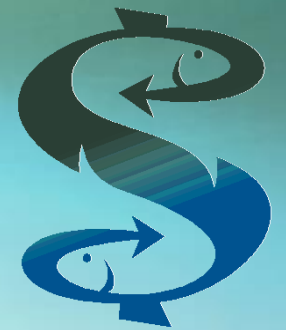


Clean Water State Revolving Fund

Below-Market Financing for Land Conservation

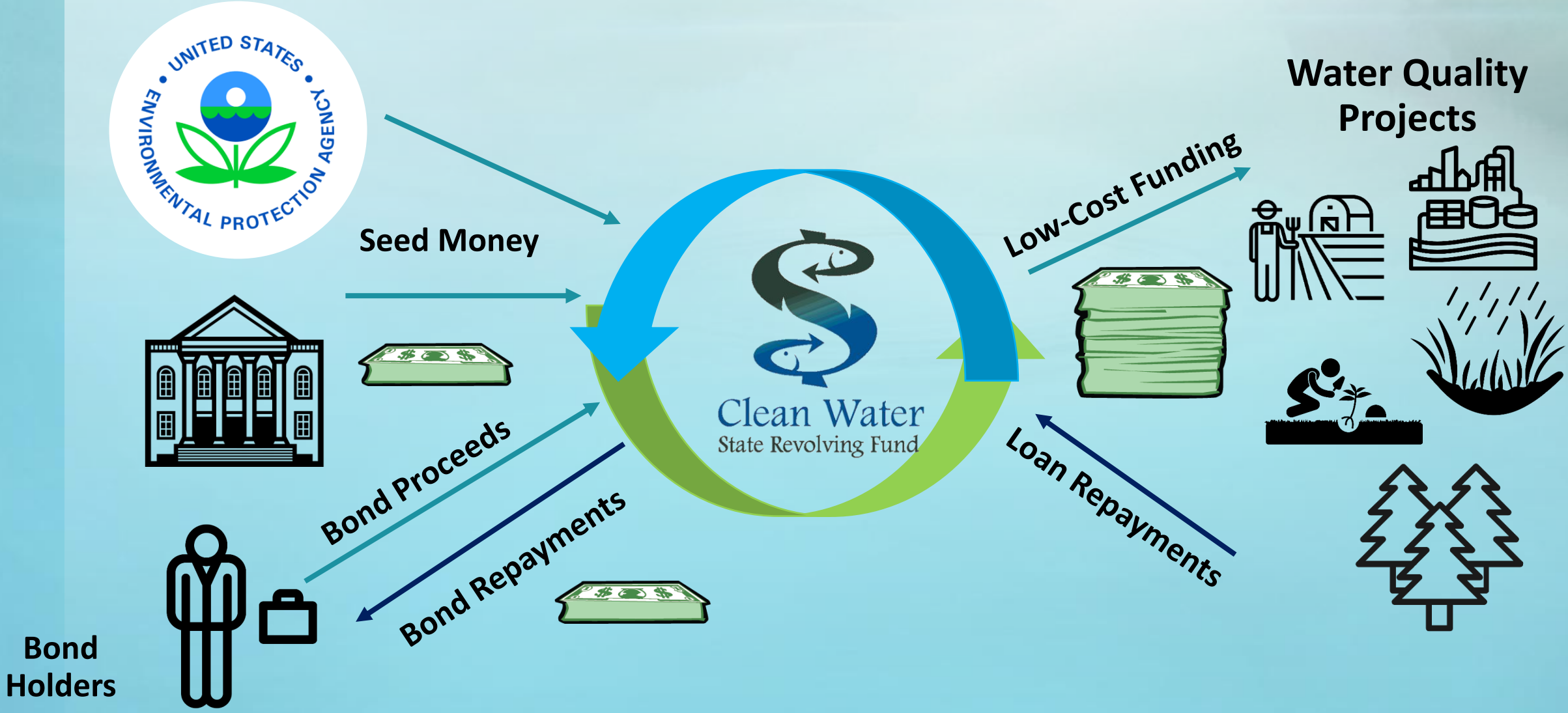
4-28-2021

Alison Souders



Clean Water
State Revolving Fund

The CWSRF provides below-market financing for water quality projects...



