

City of Bend
Septic to Sewer Advisory Committee
Report to Bend City Council
July 2018

**** Adopted by Septic to Sewer Advisory Committee
July 12 2018 ****

“Develop fair and cost effective options to help
residents required to convert from septic to sewer”
2017-2019 City Council Goals & Objectives

Committee Members:

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*Homeowner in Project Area

**Septic Homeowner Outside Project Area

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- DEQ Chapter 340- Division 71 340-071-1060 Onsite wastewater treatment systems
- Bend Code Title 15- Sewer, Use of Public Sewers Required
- Fig. #1 Map of all 2,800 Septic Properties in the City of Bend
- Fig. #2 Graphic Illustrating Private Property and Public Right-Of-Way Work and Costs
- Fig. #3 Map of Project Area with the 339 25-year-old Septic Lots and 69 Lots Subject to the 300-foot Rule

Findings and Recommendations:

1. **STEP Policy and Program.** The Committee recommends that the Bend City Council adopt and implement a sustainable Septic Tank Elimination Policy that directs the City to eliminate all 2,800 septic tanks in the City over the next 15-20 years. The Committee deems a sustained, ongoing effort as essential. A comprehensive Septic Tank Elimination (STEP) Program should be launched and include a coordinator, financing options, a dedicated flat time-limited STEP fee, a safety net program for economic hardships and a Local Improvement District in SE Bend. A modest time limited fee will provide the City additional resources for debt service.
2. **The Problem.** The elimination of some of Bend's 2,800 septic tanks is long overdue and urgently needed, at least for all properties within 300 feet of an available sewer system. About 339 of 599 septic tanks and drain fields in the SE Bend Project Area are at least 25 years old and at risk of failure. This includes 69 tanks that are subject to the 300-foot rule where failing systems must connect to sewer service. Without City coordination and financial support, extraordinary costs, in excess of \$70,000 for some, are unaffordable to affected homeowners.
3. **One RFP: Contractor and a Coordinated Program.** The City should conduct a Request for Proposal (RFP) bid process that solicits a contractor for the public right-of-way and offers a discounted rate and coordinated program for private property work to homeowners joining the STEP program.
4. **Affordability Is Critical.** The Committee agrees septic to sewer conversion must be affordable. Costs to homeowners shouldn't exceed \$25,000 in today's dollars, a cost generally comparable to completely replacing a septic system (up to \$18,000 for public right-of-way and about \$7,000 for private property work). A monthly financing option shouldn't exceed \$250 a month. The Committee also recommends the City take a proactive response to those who absolutely cannot afford the transition to sewer, with the following concepts:
 - **No one will lose their home because of public side costs.** Code change to LID section pertaining to foreclosures- allow direction for settlement at time of sale in lieu of foreclosure. Develop a program to assist those with a proven economic hardship.
 - **Strategically use STEP fee to help with private side costs for those who qualify.** If Council passes a STEP fee, direct portion to helping those that show an inability to pay, consistent with HUD guidelines for low income housing assistance programs.
5. **Begin with the SE Bend Project Area.** The City should begin with the 599 lot SE Bend Project Area. It is recommended that engineering be completed to a Class 1 estimate in 2018. The City Council should take action this summer so construction in the Project Area can begin in 2019.
6. **Public Right-Of-Way Costs.** Public right-of-way costs for 503 lots in the Project Area, estimated at \$30 million, should be shared with the City, with those homeowners paying about \$9 million. For SEI lots, the 96 homeowners should contribute the portion of SEI cost related to local service.

7. **Private Property Costs.** Private property costs can range from \$10,000-\$20,000 for system decommissioning and sewer connection. These costs should be reduced to below \$7,000 by Council waiving SDCs, by a coordinated RFP bid process and by fee reductions.
8. **All Should Hook Up.** Everyone with septic tanks should be asked to hook up when sewer service and capacity is available.

Septic to Sewer Advisory Committee

Report to Bend City of Council

July 2018

Committee Charge

City Resolution 3058 authorized the formation of a citizens' Advisory Committee to develop recommendations regarding financing and implementation of a sewer design to serve the Project Area in SE Bend. The Bend City Council subsequently appointed a 12-member Septic to Sewer Advisory Committee to develop strategies related to the conversion of 599 septic tanks in a designated "Project Area" of SE Bend (see Fig. 3 attached), concurrent with design of a gravity sewer system to serve the area. The Committee process including work with Mayor Roats and Councilors Campbell and Livingston as Council liaisons. Councilors expressed hope that the Committee's recommendations could 1) inform future septic to sewer conversion strategies and processes for the estimated 2,200 other septic tanks in many other Bend neighborhoods (see Fig. 1 attached), 2) look to affected homeowners to help with public right-of-way costs at an amount that approximates tank replacement and 3) maintain a sensitivity to ratepayer considerations. This report meets the direction of the Resolution and attends to the guidance of Council liaisons.

