



# *City of Stevenson*

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To: City Council  
From: Leana Kinley, City Administrator  
RE: Sewer Financing Options  
Meeting Date: September 21, 2023

## **Executive Summary:**

The City of Stevenson is reviewing changes to the city municipal code requiring connection to the public sewer system. This may increase costs for some developments which may be burdensome for smaller developers. This memo is a list of financing options, with the possibility of recouping funds over time, for installing sewer line extensions.

## **Overview of Items:**

### Individual Led Programs:

These financing options are coordinated and managed by individual property owners.

### Latecomers' Agreements:

This process requires the property owner/developer to have cash on hand and provides an avenue for the possibility of recouping some of the cost of the extension. The property owner/developer can request a Latecomers' agreement which will assess a calculated amount to properties connecting to the extension within the next 20 years. The amount is based on a calculation which is as fair as possible in relation to the benefits received.

More on the topic from MRSC can be found online here: <https://mrsc.org/explore-topics/public-works/finance/latecomer-agreements>

### USDA Rural Development Single Family Housing Repair Loans and Grants:

This program provides very low-income homeowners with loans up to \$40,000 and possible grants up to \$10,000. The term is for 20 years, and the interest rate is fixed at 1%. To qualify you must own and occupy the house, be unable to obtain affordable credit elsewhere, have a household income that does not exceed the very low limit for the county (2023 income for 1–4-person household is \$56,400 for the Portland Metro MSA), and for grants, be 62 years or older.

More information on this loan and how to apply can be found on the USDA website at <https://www.rd.usda.gov/programs-services/single-family-housing-programs/single-family-housing-repair-loans-grants/wa>

### Home Equity Loan:

This would be individually secured through a financial institution.

*City of Stevenson HEALing SCARS Septic to Sewer Program:*

This program was initiated in early 2023 and is currently funded through environmental mitigation offsets. As it is a newly established fund, it has only a \$10,190.57 balance. It provides financial incentive up to \$25,000 of a grant or a loan depending on the applicants need, as defined in the program, for property owners within 300' of a fish bearing stream or shoreline of the state and adjacent to an existing sewer main to connect to the system.

A copy of the program can be found on the city website at

<https://www.ci.stevenson.wa.us/publicworks/page/proposed-sewer-ordinance>

City Led Programs:

These financing options are managed by the city and may be coordinated initially by a group of community members. Projects are generally more expensive as they are subject to additional requirements, such as prevailing wages, which do not apply to the private sector.

Reminder: When City resources are used it is paid for by the existing sewer rate payers. Property taxes are not used for financing sewer utilities.

*Community Development Block Grant:*

This program would be financing to assist with a sewer line extension and can include the connection of the property owner to the mainline for property owners whose income is defined as low (at or below 50% of the area median income (AMI)) to moderate (at or below 80% of AMI). The 2023 income limits chart is attached. The grant portion would only be eligible to qualifying households and the remaining project would need to be financed through other means.

More information on this program can be found online at: <https://www.commerce.wa.gov/serving-communities/community-development-block-grants/>

*Local Improvement Districts:*

A Local Improvement District (LID) is a way to finance capital projects through the formation of a special assessment district. Property owners have the power to decide whether they will pay these assessments as owners representing at least 40% of the total cost of the improvements need to approve the LID. The construction and financing are managed by the city. The property owners will be invoice either on a regular basis, within their monthly utility bill, or have the option to pay it all at once. The amount assessed cannot exceed the amount of benefit the property will receive from the improvement.

More on the topic from MRSC can be found online here: <https://mrsc.org/explore-topics/public-works/finance/local-improvement-districts>

*Legislative or Congressional Direct Spending Request (Grant):*

This is a direct request from the state or federal legislatures for capital budget or other program funding for a portion of the project cost. The timing of federal requests is lengthy, and both are at the whims of the politics of the time.

*Revenue Bonds:*

This is facilitated in multiple ways, mostly through agency loans (USDA, Department of Ecology, etc.). The city leverages the utility rates to pay back a loan of a 20–40-year period. If done through a state or

federal agency, the interest may be lower than market rates and can include a grant portion. projects through a private firm, the interest rates may be higher yet there is no competitive process, and the project may only be subject to state procurement requirements with less paperwork than agency funded projects.

*City Reserves:*

These would come from a portion of existing system development charges set aside as reserves for system expansion. These funds may also be used as matching funds for a loan or grant.

**Action Needed:**

None, information only.