



10-year Anniversary Statewide OSS Loan Program: Successes and Lessons Learned

DEPARTMENT OF ECOLOGY
State of Washington

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Agenda

- Need for a Solution
- Program Structure
- Program Highlights
- Lessons Learned
- Pilot Project
- Questions



Need for a Solution

Septic Systems

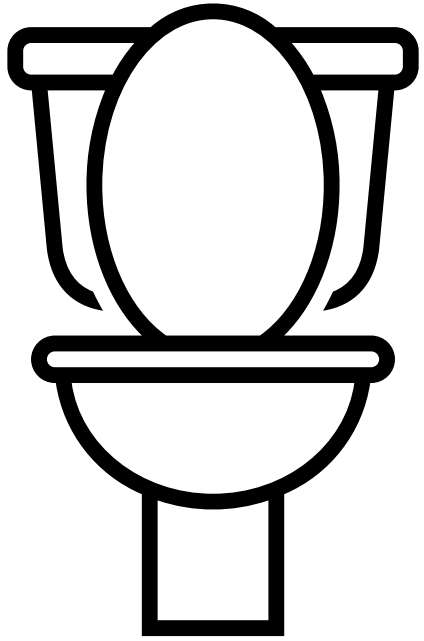


- Average costs for your area?
- Do you have a statewide financial mechanism providing assistance to homeowners?
- Does your state use CWSRF to support OSS needs?

