



DESCHUTES COUNTY GROUNDWATER PROTECTION PROJECT

LOCAL RULE FINANCIAL ASSISTANCE OVERVIEW

MAJOR ELEMENTS:

	Page
• Introduction/Policy Issues	2
• Projected Cost of Retrofits.....	3
• Projected Funds Available	5
• Basic Assistance Mechanisms	6
• Logistical Issues	7

INTRODUCTION/POLICY ISSUES

In order to protect drinking water resources in southern Deschutes County, the County is considering adopting a Local Rule governing the type of septic systems allowed in the affected area. The Rule would also require retrofits of existing systems by requiring existing development to meet at least 35% nitrogen reduction (discharge a maximum of 30 mg/L total nitrogen as N) based on the density of development and the vulnerability of the groundwater to contamination. The nitrogen effluent standard for existing systems can vary by area from a minimum of 30 mg/L to a maximum of 10 mg/L or less total nitrogen as N. The Rule as proposed would require all existing systems to be upgraded within 10 years of the date the rule is adopted. The proposal intends to give property owners a fairly long period of time in which to retrofit systems. The Rule will apply to those unsewered areas between Sunriver and the Klamath County border, an area formally defined as those unsewered areas of Townships 19, 20, 21, and 22 and Ranges 9, 10 and 11.

It is the County's desire to provide financial assistance to property owners retrofitting existing systems within the affected area. According to 2000 census data, over 12% of the population has an income level below the poverty level, and undertaking a retrofit of their septic system, even at the lowest reduction level required, would be very difficult financially. Further, again according to the 2000 census, over 18% of the area population is 65 or older, most of whom live on a fixed income where absorbing additional expense would be a significant burden. In addition to the figures above, there exists a significant additional segment of the population where the expense of the required retrofit would represent a serious financial burden.

In examining the ability of Deschutes County to assist property owners retrofitting existing systems, this report will address the following topics:

- Potential cost of retrofits
- Existing and future financial resources available
- Basic assistance types
- Other logistical Issues

Policy Questions for Board/Community:

What should the funding level be?

- Should funding cover 100% of all costs? 75% or 50% of costs?
- Should assistance go to low/moderate income households only?
- Are grants (no payback) at some level acceptable?

County to encourage property owners to retrofit their systems early. Those incentives are explored later in this report but may include lower percentage rates on loans offered earlier in the ten year required retrofit period, and also the expiration of the rebate currently offered by the developer of Neighborhood 2 in the Newberry Neighborhood.

Even Pace of Retrofits (assumes an equal number of property owners will voluntarily retrofit each year)

	Year 1	2	3	4	5	6	7	8	9	10	Totals
# Retrofits	640	640	640	640	640	640	640	640	640	637	6397
Cost Meth 1	6532480	6532480	6532480	6532480	6532480	6532480	6532480	6532480	6532480	6501859	65294179
Cost Meth 2	4281600	4281600	4281600	4281600	4281600	4281600	4281600	4281600	4281600	4261530	42795930

Retrofits Based on Historical Averages (Adds the historical number of naturally occurring retrofits to the numbers above)

	Year 1	2	3	4	5	6	7	8	9	10	Totals
# Retrofits	771	771	771	771	771	509	509	509	509	506	6397
Cost Meth 1	7869597	7869597	7869597	7869597	7869597	5195363	5195363	5195363	5195363	5164742	65294179
Cost Meth 2	5157990	5157990	5157990	5157990	5157990	3405210	3405210	3405210	3405210	3385140	42795930

Retrofits Based on Historical Averages Including Incentives (Includes County financial early replacement incentives)

	Year 1	2	3	4	5	6	7	8	9	10	Totals
# Retrofits	964	925	887	810	771	500	450	400	350	341	6397
Cost Meth 1	9836996	9443516	9050037	8263077	7869597	5103500	4593150	4082800	3572450	3480587	65295710
Cost Meth 2	6447488	6189588	5931689	5415890	5157990	3345000	3010500	2676000	2341500	2281290	42796934

PROJECTED FUNDS AVAILABLE

1) County Funds

- a. \$369,310 National Demonstration Project Loan Funds
- b. \$92,500 Carryover TDC Funds
- c. \$67,045 Federal Earmark Grant
- d. \$1,260,750 Neighborhood 2 Pollution Reduction Credits
(Assumes 50% \$7,500 fallback purchase and 50% \$3,500 issued rebate-see below)
- e. \$2,436,000 Neighborhood 1 Pollution Reduction Credits
(Assumes 100% \$7,500 fallback purchase)
- f. \$1,296,500 Remaining Neighborhood 2 Land Sales
- g. \$30,000,000 Neighborhood 3 & 4 Land Sales
(Assumes 300 net of 344 gross acres to be sold at \$100,000 per acre)

\$35,435,750* Estimated total County Funds available
 * Does not include loan payment funds

