



Washington State  
Public Works Board

Traditional Programs  
Construction,  
Pre-Construction, and  
Emergency Construction Loans

## **Application Guidelines**

**May 2023**

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## PUBLIC WORKS BOARD LOAN PROGRAMS

Washington state statute (RCW.43.155) authorizes the Public Works Board (PWB) to award funds to counties, cities, and special purpose districts to repair, replace, or create roads, streets and bridges, domestic water systems, sanitary sewer systems, storm water systems, and solid waste, recycling and organics facilities.

**Note:** The maximum amount of funding that the Board may provide for any jurisdiction is \$10M per biennium for construction and pre-construction projects. Jurisdictions with multiple projects may receive funding up to \$10M.

At the beginning of the application cycle, the PWB sets the interest rates and funds available for construction, pre-construction and emergency projects. Pre-construction and construction are competitive programs. The emergency program is open until all allocated funds are awarded.

The FY24 application cycle is open for all programs starting on May 8, 2023. Applications are due by 11:59 PM July 7, 2023. The PWB anticipates awarding funds at its August 4, 2023 meeting.

### Construction

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There is approximately \$221 million set aside for Construction applications this funding cycle. This is a competitive program. There is a maximum \$10 million dollar award per jurisdiction per biennium with a loan term of 20 years, including 5 years for project completion. The interest rate is determined prior to each application cycle.

### Pre-Construction

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Pre-construction is a competitive program and open year-round with funds awarded quarterly. There is approximately \$7 million set aside for Pre-Construction applications. The maximum award per jurisdiction per biennium is \$1M. The loan term is 5 years, including 2 years for project completion. The interest rate is determined prior to each application cycle.

- If 30% of the funding is secure for construction of the project, clients may convert from a 5-year to a 20-year term prior to the first principal repayment.

Pre-Construction activities include, but are not limited to: design engineering, bid-document preparation, environmental studies, right-of-way and land acquisition, value planning, permits, cultural and historic resources, and public notification.

### Emergency Construction

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There is approximately \$7 million set-aside for Emergency Construction funding applications. This is an "open cycle" on a first come, first served basis, until funds are exhausted. There is a maximum \$1 million dollar award per project per biennium limit, with a loan term of 20 years or the life of the asset, whichever is less.

The Emergency Construction program focuses on the activities that restore essential services made necessary by a natural disaster or an immediate and

emergent threat to the public health and safety due to unforeseen or unavoidable circumstances.

Eligible uses of funds include all or part of an emergency public works project, less any reimbursement from any of the following:

- Federal disaster or emergency funds, including funds from the Federal Emergency Management Agency.
- State disaster or emergency funds.
- Insurance settlements.
- Litigation.

For jurisdictions that have experienced catastrophic emergencies, PWB has established a policy that allows for consideration of exceptions to the \$1 million cap for Emergency loans.

### Online application instructions

Jurisdictions use ZoomGrants for all PWB funding applications. The PWB does not accept paper applications.

Click [Apply for PWB Pre-Construction/ Construction/ Emergency via ZoomGrants](#) to

reach the ZoomGrants website. If you have a ZoomGrants account, log in and follow the instructions. If you are a new user, complete the required information for a new ZoomGrants account to create a profile. Please do not use "The" as the first word in the agency name. Once the agency profile has been created, select the Public Works Board Loan you wish to apply for, click the "apply" button, and start your proposal. Answers are automatically saved.

Construction and Pre-Construction loan applications must be submitted to the PWB no later than 11:59 PM Friday, July 7, 2023.

ZoomGrants is open for Emergency Construction loan applications until funds are exhausted.

The following table describes the loan terms for the fiscal year (FY) 2024 funding cycle.

The PWB Project Manager assigned to your county is the best point of contact for you. The map at the end of this document includes their contact information.

Fiscal Year 2024 All PWB Traditional Loan Programs – Interest Rates		
Loan Limit:	Construction applicants can request up to \$10 million. Pre-Construction and Emergency applicants can request up to \$1 million per jurisdiction per biennium. The total for Pre-Construction and Construction programs combined cannot exceed \$10 million per jurisdiction per biennium.	
Loan Rates / Terms		
Financial Status	Rate	Term
Non-Distressed:	0.86%	<5 years or less
	1.72%	5 – 20 years*
Distressed:	0.69%	<5 years or less
	1.38%	5 – 20 years*
Severely Distressed:	0.43%	<5 years or less
	0.86%	5 – 20 years*
Local Match Funding:	NONE	
Loan Fee:	NONE	
*The loan term cannot exceed the life of the asset being financed.		

