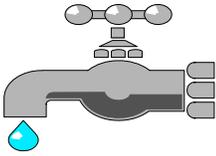


Factsheet: Drinking Water State Revolving Fund Planning Loans



The Public Water Supply (PWS) Section of the North Carolina Division of Water Resources prepared this factsheet to explain Planning Loans.

Why does the PWS Section offer planning loans?

Some systems have difficulty fronting the necessary money to make a project ready to proceed. The PWS Section offers planning loans to help such systems afford the cost of preparing a ready to proceed application.

What is the advantage of a planning loan?

Planning loans enable the applicant to spread the cost of preparing a ready to proceed application over several years.

If a planning loan leads to a DWSRF construction loan, the applicant can refinance the (typically 5-year) planning loan into the (typically 20-year) construction loan.

Who is eligible for a planning loan?

Any applicant who is eligible for a regular DWSRF loan is eligible for a planning loan. You can find more information in N.C.G.S. §159G-31.

What types of projects are eligible for a planning loan?

The planning for any construction project that would be eligible for a regular DWSRF loan is eligible for a planning loan. You can find more information in 40 CFR Subpart L at 35.3520.

What scopes-of-work are eligible for a planning loan? / What does a planning loan cover?

A planning loan can cover all planning and design activities from conceptual design through detailed design, up to but not including the construction phase. This includes everything up to advertising (but not opening) bids.

It includes land purchases necessary for planning (such as the purchase of sites for test wells).

What is the term of a planning loan?

Planning loans carry the same interest rate (currently zero-interest) as regular loans.

The repayment period for a planning loan is typically for five years, although either the applicant or the Local Government Commission can request a different loan repayment period.

When is "planning" complete? What triggers repayment of a planning loan?

Repayment is triggered by the completion of the planning. The planning is complete when any of the following occur:

- the applicant tells the PWS Section that the planning and design are complete;
- the applicant draws the loan completely down;
- the last date to request reimbursement listed in the *Offer and Acceptance, Part A* passes (this is typically three years after the applicant accepts the loan); or
- 180 days after submittal of plans and specifications.

When can an applicant apply for a planning loan?

An applicant can apply during the annual review cycle with a deadline of September 30 each year, which allows the project to be considered for additional subsidization (such as principal forgiveness). Alternatively, an applicant can apply at any time for a Fast-Track Loan, which will be fully-repayable. See the Fast-Track Loan factsheet for more information.

When is it too late to apply for a planning loan?

It is too late to apply for a planning loan when a construction project is already ready to proceed.

How does an applicant apply for a planning loan?

The applicant applies for a planning loan just like a construction loan. The difference at the application stage is that a planning loan application does not need a Preliminary Engineering Report (PER). The applicant can substitute a signed letter from the Authorized Representative that describes the need and lists alternatives to address the need that the anticipated PER will address. The PER can address additional alternatives and must address the do-nothing alternative.

Note that an application for a planning loan that lacks a PER can cover only the cost of preparing the PER. After the PER is developed, the applicant can submit a follow-up planning loan application for the additional planning activities that the PER identified, or for the construction project.

What is "ready to proceed" (RTP) for a planning loan?

The RTP factsheet discusses the elements of RTP in greater detail. The RTP factsheet can be found under the following webpage:

<http://www.ncwater.org/pws/srf/Pages/factsheets.htm>

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The following describes the applicability of each element of RTP to a planning loan:

1. Environmental Review does not apply to a planning loan; the planning loan can cover performing the Environmental Review.
2. Authorization to Construct does not apply to a planning loan; the planning loan can cover getting Authorization to Construct, including obtaining Plans and Specifications approval and documenting coverage by a complete Water System Management Plan.
3. “All funding is in place” does apply to a planning loan; typically a planning loan application requests funding for all the expected planning and design costs.
4. The requirement to document all property interests does apply to a planning loan if the planning loan requires property acquisition, for example, if the loan includes the cost of drilling test wells.
5. The letter to the Joint Legislative Committee does apply to a planning loan.

Can an applicant refinance the planning loan in the followup construction loan?

Yes. If a DWSRF Construction Loan is awarded, the construction loan application can refinance the (typically 5-year) planning loan over the (typically 20-year) life of the construction loan.

Does receiving a planning loan require an applicant to accept a construction loan?

No. The planning loan must be reasonably likely to result in an eligible capital construction project. But receiving a planning loan does not require the applicant to accept a construction loan.

Does receiving a planning loan guarantee a construction loan?

No. Receiving a planning loan does not guarantee that an applicant will receive a construction loan.

How much money is available for Planning Loans?

Up to five percent of the annual capitalization grant is available as planning loans under T15A NCAC 01N .0201(d). For example in fiscal year 2011, this amount was just over \$1 million.