

## Appendix H – Direct Financial Assistance for Repair/Replacement of Failing Household Sewage Treatment Systems

The purpose of awarding direct loans for replacement or repair of failing sewage systems to lower income homeowners is to help make those improvements more affordable. These loans will receive principal forgiveness subsidies that do not require repayment.

The principal forgiveness subsidies provided under this Household Sewage Treatment System (HSTS) assistance program are subject to different terms and conditions than the principal forgiveness offered under other portions of the WPCLF. HSTS projects will be considered for principal forgiveness according to the terms and conditions of this Appendix only.

### I. Application and Funding Process

#### A. What Funding is Available?

For Program Year 2013, \$2,000,000 is available statewide for the eligible costs of home sewage system repairs or replacements.

#### 1. How will the funds be distributed from the WPCLF?

- i. Qualified local government agencies have submitted a Household Sewage Treatment System (HSTS) Project Nomination Form that identifies the total dollars requested, the estimated number of systems to be repaired/replaced, the estimated costs per upgrade, a map of the general locations for system repair/replacements, and the local government agency that will be overseeing the program.
- ii. A local government agency that requested \$56,000 or more will receive \$56,000 if its application is approved. An applicant who requested less than \$56,000 will receive the requested amount if the application is approved.
- iii. Ohio EPA will enter into a principal forgiveness loan agreement with the local government agency (county, municipality or sewer district) that establishes
  - 1) how funds will be disbursed to the local government agency,
  - 2) related terms and conditions, and
  - 3) reporting requirements.Except in the case of a default due to a failure to abide by the terms of the loan agreement, no repayment of the loan is required by the loan recipient.
- iv. Upon receipt of verification and approval by the local health district of the completion of the repair/replacement work, the local government agency will submit an invoice to Ohio EPA for reimbursement of the eligible system repair/replacement costs.
- v. HSTS Principal Forgiveness (PF) assistance recipients will have eighteen months from the time of loan award to expend their loans funds. Recipients will be contacted by the Ohio EPA approximately twelve months after loan award to determine whether or not the recipient expects to expend some or all of their undisbursed loan balance within their remaining project period. Any funds not anticipated to be expended will be made available to those recipients able to expend funds in excess of their initial loan amount within their remaining project period.

**TABLE H-1  
WPCLF HSTS Principal Forgiveness  
Eligible and Non-eligible Expenses**

	Eligible for Funding	Not Eligible for Funding
Abandonment of drinking water well		X
Administrative costs		X
Annual Contractor permit fees		X
Connecting a home with a failing HSTS to sewers		X
Connections and reconnections outside a home	X	
Correction of indoor plumbing issues <sup>1</sup>	X	
Demolition and abandonment of failing HSTS	X	
Design costs	X	
Health Department plan review/permit fee	X	
Installation of an HSTS at a new home		X
Installation of an HSTS at an existing home that never had a system installed	X	
Insurance costs		X
NPDES permit fees <sup>2</sup>	X	
Operation and Maintenance permit fee		X
Performance or payment bonds costs		X
Site and soil survey	X	
Tax		X
<p>1 Costs associated with correction of indoor plumbing issues are eligible in particular instances. Eligible indoor plumbing corrections must be necessary in order for an on-site system to receive health department approval and must be itemized on the health department's inspection report. Contractors must submit an itemized bid and invoice to the LGA for these specific items. The LGA must include the itemized bid with all other contract documents submitted to Ohio EPA for review and approval following bid opening and prior to contract execution. The itemized invoice must be included with an accompanying payment request.</p> <p>2 NPDES permit fees are eligible for reimbursement only for the first occurrence after the disbursement of these funds.</p>		

- vi. WPCLF funds in an amount equaling 85% or 100% of the eligible system improvement costs will be disbursed by the Ohio Water Development Authority to the local government agency, which will then be responsible for submitting payment directly to the HSTS installer(s).
  - vii. System repair/replacement reimbursements will be processed by Ohio EPA on a first come/first served basis as long as funds are available; therefore, timely submission of documentation and reimbursement requests by the local government recipient on behalf of its homeowners is critical to ensure that funds will be available.
2. What local government agencies are eligible to receive the subsidized loans?
- i. Counties, municipalities, and water and sewer districts are eligible to receive the principal forgiveness loans. The local government agency may elect to have a local program office such as a Community Housing Improvement Program (CHIP) agency, Community Action, local health district, or county regional planning commission administer the applications of homeowners, assemble the documentation of system improvements, and distribute the HSTS funds.