### How is the interest rate determined?

The PWB sets interest rates as guided by statute which specifies that interest rates for non-hardship projects are based on the average daily market interest rate for tax-exempt municipal bonds. The average 11-Bond General Obligation (GO) Index rates for the 30-60 day period prior to the application cycle sets the rate based on the length of loan term.

## PWB Financial Hardship Policy

### Purpose of Policy

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The PWB Financial Hardship Policy is intended to provide assistance to financially distressed or severely distressed communities, or for projects that primarily benefit financially distressed or severely distressed portions of a community per RCW 45.155.060(2)(d).

### Hardship Criteria

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Communities in rural counties are considered distressed if the county meets one of the following two conditions, and severely distressed if the county meets both of the following conditions:

- Median Household Income (MHI) of 25% below the state average;
- Three-year average of an unemployment rate of 20% above the state average.

Communities in counties that do not meet both of the above hardship thresholds may choose to use city, place or census tract of the proposed project area if the MHI in the ACS survey has a coefficient of variability (CV) of 30% or less.

$CV = \text{Margin of Error} / 1.645 / \text{MHI} * 100$

The United States Census, American Community Survey (ACS) 2021 5-year estimate is the source of Median Household income (MHI) data available for counties, cities, and census tract locations. [IACC income survey results](#) can be used in lieu of MHI data if the CV is greater than 30%.

Income surveys are to be implemented by the applicant.

The Washington State Employment Security Department's [distressed county list](#) is the source for three year average unemployment rates.

Check your project area's distressed status using the [PWB Hardship Status Interactive Map](#).

Hardship Status	Urban Counties	Rural Counties
<b>Non-distressed – may use census tract, place, or city</b>	<ul style="list-style-type: none"> <li>• Benton</li> <li>• Clark</li> <li>• King</li> <li>• Kitsap</li> <li>• Pierce</li> <li>• Snohomish</li> <li>• Spokane</li> <li>• Thurston</li> <li>• Whatcom</li> </ul>	<ul style="list-style-type: none"> <li>• Chelan</li> <li>• Columbia</li> <li>• Douglas</li> <li>• Island</li> <li>• Kittitas</li> <li>• Lincoln</li> <li>• San Juan</li> <li>• Skagit</li> <li>• Skamania</li> <li>• Walla Walla</li> </ul>
<b>Distressed – may use census tract, place, or city</b>		<ul style="list-style-type: none"> <li>• Adams</li> <li>• Asotin</li> <li>• Cowlitz</li> <li>• Franklin</li> <li>• Garfield</li> <li>• Grant</li> <li>• Klickitat</li> <li>• Mason</li> <li>• Whitman</li> </ul>
<b>Severely Distressed</b>		<ul style="list-style-type: none"> <li>• Clallam</li> <li>• Ferry</li> <li>• Grays Harbor</li> <li>• Jefferson</li> <li>• Lewis</li> <li>• Pacific</li> <li>• Pend Oreille</li> <li>• Okanogan</li> <li>• Wahkiakum</li> <li>• Yakima</li> </ul>

## Reduced Interest Rates & Grants

Communities experiencing financial hardship may qualify for reduced interest rates on their PWB loans and/or for partial grant funding. Grant funding is awarded based on availability of funds at the discretion of the Board. Communities experiencing severe distress have first priority for grant funding.

Reduced Interest Rates			
Hardship Status	Construction	Preconstruction or Planning	Emergency
<b>Non-distressed</b>	50% Average Daily Market Rate (ADMR)	25% ADMR	25% ADMR
<b>Distressed</b>	80% of the non-distressed rate	80% of the non-distressed rate	80% of the non-distressed rate
<b>Severely Distressed</b>	50% of the non-distressed rate	50% of the non-distressed rate	50% of the non-distressed rate

Grants			
Hardship Status	Construction	Preconstruction	Emergency
<b>Non-distressed</b>	Not eligible unless the PWB determines a priority for specific programs.	Not eligible unless the PWB determines a priority for specific programs.	Not eligible unless catastrophic conditions require up to 100% grant.
<b>Distressed</b>	25% grant as determined by availability of grant resources and discretion of the Board, limited to no more than \$1,000,000.	25% grant determined by availability of grant resources and discretion of the Board.	25% grant as determined by availability of grant resources and discretion of the Board. 100% grant only if catastrophic conditions require up to 100% grant
<b>Severely Distressed</b>	First priority for up to 50% grant determined by availability of grant resources and discretion of the Board limited to no more than \$2,000,000.	First priority for up to 50% grant determined by availability of grant resources and discretion of the Board.	First priority for up to 50% grant determined by availability of grant resources and discretion of the Board. 100% grant only if catastrophic conditions require up to 100% grant.



