

# BOARD OF ALDERMEN

ITEM NO. A(1)

## AGENDA ITEM ABSTRACT

MEETING DATE: September 27, 2011

**TITLE: Emergency Revolving Loan Fund Recommendation for East Main Street Property Owners**

<b>DEPARTMENT: Town Manager</b>	<b>PUBLIC HEARING: NO</b>
<b>ATTACHMENTS:</b> <ul style="list-style-type: none"><li><b>A. Request from Property Owners</b></li><li><b>B. Resolution</b></li><li><b>C. Emails from Ed Kerwin, OWASA</b></li><li><b>D. OWASA Assessment Policy</b></li></ul>	<b>FOR INFORMATION CONTACT:</b> <b>Matt Efird (918-7314)</b> <b>Annette Stone (918-7319)</b>

### PURPOSE

The purpose of the agenda item is for the Board to consider a request for emergency funds to repair the private sewer lateral serving the properties on the South side of East Main Street from Armadillo Grill to Friendly Barber Shop.

### INFORMATION

On Friday, August 26th, 2011, a blockage and/or failure of the common sewer lateral serving the 100 block of East Main Street occurred, causing a spill of untreated sewage. Staff from OWASA, the Town of Carrboro and Orange County Health Department responded to the incident that evening and through the next day. The owner of the adjacent property (Bank of America building) allowed a temporary tie-in to his sewer lateral to allow the affected businesses and properties to continue operating by Saturday afternoon.

Staff from the three agencies met on Monday, August 29th to discuss the situation and possible solutions. Because this common sewer lateral is a private line, neither the Town nor OWASA bear responsibility for repair or replacement of the blocked or failing line. The decision was made to facilitate a public meeting to allow the affected property owners to come together and work towards a solution. Staff was available from the Town, OWASA, Orange County Health Department and NCDOT to answer any questions.

After the public meeting, a group of the property owners came together to work out a solution. The group has begun the process of hiring an engineer and drafting plans. At the September 13th Board of Aldermen meeting, representatives from the affected properties requested the use of at least \$60,000 in Town funds to repair or replace the blocked or failing line (Attachment A)

Staff has identified two possible sources for funds should the Board decide to grant the request from the property owners. The Town currently has \$98,502 reserved as a residential sewer connection subsidy. These funds were set aside from a dedicated sales tax exemption from FY

97-98 through FY 02-03. Existing Town policy reserves these funds to pay \$2,000 per dwelling unit in existence as of January 25, 2005 towards the cost of OWASA residential sewer connection. The Board of Aldermen could amend the Town policy to allow these funds to be used for repair/replacement of the common sewer lateral for these affected properties. Town staff does not recommend this option, as there are still a number of eligible properties that could be served by the subsidy funds as current policy dictates.

An alternative source of funds is the Town's Revolving Loan Fund. There is currently \$204,478 available for use in the Revolving Loan Fund. The current policies governing use of the Revolving Loan Fund speak to "retention of jobs" as a priority, and "extension of utilities" is a permissible use. The loan documents also identify use in the downtown business district as a priority.

Town staff has approached Orange County staff regarding the use of County Revolving Loan funds. County staff has indicated a general agreement and willingness to participate with loan funds in this emergency situation.

As previously stated OWASA's policies absolve OWASA of any responsibility for repair or maintenance of this private line (See Attachment D). In addition, attached is a memo from John Greene that outlines OWASA's policy on assessments, "If the Main Street property owners desire to have OWASA assume ownership and operation of a new public sewer main at the rear of their buildings they could elect to construct a sewer main to OWASA's specifications or petition the OWASA Board of Directors for an assessment project to provide the public sewer main."

## **FISCAL AND STAFF IMPACT**

The use of Town funds for this purpose will reduce the amount of funds available for use in future residential sewer connection subsidies or revolving loans for other small businesses.

## **RECOMMENDATION:**

Staff recommends that the Board of Aldermen consider the request from the East Main Street property owners. If the Board decides to allow use of Revolving Loan Funds for this project, staff recommends the following stipulations:

- a. Loan funds should only be made available to property owners who are a party to a contract for repairing or replacing the blocked/failed sewer line. The limitation to property owners is necessary because it is the property owners' responsibility to repair or replace the common sewer line. Loan proceeds should only be released once a signed contract is submitted to the Town. Loan funds will be released directly to the property owners who are a party to the contract.
- b. Loans should be secured by deed-of-trust in the affected properties.

c. Loans should be made available to property owners in the same proportion property owners agree to assign costs. For example, if the owners agree that Owner A is assigned 10% of the cost of the project, the available loan would equal 10% of the cost of the project.

d. Loans should be offered at terms of 3% interest for 3 years. For reference, the monthly loan payment at those terms would be \$29.08 per \$1,000 financed. If the board decides to recommend a longer loan term, the monthly payment for a 3% interest loan over 5 years is \$17.97 per \$1,000 financed. Staff recommends the longer repayment period only if the individual loans exceed \$5,000.

e. All affected property owners must enter into a maintenance agreement contract that establishes a funding mechanism for on-going maintenance and repairs to the shared sewer lines.