Committee Process

The Septic to Sewer Advisory Committee held 12 public meetings since spring 2017 to extensively evaluate this issue and prepare this report. All meetings were publicly noticed and all materials posted on the City of Bend web site. Committee members dedicated over 500 hours to this effort. On four occasions, the project was discussed at Old Farm and Larkspur Neighborhood Association meetings. A project open house was held in May attended by about 50 citizens. Two Council work sessions and an August Council listening session are focused on this issue. Four newsletters have been distributed to all 599 homeowners in the Project Area and two extensive door-to-door month-long education and consultation outreach efforts were conducted. The Committee consulted with DEQ, Deschutes County and Craft3, a regional lending non-profit supporting clean water / septic projects. The Committee received extensive support from the City Manager's office, Finance, Communications, Engineering Infrastructure Planning & Development (EIPD), Community Development Department and the Legal Department. The Committee also had regular participation and support from Mayor Roats as well as Councilors Campbell and Livingston. The Committee meetings included numerous

consultations with project consultants (DOWL, HDR, Barney & Worth) regarding technical matters and successful projects in numerous peer communities in the Northwest.

Committee Values

The Committee began this work by establishing a set of value statements to guide and help shape this work and the eventual development of findings and recommendations.

1. A timely decision that can be implemented within 10 years.
2. Solutions that property owners understand and support.
3. Durable solutions that will be effective for 50 years or more.
4. Equitable, fair and affordable solutions.
5. A financially feasible plan.
6. Promote shared responsibility between the City and property owners.
7. A reasonable and practical plan.
8. A plan that is replicable for other unsewered areas in Bend.

Summary

The Septic to Sewer Advisory Committee recommends that the Bend City Council establish a formal septic tank elimination policy and comprehensive program to transition all 2,800 homes in Bend still reliant on septic tanks to the City sewer system over the next 15-20 years. This program will address an urgent infrastructure need for existing Bend properties. While the annexation of many of these homes and neighborhoods occurred twenty years ago, no City plan to address this environmental and safety issue has been developed. Risks and costs to everyone will rise without action.

This report suggests the City begin by decommissioning 599 tanks in the SE Bend Project Area in 2019-20 (see Fig. 3). Many of these tanks are more than 20 years old and likely in need of repair. The report concludes homeowners and the City share a responsibility to complete this work in an affordable and effective manner. A number of financial components are recommended along with formation of a STEP (Septic Tank Elimination) Program. The STEP Program should include a “safety net” to assure no low income residents are at risk of extreme financial hardship or loss of a home in this process. It is recommended that each septic tank homeowner contribute \$25,000, adjusted for inflation over time, toward this conversion and hook-up, including both homeowner property and City property improvements. To address affordability, financing should be structured to limit monthly fees or surcharges to no more than \$250.

Introduction

The 12-member¹ City of Bend Septic to Sewer (S2S) Advisory Committee was formed in 2017 to offer financial and policy recommendations in support of the elimination of septic tanks in a Project Area of Southeast Bend while connecting about 599 properties to the City’s sewer

¹ Of the 12-member Committee nine of the members own homes in the Project Area and understand that the recommendations in this report do pose a potential conflict of interest.

system. City council members involved with the Committee also asked for solutions that might be beneficial to a larger effort to transition approximately 2,800 septic tanks to sewer City-wide. The Committee's recommendations address both goals.

This project is critical to the City's ongoing efforts to make public works infrastructure improvements in established neighborhoods during a time of significant growth and competing development pressures in our community. The current effort to assure essential City services, promote health, safety and clean water, decommission septic tanks and add sewer customers is long overdue. This City responsibility dates back to 1998 and a City-wide vote in favor of annexing large areas adjacent to the City of Bend. Annexation was supported by a significant majority of the City of Bend registered voters at the time. The 1998 annexation carried with it recognition that the more rural annexed areas would require public works improvements and other City services with mention that the public costs should be shared City-wide. Resolution No. 2239 stated "the City together with several private utility companies will provide sewer and water to the urban area. Sewer service lines will be extended by new development or by use of local improvement districts." and "City shall provide sewage services to users within the UGB on the same basis as such services are provided to users in the City." The Committee recognizes that no formal plan was adopted at the time of annexation nor were any dollars set aside by the City to provide the annexed area with services. With the passage of time, these costs have risen considerably. They will continue to increase 5-7% each year without prompt action.

