

APPLICATION

# Clean Water, Healthy Communities

## *Environmental Impact Bond Services for Green Infrastructure Investments in the Chesapeake Bay Watershed*



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### Executive Summary of Program

The Chesapeake Bay Foundation and Quantified Ventures will work pro bono with to up to four jurisdictions to implement Environmental Impact Bonds (EIBs) to finance green infrastructure projects. Through this opportunity, municipalities will be given the chance to accelerate the deployment of their green infrastructure investment (GI) plans, while sharing project performance risk with private investors. The projects will yield valuable insights for city agencies, planners, sewer and water authorities, and utilities who plan to pursue larger green infrastructure investment plans going forward. The program as whole will help demonstrate the replicability and scalability of the EIBs-for-GI model in small- to mid-sized cities while also helping municipalities in the Chesapeake Bay Watershed meet their stormwater management, resilience, and related community needs.

Jurisdictions will need to engage their own bond counsel and independent registered municipal advisor as well as an independent evaluator who will evaluate project performance.

## Background and Opportunity

### ***Program Collaborators: Chesapeake Bay Foundation & Quantified Ventures***

The Chesapeake Bay Foundation is a non-profit working with communities across the Chesapeake Bay watershed to save the Bay. CBF has helped several local jurisdictions undertake some of the work required under their municipal stormwater permits. Quantified Ventures is a leader in Pay for Success and recently worked with DC Water in its issuance of the nation's first EIB for stormwater management through green infrastructure practices.

### ***Green Infrastructure and the Environmental Impact Bond Opportunity***

**Green infrastructure** (GI) is an approach to stormwater management that uses natural features—such as rain gardens, infiltration trenches, and green roofs—to absorb polluted runoff and divert it from city sewer systems.

**Environmental Impact Bonds** (EIBs) use a Pay for Success financing approach whereby private investors provide up-front capital for the project, and the public sector repays investors based on the achievement of desired environmental or related outcomes.

## Program Goals & Details

### ***Program Opportunity Goals***

This collaboration between the Chesapeake Bay Foundation and Quantified Ventures has two primary goals:

- a. Bring private capital and innovative finance to accelerate the deployment of green infrastructure in the Chesapeake Bay watershed
- b. Demonstrate the replicability and scalability of the use of this financing model

### ***Applicant Eligibility: Who should apply?***

Municipalities must meet the following eligibility requirements to apply. Please contact the program management team if you have any questions on your organization's eligibility (see contact information below).

- a. Located in Chesapeake Bay Watershed (VA/MD/PA);
- b. Municipality/utility under regulatory requirement or local mandate to reduce pollution from stormwater, OR related interest in reducing localized flooding, related to climate change resilience, and/or obtaining certain other community or neighborhoods socio-economic benefits with green infrastructure;
- c. Capital pool or stream of income from fees can be identified and earmarked for bond repayment.

### ***Project & Application Timeframe***

## **Applications will be reviewed on a rolling basis and selection of municipal partners finalized during Spring 2018.**

Once awarded: A total of up to four municipalities will be selected. The start dates for working with each municipality will be sequenced, likely starting with those whose projects are most “shovel-ready.”

While each municipality is unique, the following is an expected general timeframe for proceeding with the project once a municipality is selected:

- Transaction design & structuring: 6-8 months
- Bond issuance: month 8-12
- Subsequent measuring and performance period depends on the project or projects selected

Additional information:

- For the most current application information, please visit our website: [www.cbf.org/eib](http://www.cbf.org/eib).

### ***Selection Process***

Applicants may propose a single or suite of projects to be financed. Proposals will be evaluated on:

- *Implementation Ready:* Green infrastructure project(s) identified and planned (some financial assistance from this Project is possible for this task).
- *Jurisdiction Capabilities:* Financial, engineering, and construction capabilities of applicant, demonstrated commitment to innovation, and buy-in from relevant stakeholders.
- *Impact:* Special consideration will be given to projects that serve disadvantaged or vulnerable communities, residents, and businesses.
- *Project Size:* Preference given to green infrastructure project(s) valued at \$3 million+, which value may be achieved with projects done in concert with similar work in nearby municipalities, secured via a multi-municipal contract or agreement.

The CBF and QV teams will consider diversity in geography and community size as municipalities are evaluated.

### ***Scope of Services Provided (QV and CBF)***

CBF and QV will select up to four municipalities within the Chesapeake watershed to work with at no charge (except for the cost of their own advisors and counsel) to develop green infrastructure practices through funding with Environmental Impact Bonds or loans. Specifically, CBF and QV will:

- Help each municipality structure and participate in a green infrastructure program involving an Environmental Impact Bond/loan, in service to the locality’s municipal stormwater permit or related needs;

- Work closely with the municipality and its financial advisors, new investors, and regulators to accommodate local issues; and,
- Demonstrate links to local job creation or other ancillary benefits (flood mitigation, climate adaptation, neighborhood enhancement), as appropriate.