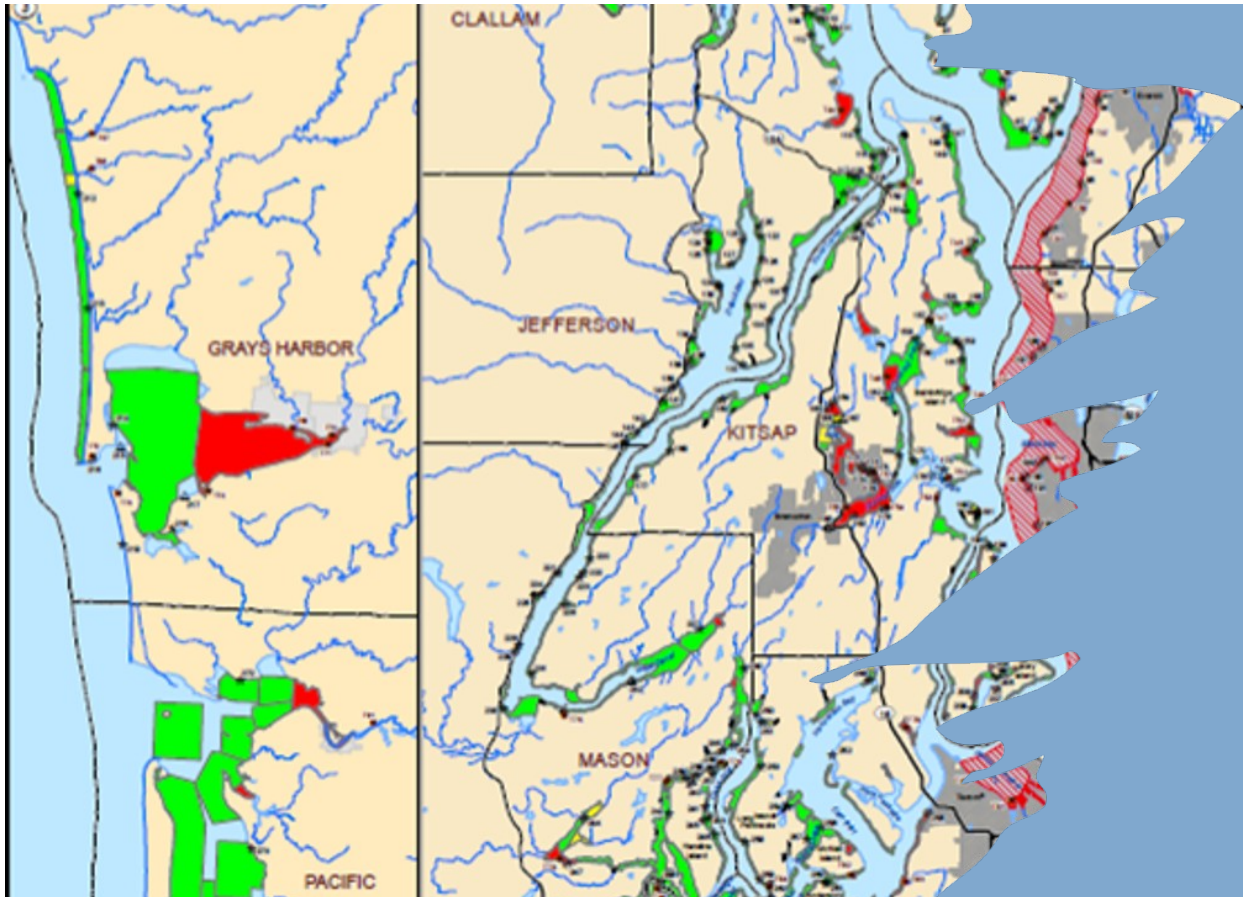
Washington's Onsite Sewage Systems

One-third of Washington households rely on OSS for their household wastewater:

- About one million OSS statewide
  - 600,000 in Puget Sound Region
- EPA estimates a 5% failure rate
  - 50,000 failing systems statewide, 30,000 in Puget Sound.



Puget Sound and Marine Water Quality Issues



- 2nd largest estuary in the US.
- Failing OSS leading cause of shellfish bed closures.
- Shellfish industry economic input ~$300M
- Provides approximately 3000 jobs
- Nation's leading producer of farmed oysters, clams, and mussels

Need for a solution

- Few dedicated funding sources for **homeowners** to access assistance
- Needed to develop a flexible program that could leverage public/private resources **quickly**



Program Development Timeframe

2012
Partners declare need to study OSS funding

2014
Feasibility study released; regional model

2015
Partners define program, prepare RFP

July 2016
Program makes its first loan!

