NEXT 100 YEARS CHALLENGE

An initiative of the
GREATER NEW ORLEANS FOUNDATION
INTRODUCTION

Andy Kopplin
President & CEO
Greater New Orleans Foundation
WHAT IS THE MILLION-DOLLAR NEXT 100 YEARS CHALLENGE?

• Our way of celebrating our centennial year by challenging ourselves to identify the things we could do in the next few years that will help shape the trajectory of our region for the next 100 years.

• A regional competition designed to inspire nonprofit and government partners to develop great ideas for infrastructure improvements in all 13 parishes of Southeast Louisiana.
We know the funding is out there and we want to help our partners in our region secure it.

Last year, the federal government made $2 billion available for one such program—Building Resilient Infrastructure and Communities—otherwise known as BRIC.

Let’s bring the money home to Louisiana!
WHAT IS THE MILLION-DOLLAR NEXT 100 YEARS CHALLENGE?

CONTINUED

• Up to ten applicants will win $100,000 to be used by the winners to refine plans and to ensure that their great ideas can be turned into comprehensive and actionable proposals that can win the big money to help them implement their project.

THAT’S A TOTAL OF $1 MILLION WE ARE INVESTING IN OUR REGION!
We know applying for a competition like this is no easy feat.

That’s why we’re here today, presenting the last of a series of five webinars to help you throughout the process.

UPCOMING IN-PERSON DESIGN SESSIONS
Bring your team!

Bayou Region
Tuesday, May 9
Fletcher Technical Community College in Schriever, La

River Parishes
Wednesday, May 10
321 Events in LaPlace, La

Metro New Orleans
Thursday, May 11
WYES in New Orleans, La

Visit Next100YearsChallenge.org to sign up for webinars
Questions? Email: questions@Next100YearsChallenge.org
MODERATOR

Dr. Janice Barnes
Climate Adaptation Partners
Janice@climateadaptationpartners.com
HOUSEKEEPING

- All participants are muted.

- Please use the **Chat** to submit questions.

- If you experience any technology or internet issues, please dial **1-305-224-1968**, the webinar ID is **879 6158 35252**. This will allow you to listen in to the presentation.

- The webinar is being recorded and will be posted to **Next100YearsChallenge.org**.

- To access closed caption, click the closed caption/live transcript **CC** in the meeting contact panel at the bottom of your screen.
Next 100 Years Challenge Webinar Series

05: Developing Creative Funding and Financing for Projects
Matt Carney, Quantified Ventures
Jason Lee, Quantified Ventures
Becca Trueman, Quantified Ventures
05: Developing Creative Funding and Financing for Projects

Presenters

Jason Lee
Director,
Quantified Ventures
lee@quantifiedventures.com

Matthew Carney
Associate Director,
Quantified Ventures
carney@quantifiedventures.com

Becca Trueman
SRF Watershed Coordinator,
Quantified Ventures
trueman@quantifiedventures.com
Next 100 Years Challenge Webinar Series

AGENDA

1) Understand Impact Funding / Financing
2) Understand More Tools
3) Case Studies
4) Hands on Activity
What is impact funding / what do we use it for

**Impact capital** is funding or financing dollars that are specifically seeking projects with particular environmental or social outcomes.

Examples: State Revolving Funds, impact investors, philanthropic program-related investments

What can impact capital do for your organization?

1. **Expand the menu of potential capital sources**
   Example: find the most mission-aligned funder or investor for your project

2. **Complement traditional funding**
   Example: use both traditional funding and impact capital together to pay for projects

3. **Be flexible in eligible uses beyond traditional funding**
   Example: raise impact capital to pay for predevelopment funding in order to be eligible for grants
How can your organization tap into impact capital?