With the 2018 completion of the SEI through the Project Area, the opportunity and urgency to address the septic problem in the Southeast neighborhood Project Area is understood by most and has been deemed by the Septic to Sewer Committee as critically important to address. A study of the area has shown at least 339 lots in the Project Area have septic tanks that are more than 25 years old and considered by DEQ and City standards as failing or at risk of failing soon. As costs continue to rise, it is the recommendation of the Septic to Sewer Advisory Committee that this project to decommission all septic tanks in the Project Area be implemented in 2019, that the engineering plans for the Project Area be completed to a Class 1 estimate, and that a plan for all other unsewered areas of Bend be completed as soon as possible and implemented over the next 15-20 years. All septic properties in Bend deserve a solution. In supporting this effort, the Committee understands that this public works project, like others, is a shared responsibility of homeowners, the City of Bend, and City ratepayers.

System Development

The Committee recommends that the S2S Project Area be transitioned from septic tanks to the City sewer system as soon as the engineering is complete in 2019. The Committee has studied similar efforts in peer communities and has concluded that eliminating septic tanks is achievable with City leadership, a focused effort, creativity, shared responsibility and sufficient commitment from the City and homeowners. The S2S Committee recommends development of STEP in 2018 to coordinate and sustain this effort until all 2,800 septic tanks in the City are decommissioned and those properties gain access to Bend's sewer system.

A STEP program with a limited time fee and a schedule of ongoing engineering and construction to keep contractors working and engaged in the program until completion. The Committee also recommends City staff discuss more detailed financing and potential grant options in the attempt to reduce the length of the loan and amount of interest.

Community-Wide Problem

A commitment by the City of Bend to eliminate septic tanks and facilitate hook up to the sewer system is long overdue and urgently needed for a number of reasons:

1. There are approximately 2,800 septic tanks in the City of Bend (see Fig. 1 attached);
2. Many of these tanks are in formally rural areas annexed by the City of Bend in 1998. The 1998 vote was split at the time, with a majority of voters in all precincts in the City favoring annexation and a majority of voters in all precincts outside the City of Bend opposed to annexation. Improvements in infrastructure and public safety services were promoted as benefits of that annexation;
3. Regrettably, the City has not, to date, set aside the resources or made a commitment to address the septic tank situation in the City including the 1998 annexed areas. Costs of this repair are now much higher than they would have been 20 years ago and well beyond homeowner-alone solutions;
4. With this passage of time, many of these septic tanks and drain fields are now aging, failing or at risk of failure all over the City. In time, all septic tanks and drain fields fail and need to be repaired or replaced at an estimated cost of \$10,000-\$20,000, a problem or challenge for homeowners, many with limited knowledge of how to maintain their systems or limited resources to replace their systems;
5. In consultation with DEQ and Deschutes County, we have confirmed that failing septic systems can and do create public health and safety hazards for City residents and can spread disease and harm our water;
6. Currently, the lack of a coordinated program requires people to fend for themselves in finding solutions often without the technical skills or the resources to manage the process effectively;
7. Any septic tank properties within 300 feet of a functional sewer system with capacity are required, by Bend Code Chapter 15.10.010 to hook up to that system with 90 days In SE Bend, this problem has been exacerbated by the City constructing the SEI in the greater Kings Forest / Orion neighborhood thereby triggering the 300-foot rule;
8. Many septic tank homeowners are likely not aware of the 300-foot rule and that in fact, simply repairing septic tanks and drain fields when they fail, is not allowed in areas of Oregon with sewer systems with capacity;
9. The 300-foot rule has a cascading effect and will ultimately affect everyone with a septic tank. In time, single repairs will occur and the next neighbor down will come within 300 feet and subject to the law;
10. Absent a coordinated program and without City assistance, a homeowner within 300 feet would need to meet City engineering standards and absorb all public and private costs to hook up. In some cases, this cost could well range from \$70,000 to more than

- \$100,000 and, in extreme cases, result in the loss of a home, a reduction in property values and the degradation of a neighborhood if unattended;
11. While costs of public works projects like these are significant, failure of a City to act only compounds the problem. Septic tanks will continue to age and fail. The costs of major sewer infrastructure costs are projected to rise 5-7% annually.
 12. Any failure of the City to act immediately will compound many of these problems significantly.