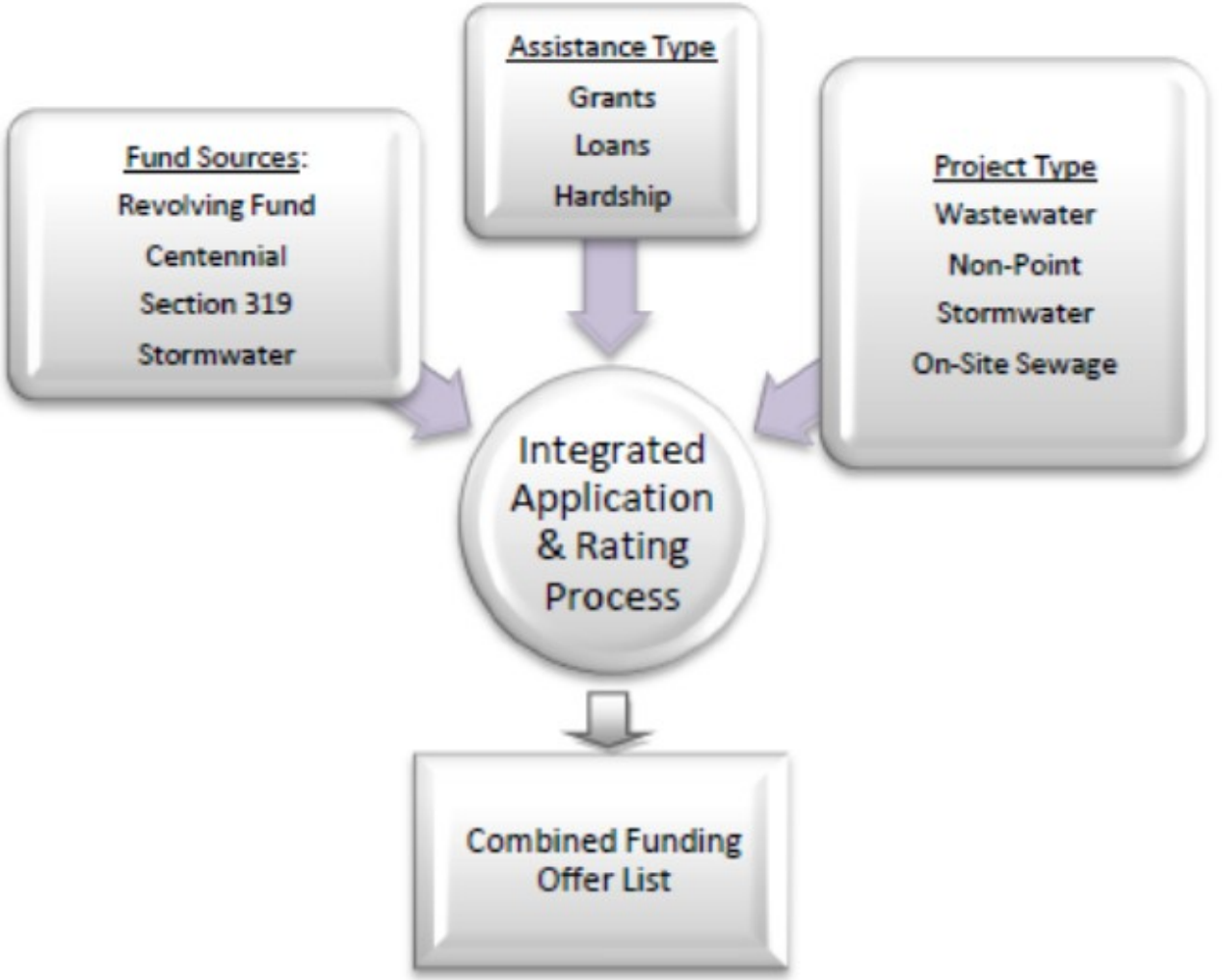
Benefits of Using a Regional Approach

- Private lender takes on the risk instead of LHJ.
- LHJs aren't competing for same funds.
- Allows LHJs staff to focus on water quality and health concerns.
- Save staff time and resources.