1. Find new, creative eligibilities for existing capital pools

Surveying key project outcomes can identify ways to reframe a project to fit the requirements of existing funding or financing opportunities

Example 1: a nature-based project as decentralized water infrastructure ➔ eligible for infrastructure dollars

2. Leverage project outcomes to bring in new capital

Quantifying key project outcomes can often open up access to impact capital, whether through direct monetization or by serving as a foot in the door for partnership

Example 1: generating carbon credits ➔ direct payments from corporate or gov’t entities
Example 2: quantifying public health outcomes of resilience projects ➔ engagement with health entities
Project financing for resilience projects is best structured by blending private & public dollars

**PUBLIC $**
- Government spending bills
- New agency programs and mandates
- New or expanded grant programs
- New public loan programs
- State funding
- State revolving funds

**PRIVATE $**
- Municipal bond investors
- Equity investors
- Impact investors
- Philanthropies

Climate Resiliency Projects
Intro outcomes-based financing

Outcomes-based financing is **focused on capturing & monetizing positive project elements to create additional revenue streams** that can make the financing of those projects viable. Two key questions include:

- What are the benefits associated with the project?
- Which financing structures are best suited for capturing those benefits?
**Example: Blended Finance and Outcomes-Based Finance**

**Blended finance** brings in multiple funding sources based on fit, with **outcomes-based finance** enabling repayment of investment by leveraging project outcomes.

**CASE STUDY**
Green infrastructure provides a suite of benefits beyond environmental – including health and social ones. Research shows a correlation between creating green space and improved public health outcomes in diabetes, cardiovascular conditions, and mental health.

By quantifying these benefits to the patients of hospital systems or health plans, it may be possible to secure outcomes-based payments. Commitments from health entities can support raising impact investment up front, which not only increases project budgets but can also pay for things like operations & maintenance of green projects.
Benefits of Outcomes-Based Financing

- **Transfer performance risk** of innovative projects to investors
- **Access new sources of investment capital**
- **Showcase partners** and their projects, attracting internal and external support
- **Engage diverse and new stakeholders** benefiting from projects
- **Measure and track outcomes** through embedded performance evaluation
- **Establish external accountability structures** that foster commitment and support sustained partnerships
Key Tools: SRFs
Introduction to “State Revolving Funds”

What are they? State Revolving Funds (SRFs) are subsidized loans and other financial assistance invested in water, wastewater, and stormwater infrastructure. There are two SRF programs: Clean Water (CWSRF) & Drinking Water (DWSRF). SRF programs are managed at the state-level.

Why use it?
Low interest-rate loans with the likelihood of simultaneous grants or loan forgiveness, especially for disadvantaged communities. Largest source of federal funding for water infrastructure.

Who can use them?
Borrowers are limited to municipalities

What projects can they be used for?
Projects that improve environmental water quality via wastewater, stormwater, and nonpoint source projects or drinking water systems
The Bipartisan Infrastructure Law (BIL) will allocate an additional $55 billion in new SRF funds.

Priorities of the BIL:
- Lead Service Lines
- Emerging Contaminants (PFAS)
- Disadvantaged Communities
- System Resilience
- Workforce
- Domestic Manufacturing
This funding comes with an increased emphasis on Green Infrastructure

**Green Project Reserve:**
States must allocate at least 10% of funds for GRP projects. Most of this goes towards Energy & Efficiency.

*BIL Changes: 49% of additional funds must go toward affordability criteria or Green Projects.

**Examples of Green Infrastructure:**
Infiltration basins, constructed wetlands, permeable pavement, planting trees, installing green roofs and green streets, and protecting and restoring riparian zones and shorelines.
Why care about SRFs?

- SRFs have the potential to be the largest impact investor on the planet
- Flexible, 100% financing: can be structured for low rates, flexible repayments, sometimes with loan forgiveness (free $), fixed terms up to 30 years.
- Infrastructure Investment and Jobs Act (IIJA) dedicated significant additional money to the SRFs, requiring ~49% of capitalization grant be used for forgiveness (free $)
- SRFs are doubling in the upcoming 5 years
- Beyond this—many SRFs have difficulty using all their funds, with currently $6B in funds nationally unutilized
The opportunity of SRFs for natural infrastructure...

