



NSP 1, 2 & 4 ALERT Alert #9

TO: NSP 1, 2 & 4 RECIPIENTS
FROM: Lorena Oseguera / EDA Housing
EFFECTIVE DATE: March 29, 2010
SUBJECT: **Fire Insurance and Flood Insurance Requirements**

The EDA requires that the developer obtain and provide a copy of fire insurance policy and flood insurance policy (if property is located within a 100 year flood plain within the following zones: A, AE, A1-30, AH, AO, AR, A99) at the time acquisition.

If property is located within a 100 year flood plain within the following zones: A, AE, A1-30, AH, AO or AR, rehabilitation of property must be **less than 50%** of the acquisition price. For example, if acquisition is \$100,000 then rehabilitation must be \$49,999 or less. If rehabilitation is equal to or more than 50%, property rehabilitation is considered a "Substantial Improvement" and will trigger a "Decision Making Process" (DMP). Triggering a DMP will prolong acquisition by a minimum of 22 days, as an FNO (Final Notice & Offer) will not be issued by the EDA until the DMP part of the environmental is cleared.

"Substantial Improvement" is defined as: Any repair, reconstruction, modernization or improvement of a structure, the cost of which **equals or exceeds 50%** of the market value of the structure either:

- 1) Before the improvement or repair is started; or
- 2) If the structure has been damaged, and is being restored, before the damage occurred.

Therefore, it is important to remember when acquiring properties within these flood zones, rehabilitation of the property must be **less than 50%** of the acquisition price.

For more information. If you have any questions or would like more information, contact the EDA Housing staff or [CLICK HERE](#) to visit our website.

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