Lending for Septic Repairs
The Hood Canal, WA Regional Loan Program

Terry Hull, Manager
Enterprise Cascadia Septic Loan
Unique Product - Unique Story

• Who we are

• Our experience in financing OSS upgrades in support of their responsible management
Who is Enterprise Cascadia?

• Non-profit incorporated in Washington

• CDFI community lender – Washington and Oregon

• Mission: resilience in Pacific Northwest communities
  • Economic
  • Social
  • Environmental
Intentional Investing

- Willapa Bay Hardwoods
- Wetland Mitigation Bank
- Brownfield redevelopment
- CAP Wind Farm
- Tribal Health Clinic
- Septic loans
Septic Loan Objectives and Strategies

Objectives:

• Inspire owners to willingly invest in their asset
• Repair or replace poorly-functioning systems
• Improve regional water quality
The Management Environment

State

• Board of Health – minimum code

• WA Department of Health – oversight

• WA Department of Licensing - designers
The Management Environment

Local

- Board of Health – elected officials
- Health departments – county staff
- Private sector
  - Designers
  - Installers
- O & M providers
WA Septic Loans – A Short History

1990’s – Local health agencies begin using SRF
2001 – Shellfish/onsite sewage grant legislation
2002-present – Pacific County pilot loan program
2004 – Hood Canal low dissolved oxygen crisis
2005-2006 – Hood Canal loan program developed
2007-present – EC septic repair loans available
Objectives and Strategies

Strategies:

• Build strong public/private partnerships; “high touch” relationships

• Make investment in system improvements easy; website and online application (www.sbseptic.com)

• Create a single product that can be widely applied
Achieving Impact – A Scaled Approach
Watershed Pilot – Willapa Bay

Pilot Characteristics:
• Single jurisdiction; targeted geography
• Capital subsidized interest rate
• Marketing challenges identified
• Lending protocols established
• Responses to stakeholder concerns
Watershed Pilot – Willapa Bay

Pilot Lessons:
• Use capital to buy repairs, not interest rates
• Meet private sector needs
• Scale determines impact
• Building trust takes time
• Make owner the manager
• Politics influences policy
Hood Canal Experience and Results

2005 – concept development; Willapa Bay to HC
2006 – finding partners; the challenge grant
2007 – a unique ILA; state funding; start-up
2007 – present: production
   270 loans funded; $6.2 million portfolio
   250 systems repaired or replaced
   106 designers and contractors provided jobs
2011 – new state and federal funding
Hood Canal Program Partners

- Hood Canal Coordinating Council – COG
- Regional philanthropies
- Local health agency professionals
- Private sector professionals
- Federal, state, and local governments
Hood Canal Program Funding - $7.8 MM

Philanthropic sources:
• The Russell Family Foundation – program development
• The Bill and Melinda Gates Foundation – loan capital
• The Boeing Charitable Trust – GIS technology

State of Washington sources:
• Centennial Clean Water Fund – development & capital
• State Building Construction Account – loan capital

USEPA
• Puget Sound Restoration – loan capital & admin
Basin-wide Model – Hood Canal

Lessons Applied:
• Multiple jurisdictions use one product
• Advisory Board sets policy
• Capital funds projects, not interest
• Partner governments indemnified from potential loan defaults
More lessons applied:

- Rates and terms indexed to owner’s income
- Owners are construction managers
- Monitoring made a loan condition
- Use GIS to track impact
- (Google link)
# Septic Loan Rates and Terms

<table>
<thead>
<tr>
<th>Annual Household Income</th>
<th>Interest Rate</th>
<th>Repayment Terms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to $26,566</td>
<td>2% accrued</td>
<td>No payments required; repaid at sale, transfer, or refinance</td>
</tr>
<tr>
<td>Between $26,567 and $44,276</td>
<td>4% paid monthly</td>
<td>Interest only payments, balance due on sale, transfer or refinance</td>
</tr>
<tr>
<td>More than $44,276</td>
<td>6%</td>
<td>Regular monthly payments based on a term of not to exceed 15 years</td>
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## Triple Bottom Line (Mission) Performance

**Hood Canal Septic Loans, 2007 - 2011**

<table>
<thead>
<tr>
<th>ECONOMY</th>
<th>ENVIRONMENT</th>
<th>EQUITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>68 jobs retained</td>
<td>5,437’ riparian zone protected</td>
<td>91 owned minority / women</td>
</tr>
<tr>
<td>$90,146 3rd party investment</td>
<td>0 Acres sustainable/ certified land</td>
<td>100 low income families</td>
</tr>
<tr>
<td>$0 secondary value added</td>
<td>31.8 Mgal/yr contaminated water treated</td>
<td>$61.5 MM local land value protected</td>
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Hood Canal Lessons Learned

• More repairs are needed than we anticipated.
• With attractive incentives owners will invest in improvements to their sewage handling assets.
• Meeting their business requirements brings active contractor participation.
• Capitalizing loans is more efficient than buying down interest.
• Sewage utilities lack capacity to serve much of the region’s urbanized geography.
• An accountability mechanism is needed to ensure continuing performance of upgraded systems.
• More repairs are needed than we anticipated.
• With attractive incentives owners will invest in improvements to their sewage handling assets.
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• Capitalizing loans is more efficient than buying down interest.
• Sewage utilities lack capacity to serve much of the region’s urbanized geography.
• An accountability mechanism is needed to ensure continuing performance of upgraded systems.
Ultimate Takeaways

• Capitalization is key

• Make borrowing easy

• Support partners, so everyone succeeds

• Graphics (maps) sell concepts

• Septic loans are consumer loans; check rules