The 300-foot Rule and the Risk of Inaction

The City of Bend completed the SEI project to provide the necessary infrastructure to better support a growing, large area of SW and SE Bend needing access to the Water Reclamation Facility northeast of Bend. The City's decision to construct the SEI through the Project Area neighborhood carried with it significant impacts beyond the construction related activities. As a benefit to the Project Area, the SEI added the necessary capacity and made it more feasible to move forward with a project to sewer an established neighborhood in SE Bend as well as to service others on the south side of Bend. The Project Area neighborhood had not received any movement toward sewer access since the 1998 annexation so SEI construction has provided a much-needed opportunity.

At the same time, the close access of the SEI to many homes in the Project Area invoked the "300-foot rule" for about 30 homeowners and others on adjacent lots. Under Oregon law (DEQ Chapter 340- Division 71 340-071-1060 Onsite wastewater treatment systems) and Bend Code Chapter 15.10.015, homeowners within 300 feet of an operating sewer system are required, under certain circumstances, to hook up to the sewer and decommission their septic systems. The City's placement of the SEI in this neighborhood immediately subjected about 30 to this law and ordinance and, by default, eliminated any ability for those homeowners to repair or replace existing septic systems. Any failure to go the "rest of the way" and develop an affordable sewer system for homeowners in the Project Area would require all of those homeowners to cover all associated costs of a legally required hook up as well as septic decommissioning, costs that could be extraordinary and far in excess of a coordinated City-wide response. Furthermore, any connections of 300-foot properties have a cascading effect and subject all other homeowners in the Project Area to the 300-foot rule in time and at dramatically increasing costs. Failure to achieve a coordinated, comprehensive implementation would be untenable to Bend's City residents and a public policy failure for City Council.

Adoption of a Comprehensive, Citywide Septic Tank Elimination Policy

The Advisory Committee recommends that the Bend City Council address this problem as soon as possible by adopting a formal sewer system improvement and clean water policy to decommission all 2,800 septic tanks in the City of Bend over the next 15-20 years, as schedules and resources allow. If Council concurs, this policy shall direct the City Manager to pursue all core strategies that help achieve this goal including staffing, budgeting, coordination, public

education, engineering, construction, financing options and methods and cost containment that will transition septic tank lots in the City to the sewer system. This policy shall affirm the intent that this initiative remains durable over time, has applicability to all affected neighborhoods and is inclusive of strategies suitable to septic tank properties with and without adjacent City sewer infrastructure. The policy shall affirm the necessity of sound, effective, and affordable sewer infrastructure as part of our City's comprehensive community development efforts. The policy shall also affirm that everyone benefits when we eliminate septic tanks as we increase public safety, preserve public health, and promote clean water. Like other major public works projects, this policy shall clarify that it is a shared responsibility of homeowners with septic tanks, the City and ratepayers to invest in the elimination of septic tanks in the City limits of Bend. This policy shall seek solutions that are affordable for individual homeowners and that incentivize participation. Lastly, this policy shall state that eliminating septic tanks helps preserve property values and our quality of life.

Implementation of a STEP Program

In furtherance of the Septic Tank Elimination Policy, the City should establish a formal STEP Program in 2018 to conduct, coordinate, and support all related work. The program should focus on assuring that all necessary community education, technical support, procurement, construction, reporting and financing activities are in alignment and successfully executed. The program should establish performance measures and report periodically to City Administration and the City Council as appropriate. The program should include but not be limited to:

1. **A full-time coordinator** to staff the program through to completion. The coordinator should be hired as soon as possible to facilitate communication, coordination, public education/involvement and technical support. The Advisory Committee recommends the continued use of the \$1 million SIAG fund to pay for staff support and engineering for the STEP program. Connection and facilitation with subject matter experts including DEQ, Deschutes County and City of Bend. Publication of a tool kit with materials that inform homeowners and link homeowners to necessary information, services, plumbers, and contractors in the community. The tool kit should include detailed information or checklist detailing all steps that need to take place.

Example of Tool Kit Contents:

- Your septic system should be pumped by a licensed service. It must be completely empty.
- Choose one of the following septic tank options:
 - Remove the tank
 - Fill the tank in place with sand or gravel (after removing the top)
 - Crush and bury the tank (after inspection) Request inspection (Deschutes County application available at www.deschutes.org/cd/page/environmental-soils-division)
- Additional information as necessary and helpful

Coordination of work with City contractors to provide cost effective solutions for both public system work and the necessary decommissioning and trenching on private properties. Affected homeowners should understand that it is their duty to properly prep their property for the needed sewer connection and that the least costly solution will be applied to each home (e.g. redirecting sewer plumbing from the rear to the front of the home to reduce the length of trenching). A coordinated effort will ensure an equitable cost for each homeowner which is an important value the Committee shares. The Committee considers this element as well as a developed timeline with proper notice to the neighborhood, essential to affordability and timely completion.

