

Item G: Clean Water State Revolving Fund Update

EQC meeting
Jan. 21, 2021

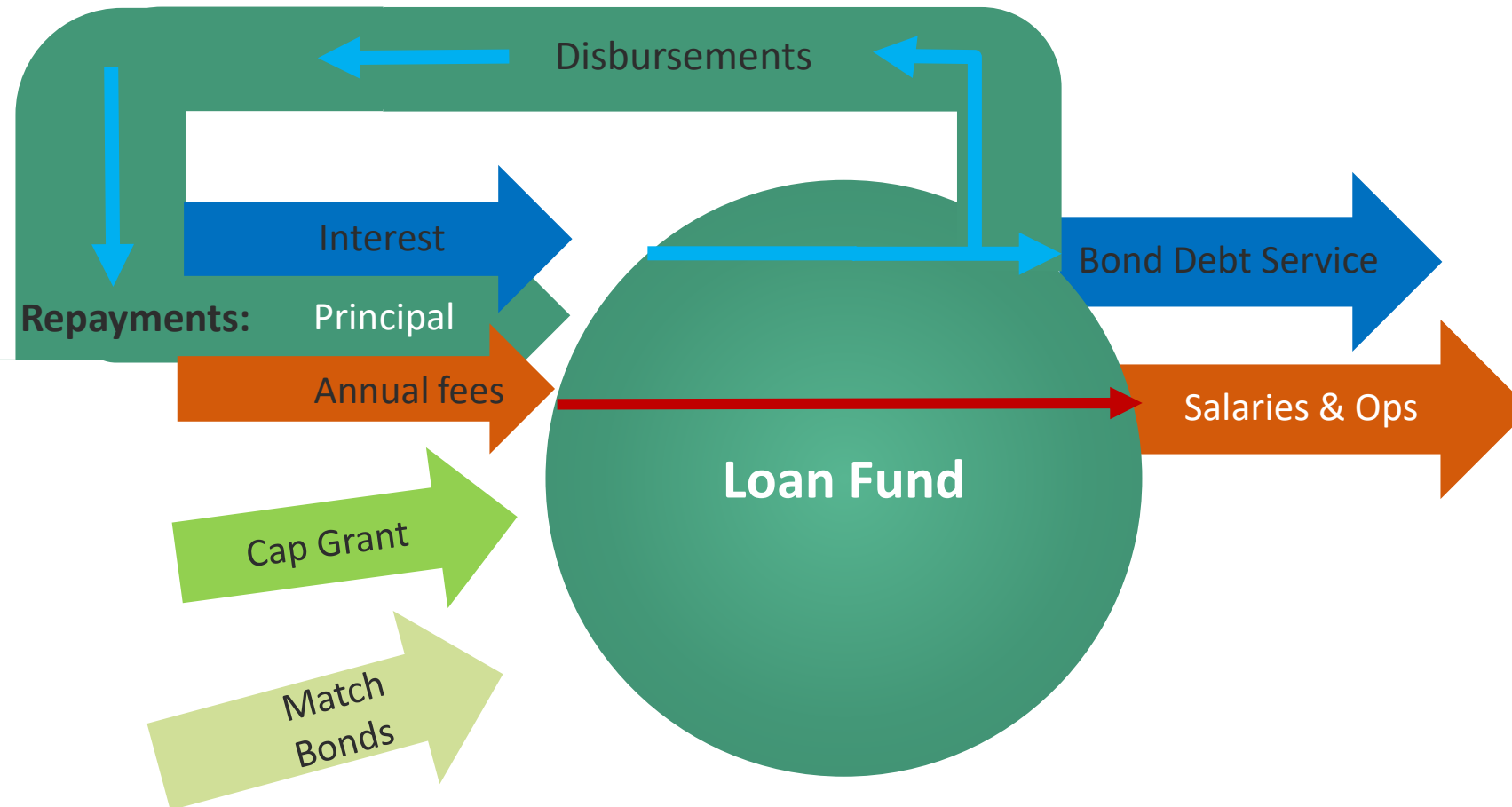
Presentation overview

- CWSRF program overview
- What is pass-through lending?
- CWSRF 2020 Rulemaking background –
Senate Bill 884
- CDFI pass-through lending
- Q & A

CWSRF program overview

- Funding authorized under the Clean Water Act in 1987
- Below-market rate loans
- \$1.41 billion to nearly 200 borrowers across Oregon
- Planning, design and construction for wastewater treatment, nonpoint source pollution control and estuary management

How the fund revolves



CWSRF: Financial benefits

- Below-market rate loans – fixed rates
- Interest accrues only as funds are utilized on a cost-reimbursement basis
- Repayment begins six months to one year **after** project completion
- Principal forgiveness up to \$500,000 or 50% project cost, whichever is less for eligible recipients

Four loan types

Below-market rate loans for planning, design and construction

The Oregon Clean Water State Revolving Fund helps protect public health, restore natural areas and promote economic development. We can help you decide which treatment approach and loan type will meet your water quality needs.