Timing of County Fund Availability

	Year 1	2	3	4	5	6	7	8	9	10	Totals
a	\$369,310	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$369,310
b	\$92,500	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$92,500
c	\$67,045	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$67,045
d	\$315,188	\$315,188	\$315,188	\$315,188	\$0	\$0	\$0	\$0	\$0	\$0	\$1,260,750
e	\$609,000	\$609,000	\$609,000	\$609,000	\$0	\$0	\$0	\$0	\$0	\$0	\$2,436,000
f	\$324,125	\$324,125	\$324,125	\$324,125	\$0	\$0	\$0	\$0	\$0	\$0	\$1,296,500
g	\$0	\$0	\$0	\$0	\$15M	\$0	\$0	\$15M	\$0	\$0	\$30M
Totals	\$1,777,168	\$1,248,313	\$1,248,313	\$1,248,313	\$15M	\$0	\$0	\$15M	\$0	\$0	\$35.5M

Note: figures in table above do not include loan payment funds.

Additional Note: County could borrow funds against the future sale of Neighborhood 3 & 4 land sales at market interest rates, to be paid back within a specified term.

2) Other Funds and Sources of Funds

- \$1,260,750 Pahlisch Rebates (Assumes 360 rebates issued over 4 years)
- DEQ Clean Water State Revolving Fund Loan Program
- USDA Rural Development Loan & Grant Program
- NeighborImpact Community Development Block Grant loan funds
- Private Lenders Mortgage, Refinance

BASIC ASSISTANCE MECHANISMS

1) County Programs

a) Full Grants

Up to \$10,000 per retrofit – no eligibility restrictions
(Policy and Legal (gift of public funds) questions)

Partial Grants

Flat \$1,000 per household – Cost \$5,800,000

Either program could be limited to qualifying low income households

Policy question-retroactivity for previously installed?

b) Cost Deferral Program

Based on State Dept of Revenue Program

County funds improvement, and a lien is established against the property. County is paid back when the property is sold or goes through probate or owner can make payments if they wish. State interest rate is 6% per year and is only available to those 62 or older. County could adjust interest rate and/or eligibility. Cost-varies depending on terms and limits.

c) Conventional Loan Program

Funds could be combined with the \$369,000 National Demonstration Project and federal earmark funds and used for loans to qualifying households under the terms and limitations specified in the grant. To encourage loan repayments, the interest rate could be set lower than the Cost Deferral Program (b). Alternatively, Cost Deferral could be offered to qualifying lower income households only, while a conventional loan could be offered to all households.

d) Reduced Cost System Purchase

County could purchase a significant quantity of nitrogen reducing systems at a potentially reduced rate and pass savings on or reduce cost further to property owners. Sales to installers would include requirement that savings are passed on to property owners.

2) Other Programs

a) Pahlisch Rebates – Flat \$3,500 per retrofit

b) DEQ Clean Water State Revolving Fund Loan Program

Below market interest rates for qualifying loans. County would apply for loan and re-loan funds to qualifying households. Competitive award process. This program requires all borrowed fund to be paid back within 10 years.

c) USDA Loan Program

d) Private Financing through conventional mortgage or refinance.

e) DEQ Pollution Control Tax Credit

Is intended to cover expenses for “on-the-ground improvements” Note: this incentive would require an amendment to state law to allow application for on-site septic systems.

f) Manufacturer Incentives -

LOGISTICAL ISSUES

- 1) Third Party Administrators – for loan administration, etc
 - a. Central Oregon Intergovernmental Council (COIC)
 - b. Central Oregon Regional Housing Authority (COHRA)
 - c. NeighborImpact
 - d. Private lending institutions

Grant funding for administration of grant expires 6-30-08. Continued subsidization using CDD funds a question mark.

- 2) Create Incentives to Retrofit Early
 - a. Loan Interest rate increases over time
 - b. First come, first served
 - c. Grants during first two years
 - d. Pahlisch rebate limited to Neighborhood 2 buildout
- 3) Retrofit Trigger Events
 - a. System Repair/Alteration
 - b. Time of Sale
 - c. Probate
 - d. Incentives
 - e. Deadline
- 4) Operations & Maintenance (O&M) Assistance
 - a. Policy question-Should the County assist in this area?
 - b. State law requires that the first two years of O&M is included in the purchase and installation price to property owners
 - c. Assistance difficult to manage through loans or cost deferral
 - d. One option would be for the County to contract with a certified O&M provider in order to subsidize or cover the cost to qualifying (lower income) households.
 - e. Provide assistance to homeowner associations, etc. to create their own district to provide O&M services
- 5) Board Policy Question: What shall be done with remaining funds, and funds to be paid back in the future, after all retrofits have been accomplished?
 - a. Long term well network monitoring
 - b. Riparian restoration to remove maximum nitrogen from groundwater before it reaches the rivers
 - c. Ongoing onsite system repairs
 - d. Etc...