

**DRAFT**

# Redefining Disadvantaged Communities

*Providing resources for drinking water and wastewater infrastructure projects*  
State Revolving Fund



# What is a DAC?

## Disadvantaged Communities

Colorado communities vary in population, socio-economic status and many other factors. In some cases, small communities have challenges completing water or wastewater projects that may be related to funding, population size or other factors. A disadvantaged community, in general terms, has a population less than 10,000 people and other defining factors. This community also has a median household income, or the money one household makes over the course of the year, that is less than 80 percent of the state value.

We want to help you understand the way the Colorado's State Revolving Fund program defines a disadvantaged community. Determining your community's eligibility may provide benefits to the grants and loans for your water or wastewater project(s).



## Primary factors

### Factor 1

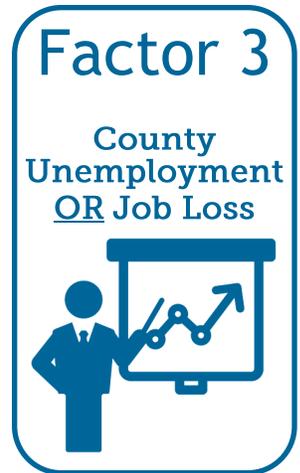
Community MHI is equal to or less than 80 percent of State MHI.

### Factor 2

Community MHV is less than 100 percent of State MHV.

### Factor 3

A.) County 24-month unemployment average is greater than or equal to state average plus 1 percent. OR  
B.) Loss in the number of jobs in the county over 10-year period.



## Secondary factors



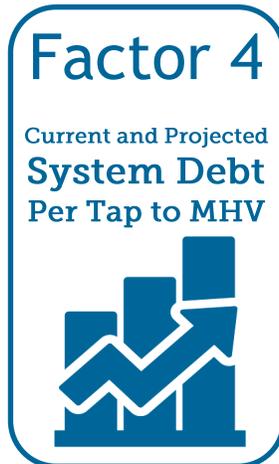
Community is in a county that is equal to or less than 80% of the state MHI.



Community or system shows a decline in population over a ten-year period.



Community's total assessed value per household is less than the median state municipality's.



Community's current and projected debt per tap to median home value is more than median municipality.



A.) Rate necessary as part of MHI to fully cover operations and depreciation for a system.  
B.) Required revenue per tap to MHI must be greater than median municipality.

# Definitions

## **County unemployment rate**

24-monthly average of those who are jobless and actively seeking work and available to take a job as compared to the total labor force.

## **Current and projected system debt per tap to MHV**

Measures an applicant's current and projected debt burden as a proportion of the community's median home value.

## **Current System full cost per tap**

Estimates the average rate necessary as a proportion of the community's median household income.

## **Household**

A household includes all the people who occupy a housing unit as their usual place of residence.

- Households are not limited to family relations.

## **Household income**

A measure of the combined incomes of all people sharing a particular household or place of residence. It includes every form of income, e.g. salaries and wages, retirement income, near cash government transfers like food stamps, and investment gains.

- Source—Census Bureau American Community Survey (ACS) 5-year Estimates

## **Median household income (MHI)**

The amount that divides the income distribution into two equal groups. Half of the households above that amount and half of the households below that amount.

## **Home value**

The estimate of how much the property (house and lot, mobile home and lot, or condominium unit) would sell for if it were for sale.

## **Median home value (MHV)**

The amount that divides the home value distribution into two equal groups. Half of the homes above that amount and half of the homes below that amount.

## **Assessed home value**

The dollar value assigned to a property to measure applicable taxes. Determine the county assessors value of a residence for tax purposes and takes comparable home sales into consideration.

## **Required rates per tap to MHI**

Projects the average rate/revenue necessary as a proportion of MHI to meet SRF required loan covenant coverage ratio of 110 percent.



# Testing for DAC

## Starting scenarios

**Determining disadvantaged communities**  
 Tests have been created to help determine which communities fall within the disadvantaged community definition, and are thereby eligible for additional resources during the life of their loan. Applicants are put through the test sequence to determine their category. Communities begin in one of the scenario positions, and move forward through the factors until status is determined.