Point Source

- Any single identifiable source of water pollution discharge
- Common types are factories, sewage treatment plants and other industries



Nonpoint Source

- Pollution carried by rain, snowmelt, seepage or drainage, including:
- Oil
 - Animal waste
 - Bacteria
 - Agricultural chemicals
 - Stormwater



Planning

- Data collection and measurement
- Evaluation, analysis and security
- Report preparation
- Environmental review and any other activity leading to a written document

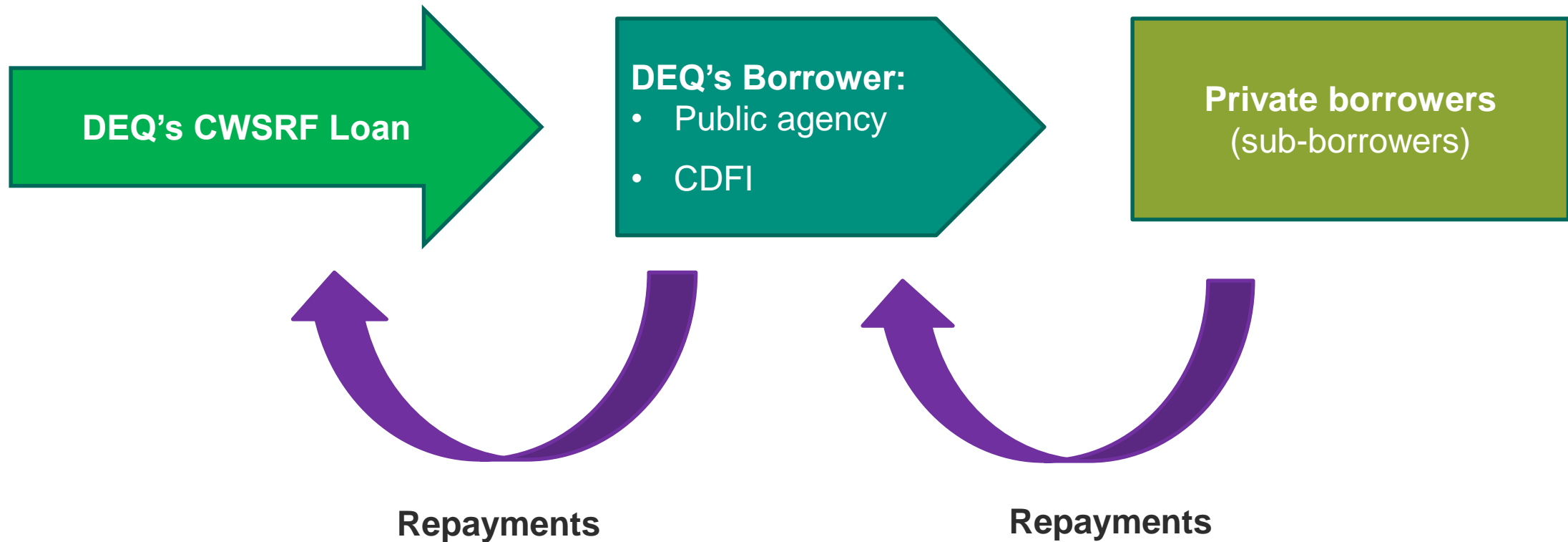


Local Community

- Enables communities to develop their own water quality loan program
- Projects may include septic work, estuary management and irrigation projects



Pass-through lending



Local Community Loan

- Pass-through lending via an eligible public agency
- Conservation practices
- On-site septic system repair/replacement
- Grant – loan combinations



CLACKAMAS SOIL AND WATER

CONSERVATION
DISTRICT

Good dirt. Clean water.



The state of septic systems in Oregon

Residential Onsite Permits:

- ~350,000 permits
- Most have **no** maintenance, monitoring or reporting requirements
- No DEQ/County inspections

Large Onsite (WPCF) Permits:

- 684 permits
- Flow and effluent limits
- Most have maintenance, monitoring and reporting requirements
- Inspected periodically (3-5 years)

30 percent of Oregon households rely on septic systems. As many as 10 percent of these systems fail each year according to various estimates.

2018 Annual Discharge
Monitoring Reports
Large Onsite (WPCF)
Permits: **326 Violations**

Rulemaking background

In 2016, lawmakers allocated general funds to DEQ to address failing on-site septic systems.