2. **Financing Tools-** A menu of options for homeowners to prepay, finance over time, pay down at an accelerated rate or delay payment till time of sale in dire circumstances. Choices will make the program more viable and support a variety of economic circumstances and preferences. A comprehensive approach to numerous financing options that work for homeowners and the City.
 - a. **A STEP fee-** As with other jurisdictions that successfully eliminated septic tanks, dedicated funding is essential. In addition to support from septic homeowners and sewer rates, the City should establish a modest, time-limited, flat monthly STEP fee charged to all City sewer ratepayers (residential properties and businesses) to support the program and promote clean water and septic system elimination. All ratepayers in the City of Bend, including the 2,800 new septic to sewer ratepayers, should pay this fixed monthly fee. This fee is modeled after the City's storm water fee charged to homeowners in the Project Area, but is time limited. Depending on the fee amount, the City could raise as much as \$35,000,000 in 20 years (estimate at \$5 / ratepayer / month adjusted up for growth in the number of ratepayers). Perhaps most importantly, on an annual basis this fee revenue could satisfy about \$60 million of debt service (generating \$2 million per year at \$5), depending on interest rates and terms at the time.
 - b. **A safety net program-** Consistent with the affordability principle in the proposed policy, a safety net program must be conceived and managed to assure no one with a septic tank is at risk of losing their home in this transition process. A safety net program should be implemented, possibly in collaboration with Craft3 (a regional nonprofit that administers a septic replacement program) or another vendor, to assure an affordable payment option for low-income residents unable to pay the total or monthly amount. A City goal should be established that no one should be displaced or lose their home as a result of the septic to sewer conversion in any Project Area. A program with favorable terms and eligibility should be offered similar to Craft3's rates as well as deferred payment options and flexible interest only payments.
 - c. **Coordination of a Local Improvement District (LID)-** City staff advises that a Council-initiated LID should be used as a legal mechanism for long term financing, supplemental of the Committee recommended STEP fee. An LID will allow the City to establish payment methods for public-side costs and allow the City the ability to lien properties as needed to assure repayment by all septic homeowners. The City should carefully evaluate the experience of other jurisdictions that have used LIDs for this purpose to learn from those efforts in the design of this LID.

Benefits to the City of Bend

1. Adds 2,800 ratepayers to help support the City's sewer system and infrastructure.
2. Addresses the City Council core goal in the 2017-2019 City of Bend Goals and Objectives #1 Page 4 "Develop fair and cost effective options to help residents required to convert from septic to sewer";
3. Meets Oregon statute and City requirements to hook up all properties within 300 feet of an operating sewer system providing it has sufficient capacity;
4. Offers the most cost effective method to eliminate septic tanks in the City of Bend in a timely manner through sustained, ongoing engineering and construction through to completion of the project;
5. At system failure, lessens the risk of abandonment of a property or degradation of a neighborhood;
6. Provides a more efficient hook up method for City staff who would otherwise have to advise and support individual properties faced with the 300-foot rule and / or failing systems;
7. Fulfills a long-standing City responsibility to provide sewer infrastructure to properties annexed in 1998;
8. Meets Councilor Livingston's goal of asking homeowners to cover a portion of the public area cost at an amount generally comparable to the cost of a total septic system replacement;
9. Meets Mayor Roats' goal of providing a framework / strategy to eliminate septic tanks City-wide; and
10. Meets Councilor Campbell's goal of considering fairly the interests of all City residents.

Benefits to Bend residents

1. Eliminates the need for individual homeowners to maintain septic tanks as well eliminating the need to find contractors and secure the repair of costly aging septic systems and pump stations alone;
2. Offers a coordinated sewer hook-up program with known costs and financing options;
3. Is designed to require comparable payments so homeowners share equally in the project;
4. Includes a safety net program to assure the project will not displace any homeowners;
5. Provides predictability for the 2,800 septic homeowners so they can plan and budget home maintenance and improvements with known sewer connection schedules and costs;
6. Allows homeowners to repurpose septic spaces and drain fields for other home improvements; The Committee agrees that any additional changes a homeowner makes to their property (i.e. changing plumbing to add an accessory dwelling unit) should be paid by the homeowner and should be in addition to the fixed uniform rate.
7. Avoids a worst-case "go-it-alone" scenario where costs could range from \$70,000 to in excess of \$100,000 for public and private area costs to hook up and all related trenching, a connector lines, and a lateral line. Costs could vary dramatically for individual properties;
8. Helps stabilize real estate by providing a degree of certainty and predictability regarding the cost of conversion in any property transaction; Additionally,

- decommissioning allows homeowners to use septic tank areas and drain field areas as additional property for improvements; and
9. Over time, upgrades the sewer system and attends to health and safety concerns in each of the Bend neighborhoods with septic tanks, thereby enhancing livability and value.