Alternatively, a community could elect to use the Affordability Index for rate-based systems or Debt Service Coverage Ratio for non-rate-based systems. These calculations would be made for the service area of the jurisdiction receiving PWB funding during the underwriting process.

<b>Hardship Status</b>	<b>Affordability Index (Rate-based)</b>	<b>Debt Service Coverage Ratio (Non-rate-based)</b>
<b>Non-distressed</b>	Less than 2%	Greater than 1.2%
<b>Distressed</b>	2-3%	1.1%-1.19%
<b>Severely Distressed</b>	Greater than 3%	1.09% or less

## Loan Forgiveness

### Construction

Recipients meeting the severe hardship criteria may receive 5% loan forgiveness (grant), when they have completed the scope of work in the Construction loan. For example, a \$10,000,000 loan x 5% = \$500,000 forgiveness.

### Pre-Construction

Recipients meeting severe hardship criteria may receive 20% forgiveness (includes a 2-year deferral if requested).

### Emergency

Recipients meeting the severe hardship criteria may receive 20% loan forgiveness when they have completed the scope of work in the Construction loan.

## Special Considerations for Hardship Assistance

The PWB has adopted a policy that allows for special consideration of:

- Projects that are a direct result of a gubernatorial or presidential declared disaster.
- Projects that are a secondary result of a gubernatorial or presidential declared disaster.
- Applicants in gubernatorial or presidential declared disaster areas whose projects are in no way related to the disaster.

These special considerations may be deemed eligible for a lower interest rate, grant, longer repayment period, deferral period, or another option determined by the Board at its discretion.

## Policy Definitions

### Affordability Index (rate-based systems only)

Affordability Index (AI) is a measure of the consumer's financial ability to pay for utility services. Rates are deemed to be affordable if they are less than two (2) percent of the monthly household income. The Environmental Protection Agency's guidance on the affordability of investment in water and wastewater systems uses an average household rate of two (2) percent of the median household income (MHI).

Ability to pay focuses not on whether consumers **will** pay for utility service, but on whether consumers **can** pay for utility service.

The Board has a distinct criterion to determine Affordability Index:

$$\frac{\text{"New Average Utility Rate" x 12 (months)}}{\text{Median Household Income (MHI*)}}$$

"New average utility rate"=

Current average monthly utility rate per Equivalent Residential Unit (ERU);

- + Current and projected debt service expenses per ERU (only if the debt service is excluded from the current average monthly utility rate);
- + Projected additional annual operating, maintenance, and replacement expenses (OM & R).

### Catastrophic Conditions

Catastrophic conditions cause severe disruption affecting the population, infrastructure, environment, economy and/or government functions including but not limited to:

- Significant public health and safety concerns are not isolated, but pervasive. For example, damage to water systems affecting community and health facilities, limited access to key transportation routes.
- Poses an environmental threat including contamination of water or soils resulting in loss of biodiversity.
- Impacts economic commerce, including community and economic development. For example blocks transportation corridors affecting movement of goods and materials including food supply and other critical economic commerce.
- Without restoration, the community is hindered in restoring other community and infrastructure functions

Emergency public works projects must be eligible under WAC 399-30-045 and include public works projects made necessary by a natural disaster, or an immediate and emergent threat to the public health and safety due to unforeseen or unavoidable circumstances.

### Debt Service Coverage Ratio (non-rate-based systems only)

Debt service coverage ratio (DSCR) is the applicant's amount of cash available to meet annual principal and interest payments on all debt:

$$\text{Net operating income} / (\text{principal repayments} + \text{interest payments})$$

Net operating income is the difference between the Total Operating Revenue and the Total Operating Expenses: Total Operating Revenue – Total Operating Expenses = Net operating income.

Both AI and DSCR are calculated at time of application.

### Median Household Income

The Median Household Income (MHI) is the middle value in a list of numbers if the list contains an odd number of entries; or the average of the two middle values in a list of numbers containing an even number of entries.