- ii. The local government agency must pass a resolution authorizing both the application for the WPCLF/HSTS loan and an individual to act as the local government agency's representative.
- iii. The local government agency must agree to perform all the HSTS repair and/or replacement actions that it funds pursuant to a contract between itself and an installer. A local government agency may not enter into more than ten separate contracts for the installation of its HSTS improvements. Only construction performed under contracts between the local government agency and its installer(s) will be eligible for reimbursement. Each contract must be submitted and approved by Ohio EPA prior to the execution of that contract. Improvements performed under contracts between installers and individual homeowners are not eligible for assistance under this program.
- iv. As part of its application, a local government agency must include a statement of participation by the local health district to ensure effective and efficient implementation of this project.

B. How will local government agencies be selected to receive these funds?

Ohio EPA will receive nomination/application forms, and will enter into principal forgiveness loan agreements with eligible local government agencies. Local government agencies must demonstrate their legal, managerial, and financial capability, and agree, to:

- 1. use effective and efficient means to contact and solicit eligible local homeowner applications;
- 2. solicit, evaluate, and select local applicants, and confirm homeowner income;
- 3. work with local health districts and contractors on all aspects of systems permitting and installation;
- 4. certify and document that all funding conditions, and system installation / permitting requirements will be met;
- 5. use generally accepted accounting practices to document the disbursement of payments to contractors;
- 6. prepare and file all project documentation required as conditions for the award of assistance; and
- 7. enter into no more than ten Ohio EPA-approved contracts for completion of the HSTS repair/replacement activities.

C. How will homeowners receive the financial assistance?

- 1. The eligible local government agency will enter into a loan agreement with the Ohio EPA wherein it agrees to administer the distribution of principal forgiveness funds to qualifying homeowners according to the terms of the agreement, this Guidance, and the operation of the 2013 Water Pollution Control Loan Fund.
- 2. The local government agency will coordinate with the local health district to solicit and identify local homeowners that have failing systems in need of repair or replacement, and that meet the eligibility criteria.
- 3. The local health district will certify that the sewage system is failing and work with the local government agency, the homeowner, a site and soil evaluator, designer and installer to determine a cost effective solution that meets state and local rules to resolve the failure – either repair of the existing system, partial or total system replacement.

4. The local government agency will select a system appropriate for the property with approval of the local health district.
5. Upon verification of the successful and approved installation by the local health district, the local government agency will submit documentation and a line itemized invoice for the eligible system cost to Ohio EPA, Division of Environmental and Financial Assistance.
6. Payment of the invoice will be made by the Ohio Water Development Authority directly to the local government agency. The local government agency will be responsible for payment to the HSTS system installer, and any other contractors involved in the installation.

D. What are the eligibility criteria for homeowners to receive funding?

Homeowners may qualify within one of two tiers of funding, depending upon the size of their households, and their aggregate household incomes:

1. Homeowners whose household is composed of four persons or less, and whose incomes are at or below 100% of the U.S. Department of Health and Human Services 2010 Poverty Guidelines (\$22,050) will receive 100% of the eligible repair/replacement cost for the HSTS.
2. Homeowners whose household is composed of five or more persons, and whose aggregate household incomes are at or below the U.S. Department of Health and Human Services 2010 Poverty Guidelines shown in Table Q-1 below will receive 100% of the eligible repair/replacement cost for the HSTS.

<b>TABLE H-1</b>	
<b>WPCLF HSTS Principal Forgiveness</b>	
<b>Based Upon the 2012 U.S. Dept. of Health and Human Services Poverty Guidelines</b>	
<a href="http://aspe.hhs.gov/poverty/12fedreg.shtml">http://aspe.hhs.gov/poverty/12fedreg.shtml</a>	
<b>Persons in Household</b>	<b>Poverty guideline</b>
1 – 4	\$23,500
5	\$27,010
6	\$30,970
7	\$34,930
8	\$38,890
For families with more than 8 persons, add \$3,960 for each additional person.	

3. Homeowners whose households contain four or fewer persons and whose aggregate household incomes are between 100% and 200% of the Poverty Guidelines (\$23,500-\$47,000) will receive 85% of the amount for the eligible repair/replacement costs.
4. Homeowners whose households are documented to include five or more persons, and whose aggregate household incomes exceed the maximum amounts shown in Table H-1 for the corresponding number of persons, may receive 85% of the eligible repair/replacement costs as principal forgiveness if their aggregate household incomes are less than the amounts shown in Table H-2 below. Homeowners whose aggregate annual household incomes exceed \$77,780 are not eligible for HSTS Program principal forgiveness assistance.