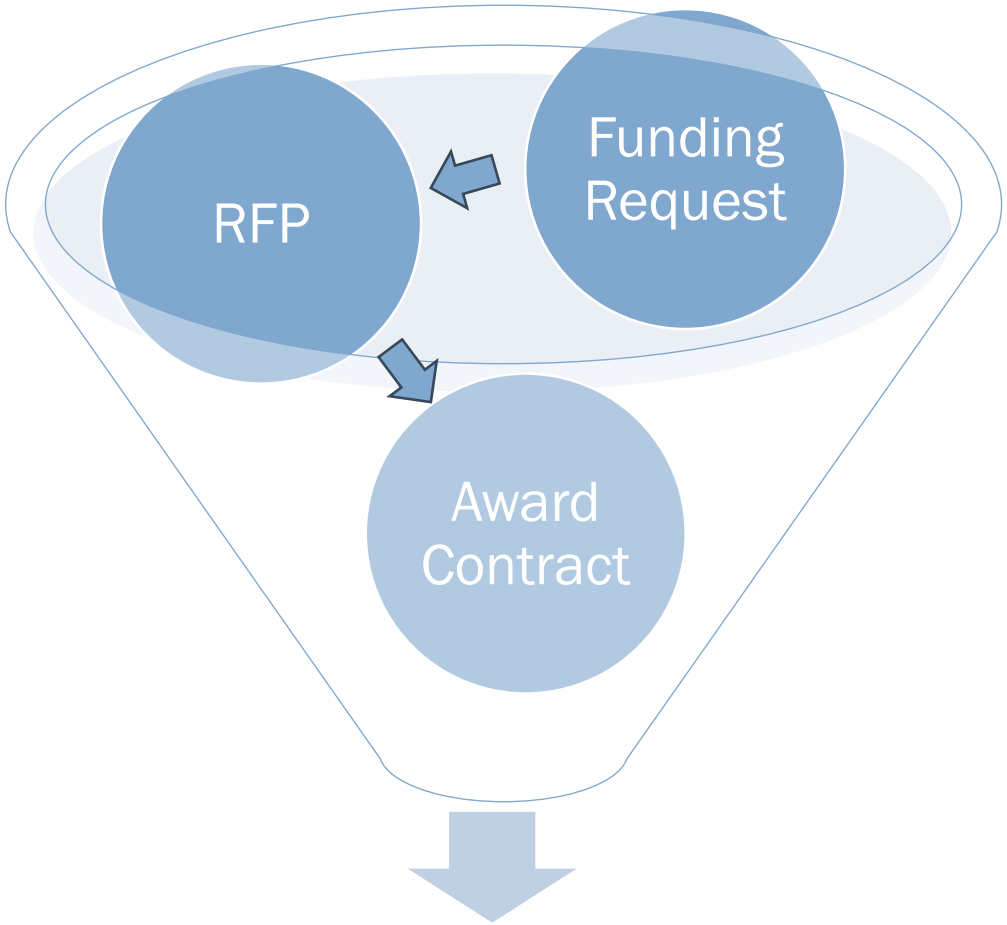


Program Structure

Funding Mechanism



Contract Process



Craft3



Financial Partner - CDFIs

- Community and mission-driven
- May be more flexible than traditional FP
- More than 1,000 nationwide
- May have other funds to leverage
- Most still federally insured/regulated

Ecology

- Monitor MOU and Guidelines.
- Contract with Craft3.
- Manage contract and disburse funds.
- Conducts Cultural Resource Consultations

Health

- Assists in updating MOU and Guidelines
- Participates in the annual Partners Meetings
- Gives guidance on state regulations

Local Health Jurisdictions

- Provide referrals to Craft3.
- Fulfill permitting and other regulatory work.
- Attends annual Partners Meeting

Craft3 (CDIF)

- Make lending decisions.
- Disburse funds.
- Collect repayments.
- Repay Ecology for disbursed loans.



The Clean Water Loan Product

- Septic system over 25 years old.
- Septic system is failing
- Owner contacted by Health Officials.
- Owner under orders to fix the septic system.
- Sewer connections, if under orders and within 200 ft of sewer line

- Full cost of designing, permitting, installing, cultural resources requirements, septic system (no up-front cost).
- Residential and commercial properties.
- Rentals, no short-term
- Deferred payment options for lower incomes.
- No new development

Loan Process


Homeowner


Ecology


Contractor



1. APPLY FOR A LOAN

Our online application is user-friendly and we're standing by to help. Paper applications are available upon request.



2. CULTURAL RESOURCES REVIEW

Projects must be assessed by the Department of Ecology for any potential impacts to cultural resources, such as archaeological objects. This review takes approximately 15 days. If surveying or monitoring are required, the project will incur additional costs, which can be included in the Craft3 loan.



3. PLAN

Work with your designer or engineer to design your septic system. Your designer will submit the design to the county for approval, the county will issue the permit, and your contractor will initiate and complete installation. These fees can be paid using loan funds and are reimbursable to the borrower.



5. SIGN

Securely sign your electronic loan documents. By request, document signing is also available by mail.



6. INSTALL

When your loan documents are signed, a deposit will be released to your contractor to initiate your project.