Only 4% of Clean Water State Revolving Funds have been allocated to non-point source projects thus far.... but times are changing.

The Bipartisan Infrastructure Law (2022) allocates $44 billion to SRFs; 49% must be “free” over 5 years.

Watershed Groups are the best partners that utilities aren’t tapping into.

4%  $55 Billion  Relationships to Utilities
Time for A Watershed Approach- How to Tap Into the SRF?

Connecting $, Issues, and People:

- SRFs provide funds for Nature-based Solutions (NBS)
- NPS projects are the most cost-effective ways to deal with most water challenges
- NBS are mutually beneficial in addressing multiple issues- water, climate, social, etc.
- Addressing nonpoint source pollution requires an all hands-on-deck approach
- Watershed Groups (Coordinators) are ideal for facilitating stakeholder collaboration
- WS/Conservation groups help fill a key capacity challenge of municipalities such as dealing with property/landowners, managing projects, and identifying and securing additional grant funds
What does this look like on the ground?

Greenville, NC

Downtown Flooding and the Town Creek Culvert & BMP Retrofit Project

Greenville pursued the Town Creek Culvert project to address recurring flooding in the uptown area and to expand its stormwater system to withstand a 25-year storm event. The Town Creek Culvert project was more costly than any other stormwater project undertaken by the utility to date. Given the project size and cost, even with a built-up fund balance, the utility could not use pay-as-you-go funding.

When the utility engaged with consultants to plan the project, the consultant recommended CWSRF loans from DWI as a potential funding option. Given that the Town Creek Culvert project plan had recently been revised to include green infrastructure (GI), the project was eligible for SRF funding based on DWI’s criteria. The project included nine BMPs including permeable pavement, bioswales, sand filters, and a regenerative stormwater conveyance. Greenville Stormwater applied for the fall funding round of 2013 and the project eventually began construction in 2018. The Town Creek Culvert project was designed to coincide with Department of Transportation road improvements in the downtown area. Of the GI included in the project, the Regenerative Stormwater Conveyance (RSC), which treats stormwater and removes nutrients before depositing the water to the Tar River, made the application competitive. This RSC also reflected a partnership with Eastern Carolina University to evaluate nutrient removal after the project is completed.

City of San Marcos, TX

PROTECT CRITICAL RECHARGE LAND

The Clean Water SRF can be used to fund land conservation projects that mitigate stormwater and protect rivers. For example, in 2018, the City of San Marcos received $3.2 million through this program to conserve 246 acres in the San Marcos River watershed and within the Edwards Aquifer Recharge Zone with the goal of protecting the water quality and quantity of water flowing into the San Marcos River. 40%—or roughly $1.2 million—of that funding came in the form of forgivable loans, and included over $400,000 from the green subsidy.

Camden Co., NJ

Clean Water State Revolving Fund (CWSRF): The Camden County Municipal Utility Authority received a $5.4 million loan from the New Jersey Infrastructure Bank, the state’s CWSRF, to fund a city-wide nature-based solutions project. The project has an estimated cost savings of $3.1 million over the 30-year loan. It involves building nature-based solutions throughout Camden, including rain gardens and porous concrete sidewalks, as well as a green jobs training program for youth in the maintenance of nature-based infrastructure.
Improving Collaboration with Utilities:

• The Green Infrastructure “bucket” eligible within the SRF Green Project Reserve funding goes largely un-used.
• We can work towards greater utilization by seeking to collaborate with utilities actively applying to the SRF.

Key Points:
• Co-benefits
• Implementation of existing plans: HMP
• Cost savings
• Stacking of other funds
• Staff time
• Maintenance
Key Tools: Green Banks
Introduction to “Green Banks”

Green Banks are mission-driven institutions that use innovative financing to accelerate the transition to clean energy and fight climate change.

Green banks use financing, not grants. Financing means that capital is eventually expected to be returned or repaid, and this helps to maximize the impact of each dollar that a green bank deploys. Because of this approach, green banks focus on markets where there is potential for payback.