## Application Questions

Each application should be submitted as a written document (Word or PDF):

- a. **Executive Summary:** (1 page suggestion)
- b. **Project Scope and Fit with EIB/PFS Model:** (2 page suggestion)
  - Context of stormwater management or resilience problems in city or region to be addressed through this project
  - Proposed green infrastructure project or projects that will be funded through the environmental impact bond, including the current status of planning of these projects as of the time of application
  - How this project / these projects fit within broader green infrastructure / stormwater management / resilience plans in the City or region
  - Project timeline, including feasibility of commencing implementation of these projects in 12-18 month timeframe
  - Community/communities served, including location, demographics, population size, and other relevant demographic information
  - Estimate of Environmental Impact Bond transaction size in your jurisdiction or in concert with nearby communities (\$)
- c. **Organizational Capabilities:** (1 page suggestion)
  - Financial resources and ability to issue bond, including track record of bond issuance and credit rating, nature of segregated capital pool or stream of income to pay investors
  - Plan for staff/consultant hours allocation and designation of project leadership,
  - Existing or planned bond counsel and independent registered municipal advisor who will assist you in the transaction
  - Existing relationships with local stakeholders required for successful project implementation, including specific points of contact and current status of discussions and plan development. (Letter of support from chief executive of municipality is required; letters of support from additional stakeholders may be provided in an Appendix, noted below);
  - Proposed internal decision-making process, and engagement plan for working with necessary stakeholders to issue EIB, including which parties will be required to approve the deal
- d. **Impact:** (2 page suggestion):
  - Description of the communities served or impacted by the proposed project(s)

- Evaluation of benefits (e.g., environmental, economic, health, social) of implementing these projects to these communities
  - Description of the need for EIB financing approach, including what financing the proposed project in this way will allow the city or payor to do that would otherwise not occur
  - Description of scalability – what the City hopes to learn from this process, and how this project and financing approach could be scaled within this City or in other geographies
- e. Appendix: Applicants may include letters of support and commitment from relevant project stakeholders within and outside the public sector, as well as details regarding the development status of projects to receive funding

## Contact Information

CBF and QV are happy to discuss this opportunity with you in more detail and answer questions specific to your municipality or jurisdiction’s application. Please contact: Gauri Gadgil, Chesapeake Bay Foundation: [ggadgil@cbf.org](mailto:ggadgil@cbf.org)

## Terms & Conditions

If selected, applicant will need to sign a Memorandum of Understanding with CBF. The MOU describes the relationship that will be created and sets out general roles and responsibilities during the duration of the project.

## Disclaimer

*NO FEES WILL BE CHARGED BY CBF OR QV FOR THEIR PROGRAMMATIC SERVICES. ALL OTHER EXPENSES MAY APPLY, INCLUDING RATING AGENCY, BOND COUNSEL, INDEPENDENT REGISTERED MUNICIPAL ADVISOR, AND EVALUATOR FEES AND SUCH FEES SHALL BE PAID FOR BY THE APPLICABLE MUNICIPAL ENTITY. NEITHER CBF NOR QV IS RECOMMENDING ANY ACTION TO ANY MUNICIPAL ENTITY. THE INFORMATION PROVIDED HEREIN IS NOT INTENDED TO BE AND SHOULD NOT BE CONSTRUED AS “ADVICE” UNDER SECTION 15B OF THE SECURITIES EXCHANGE ACT OF 1934 OR THE MUNICIPAL ADVISORY RULES OF THE SEC AND MSRB. CBF AND QV ARE NOT AND WILL NOT BE, ACTING AS AN ADVISOR (WHETHER FINANCIAL OR MUNICIPAL), AGENT OR FIDUCIARY TO ANY MUNICIPAL ENTITY AND CBF AND QV WILL NOT HAVE ANY ADVISORY, AGENCY OR FIDUCIARY DUTY TO ANY PERSON PURSUANT TO SECTION 15B OF THE SECURITIES EXCHANGE ACT OF 1934 OR SECTION 975 OF THE DODD-FRANK WALL STREET REFORM AND CONSUMER PROTECTION ACT. CBF AND QV ARE ACTING FOR THEIR OWN INTERESTS. MUNICIPAL ENTITIES SHOULD DISCUSS ANY INFORMATION AND MATERIAL CONTAINED IN THIS COMMUNICATION WITH ANY AND ALL INTERNAL OR EXTERNAL ADVISORS AND EXPERTS THAT THE MUNICIPAL ENTITY DEEMS APPROPRIATE BEFORE ACTING ON THIS INFORMATION.*