<b>TABLE H-2</b> <b>WPCLF Principal Forgiveness Program Guidelines for Households with Incomes Greater Than \$44,100</b>	
<b>Persons in Household</b>	<b>Poverty guideline</b>
1 – 4	\$47,000
5	\$54,020
6	\$61,940
7	\$69,860
8	\$77,780

5. The local government agency has conducted a documented verification of the homeowner's household size and income using established processes for similar grant programs.
6. The local health district must document that the sewage system serving the home where the owner resides is failing or has failed.
7. The homeowner(s) receiving the assistance has provided documentation that they are the titled owner(s) of the property where the sewage system will be improved.

E. What is the process and timeframe for funds distribution?

1. A local government agency with an approved program application will be placed on the Water Pollution Control Loan Fund draft Intended Projects List. Upon approval of the Intended Projects List, the Ohio EPA will make the principal forgiveness funds available to the local government agency by a loan award. As invoices that document costs incurred for individual HSTS improvements are submitted by the local government agency, the Ohio EPA will review the submissions and will direct the disbursement of approved amounts to the local government agency.
2. Invoices will not be approved by Ohio EPA unless they include final inspection certifications from the local health district.

F. How will homeowners be made aware of the availability of these funds?

The local government agency that applies for the assistance will be responsible for conducting effective advertising and outreach to unsewered area homeowners, and for coordinating with local health departments to identify and inform homeowners with failing household sewage systems.

G. Where will local homeowners apply for these funds?

A homeowner will apply to the local government agency that has entered into the loan agreement with Ohio EPA to receive WPCLF funds for this project.

H. Who will determine if the sewage system is failing?

The local health district where the system is located will evaluate the sewage system and document whether it meets the criteria for system failure established in the Ohio Revised Code, Ohio Administrative Code, and by the Ohio Department of Health

I. What criteria will local government agencies use to verify homeowner income?

1. Local government agencies must use methods accepted by federal government programs to verify income.
2. Each homeowner(s) must demonstrate that their household income levels do not exceed the applicable program eligibility criteria.

II. Roles and Responsibilities

A. What are some of the responsibilities of the local government agency?

1. Enter into a loan agreement with Ohio EPA and administer the funds it receives according to the terms of the agreement.
2. Review applicants; determine eligibility using local, accepted income verification criteria; select applicants and issue awards.
3. Enter into no more than ten contracts for completion of the HSTS repair/replacement activities. Each installer contract must be submitted to and approved by Ohio EPA prior to the execution of the contract.
4. Oversee the implementation of the agreements between the local government agency, the system owner, and the contractors hired for system installation. These agreements must detail the terms and conditions for receipt and management of the principal forgiveness funds, including but not limited to:
  - i. obtain permission to enter property, conducting all site and soil evaluation work as needed;
  - ii. participation in the design and system selection process;
  - iii. obtain all permits or permit coverage as required;
  - iv. installation of the selected system;
  - v. document payment of the homeowner's 15% cost share for those homeowners qualifying for the 85% principal subsidy;
  - vi. obtain an operation permit as locally required; and
  - vii. obtain any maintenance or service contracts required by the local health department for the installed system.
5. Maintain a list of data for principal forgiveness loan recipients.
6. Maintain address and contact information of applicants.
7. Obtain verification from the local health district that the system of the applicant is failing and repair or replacement is needed.
8. Obtain copy of and verify the completed local health district permit and/or certification from the local health district of the completed system installation and approval.
9. Ensure that the homeowner has obtained a service agreement for maintenance of the system by a qualified service provider, if required based on the type of system installation.
10. Submit 1) an invoice to Ohio EPA DEFA for payment of the system repair/replacement, 2) documentation of the line items of the total system cost, and 3) documentation for installation

inspection and installation permits. Local governmental agencies are urged to bundle invoices into groups of 5 or 10 whenever possible to facilitate processing and payment.

11. Process payment to the contractor(s) performing the repair or replacement of the system.
12. Ensure that in the case of a replacement discharging system, the applicant does work with the local health district to obtain coverage under the Ohio EPA General Household National Pollutant Discharge Elimination Systems (NPDES) Permit prior to system permitting and installation.

B. What are some of the responsibilities/requirements of the system owner?

1. Own a failing on-site or discharging sewage system.
2. Make application to the local government agency that has a loan agreement with Ohio EPA to receive the principal forgiveness loan.
3. For those homeowners receiving 85% principal forgiveness, document the expenditure of 15% of the cost of the project by direct cash payment, loans or grants from other local, state or federal programs or charitable organizations.

*If a cost is directly attributable and necessary for the home sewage system improvements being installed, but is not eligible for principal forgiveness participation, the cost may be included as part of the 15% homeowner contribution to the project.*

4. Obtain a permit from the local health district, and if necessary, obtain a discharge permit for a replacement discharging system, and complete and file a notice of intent for coverage under the Ohio EPA General Household National Pollutant Discharge Elimination Systems (NPDES) statewide permit from Ohio EPA and submit all applicable fees.
5. Provide permission to the local government agency and the installer for installation of a replacement sewage treatment system or repair of an existing sewage system.
6. Obtain an operation permit as required by the local health district, and obtain a service contract for maintenance of the system, if required based on the type of system installation..