CWSRF funding for OSS

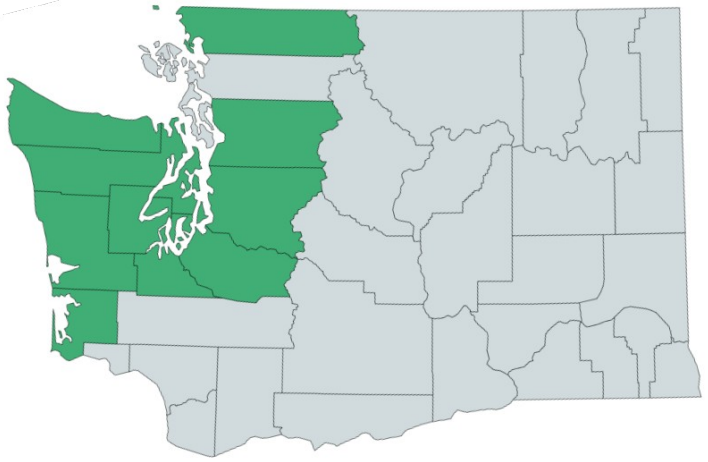


- Is CWSRF funding eligible to be used for decentralized in your state?
- Are you able to award funds to a nonprofit directly, or must it be to a traditional municipal/public entity?