However, being mission-driven means that Green Banks care about deploying clean energy rather than maximizing profit.

New Orleans has a local green bank – Finance New Orleans
Opportunities are being turbocharged through the IRA’s Greenhouse Gas Reduction Fund

The IRA establishes a $27 billion Greenhouse Gas Reduction Fund (aka “Green Bank”) that can support “any project, activity, or technology that reduces or avoids greenhouse gas emissions”.

The primary focus of the Fund is to provide seed capital to new or existing green banks that provide financing to greenhouse gas-reducing projects

**Funding**

$7 billion for Non-Profit Institutions AND States / Counties / Municipalities

**Financing**

$20 billion for Non-Profit Institutions (ex. Green Banks, CDFIs)

Types of projects

Ideally, the GGRF will incentivize green banks to expand the types of projects they finance and their methods of financing to better accelerate outcomes-based project investment in new sectors, including water, agriculture, and land conservation.
Key Tools: Environmental Impact Bonds (EIBs)
Introduction to “Environmental Impact Bonds”

What are they?
Environment Impact Bonds (EIBs) are a kind of green bond, which is a bond that funds environmental projects. Unlike regular green bonds, EIBs’ project outcomes are forecasted, then evaluated and disclosed after implementation.

Why use it?
EIBs attract private sector investors that are specifically looking for investments with quantifiable project outcomes. This helps entities raise more capital and/or lower the interest rate, as well as generate more buzz.

Who can use them?
Any entity that can issue a bond (e.g. a local government, state, or corporation)

What projects can they be used for?
Any public works project or corporate investment

Source: Adapted from S&P Global Ratings
Copyright © 2022 by Standard & Poor’s Financial Services LLC. All rights reserved.
Introduction to “Environmental Impact Bonds”

EIBs blend both traditional and innovative financing strategies to tap all sources of upfront capital for environmental and/or social projects, while assuring the public of responsible, transparent public spending.
Case Studies
A Linked Deposit is when a finance entity, such as a green bank, partners with local banks or credit unions to offer lower interest financing eligible borrowers through the purchase of a Certificate of Deposit (CD) or bond. As the CD or bond generates a return on the investment, rather than return the income directly to the bank, the returns are used to buy down the interest rate.

**CASE STUDY**

The Iowa Local Water Protection Program (LWPP) offers low interest loans through participating lenders to Iowa farmers for projects that reduce the runoff of sediment, nutrients, pesticides or other nonpoint source pollutants from agricultural lands.

Eligible projects include contour buffer strips, field borders or windbreaks, filter strips, grade stabilization structures, grassed waterways, terraces, and other water quality measures.

The Iowa Financing Authority creates a deposit account equal to the principal amount that reduces the interest rate the lenders offers to farmers.
A bridge loan is a loan that cover a few months or years of expenses to allow the loan recipient to begin a project while pursuing long-term funding for repayment, thus shortening potential timelines by several years. Bridge loans often cover land acquisition, capital projects, or habitat restoration.

CASE STUDY

The Rhode Island Infrastructure Bank Stormwater Project Accelerator (SPA) provides upfront capital for green stormwater infrastructure projects that will eventually be funded through state and local reimbursement grants.

Eligible projects include green infrastructure, nature-based solutions, and stormwater best management practices which address water quality issues. Municipalities, non-profit organizations, and utilities are eligible to participate in the program.

Loans are interest-free and the SPA fund is funded by their SRF.
Case Study: Environmental Impact Bonds

EIBs are a municipal bond where environmental outcomes help drive financial performance.

CASE STUDY

Quantified Ventures partnered with Waggonner & Ball to assist the City of Hampton, VA to design and issue a $12M EIB. The EIB funded three critical nature-based resilience projects that will alleviate flooding by adding more than 8.6 million gallons of stormwater storage capacity in the urban watershed.

