



WASHINGTON STATE DEPARTMENT OF ECOLOGY
ON-SITE SEPTIC SYSTEM REPAIR AND REPLACEMENT
FINANCIAL ASSISTANCE PROGRAM
FISCAL YEAR 2007

Applicant and Offer List

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Applicant and Offer List

Funding Sources

The Puget Sound On-Site Septic System (OSS) Repair and Replacement Financial Assistance Program identified in Governor Christine Gregoire's Puget Sound Initiative, 2005-07 Biennium Budget, and 2006 Supplemental Budget is funded with up to \$7.5 million in appropriations through the Water Pollution Control State Revolving Fund (SRF) and the Centennial Clean Water Program (Centennial). The purpose of the OSS program is to provide grants and low-interest loans to the 12 Puget Sound counties and tribal governments to establish new or expand existing on-site septic system repair and replacement local loan programs.

The OSS financial assistance program will provide local governments and tribes with funding for grants and low-interest loans to facilitate and encourage the repair and replacement of failing on-site septic systems. Grant dollars will be used to assist financially distressed homeowners and for program implementation and administration. Local projects funded through this program will improve water quality, protect public health, and protect and restore critical commercial and recreational shellfish areas by reducing fecal coliform bacteria and nutrient levels in Puget Sound.

Overview of Program Development

The Washington State Department of Ecology (Ecology) established a stakeholder workgroup to aide in the development of the OSS Financial Assistance Program. Workgroup participants represented the Environmental Protection Agency (EPA), Puget Sound Action Team (PSAT), Washington State Department of Health (DOH), tribal governments, and county governments.

Discussions at the workgroup meetings were focused on the development of an effective and efficient program for providing financial assistance to homeowners for the repair and replacement of failing or poorly functioning on-site septic systems. Specific topics that were addressed at the workgroup meeting included, residential hardship eligibility criteria, equitable loan and grant distribution, loan and grant ceiling amounts, conceptualizing adjustable SRF repayment interest rates for loans directed towards financially distressed homeowners, and establishment of the OSS application and award timeline.

The following list outlines outcomes of the stakeholder workgroup meetings and activities and unique elements of the OSS grant and loan program:

- Implement and manage on-site septic system repair and replacement local loan programs within the Puget Sound region.
- Provide financial assistance to low-income or financially distressed homeowners for on-site septic system repair. Offer attractive funding opportunities to homeowners for repair or replacement of aging or faulty septic systems.
- Develop SRF interest rate repayment structure to support local government efforts to provide on-site septic financing opportunities to all homeowners. SRF interest rates will be adjusted at

project completion based upon a rate structure that identifies the amount of local loans provided to financially distressed homeowners.

SRF interest rate structure: Initial rates are set at 1.3 percent for a 5-year repayment term and 2.6 percent for 6-20 year repayment term under the FY2007 funding cycle. The proposed process will involve building a blended rate at the end of the project that reflects the proportion of SRF dollars provided to low income homeowners. For example, a portion of loans provided to low-income homeowners may be as low as zero percent and a portion used for standard income homeowners at 2.6 percent. If the proportion ends up at 50:50, the end SRF repayment rate directed to the local government would be at 1.3 percent for a 20-year term.

- Provide loans to assist small commercial enterprises rehabilitate on-site septic systems.
- Establish and maintain a revolving reserve account. Up to 10 percent of eligible expenses for individual system repair and replacement may be placed in a dedicated reserve account to secure the risk of homeowner loan default.

In addition to developing the region-wide Puget Sound program, Ecology worked with PSAT, DOH, Hood Canal Coordinating Council (HCCC), and Hood Canal local governments to conceptualize and develop a Hood Canal Pilot Program. This innovative partnership will be based on an inter-local agreement between Jefferson, Mason, and Kitsap counties and Port Gamble S'Klallam and Skokomish tribal governments. The partnership will utilize an outside administrator for the Hood Canal regional loan program. The administrator, a non-profit community development lending institution, will provide a "one stop" financing program to homeowners for on-site septic system repair and replacement.

OSS Financial Assistance Program Final Applicant and Offer List

Ecology received and processed seven applications for the OSS Financial Assistance Program, with combined loan and grant requests of \$7,643,500. The applications were reviewed and scored by three Ecology evaluators and two external evaluators from PSAT and DOH. Based on evaluations of the applications and using the 2005-07 Biennial Budget and the 2006 Supplemental Budget, Ecology proposes to fund the seven projects at \$7,472,500. Initial ceiling amounts of \$250,000 for SRF loans and \$50,000 Centennial grants were raised, based on the added availability of funding as a result of receiving fewer than expected applications. All seven applicants requested additional funding to meet program needs if available. The final distribution of grant and loan funds is summarized in the table that follows.