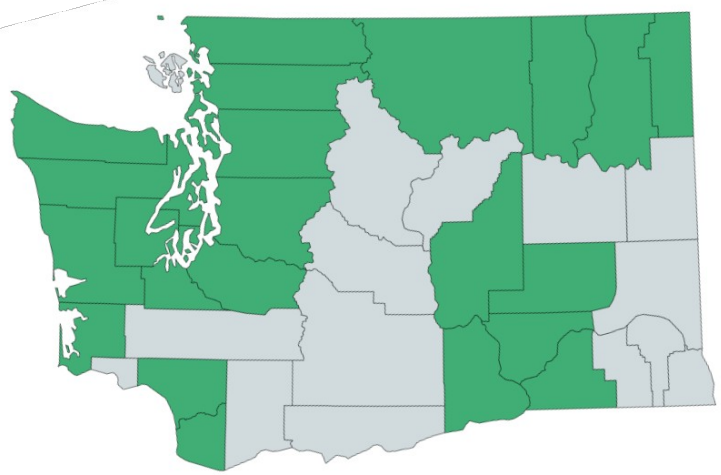
Program Highlights

Growing the Program

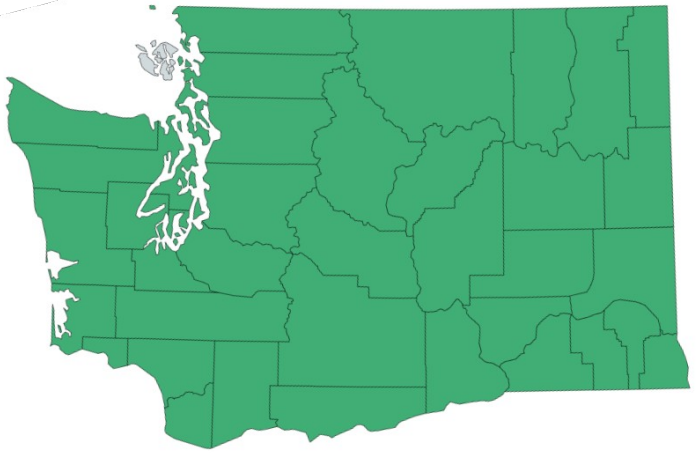
2016



2019



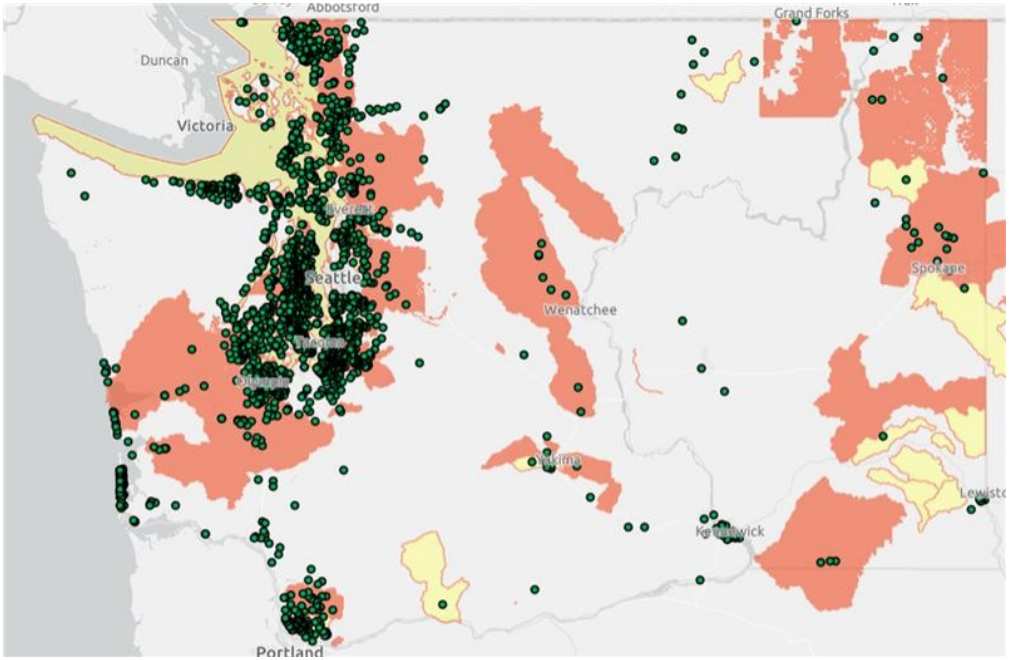
2021



Repairs Completed

- 2,500+ repairs completed
- 40% low-income
- Since 2016 $65 million invested
- Loans in 33 of 35 counties





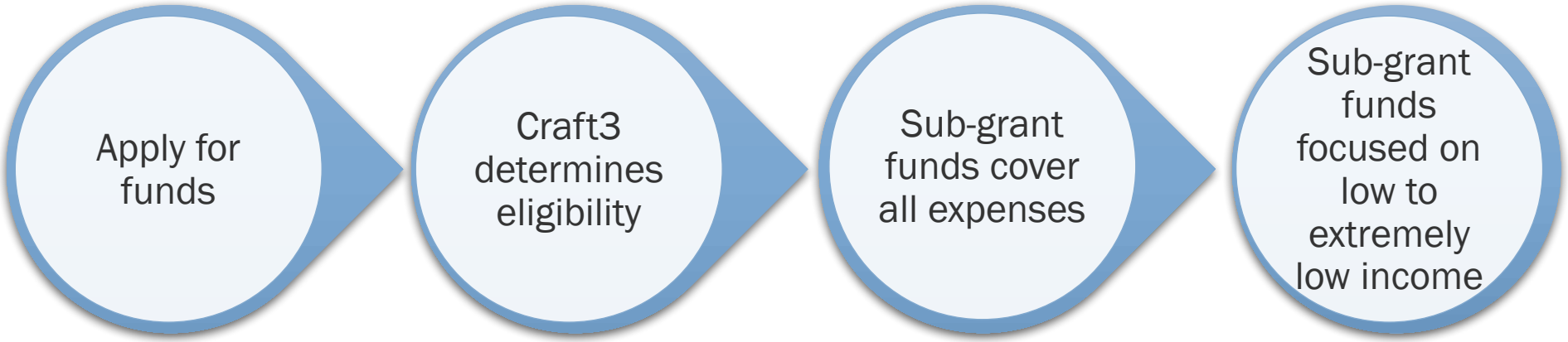
Lessons Learned

Adapting Program to Meet Needs

- Update rates to keep current with market
- 10% contingency fund built into the loan
- Sub-grants
- Time of Transfer
- Targeted outreach



Subgrants to Homeowners



Time of Transfer Loans



Targeted Outreach



- Identified areas for outreach
  - Underserved
  - Economically challenged
- Promote other funding sources for larger scale efforts

Watershed Conservation Fund Pilot

- Modeled after OSS Regional Loan Program
- Partners involved in development
- Scalable loan fund
- Accelerate deployment of funds
- Stakeholder input





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craft3

DEPARTMENT OF ECOLOGY
State of Washington

Washington State Department of HEALTH