

APPLICATION

# Clean Water, Healthy Communities

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

**Deadline: October 31, 2017**



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### Executive Summary of Program

The Chesapeake Bay Foundation and Quantified Ventures will provide our services at no charge to up to four jurisdictions and will work with such jurisdictions to help with the financing of green infrastructure projects. 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.

Through this opportunity, cities 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 EIB for GI model in small- to mid-sized cities and serve as a model for other cities across the country, while also helping municipalities in the Chesapeake Bay Watershed meet their stormwater management needs.

## 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 Environmental Impact Bond 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. Many cities recognize green infrastructure's potential to meet stormwater management needs, as it is often less costly to implement than traditional infrastructure while providing numerous environmental, economic, and community benefits. However, it can be difficult to implement enough green infrastructure through traditional funding and procurement models to meet permits and other needs. Further, some jurisdictions are reluctant to invest in green infrastructure due to perceived uncertain results.

**Environmental Impact Bonds** (EIBs) use a Pay for Success financing approach that overcomes these barriers by sharing program risk with private investors, while using existing funding and procurement methods. Private investors provide up-front capital for the project, and the public sector repays investors based on the achievement of desired environmental 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, with possible additional interest in reduced localized flooding from stormwater, adequately addressing climate change resilience, and/or increasing local employment opportunities with such projects

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

Application:

- September 15, 2017: Application launch date
- October 11, 2017: Jurisdictions are encouraged to notify CBF and QV of their intent to apply via email or phone call, so that we can answer any questions and provide relevant coaching
- October 31, 2017: Application due date
- January 2018: Projects selected and applicants notified

Once awarded:

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:

- Webinar dates: We will hold two identical webinars on September 14 and 21, 2017, to review this opportunity
  - a. September 14, 1pm ET: register at <https://zoom.us/webinar/register/2e3fdac028a84328cde7dc3c8da9331e>
  - b. September 21, 1pm ET: register at <https://zoom.us/webinar/register/96ec73b71c14fe4bd746f627e8486654>
- Workshops may be scheduled in certain municipalities; if you are interested in helping to convene such a workshop to work on the RFP, please contact us: Lee Epstein, [lepstein@cbf.org](mailto:lepstein@cbf.org), Carolyn duPont or Todd Appel, [environment@quantifiedventures.com](mailto:environment@quantifiedventures.com)
- For the most current information on this project, 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.
- *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+.

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) 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 and other ancillary benefits (flood control, climate adaptation, neighborhood enhancement), as appropriate.

Note that cities which are selected will be asked to sign a Memorandum of Understanding with CBF outlining the jurisdiction's commitment to the process and agreement to work with CBF and QV.

## **Application Questions**

Each application should be submitted as a written document (Word or PDF) structured to answer the questions as follows:

- 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 12-24 month timeframe
  - Community/communities served, including location, demographics, population size, and other relevant demographic information
  - Estimate of Environmental Impact Bond transaction size (\$)
- c. Organizational Capabilities: (1 page suggestion)
- Financial resources and ability to issue bond, including track record of bond issuance and credit rating
  - Plan for staff/consultant hours allocation and designation of project leadership,
  - List of 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. (Letters of support from these stakeholders may be provided in an Appendix.)
  - 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 also 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. We also encourage jurisdictions to notify us by email by October 11 if you plan to submit an application.

Please contact:

- Lee Epstein, Chesapeake Bay Foundation: [lepstein@cbf.org](mailto:lepstein@cbf.org)
- Carolyn duPont or Todd Appel, Quantified Ventures: [environment@quantifiedventures.com](mailto:environment@quantifiedventures.com)

## 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.*