Critical Cost Containment Strategies

A core concept in managing private property decommissioning and hook up costs lies in attaching this work to the RFP public property procurement process and leveraging economies of scale. The Committee recommends that the City bundle construction bid requests, selecting qualified contractor(s) able to complete the public and private property work. Bundling the work would be beneficial in containing costs and assuring timely, coordinated hookups. Following contractor selection, the City would contract for sewer construction on the public right-of-way. Each homeowner would have the option of joining the program ensuring contracting, at a set rate (economies of scale) for decommissioning and preparation on his or her private property. Each participating homeowner will need to sign a hold harmless agreement to protect the City from any adverse events associated with the work of the contractor on private property.

Affordability for All

This core value – helping low-income households and preventing economic distress or loss of property - was carefully considered by the Advisory Committee in its deliberations. The conversion of all 2,800 properties from septic system to sewer connection must be affordable. In that regard, the Committee recommends that the total conversion cost to homeowners with septic tanks not exceed \$25,000 in today's dollars. This would include both a. public property costs (see Section 9. below) with a payment range of up to \$18,000 and b. private property costs of about \$7,000 (see Section 10. below). Similarly, to address affordability, at least one of the payment options should not exceed \$250 per month. This goal is to contain public side costs by diversifying funding (homeowner payments, ratepayer resources, STEP fee) containing private side costs by bundling construction and reducing or eliminating some fees. A consistent program should be set up paralleling current City of Bend sewer and storm water policy, this initiative should include discounts and favorable delinquency arrangements for low-income homeowners converting from septic to sewer. We recommend use of both reduced rates for disabled and senior citizens and enhancement of the City's Utility Assistance Program. The current utility bills states: "The City of Bend offers reduced storm water and sewer rates for disabled or senior citizens (over the age of 62) who meet income requirements. In addition, a Utility Billing Assistance Program is available for delinquent City of Bend water customers who meet income guidelines. Customer contributions for this program are welcomed and can be made as a one-time donation, or can be billed monthly on your utility statement."

City of Bend LIDs in Other Neighborhoods: In considering the potential assessment for public right-of-way costs in the Project Area, it is important to consider comparable City charges in other City neighborhoods. It should be noted that the recommendation to charge Project Area homeowners \$18,000 for the necessary Project Area right-of-way improvements is somewhat

more than the amount charged by the City if several other instances (see below). For better comparison, inflation adjustments have been provided as well.

<u>Year</u>	<u>Project #</u>	<u>Lots</u>	<u>Assessment</u>	<u>Inflation-adjusted**</u>
2002	Woodriver	151	\$ 3,980	\$ 5,538
2002	Romaine Village	422	\$ 3,980	\$ 5,538
2004	Pitts Drive	8	\$11,063	\$14,634
2005	Larkwood	14	\$12,471	\$15,951
2018	Project Area	503	\$18,000*	\$18,000

*recommended by S2S Committee

**source: www.inflation.eu based on historical US inflation by year comparing the Dec CPI to the Dec CPI of the year before

Note– only Larkwood and the Project Area are gravity sewer systems; each area has unique characteristics, so costs may not be comparable.

The Committee finds that it is critical to add 2 concepts to their recommendations for the people who absolutely cannot afford the transition to sewer:

- **No one will lose their home because of public side costs.** Code change to LID section pertaining to foreclosures- allow direction for settlement at time of sale in lieu of foreclosure. Develop a program to assist those with a proven economic hardship.
- **Strategically use STEP fee to help with private side costs for those who qualify.** If Council passes a STEP fee, direct portion to helping those that show an inability to pay, consistent with HUD guidelines for low income housing assistance programs.

