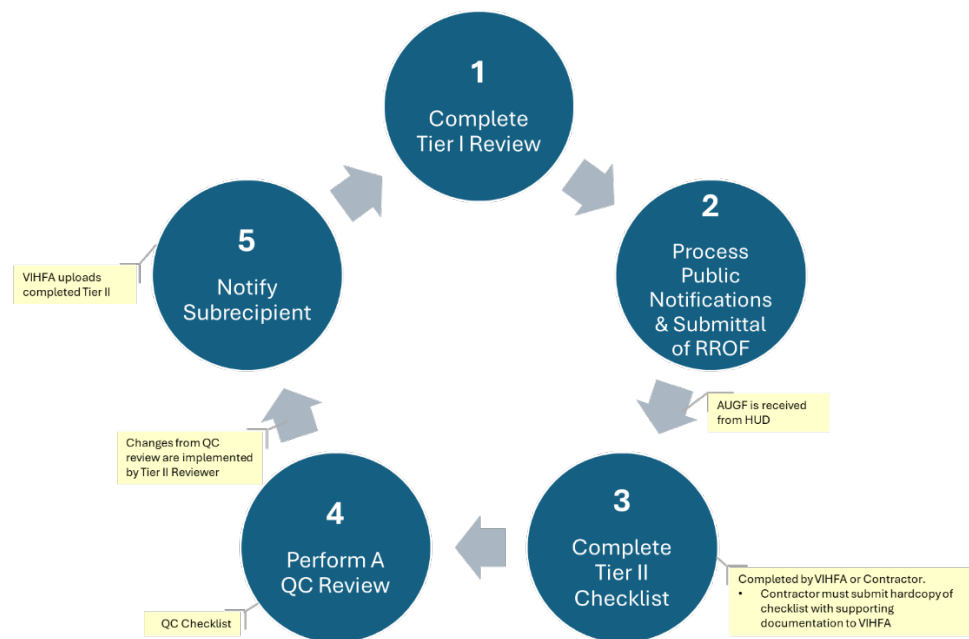


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1.2 Tier Review Process

The tier review process organizes environmental reviews into broad initial assessments, followed by more detailed analyses as needed, streamlining compliance while ensuring thoroughness.

Tier Review Process



2.0 References

Reference	Purpose	Link
☐ RS1-SOP-001, How to Conduct a Preliminary Environmental Review	Establishes steps for an initial assessment to identify potential environmental issues before committing funds or starting a project.	
☐ RS1-SOP-002, How to Determine Level of Review for Environmental Reviews	Provides criteria for deciding whether a project needs an Exempt, Categorical Exclusion, Environmental Assessment, or Environmental Impact Statement.	
☐ RS1-SOP-003, How to Conduct an Environmental Review	Outlines the full process for performing an environmental review in compliance with	

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Reference	Purpose	Link
	NEPA and related laws, including documentation and analysis.	
☐ RS1-SOP-004, How to Conduct a Tiered Environmental Review	Describes the use of a tiered approach, which involves conducting a broad review at the program level followed by site-specific reviews, to streamline large or multi-site projects.	
☐ RS1-SOP-005, How to Publish Public Notices, Process Public Comments, and Submit Requests for Release of Funds (RROF)	Details requirements for public participation, including publishing notices, handling comments, and completing the process.	
☐ RS1-SOP-006, How to Write Official Mitigation Monitoring Letter	Guides drafting formal letters to document mitigation measures and monitoring commitments for environmental compliance.	
☐ RS1-SOP-007, How to Build an Environmental Review Record (ERR)	Specifies how to compile and organize all documentation into an ERR, which serves as the official record for audits and HUD monitoring.	
☐ RS1-SOP-008, How to Review Environmental Invoices	Provides instructions for verifying and approving invoices from environmental consultants or firms for accuracy and compliance.	
☐ RS1-SOP-009, How to Conduct Environmental Re-Evaluation	Explains when and how to reassess environmental findings if project scope changes or new conditions arise.	
☐ RS1-SOP-010, How to Adopt a Federal Agency's Environmental Review	Describes the process for adopting another federal agency's environmental review to avoid duplication when	

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Reference	Purpose	Link
	projects involve multiple agencies.	
☐ RS1-SOP-011, How to Process Local Match Applications	Outlines steps for handling applications where local funds are used to match federal funds, ensuring compliance with environmental requirements.	
☐ RS1-SOP-012, How to Engage External Clients as the Responsible Entity	Provides guidance for acting as the Responsible Entity (RE) on behalf of external clients, including legal and procedural obligations.	
☐ RS1-SOP-013, How to Manage and Monitor Subrecipients Procuring Environmental Firm	Details oversight responsibilities for subrecipients hiring environmental consultants, ensuring environmental and performance compliance.	
☐ RS1-SOP-014, How to Quality Control, Quality Assure Environmental Reviews	Establishes QA/QC procedures to verify accuracy, completeness, and compliance of environmental reviews before approval.	
☐ Title 24 of the Code of Federal Regulations	Outlines the legal requirements for HUD programs, focusing on compliance with housing laws and the regulation of environmental, safety, and civil rights standards. It provides guidance for entities receiving HUD assistance on environmental review procedures, ensuring both efficiency and thorough oversight.	eCFR :: Title 24 of the CFR -- Housing and Urban Development
☐ 24 CFR 58, Environmental Review Procedures for Entities Assuming HUD Environmental Responsibilities	Provides instructions and guidance for entities that receive HUD assistance on how to conduct environmental reviews for HUD-funded projects.	eCFR :: 24 CFR Part 58 -- Environmental Review Procedures for Entities Assuming HUD Environmental Responsibilities