Waggonner & Ball created project designs, while Quantified Ventures advised the city’s legal, financial, and executive staff on the bond issuance strategy.

The city’s EIB attracted mainstream municipal bond investors as well large ESG-oriented bond investors. The increased investor demand led to the city raising more capital than expected – the majority from impact capital – resulting in a lower-than-expected interest cost.

Rendering credit: Waggonner & Ball
Case Study: SRF - Nature-based Solutions

Revolving Funds (SRFs) are subsidized loans and other financial assistance invested in water, wastewater, and stormwater infrastructure

CASE STUDY

The City of Camden, NJ recognized its combined sewer system was in a state of disrepair; it was prone to combined sewage flooding into homes, streets, and parks in the City. The Camden County Municipal Utilities authority received a $2M grant and a $3.6M low-interest loan from the NJ Environmental Infrastructure Trust, NJ’s SRF agency, to capture 100 million gallons of stormwater per year and reduce the potential for flooding by:

- Constructing 17 new rain gardens and daylighting a stream that was paved over in the 1920’s,
- Converting an abandoned factory in to a 5.5-ac riverfront park, and
- Replacing several failing portions of the City’s CSO system.
Case Study: Innovative finance in local government

Local finance agencies can play an instrumental part in helping their communities meet resilience needs.

**CASE STUDY**
Finance New Orleans is a housing and development finance agency serving all New Orleanians since 1978 by offering affordable mortgages and investments that are generally unattractive to conventional sources of financing. However, its balance sheet was wiped out in the wake of Hurricane Katrina, the Great Recession, and the COVID pandemic.

FNO saw it as an opportunity to expand its financial offerings and begin a pivot towards a more holistic green financial institution. Today, it has launched a green mortgage product and a program to offer financing to housing developers owned by members of disadvantaged populations. It has also become a green bank, making it eligible to receive some of the $27B in federal green bank funding.

- **Phase I:** Environmental finance product
  - To kickstart its pivot, FNO developed a new financial offering: a “green” mortgage in which borrowers received incentives to pay for climate resilience installations to their home loan. Eligible projects included rooftop solar, rain gardens, energy and water efficient appliances.

- **Phase II:** Startup capital raise
  - After launching its green mortgage program, FNO structured an Environmental Impact Bond to attract impact investment. The EIB funded FNO's operations while it transformed into a green bank, and provided startup capital to launch another mission-driven program: making loans to housing developers owned by members of disadvantaged populations.

- **Phase III:** Green bank
  - FNO is entering the next chapter of its story as an impact-first finance agency by becoming a green bank. It is next launching two new financing programs: one to finance larger-scale climate resilience infrastructure in New Orleans, and another to launch a fund that provides seed capital to projects and companies enhancing local resilience.
Discussion

**Metrics**
What outcomes are you focused on delivering?
How are those measured? What does “success” look like?

**Stakeholders**
What local stakeholders might be interested in being involved?

**Project Bundling**
What types of projects are you interested in pursuing?
Are there multiple projects that could be packaged together?
05: Developing Creative Funding and Financing for Projects

Contact:
Matthew Carney
carney@quantifiedventures.com

Jason Lee
lee@quantifiedventures.com

Becca Trueman
trueman@quantifiedventures.com

Questions?
Please add your questions to the chat.
GREATER NEW ORLEANS FOUNDATION
CHALLENGE OUTREACH TEAM

Dan Favre
Director of Environmental Programs
Dan@gnof.org

Isabel Barrios
Senior Programs Officer
Isabel@gnof.org
UPCOMING IN-PERSON DESIGN SESSIONS

Bring your team!

Bayou Region
Tuesday, May 9
Fletcher Technical Community College in Schriever, La

River Parishes
Wednesday, May 10
321 Events in LaPlace, La

Metro New Orleans
Thursday, May 11
WYES in New Orleans, La

Visit Next100YearsChallenge.org to Sign Up
NEXT 100 YEARS CHALLENGE

An initiative of the
GREATER NEW ORLEANS FOUNDATION