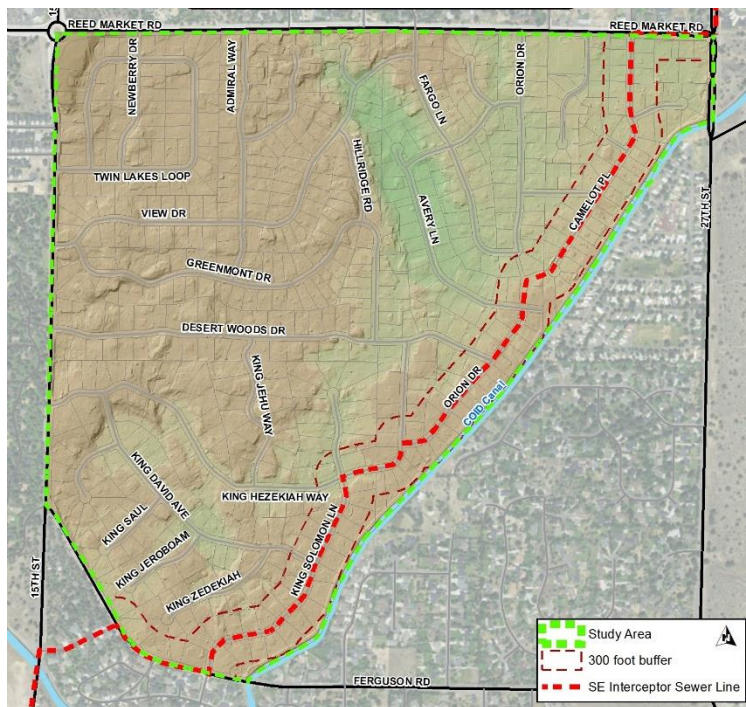
Required Hook Up

Consistent with Bend Code Chapter 15.10.015, all homeowners on property adjoining the City of Bend sewer system should hook up within 90 days of after the date official notice is given to hook up. For the 96 homeowners with stub outs, this hook up should occur by December 2020 or completion of the project whichever is sooner. For the 503 homeowners, hook up should occur following completion of both public and private work.

First Conversion Area: the SE Bend “The Project Area”

The Project Area in SE Bend (599 lots) should be converted first for numerous reasons:

1. This is the City neighborhood with the largest concentration of aging septic tanks (see Figs. 1 and 3). According to the Deschutes County database, 339 of the 599 properties have septic tanks and drain fields that are 25 years old or older;



2. It is an area that was recognized by the 1998 annexation where infrastructure improvement has been needed to meet City standards;
3. Two recent construction projects have brought some sewer infrastructure to this area: (1) the Southeast Interceptor (SEI) benefiting southern and east Bend and (2) the Orion Greens development;
4. With this construction, the 300-foot rule applies to 69 properties and necessitates hook up for adjoining homeowners (see figure 3);
5. Sewer access is immediately available to 96 properties on the SEI who received stub-outs as part of construction;
6. To date, the City ratepayers

have invested \$2.3 to \$2.7 million in engineering, public involvement in planning, much of investment is directly related to septic to sewer conversion in this Project Area; and

7. With this engineering work, costs are generally known and technical specifications understood. Class I engineering will be completed in 2018 with construction recommended for 2019.

Public Right-of-way Financing for the SE Bend Project Area

Public right-of-way costs relate to the sewer system development within the public right-of-way that is associated with local service (see figure 2). In the 599 lot Project Area, this includes two groups. Group A: the 96 properties adjacent to the SEI with stub-outs and Group B: 503 property lots in the Project Area without adjacent sewer infrastructure. Public property costs include engineering, connector lines, manholes, stub-outs, construction and road repair. The Committee recommends that such costs be shared by the City, area homeowners, and residents City-wide.

1. Homeowners in the Project Area should be asked to contribute an estimated \$10 million to public property development. Each homeowner would be asked to contribute an amount that approximates the cost of replacing their septic system. In the opinion of the Committee, this amount is very significant and a financial hardship for many. Any amount in excess of this would not be affordable for most homeowners. It is regrettable that the City has not routinely set aside funds for this project since the 1998 annexation. It is hoped this considerable amount will allow the project to move forward.
2. The City must set public property cost charges to the homeowners who fall in each of the two groups. The costs for all homeowners within each group should be comparable if possible.
 - a. Group A: 96 SEI homeowners- This Project Area group should be asked to pay a connection fee for the portion of SEI project costs in the neighborhood related to

engineering, connector lines, stub-outs and some manholes, etc. Staff is currently calculating this amount. The cost should not exceed the cost of the 503 homeowners, Group B.