C. What are some of the responsibilities of the Local Health Districts?

1. Assist the local government agency with identifying failing systems and providing information to the system owners on the availability of these funds.
2. Issue a certification of failure of the homeowner's system, based upon an evaluation of existing, known data and/or site inspections.
3. Review the site and soil evaluation, proposed system design, and issue a permit for installation as appropriate.
4. Conduct reviews of proposed system designs, site inspections, and final inspections as necessary to ensure a system installation is compliant with local, state rules and permits, and the requirements of the WPCLF loan.
5. Ensure that each system improvement funded by the WPCLF is designed to maintain:

- i. a vertical separation distance as specified in ORC Section 3718.02 (A)(3) or as amended by the Ohio Department of Health Rule Advisory Board of no greater than 18 inches in low/moderate risk settings that may include but are not limited to seasonal saturation in the soil, lower density of sewage treatment systems in an area, no nearby sensitive surface or ground water sources; or
- ii. a vertical separation distance of 24-36 inches in high risk settings that may include but are not limited to coarse grained soils over shallow ground water, or shallow bedrock, sensitive surface and/or ground water sources, and a high density of housing using sewage treatment systems.

In reviewing and approving system designs, the local health district must agree to use the Tyler Table or locally developed infiltration and linear loading rates and comply with all requirements of the ORC Chapter 3718 and OAC Chapter 3701-29. Designs and products shall be authorized for use as specified in ORC Section 3718.04 and OAC Chapter 3701-29, including products and special device approvals authorized by the Director of Health.

- 6. Certify to the local government agency that the system repair/replacement has been completed, that the proposed design and installation complies with all applicable local, state rules and federal requirements, and the terms of the WPCLF loan.
- 7. Issue an operation permit to the system owner, and ensure, if applicable, that an appropriate maintenance contract is established between the system owner and a service provider with a maintenance schedule appropriate for the system installation and/or the manufacturer's requirements.
- 8. Implement for the local government agency an Inspection and Operation Program for system improvements assisted by WPCLF funds at the local health district (if not in existence already), to track these systems and ensure that regular system maintenance is conducted (the local health district may establish fee(s) for this purpose).
- 9. Conduct enforcement as necessary to ensure compliance during installation and for the life of the system.

D. What is the role of the Ohio Department of Health (ODH)?

- 1. ODH will assist local government agencies and local health districts with questions regarding the application process, contacting area homeowners, and providing technical support with system evaluations, designs, permitting, and inspection.
- 2. ODH will be assisting and coordinating with Ohio EPA on the local government agency contracts, fund levels remaining, and as needed with administration of the program.

E. What are some of the responsibilities of the Ohio EPA?

- 1. Ohio EPA will receive the HSTS project application forms from the local government agencies, and will enter into principal forgiveness loan agreements with qualified local government agencies.
- 2. Ohio EPA will coordinate contractual and reporting requirements for the funds, review payment requests and supporting documentation, and authorize the disbursement of funds to the local government agencies.

F. What is the overall process?

1. Local Government Agency (LGA) submits nomination form to Ohio EPA for funding through the WPCLF HSTS Principal Forgiveness Program
2. The 2013 WPCLF Intended Projects List is finalized with total amount of funding set aside for each LGA.
3. LGA submits a contract and bid document template(s) for installers, designers, and/or soil analysts to Ohio EPA for approval. The approved contract is then used for all future contracts under this program or until such time that the program contract requirements change. (Please see HSTS Contract Guidance)
4. LGA advertises (formally or informally) for bids from contractors. Bid advertisement should include all the requirements for this program so that contractors can make an accurate bid.
5. The LGA receives and opens bids. Once the successful bidder is chosen, the LGA sends the HSTS Contract Document packet, including a completed HSTS Contract Cover Sheet, the materials outlined on the cover sheet and the successful bidder's complete bid, to the Ohio EPA for review.
6. Once the Ohio EPA sends approval of the HSTS Contract Document packet, the LGA may execute the contract. The final signed contract is then sent to the Ohio EPA for filing.
7. If any changes occur to the contract (monetary or non-monetary), a change order will need to be submitted to the Ohio EPA. Changes will need to be approved prior to disbursement of funds. (Please see HSTS Contract Guidance)
8. Once the LGA inspects and approves the installation of the HSTS or the repairs, the LGA will submit pay requests to Ohio EPA as invoices are received.