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## *Special Edition*

# *5 Things to Remember About Financing Coastal Projects*

### **Philadelphia, Pennsylvania**

January 16th, 2020

***Do not rely on the Federal Government to fund coastal projects.*** You heard it here first, and you'll hear it here last. I'll say it again: ***Do not rely on the Federal Government to fund coastal projects.*** Over the past decade the level of investment by the Federal Government in coastal resilience has declined significantly. In 2018, Coastal Strategies began working with investment partners in capital markets and identifying potential options for local governments to find funding for their initiatives. What Coastal Strategies found was that investors are hungry for projects, but they don't understand the world of the coast the same way you and I do. So what better to do than get everyone in the same room together?

On January 16th, Coastal Strategies, in partnership with the **University of Pennsylvania's Water Center** and the **Coastal States Organization**, held the inaugural **Financing Coastal Resilience Summit** for local and state governments from New Jersey, Delaware, Maryland, Pennsylvania and Ohio. We had representatives from Morgan Stanley, Moody's Investor Service, Sumitomo Mitsui Banking Corporation (SMBC), RogersGray Insurance, the Wharton Risk Center, Michael Baker International and the US Army Corps of Engineers Public-Private Partnerships Program attend a full day event focused specifically on financing coastal resilience.



In addition, we had several key coastal interest groups such as the American Shore & Beach Preservation Association and its Northeast Chapter, as well as the Coastal States Organization and a number of county officials and local government administrators.

The event was designed as a problem solving discussion in response to the question: **“How can we bring private financing to local governments for coastal resilience?”**

We learned five specific takeaways, which we'll get to in just a moment. But first, [here's what went down at the summit:](#)

To begin, we had local and county administrators as well as state representatives discuss their needs to pose the problem to the finance experts in the audience. After gathering ideas and discussing needs, the finance representatives had their turn to share what sort of projects fit their criteria for investment. This produced tangible outcomes for local governments and identified ways that municipalities can collaborate with state governments to produce projects at scale that are of interest to investors. This puts a spotlight on the concept of **regionality** that we have highlighted at Coastal Strategies for over a decade which demonstrates how economies of scale can make projects more effective in practice and more attractive to investors.

Then we heard from our engineering, planning and GIS experts who talked about the importance of building local support for projects and the influence of community culture on preparedness. **What does culture have to do with financing?** Living on the

coast comes with a cost. Those who decide to reside along the coast, or visit it, must realize the coast comes with a specific set of costs, some of which may grow over time. Dedicated funding, coming mostly from tourism revenues and real estate taxes, is essential to any local government operating along the coast. There is, in fact, a direct correlation between community culture and physical (engineering) preparedness. In addition, we can't understate the importance of planning in a community. **Investors recognize safe risk versus unsafe risk.** Communities that have plans, are prepared for disasters and have a culture of preparedness are far more likely to receive investments than communities that don't exhibit those traits.

The day ended with a general discussion of community and state resilience objectives and ways to overcome obstacles currently preventing private capital from entering coastal resilience markets.



**If it's a good project, there is a way to finance it.** On the next page, Coastal Strategies has distilled 5 takeaways to remember when thinking about financing a coastal resilience project. These are valid for any project, anywhere, anytime.

**5 things to remember when thinking about financing coastal resilience projects:**

- 1.** *Do NOT rely on the Federal Government for funding coastal resilience*
- 2.** *Investors are hungry for projects but don't understand the coast and its specific set of challenges like you and I do (we'll do the explaining)*
- 3.** *Regional projects are more attractive to investors (and are more effective!)*
- 4.** *Be ready for funding, have a master plan for your project*
- 5.** *Call Coastal Strategies*

**The bottom line is this:** In theory, there are a variety of ways to fund local coastal projects, but without interest from the private sector and more importantly, trust from the private sector that those investments will be paid back, those projects will never get funded. Our team has built the trust and understanding with our partners that will help you and your community match projects with the right source of capital. Let us help you today by reaching out to Coastal Strategies so that we can recommend your project to the right lender.

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