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Reference	Purpose	Link
□ 40 CFR 1500–1508, National Environmental Policy Act (NEPA) of 1969	Requires federal agencies to assess the environmental impacts of their actions, facilitate public participation, and conduct thorough reviews for major projects.	NEPA National Environmental Policy Act
□ HUD Exchange – Environmental Review	Helps HUD grantees, recipients, and applicants understand, complete, document, and defend environmental reviews required under federal law before HUD funds can be committed or spent.	Environmental Review - HUD Exchange

3.0 Glossary of Terms

3.1 Acronyms

Term	Descriptor
AUGF	Authority to Use Grant Funds
CATEX	Categorically Excluded
CENST	Categorically Excluded Not Subject to 24CFR58.5
CEST	Categorically Excluded Subject to 24CFR58.5
CDBG	Community Development Block Grant
CDBG-DR	Community Development Block Grant – Disaster Recovery
CDBG-MIT	Community Development Block Grant – Mitigation
CEQ	Council on Environmental Quality
EA	Environmental Assessment
E-Grid	Electrical Grid
EIS	Environmental Impact Statement

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Term	Descriptor
ERR	Environmental Review Record
FONSI	Finding of No Significant Impact
HUD	Department of Housing and Urban Development
NEPA	National Environmental Policy Act
RE	Responsible Entity
RROF-C	Request for Release of Funds and Certification
VIHFA	Virgin Islands Housing Finance Authority

3.2 Definitions

Applicant. Any individual who applies for funding for any program at VIHFA.

Authority to Use Grant Funds. Form 7015.16. An approval letter issued by HUD to the RE granting funds to an activity.

Categorically Excluded. A category of activities for which no environmental impact statement (EIS) or environmental assessment (EA) and finding of no significant impact (FONSI) under NEPA is required, except in extraordinary circumstances (see 58.2A3 in which a normally excluded activity may have a significant impact).

Categorically Excluded Not Subject to 24 CFR 58.5. A type of environmental review. CENSTs are conducted if determined that the project activities would not alter any conditions that would require a review or compliance determination under the federal laws and authorities cited in 24 CFR 58.5. See 24 CFR 58.35B for more information on the specific type of activities that could warrant a CENST.

Categorically Excluded Subject to 24 CFR 58.5. A type of environmental review. CESTs must adhere to provisions and regulations in 24 CFR 58.5. See 24 CFR 58.35A for more information on the specific type of activities that could warrant a CEST.

Choice Limiting Action. A choice limiting action is any activity that a grantee undertakes, including committing or expending HUD or non-HUD funds, that reduces or eliminates a grantee's opportunity to choose project alternatives that would avoid or minimize environmental impacts or enhance the quality of the human environment.

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Community Development Block Grant – Disaster Recovery. A HUD-administered federal program designed to provide flexible grants to areas that are recovering from presidentially declared disasters. VIHFA manages the program's funding in the USVI.

Community Development Block Grant – Mitigation. A HUD-administered federal program designed to provide flexible grants to areas interested in implementing strategic and high-impact activities that mitigate disaster risks and reduce future loss. VIHFA manages the program's funding in the USVI.

Council on Environmental Quality. A key component of the U.S. government that coordinates federal environmental policies and ensures compliance with NEPA.

Electrical Grid. A HUD-administered federal program designed to provide funding to areas that wish to enhance and improve electrical power systems, increase the resilience of the electrical power system, and address the impact of climate change. VIHFA manages the program's funding in the USVI.

Environmental Assessment. A type of environmental review. EAs must adhere to provisions and regulations in 58.5 and additional EA factors identified by HUD. EAs are conducted if a project's activities cannot be classified as Exempt or Categorically Excluded.

Environmental Impact Statement. A written statement that defines the negative impact a proposed activity may cause on the human and natural environment. An EIS is often conducted following the completion of an Environmental Assessment (EA) and a finding of significant impact.

Environmental Review Record. A project's complete environmental file including but not limited to the appropriate regulatory checklist, maps, consultations, testing reports, and relevant memos.

Finding of No Significant Impact. A determination by the responsible entity that the project is not an action that will result in a significant impact on the quality of the human environment.

National Environmental Policy Act (NEPA) of 1969. The basic national charter that provides policies, goals, and tools for the protection of the environment.

Request for Release of Funds and Certification. Form 7015.15. A recipient's request to HUD for the approval of funds to an activity.

Responsible Entity. The entity that assumes environmental responsibility for HUD under NEPA (and other environmental regulations) and executes the environmental review for all HUD-assisted projects. For the US Virgin Islands' CDBG-DR, CDBG-MIT, and E-GRID Programs, the RE is the grant recipient, VIHFA. At times, VIHFA

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may determine that another eligible governmental agency can act as the RE. See 24 CFR 58.2A7 for additional information.

Tiering. The assessment process in development projects involves both general and site-specific evaluations, often using tiered environmental reviews to avoid repeating the same issues at each stage. Initial reviews focus on identifying relevant issues, setting policies and standards, and excluding irrelevant topics, while later site-specific assessments build on these findings for greater efficiency.