

# **DELAWARE WATER POLLUTION CONTROL REVOLVING FUND WATER QUALITY IMPROVEMENT LOAN PROGRAM GUIDELINES**

## **WPCRF WATER QUALITY IMPROVEMENT LOAN PROGRAM**

### **ENABLING LEGISLATION**

The Delaware Department of Natural Resources and Environmental Control (DNREC), Water Pollution Control Revolving Fund (WPCRF) is authorized in Title VI of the Federal Clean Water Act as amended by the Water Quality Act of 1987, and 29 Del. C. Ch. 80, §8003 to provide loans and other authorized forms of financial assistance to:

- Municipalities, inter-municipal, interstate, or state agencies for the construction of publicly owned wastewater treatment works that appear on the WPCRF Project Priority List; and
- Public entities and private individuals for the implementation of non-point source pollution control management projects, and development and implementation of estuary conservation and management plans under section 319 and 320, respectively, of the Clean Water Act.

#### Land Conservations Programs:

The Delaware Department of Agriculture's (DDA) Delaware Agricultural Land Preservation Foundation is authorized to establish criteria for Forestland and Agricultural Preservation Areas and purchase of forestland and agricultural preservation easements pursuant to 3 Del. C. Ch. 9, §904.

DNREC's Division of Parks and Recreation and Division of Fish and Wildlife are authorized to acquire open space and conservation easements under the Delaware Land Protection Act, pursuant to 7 Del. C. Ch. 75, §7503.

### **BACKGROUND AND PURPOSE**

An innovative financing approach has been proposed to fund land conservation easements and water quality improvements with WPCRF municipal loans. A five-year pilot program has been proposed to fund a WPCRF Water Quality Improvement Loan Program. Annually, municipalities that have wastewater projects on the fundable portion of the WPCRF Project Priority List (PPL) can enter into sponsorship agreements with DNREC's Watershed Stewardship and Open Space and Conservation Easement Programs, to implement water quality improvement projects. Funded land conservation easements and/or fee simple land purchases along with water quality improvement projects must be environmentally innovative or

implement green infrastructure. Conservation easements will be managed in perpetuity while other practices or equipment will be for the life of the practice or equipment.

### **FUNDING AVAILABILITY**

The CWSRF program will provide funding for traditional wastewater projects loans in addition to loan dollars (up to \$5.0 million per year subject to funding availability) for forestland, open space, and integrated water quality improvement projects with discounted interest rates. These loans are designed to ensure that municipalities will not pay any additional loan debt service payments annually or over the life of twenty (20) year wastewater project loans by borrowing additional funds for land conservation projects.

### **APPLICATION TIMEFRAME AND PROCESS**

Annually, DNREC's Financial Assistance Branch (FAB) will determine the demand for WPCRF Water Quality Improvement loans based on municipal wastewater projects on the fundable portion of the WPCRF PPL. FAB will contact municipalities about the opportunity to participate in this program. Interested municipalities will then confer with DNREC's Watershed Stewardship / land conservation program staff to discuss opportunities, review land parcels, and determine the optimal land conservation / water quality improvement solution.

Depending on the water quality improvement practice selected, DNREC Watershed Stewardship / land conservation program staff will provide the necessary water quality improvement loan program application, explain program criteria, and enter into sponsorship agreements with municipalities. Necessary land appraisals and negotiations with land owners will be arranged or conducted by DNREC land conservation program staff.

Loan settlement will be facilitated by FAB in consultation with attorneys representing the municipality, the land owner, and the WPCRF program. Municipalities shall begin loan repayment thirty (30) days after loan settlement based on semi-annual loan debt service payments.

### **ELIGIBLE APPLICANTS**

Eligible applicants are limited to municipalities with wastewater projects on the fundable portion of the WPCRF PPL.

### **LOAN INTEREST RATE AND TERMS**

WPCRF Water Quality Improvement Loans shall have interest rates designed to ensure that municipalities will not pay any additional loan debt service payments annually or over the life of twenty (20) year wastewater project loans by borrowing additional funds for water quality improvement projects. The interest rate for municipal wastewater project loans shall first be determined based on the WPCRF Interest Rate Policy. The interest rate shall be lowered based on the total additional cost of the water quality improvement project to ensure that loan debt service

payments for both loans are not greater than the municipal wastewater project loan separately. However, the interest rate for both the municipal wastewater project and water quality improvement project loans shall not be less than one percent (1%). Municipal wastewater projects that require additional subsidization (lower interest rates, principal loan forgiveness, and/or grants) to help make sewer user rates affordable based on the WPCRF Interest Rate Policy, are not eligible for the WPCRF Water Quality Improvement Loan Program.

### **ALLOWABLE LOAN AMOUNT**

The maximum loan amount for a WPCRF Water Quality Improvement Loan shall be determined annually based on the demand and funding availability.

### **LOAN ELIGIBLE EXPENSES**

The following are categories of land acquisition costs that are eligible for financing by the WPCRF Water Quality Improvement Loan Program. All associated listed below shall be borne by borrowers and shall become a part of loan proceeds. However, it is the intent of the program to maximize the use of available funds therefore priority shall be given to water quality improvement projects for which a significant discount can be obtained from the appraised market value of the land easement or fee simple land purchase.

- Land Surveys
- Title Insurance
- Legal Fees
- Appraisal
- Environment Assessment of property
- Purchase price of land and/or permanent easement
- Endowment for monitoring or management of land / practice (10% of appraised value of the property rights acquired up to a maximum of \$10,000)

### **INELIGIBLE LOAN COSTS**

The following expenses cannot be included when determining the allowable amount of a WPCRF Water Quality Improvement Loan.

- "IN KIND SERVICES"
- Costs for which any federal, state, local or other grant funds will be provided, unless those funds will all be paid back to the WPCRF Water Quality Improvement Loan Fund immediately upon receipt
- Administrative costs such as salaries, rent, equipment, and/or travel