§ 64-ee. Peconic Bay region septic system replacement loan program. 1. As used in this section, the following words and terms shall have the following meanings:

(a) "Peconic Bay region" means the towns of East Hampton, Riverhead, Shelter Island, Southampton and Southold.

(b) "Cesspool" means a drywell that receives untreated sanitary waste containing human excreta, which sometimes has an open bottom and/or perforated sides.

(c) "Septic system" means a system that provides for the treatment and/or disposition of the combination of human and sanitary waste with water not exceeding one thousand gallons per day, serving a single parcel of land.

(d) "Septic system project" means the replacement of a cesspool with a septic system, the installation, replacement or upgrade of a septic system or septic system components, or installation of enhanced treatment technologies, including an advanced nitrogen removal system, to significantly and quantifiably reduce environmental and/or public health impacts associated with effluent from a cesspool or septic system to groundwater used as drinking water, or a threatened or an impaired waterbody.

(e) "Fund" means the community preservation fund created pursuant to subdivision two of section sixty-four-e of this article.

2. The town board of any town in the Peconic Bay region may, by local law, establish a septic system replacement loan program using a portion of the water quality improvement monies from the fund, pursuant to paragraph (e) of subdivision three of section sixty-four-e of this article.

3. Such program may make loans to the owners of real property located within the town to finance the installation of septic system projects. The town shall establish priority areas within the town, which would receive water quality and public health benefits from the installation of septic system projects, for such loans in order to maximize environmental and public health benefits.

4. To be eligible for a loan pursuant to this section, the septic

system project shall be listed as an approved water quality improvement project in the town's community preservation project plan pursuant to subdivision six of section sixty-four-e of this article and be proposed for real property located within an established priority area of the town. Monies from the fund may only be loaned for projects which have been included in such plan and shall not include costs associated with routine maintenance such as a pump out of a septic tank.

5. A local law establishing the septic system replacement loan program shall provide for the criteria for making such loans and the terms and conditions for repayment of such loans provided that:

(a) For loans made to an owner of real property that is a commercial entity, not-for-profit organization, or entity other than an individual, the town board shall have the authority by local law to impose requirements on the maximum amount that may be borrowed through such loan, which may consider factors including but not limited to the property value, expected environmental and water quality benefit and existing indebtedness secured by such property.

(b) For loans made to an owner of real property who is an individual, the principal amount of each such loan, excluding interest, shall not exceed the lesser of ten percent of the appraised real property value or the actual cost of the septic system project including the costs of installation, necessary equipment, materials, and labor.

(c) No such loan shall be made unless such septic system project will significantly and quantifiably reduce environmental and/or public health impacts associated with effluent from a cesspool or septic system from the proposed real property site to groundwater used as drinking water, or a threatened or an impaired waterbody.

6. Every loan made under the septic system replacement loan program shall be repaid over a term not to exceed ten years. The town shall set a fixed rate of interest for the repayment of the principal amount of each loan at the time the loan is made provided that no interest rate shall exceed two and one-half percent and no applicant shall receive a loan more than once in any five-year period.

7. The principal amount of each such loan, excluding interest, shall

not exceed the actual cost of installing the septic system project, including the costs of necessary equipment, materials, and labor.

8. No such loan shall be made for a septic system replacement project unless such system is approved by the Suffolk County Department of Health Services.

9. The loan made under the septic system replacement loan program shall constitute a lien upon the real property benefitted by such loan.

10. The town may require the loan made under the septic system loan program to be repaid by the property owner through a charge on the real property benefitted by such loan. Such charge shall be on the real property and shall be levied and collected at the same time and in the same manner as town taxes, provided that such charge shall be separately listed on the tax bill, and provided further that in the event such charge should not be paid in a timely manner, no other municipal corporation shall be required to credit or otherwise guarantee the amount of such unpaid charge to the municipal corporation which authorized the loan, notwithstanding any provision of law to the contrary.

11. All revenues received by the town from the repayment of loans shall be deposited in the fund.