Who is eligible?

(eligibility varies by state and project type)



Communities



Private Entities



**Nonprofit
Organizations**



**Citizen
Groups**

Terms: Up to 30 years

or useful life of the project, whichever is less

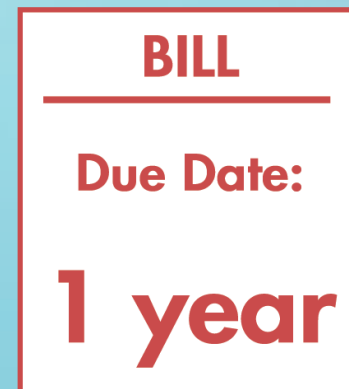


Below-market rates: 1.46% average interest rate in 2019 (compared to market rate 4%)



May also include additional subsidies (e.g., loan forgiveness and grants)

Repayment starts one year after project completion



Significant Savings!

- UNC EFC Subsidized Loan Calculator Allows Potential Borrowers to compare a SRF loan to a commercial loan at the market rate.
- “Add Sub” (Principal Forgiveness)
- In this case, on a \$500k loan, the SRF loan with \$10,000 add sub (principal forgiveness) would save this borrower \$205,537 over the life of the loan.

<https://efc.sog.unc.edu/resource/what-value-srf-loan-subsidized-loan-calculator#panel-1>

What is the Value of an SRF Loan?

Subsidized Loan Calculator

Using the parameters below, calculate the cost of a subsidized loan versus a traditional market based loan. The value at the bottom of the dashboard represents the “grant equivalent” of the subsidized loan given the parameters selected from the dropdowns and average market interest rate. The calculations made and assumptions used in each calculation can be found by hovering over the resulting value.

Estimated Project Cost	Loan Term (in Years)
<input type="text" value="\$500,000"/>	<input type="text" value="25"/>
Subsidized Interest Rate	Principal Forgiveness
<input type="text" value="2.0%"/>	<input type="text" value="\$10,000"/>
Market Rate for Loan	
<input type="text" value="4.5%"/>	

Based on These Inputs, How Much Could You Save Compared to a Commercial Loan?

Grant Equivalent
(Principal Forgiven)

\$10,000

Interest Savings Over the
Life of the Loan
(in Nominal Dollars)

\$205,537

National CWSRF Accomplishments

\$145.5 billion provided via the 51 CWSRF programs since 1988

\$7.5 billion provided by the 51 CWSRF programs in FY20

\$1.64 billion = federal allotment in FY20

42,000 assistance agreements (a.k.a. “projects”) since 1988

1.4% - National average interest rate for CWSRF loan in 2019 (vs. 3.6% prevailing market rate)

Just **3.6%** of overall funding pie has gone toward NPS

What Projects are Eligible for CWSRF Assistance?



Squalicum Creek, Washington Stream Re-Route

Clean Water Act

- 603(c)(1) Construction of publicly owned treatment works (POTW)
- 603(c)(2) Implementation of a nonpoint source management program
- 603(c)(3) Implementation of a national estuary program CCMP
- 603(c)(4) Decentralized systems
- 603(c)(5) Stormwater management
- 603(c)(6) Projects that reduce the demand for POTW capacity through water conservation, efficiency, and reuse
- 603(c)(7) Watershed pilot projects
- 603(c)(8) Projects that reduce the energy consumption needs for POTWs
- 603(c)(9) Reuse of wastewater, stormwater, or subsurface drainage water
- 603(c)(10) Security measures at POTWs
- 603(c)(11) Technical assistance to small and medium POTWs
- 603(3)(12) Assistance to a qualified nonprofit entity to provide assistance to an eligible individual for the repair or replacement of household decentralized treatment systems

