

CITY OF RACINE LOAN BOARD OF REVIEW

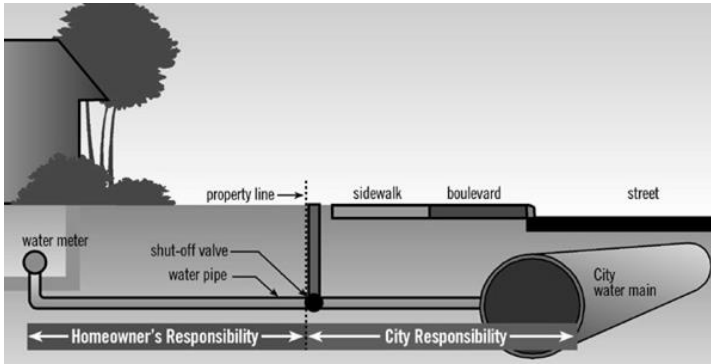
MEETING DATE: 5/11/2017

Request for new loan product: Private Lead Service Piping Loan

Item # 438-17

Background:

The Racine Water Utility is currently replacing water mains within Racine as well as some “private lead service”, or the water pipe that runs on a homeowner’s private property from the house to the curb stop.



In 2016 the city received \$500,000 from the DNR/EPA for private lead service replacement.

- \$2,500 is available per property as a grant for private lead service replacement.
- All homeowners who elect to have their private lead service replaced at the time the water main/public service is replaced will receive the grant.
- The grant is also available to rental and mixed-use buildings if owned by an individual and not a company and/or LLC.
- At \$2,500 per household, DNR/EPA funds can assist a total of 200 property owners.
- This program is voluntary; the Water Utility estimates that 1 in 4 property owners will elect to have their private lead service replaced.

Funding Need:

Properties that are set back farther may need more than \$2,500 worth of work to replace the private lead service. The additional cost may reach \$1,000 if there is a long distance from the curb stop to the house. The homeowner will be responsible for these additional costs. Homeowners may also be required to pay to restore sidewalk squares that are removed during the replacement process.

Some homeowners have told City Development staff they would like to have their private lead service replaced but need financial assistance to cover costs above \$2,500 on their property. Staff suggests a loan product for these homeowners to ensure the additional cost does not prevent a needed and desired infrastructure upgrade.

Product: Private Lead Service Piping Loans

FUNDING SOURCE: Non Federal Loans acct #821

Federal (CDBG, etc.) funding may not be used for this program because the funds would trigger lead compliance for the entire house. Non-federal loans do not require that household income to be limited to HUD income guidelines. This product is also not meant to compete with local lenders.

LOAN PRODUCT: Limited to \$2,000 per property.

Eligible uses: Private lead service work in excess of the grant amount and replacement of sidewalk squares removed to complete the private lead service work. No other work (interior plumbing work, landscaping, etc.) is eligible.

PROPERTY OWNER REQUIREMENTS:

1. Home/Property owners must be current with mortgage, homeowner's insurance, and property taxes on all properties owned in the City.
2. Credit must be at least acceptable/good.
3. Limited to residential properties including rental and mixed use properties that are not owned by a company and/or Limited Liability Corporation (LLC).

TERMS:

1. Fixed interest rate of 3%.
2. Term of 3 years max; no prepayment penalties.
3. Loan fee of \$40 (covers cost of credit report); paid at time of application.
4. Promissory note with clause that defaulted loan payments and balance of loan will be sent to collection agency.
5. Payments to be made through automatic withdraw.
6. Loan payments will be reported to credit bureaus.

SAMPLE LOAN:

Annual Interest Rate	3.00%
Years	3
Payments Per Year	12
Amount	\$2,000
Monthly payment	<u>\$58.16</u>