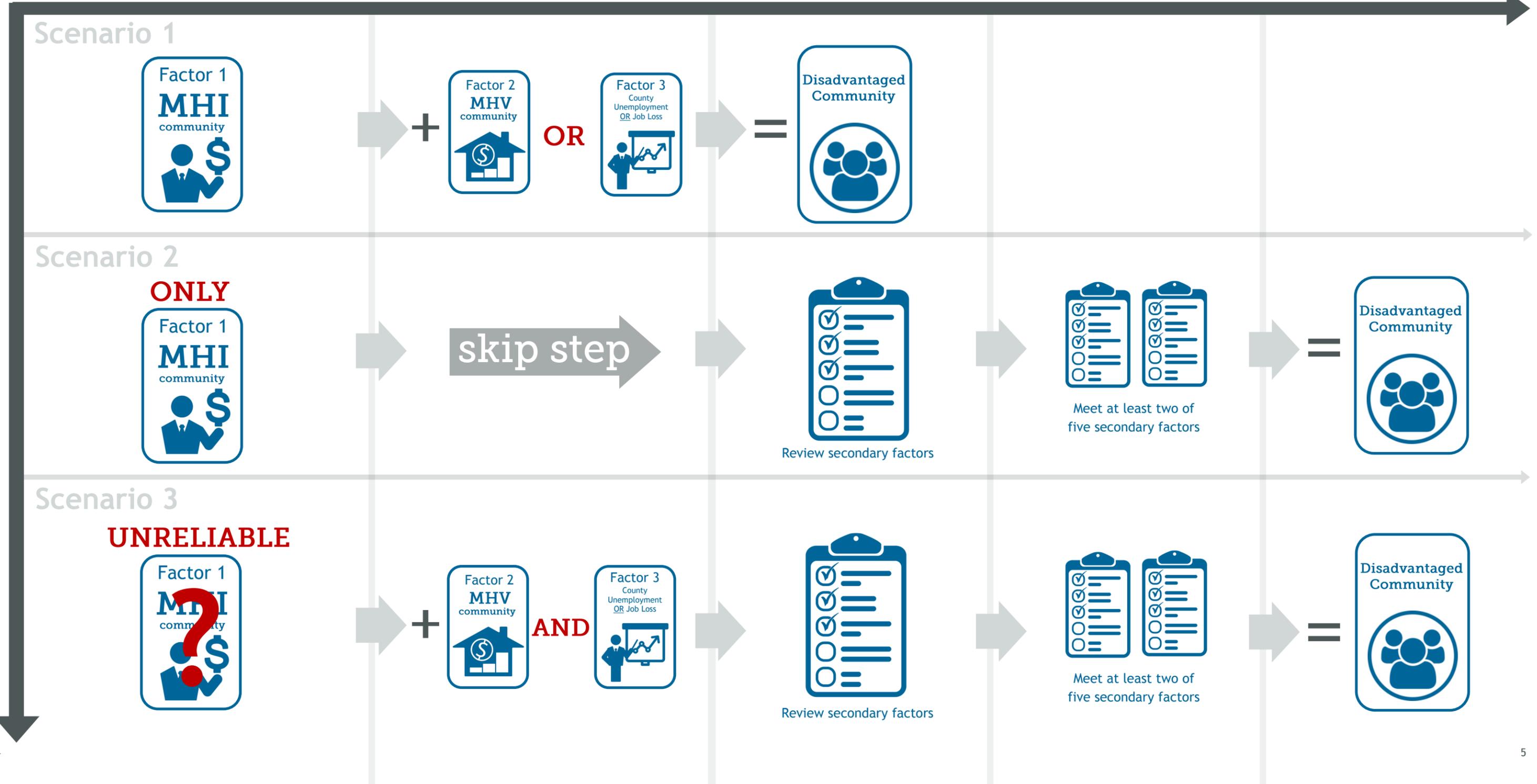
Starting Scenarios

Test 1

Results

Test 2

Results





# DAC Categories

## Category 1

Communities that meet Scenario 1, 2 or 3 are qualified to receive low interest rate established at 50 percent of the direct loan rate\* on loans up to \$2.5 million with a term up to 30 years\*\*.

## Category 2

Communities that meet Scenario 1, 2 or 3 and both Secondary Factor 4 and Secondary Factor 5 are qualified to receive a zero percent interest rate\* on loans up to \$2.5 million with a loan term up to 30 years\*\*. Both categories are eligible for planning grants, design/engineering grants and other benefits.

\* All interest rates are determined on or before December 31 each year for the upcoming calendar year.

\*\* Not to exceed the project's design life.

# What if you don't qualify?

## Business Case Scenario

If your community does not pass the traditional tests to qualify as a disadvantaged community, you may still be able to receive benefits. Business case scenarios are presented in situations when there is no data, data is marginal or data does not capture recent socio-economic changes in a community. Check with your project manager for more information.



# Partners and resources

## Colorado Water Resources and Power Development Authority

Jim Griffiths, Assistant Finance Director  
303-830-1550 | [jgriffiths@cwprda.com](mailto:jgriffiths@cwprda.com)  
[www.cwrpda.com](http://www.cwrpda.com)

## Colorado Department of Local Affairs

Barry Cress, Program Manager  
303-864-7736 | [barry.cress@state.co.us](mailto:barry.cress@state.co.us)  
[www.colorado.gov/dola](http://www.colorado.gov/dola)

## Colorado Department of Public Health and Environment

Corrina Quintana, Grants and Loans Unit Manager  
303-691-4025 | [corrina.quintana@state.co.us](mailto:corrina.quintana@state.co.us)  
[www.colorado.gov/cdphe/wq-grants-and-loans](http://www.colorado.gov/cdphe/wq-grants-and-loans)

# Data

## Data

- Data sources and definitions can be found in the Colorado SRF DAC Data Glossary.

## Sources

- Census Bureau.
- American Community Survey.
- US Bureau of Labor Statistics.
- Other state and local data.

