

CHAPTER 87

AN ACT

SB 1563

Relating to on-site septic system financing; and declaring an emergency.

Be It Enacted by the People of the State of Oregon:

SECTION 1. The Legislative Assembly declares it to be the policy of this state to assist the people of this state in protecting public health and safety and the quality of the waters of this state by making grants available for the development of low-interest loan programs for the repair, replacement, upgrade or evaluation of residential or small business on-site septic systems. The Legislative Assembly also declares it to be the policy of this state to support the availability of affordable loans to assist residents to remain in their homes and thereby promote long-term home ownership and sustainable housing opportunities.

SECTION 2. (1) As used in this section and section 1 of this 2016 Act:

(a) "Available sewer" means an existing public sewer system that a residence or small business is capable of being connected to:

(A) In compliance with state and local law; and

(B) Without a significant extension of the public sewer system.

(b) "Loan program" means a program funded by a grant awarded under this section.

(c)(A) "On-site septic system" means a subsurface on-site sewage treatment and disposal system, including, but not limited to, alternative sewage disposal systems, nonwater-carried sewage disposal facilities and subsurface sewage disposal systems as those terms are defined in ORS 454.605.

(B) "On-site septic system" does not include any system that is designed to treat and dispose of industrial waste.

(d) "Small business" means a corporation, partnership, sole proprietorship or other legal entity formed for the purpose of making a profit and that generates less than 3,500 gallons of wastewater per day.

(2) The Department of Environmental Quality shall award grants for the purpose of developing and administering loan programs to provide low-interest loans for the purposes described in subsection (3)(b) of this section. The Environmental Quality Commission may adopt rules necessary to implement the provisions of this section.

(3) The department may not disburse grant funds under this section unless the department and the intended grant award recipient first enter into a grant agreement. The grant agreement must:

(a) Provide that a lender that participates in a loan program must agree to subordinate the lender's lien to the borrower's consensual mortgage lien.

(b) Require that loans provided to borrowers under a loan program must be used for at least one of the following purposes to address a public health and safety risk or to otherwise protect or maintain water quality in the waters of this state:

(A) To repair a damaged, malfunctioning or inoperable residential or small business on-site septic system.

(B) To replace a damaged, malfunctioning or inoperable residential or small business on-site septic system with:

(i) A new, used or reconditioned functional residential or small business on-site septic system;

(ii) A new, used or reconditioned functional cluster on-site septic system; or

(iii) A connection to an available sewer, and to properly decommission and discontinue use of the on-site septic system.

(C) To upgrade a residential or small business on-site septic system with a newer or more advanced on-site septic system. An upgrade may include alterations if the work is part of a repair or if the on-site septic system being upgraded is more than 25 years old.

(D) To replace the waste disposal well or sewage drill hole of an otherwise functional residential or small business on-site septic system.

(E) To conduct an evaluation of a residential or small business on-site septic system to determine whether repair or replacement is necessary.

(c) Require that, if a residence or small business with a damaged, malfunctioning or inoperable on-site septic system is located within the territory of an available sewer, and a connection to the available sewer is a cost-effective option, a loan provided under a loan program to address the damaged, malfunctioning or inoperable on-site septic system must be used to install a connection to the available sewer and to properly decommission and discontinue use of the on-site septic system.

(d) Require that a loan provided under a loan program must be in an amount that covers 100 percent of the costs associated with the purposes under paragraph (b) of this subsection for which the loan is provided.

(e) Require that a grant award recipient must provide a mechanism for ensuring compliance with any locally required operation and maintenance of an on-site septic system for which a loan is provided under a loan program.

(f) Require that a grant award recipient use accounting, auditing and fiscal procedures that conform to generally accepted government accounting standards.

(4) In selecting grant award recipients under this section, the department shall give preference to applicants that:

(a) Prioritize, but do not limit themselves to, providing loans to low and moderate income and small business applicants that are unable to obtain traditional financing;

(b) Can demonstrate prior success in offering, underwriting, servicing and managing loans to:

(A) Members of low and moderate income populations;

(B) Persons with a range of credit qualifications; and

(C) Residential and commercial borrowers; and

(c) Plan to engage additional stakeholders in outreach and marketing efforts for a loan program.

SECTION 3. In addition to and not in lieu of any other appropriation, there is appropriated to the Department of Environmental Quality, for the biennium beginning July 1, 2015, out of

the General Fund, the amount of \$250,000 for the purposes of:

(1) Not later than September 1, 2016, awarding a grant under section 2 of this 2016 Act in an amount of not less than \$200,000; and

(2) Administration costs necessary to implement section 2 of this 2016 Act.

SECTION 4. Not later than September 15, 2016, the Department of Environmental Quality shall submit a report, in the manner provided by ORS 192.245, on the implementation of section 2 of this 2016 Act to the interim committees of the Legislative Assembly related to environment and natural resources.

SECTION 5. This 2016 Act being necessary for the immediate preservation of the public peace, health and safety, an emergency is declared to exist, and this 2016 Act takes effect on its passage.

Approved by the Governor March 29, 2016

Filed in the office of Secretary of State March 29, 2016

Effective date March 29, 2016