There are three methods the Board may use to determine the MHI of the jurisdiction or service area:

- 1) MHI of the applicant or the project service area based on the US Census Data. Please visit: <https://www.census.gov/quickfacts/fact/table/WA,US/INC110219>
- 2) MHI data through income surveys of the applicant, or the applicant's project service area (if the project area is outside the applicant's jurisdiction), conducted within the last 3 years by the Rural Community Assistance Corporation (RCAC), the Public Works Board, or third parties which meet the Board's Income Survey Guidelines. [www.infracfunding.wa.gov](http://www.infracfunding.wa.gov)
- 3) MHI data from the latest income survey conducted for other state agencies within the last 3 years, which meets the Board's Income Survey Guidelines.

### Rural County

RCW 82.14.370 (5): "rural county" means a county with a population density of less than 100 persons per square mile or a county smaller than 225 square miles as determined by the office of financial management and [published each year by the department for the period July 1st to June 30th](#).

### Unemployment

RCW 43.168.020 (3)(b): a county which has an unemployment rate which is twenty percent above the state average for the immediately previous three years. See the [ESDWAGOV - Distressed areas list](#) for more information.

## THRESHOLD REQUIREMENTS

To qualify for funding, a jurisdiction must meet the following threshold requirements. For a full list of PWB policies, please visit: [Public Works Board Policies](#)

### Capital Facilities Plan Standards (Counties and Cities Not Planning under GMA)

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Jurisdictions not planning under the GMA (Growth Management Act) must have adopted a Capital Facilities Plan for all systems they own on or before the application deadline. The following standards are the minimum requirements for a Capital Facilities Plan (CFP) as established by the Board.

- a. Inventory major system components, show locations and capabilities, and assess the overall capital needs for the specific system(s) involved;
- b. Forecast future needs for the capital facilities, show location, and capabilities of expanded or new capital facilities;
- c. Identify, prioritize, and coordinate major capital improvement projects over a six-year period;
- d. Estimate capital project costs and identify financing alternatives for each project identified. Transportation projects and funding must be consistent with locally-established service standards;
- e. Must be updated on a regular basis;
- f. Must be consistent with the comprehensive plans of neighboring jurisdictions;
- g. Must have provided opportunity for early and continuous public participation; and
- h. Must be consistent with, and an element of, the comprehensive plan formally adopted by the governing body of the local jurisdiction.

For letter "f" above, the Board will give special interpretation to special purpose districts. Special purpose districts need to show consistency with the Comprehensive Land Use Plan of the counties and/or cities in which they provide services.

### Compliance with the Governor's Executive Order 21-02

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#### **Archaeological & Cultural Resources**

In order to protect the rich cultural heritage of Washington State, Governor Jay Inslee signed Governor's Executive Order 21-02 (GEO 21-02). All projects awarded state capital funds must have consultation conducted with the Department of Archaeology & Historic Preservation (DAHP) and any federally recognized Indian tribes that may have cultural/historic interest or concerns in your project's vicinity.

However, if your project, through federal involvement, will be subject to Section 106 of the National Historic Preservation Act, that approval may satisfy the GEO 21-02 process.

Please remember that the GEO 21-02 process must be completed prior to the start of construction (including pre-construction loans).

## Process Administration

- In ZoomGrants, attach the EZ1 form or prior-approved Section 106 documentation.
- The PWB Program Director & Tribal Liaison will conduct the consultation with DAHP and the Tribes.

## Greenhouse Gas Policy

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[RCW 70.235.070](#) requires the Board to consider, when awarding loan funds, whether the entity receiving funds has adopted policies to reduce greenhouse gas emissions (GHG) and whether the project proposed for funding is consistent with Washington's limits on GHGs, goals to reduce vehicle miles traveled, and applicable federal emissions reduction standards. The Board identifies a Greenhouse Gas policy as a specific policy adopted by the applicant jurisdiction; whereby, the jurisdiction identifies the policies (broadly or narrowly) by which it will reduce consumption of energy including, but not limited to, the reduction of GHGs.

## Growth Management Act (GMA) Compliance – *At time of application*

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Applicants planning under GMA must have adopted the Comprehensive Plan and Development Regulations prior to applying for PWB loans. Applicants need to be in GMA compliance, with no findings before the Growth Management Hearings Board, at the time of application submission to be eligible for funding. Compliance will be verified by Board staff. For questions, contact the Growth Management Services (GMS) unit within the Department of Commerce at (360) 725-3000.