- b. Group B: The 503 homeowners- This group of homeowners should be asked to cover \$9 million of an estimated \$30 million cost or about \$18,000 per household, about the cost of a septic system replacement on the higher end of the range (\$10,000-20,000). The City should offer or help arrange for low interest loans for homeowners who need to finance this public property cost.
3. The Committee recommends that the City make a concerted effort to pursue clean-water / public works grant programs to offset as much of these public improvement costs as possible to lessen the cost burden for all. There are numerous examples of this approach throughout the Northwest over the last 20 years.
4. The Committee recommends that the balance of funds for the public side costs, about \$21 million, be financed by the City in a manner similar to other large infrastructure projects. The City is encouraged to use the services of its contracted consultants to replicate successful models in other Northwest communities. It is also proposed that this financing include a time-limited STEP fee.

Private Property Project Financing

Private property costs can include septic tank decommissioning, inspection, plumbing, construction of lateral lines between the house and connector lines and any other expenses associated with homeowner property preparation (impacts related to decks, fences, landscaping) (see figure 2). While homeowners would bear this expense, it is essential that the City supports all available coordination and cost containment strategies. Prior to cost containment, cost to each homeowner could be as much as \$20,000 and an additional (up to) \$10,000 for the estimated 15-30 properties in the Project Area requiring a pump to connect. The goal is to reduce this portion of cost to an amount that approximates \$7,000. The Committee recommends the STEP fee is used to offset the additional pump cost, the contractor should attempt a bulk purchase to discount the cost. Any future maintenance and pump replacement would be the responsibility of each homeowner requiring a pump. The STEP program should only be used in initial sewer connections.

Critical components of private property work include:

- a. STEP Program coordinator help through education, technical support, tool kits, and construction coordination.
- b. Homeowner preparation of each property in advance of decommissioning and construction to ensure easy access to the property.
- c. Inclusion of private side work in the public side contractor bid process, seeking value-based bids that allow for a standard fee for private side work to expedite completion of the project in a timely manner, contain private costs through economies of scale and coordination and provide known costs to each participating homeowner. The lead contractor(s) would arrange for plumbing sub-contractor(s) to assure workers available to complete this work in a timely fashion. Coordination and economies of scale are expected to significantly reduce private-side costs.
- d. Coordinator development of a form asking each homeowner to opt in or opt out of the coordinated construction program (the contractor needs to know how many properties

wish to participate). Participation in the coordinated STEP program is recommended to homeowners but not required.

- e. The Committee recommends a policy change and an SDC waiver limited to the 2,800 septic tank properties that are connecting to sewer. As an incentive and in recognition of the cost burden, City Council is asked to waive the SDC charge for any of the 2,800 homeowners who agree to the following: The waiver of SDCs will incentivize homeowners to join the program there by increasing the number participating in the coordinated effort.
 - i. Participation in the coordinated STEP construction project;
 - ii. Preparation of the property for decommissioning and construction;
 - iii. Hook up to the system within 90 days of access (assuming contractor and capacity availability);
 - iv. Maintain neighborhood integrity and the single-family property characteristic of the property; and
 - v. Take the shortest feasible route from the house to the stub out (to contain costs) provided no harm to the home or key landscaping (in consultation with sewer contractor or engineer) homeowner pay the difference if added length.
- f. Work with DEQ and Deschutes County to reduce inspection costs by limiting inspections to a single inspection and organizing inspections in a coordinated fashion.
- g. Coordinate draining of tanks after hook up to reduce costs.
- h. Coordinate use of soil from the public area construction to fill holes on private property when tanks are decommissioned and either crushed or removed.
- i. 15-30 properties are likely to require a pump to supplement the gravity system at an additional cost of \$6,000 to \$10,000 each. The City should notify these homeowners and seek methods to reduce these costs including coordinated purchasing, technical support, pursuit of grants and special financing.

Recommended Timeline

The Advisory Committee recommends that the City undertake the same strategies and any lessons learned from this project and apply them, where applicable, to other neighborhoods. The next unsewered neighborhood could be selected and engineering begun concurrent with the Project Area construction.

- **July 12 2018:** Septic to Sewer Committee finalizes report and recommendations.
- **July 18 2018:** City Council work session to consider Committee report recommendations.
- **Summer 2018:** Using a budgeted LID position, prepare the STEP Coordinator job description and initiate the hiring process.
- **August 15 2018:** City Council listening session to allow interested parties to offer input regarding the project and the Committee recommendations.
- **September 2018:** Council action regarding the recommendations and how to advance the project.
- **Early Fall 2018:** Hire STEP Program Coordinator
- **December 2018:** Completion of Class 1 engineering for the Project Area.
- **1st Quarter 2019:** City procurement process to seek bids and select contractor(s) for Project Area.
- **Summer 2019:** Construction begins in Project Area.

- **Early 2020:** Identify and begin engineering work for next most logical Bend septic neighborhood.

- End -