DEQ contracted and partnered with nonprofit lender Craft3, also a Community Development Financial Institution certified through the Department of Treasury, to make affordable Clean Water loans to Oregonians for septic system repairs.

The legislature increased grant funding to \$1.6 million over several years. These funds were granted to Craft3 and would not need to be repaid. After successful distribution of the grant funds and with no additional appropriations or other funding sources, Craft3 is no longer offering new Clean Water Loans in Oregon.

Rulemaking background

In 2019, Senate Bill 884 expanded the definition of eligible CWSRF borrowers, adding nonprofit Community Development Financial Institutions, certified by the US Department of Treasury, for the specific purpose of lending to individual homeowners for:

- Septic repair
- Septic replacement
- Connection to a public sewer system

The bill requires DEQ amend existing rules and adopt a new rule in [OAR chapter 340, division 054](#)

Prior to this statute change, only public entities were eligible borrowers for the Oregon CWSRF.

Rulemaking status

Jan. 2020 – Aug. 2020

- Rulemaking advisory committee meetings

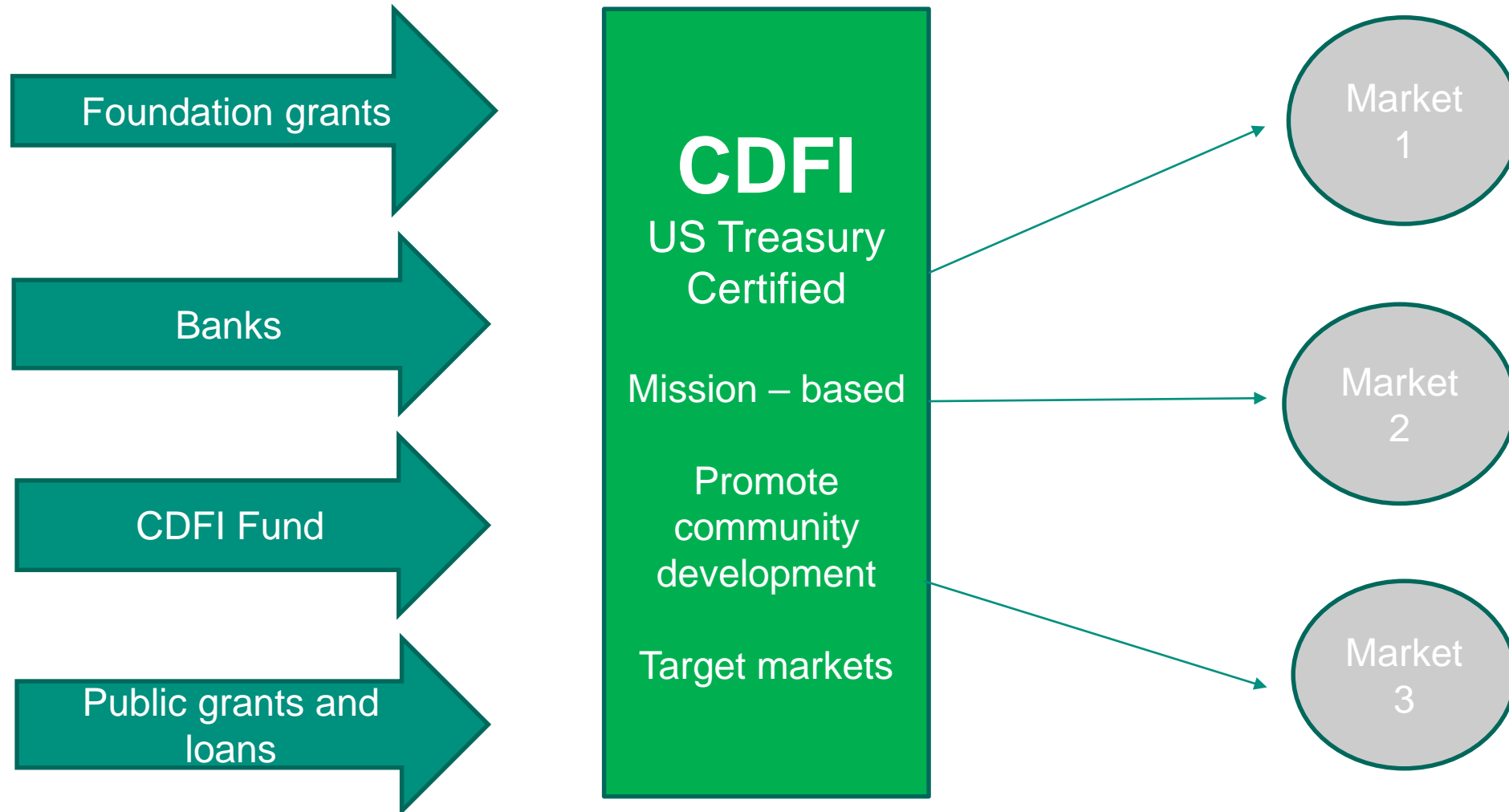
Oct. 2020 – Dec. 2020

- Public comment period

March 2021

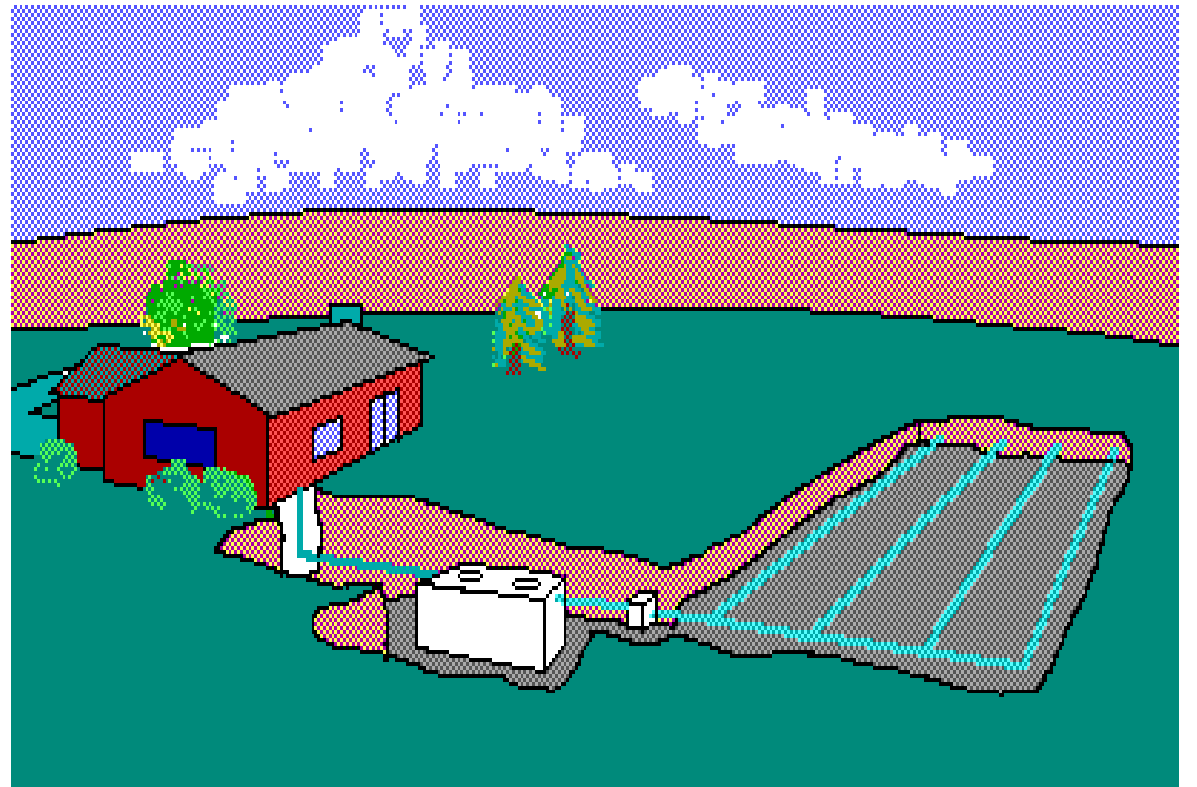
- Present draft rules to EQC for adoption

How does a CDFI work?



CDFIs in Oregon

- Albina Opportunity Corporation
- Craft3
- Habitat for Humanity
- Innovative Changes
- Point West Credit Union
- Portland Housing Center



Pass-through lending via a CDFI

Rulemaking objectives:

- Increase available funding for failing septic systems as a strategy to improve water quality, particularly where they are a significant contributor to nutrient-related water quality problems.
- Provide loan terms to CDFIs that direct or incentivize them to make sub-loans that enable households to repay, potentially through lower rates and longer terms for low-income households.
- Design a lending program with the flexibility to work with other funding sources and that allows DEQ to assess this new program over time.
- Ensure consistent lending practices for all potential CDFI CWSRF borrowers.
- Protect the CWSRF loan fund integrity by mitigating unreasonable risk.

Pass-through lending via a CDFI

Framework:

- Market rate will be a percentage of prime rate
- Maximum loan amount per year and per borrower
- Annual CDFI lending limit for the first years
- CDFI rate on sub-loans will pass on savings
- Project period
- Principal forgiveness
- CDFI program income/profit
- CDFI sub-loans terms

Questions?