Washington State Department of Ecology

FY07 On-Site Septic System Grant and Loan Applicant and Offer List

Applicant	Total Project Cost	SRF Loan Funds Offered	Centennial Grant Funds Offered	Centennial Administrative Grant Offered	Applicant Matching Contributions	Loan Term		Footnote
						Term	Interest Rate	
Skagit County	\$2,247,000	\$1,750,000	\$100,000	\$129,500		20	2.6 %	1,3
Thurston County	\$321,000	\$250,000	\$100,000	\$24,500		20	2.6 %	1,3
Redmond, City of	\$421,000	\$250,000	\$0	\$0	\$100,000	20	2.6 %	1,3,4
Tacoma-Pierce County Health Department	\$321,000	\$250,000	\$100,000	\$24,500		20	2.6 %	1,3
Hood Canal Coordinating Council	\$6,852,000	\$2,850,000	\$500,000	\$234,500	\$3,000,000	20	2.6 %	1,2,3
Seattle & King County, Public Health	\$535,000	\$450,000	\$100,000	\$38,500		20	2.6 %	1,3
Island County	\$267,500	<u>\$200,000</u>	<u>\$100,000</u>	<u>\$21,000</u>		5	1.3 %	1,3
<i>TOTALS</i>		<u>\$6,000,000</u>	<u>\$1,000,000</u>	<u>\$472,500</u>				

1. Funds specified in the 2006 Supplemental Capital Budget for the repair and replacement of failing on-site septic systems.
2. Offered based upon an Interlocal Agreement between three counties: Mason, Kitsap, and Jefferson and two tribal governments: Port Gamble S'Klallam and Skokomish.
3. SRF interest rates will be adjusted down at project completion based upon amount of local loans directed towards financially distressed homeowners.
4. The applicant was determined not to meet specific 2006 Supplemental Capital Budget proviso language which directs Ecology to distribute grant funding to local county and tribal governments to assist financially distressed homeowners for the repair and replacement of faulty on-site septic systems.

Washington State Department of Ecology
FY07 On-Site Septic System Grant and Loan Project Descriptions

Application Number	Applicant Name	Project Title	Project Description
SS07001	Skagit County	Skagit County Loan Fund and Grant	The primary goal of this project is to improve water quality in Skagit and Samish River Basins through the repair of failing on-site septic systems (OSS). Excessive nutrient and bacterial loading has been identified as a chronic problem in Skagit County bays and marine waters. Skagit County proposes to meld loan funds with grant monies, based on income eligibility for grant dollars, in a partnership contract with landowners, countywide.
SS07002	Thurston County	On-Site Financial Assistance Program	Thurston County has 121 miles of Puget Sound Shoreline, much of which is densely developed with residences served by on-site sewage systems. The overall rate of system failures along Thurston County's marine shorelines is approximately 14 percent. This project will allow Thurston County to make low interest loans and grants available to finance the repair or replacement of failing on-site sewage systems. The program priorities will be to assist financially distressed septic system owners or those who own failing systems that pose a risk to Puget Sound.
SS07003	Redmond, City of	Wastewater Pollution Removal Assistance	The City of Redmond Natural Resources Division of Public Works currently has an Illicit Discharge Detection and Elimination (IDDE) Program. One facet of the IDDE program is to track and identify sources of pollution to surface waters and correct the pollution influx at the source. This project will provide grant funds, and/or low interest loans to citizens and businesses, which are required by local ordinance to correct pollution issues associated with wastewater discharge.
SS07004	Tacoma-Pierce County Health Department	Pierce County Septic Repair Grant Project	There are approximately 75,000 on-site septic systems in Pierce County and roughly 1,200 new systems are added each year. Failing septic systems are thought to be a major source of fecal coliform contamination in the shellfish watersheds of Pierce County and have been responsible, in part, for the historical shellfish downgrades in Burley Lagoon, Minter Bay, Rocky Bay, and Filucy Bay. These downgrades resulted in the development of Shellfish Protection Districts for the Burley Lagoon, Filucy Bay, and Rocky Bay Watersheds. This project will provide grant and loan assistance to qualifying low income residents and loan assistance to other qualifying residents to assist in the repair of failing on site septic systems in areas of special concern. Areas of special concern include but are not limited to the shellfish watersheds in Pierce County.

Washington State Department of Ecology
FY07 On-Site Septic System Grant and Loan Project Descriptions

Application Number	Applicant Name	Project Title	Project Description
SS07005	Hood Canal Coordinating Council	Hood Canal Counties Regional Septic Loan Program	<p>The Hood Canal is likely to be designated as a marine recovery area by all three counties applying for funding under this grant. Hood Canal has been designated by the Washington State Legislature as Aquatic Rehabilitation Zone #1, and was the root cause of inclusion of marine recovery areas in local health departments' on-site sewage system plans. Hood Canal is suffering from low dissolved oxygen during summer months. Recently, September 2006, that problem caused an extensive fish kill in southern Hood Canal. Excessive nutrients from failing on-site sewage systems are thought to be contributing to this problem.</p> <p>Owners of malfunctioning on-site sewage systems can receive grant/loan funding for repair, based on financial need. Systems will be identified by surveys and citizen reports. This innovative regional program includes Jefferson, Kitsap and Mason Counties, Port Gamble S'Klallam and Skokomish Tribes (through HCCC) and ShoreBank Enterprise Pacific, a non-profit lender.</p>
SS07006	Seattle & King County, Public Health	Vashon/Maury Island Shellfish Recovery Project	<p>Water quality problems associated with failing OSS systems have been well documented throughout King County over the last two decades — especially on Vashon-Maury Island which is the target area for this proposed project. Nearly 90 percent of the Island's approximately 10,100 residents use on-site septic systems. The project seeks to repair or upgrade failing and substandard shoreline and near-shore on-site sewage systems on Vashon-Maury Island in King County with the goal of opening shellfish growing areas by establishing a revolving fund loan to finance septic repairs.</p>
SS07007	Island County	On-Site Repair Supplemental Grant/Loan Program	<p>The program supplements an established local loan fund that provides financial assistance to private citizens to repair failing on-site sewage systems. A priority system is used to identify and fund the repair and replacement of failing systems with the most critical water quality, public health, and citizen need for no interest or grant funding.</p>