## Growth Management Act (GMA) In Conformance – *At time of contract*

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Applicants planning under GMA must have adopted the Comprehensive Plan and Development Regulations prior to contract execution. Applicants that are not in conformance because their periodic update is overdue, have five months to be in conformance. Otherwise, their award letter will be withdrawn. Conformance will be verified by Board staff. For questions, contact the Growth Management Services (GMS) unit within the Department of Commerce at (360) 725-3000.

## Puget Sound Partnership: Stormwater and Wastewater projects

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Projects designed to address the effects of stormwater or wastewater on Puget Sound may be funded under this section only if the project is not in conflict with the action agenda developed by the Puget Sound partnership under RCW [90.71.310](#).

## Real Estate Excise Tax (REET)

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For counties, cities, and towns, the applicant must impose the one-quarter of one-percent REET as allowed by [RCW 82.46.010\(2\)](#) at the time of application. To check your jurisdiction's status, go to:

<https://dor.wa.gov/sites/default/files/legacy/Docs/forms/RealEstExcsTx/RealEstExTxRates.pdf>

## Special Purpose District Consistency with Local Comprehensive Land Use Plans

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Capital Improvement Plans of special purpose districts must show consistency with the Comprehensive Land Use Plans of the local jurisdiction(s) in which they reside. A qualifying plan is one adopted or updated within five years of seeking funding from the PWB during this application cycle.

## Sanitary Sewer Projects—Side Service Sewer Connections

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Jurisdictions must adopt an ordinance or resolution declaring such repair and/or replacement that will enhance conservation or the efficiency of sanitary sewer systems. Also, the jurisdiction must have a mechanism in place to meet the charge back provisions of RCW 35.67.360. The ordinance or resolution must be in place prior to contract execution. The ordinance must be related specifically to the area affected by the project being applied for. A copy of the ordinance or resolution must accompany the loan contract.

## HOW TO APPLY FOR ALL PWB TRADITIONAL PROGRAMS LOANS

### Online Application Instructions

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Submit applications for all PWB Traditional Programs through the ZoomGrants electronic portal. The PWB does not accept paper applications. Please plan accordingly. The PWB does not accept late applications.

Click [Apply for PWB Pre-Construction/ Construction/ Emergency via ZoomGrants](#) to reach the ZoomGrants website. If you have a ZoomGrants account, log in and follow the instructions. If you are a new user, complete the required information for a new ZoomGrants account to create a profile. Do not use "The" as the first word in the agency name. Once the agency profile is created, select the Public Works Board funding type you wish to apply for, check the "apply" button and start your proposal. ZoomGrants automatically saves entries.

Submit construction and pre-construction applications by 11:59 PM on Friday, July 7, 2023.

The Emergency Construction portal is open until allocated funds are no longer available.

## APPLICATION QUESTIONS AND INSTRUCTIONS

The application is divided into the following sections:

- General Application Information
- Threshold Requirements
- Unscored Questions
- Project Need, Readiness to Proceed, and Local Management Effort
- Governor's Executive Order 21-02: Attach prior approved Section 106 or attach EZ-1 form

The proposed Scoring points are divided into the following areas:

- Project overall Need Score a maximum of 70 points
  - System Status – Maximum Score 40 points
  - Situation of Project – Maximum Score 20 points
  - Documentation of Situation – Maximum Score 10 points
- Readiness to Proceed and Local Management Effort can score a maximum of 30 points

A maximum of 100 points may be achieved for the entire application, and the minimum score to meet funding threshold is 65 points.

### Who should I contact if I have questions?

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#### **Questions about the content of your application:**

Contact Mark Rentfrow, PWB Program Director, by emailing [mark.rentfrow@commerce.wa.gov](mailto:mark.rentfrow@commerce.wa.gov) or 360-529-6432, or the Project Manager assigned to your county at the end of this document.

#### **ZoomGrants Technical questions, contact Tech Support Desk:**

[Questions@ZoomGrants.com](mailto:Questions@ZoomGrants.com)

(866) 323-5404 ext. 2



## TRADITIONAL PROGRAMS REGIONAL PROJECT MANAGERS MAP

Your Regional Project Manager is your primary contact for all matters dealing with the Board's Traditional Programs loan services, including project development, outlining options for funding, explaining the loan terms, etc.

We welcome the opportunity to work with you to forge new partnerships with other public services, and can help you integrate with other state and federal programs.



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