CWSRF for Land Conservation

<https://www.epa.gov/cwsrf/funding-land-conservation-projects-cwsrf>

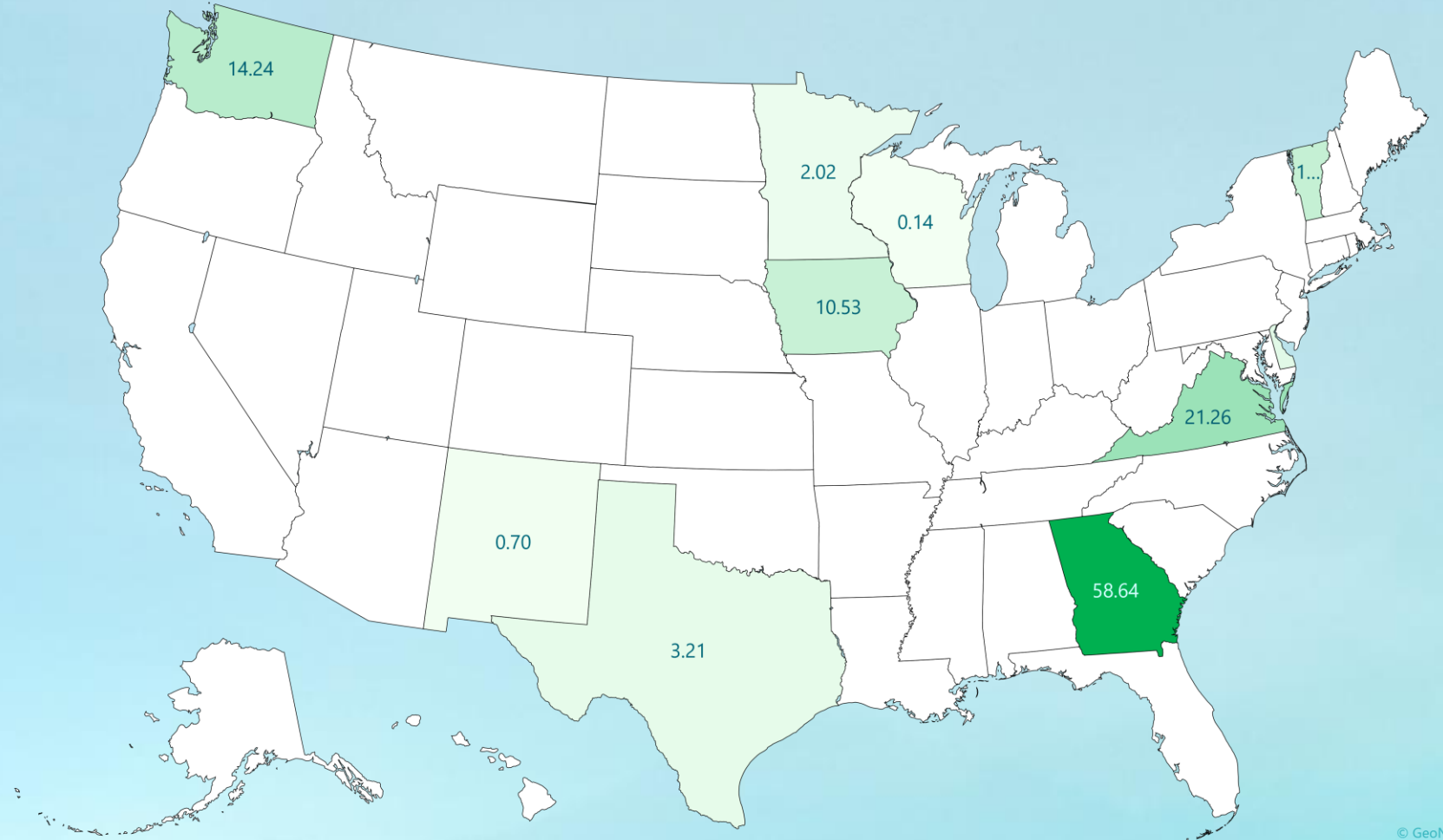
Land Conservation

- Easements
- Leasing of land
- Fee simple purchase of land

A full listing of CWSRF eligibilities including examples of eligible projects can be found in the “Overview of Clean Water State Revolving Fund Eligibilities,” which can be downloaded from our website at: <https://www.epa.gov/cwsrf/overview-clean-water-state-revolving-fund-eligibilities>

CWSRF Funding - Land Conservation Through FY20, \$M

\$126M
since
1987...

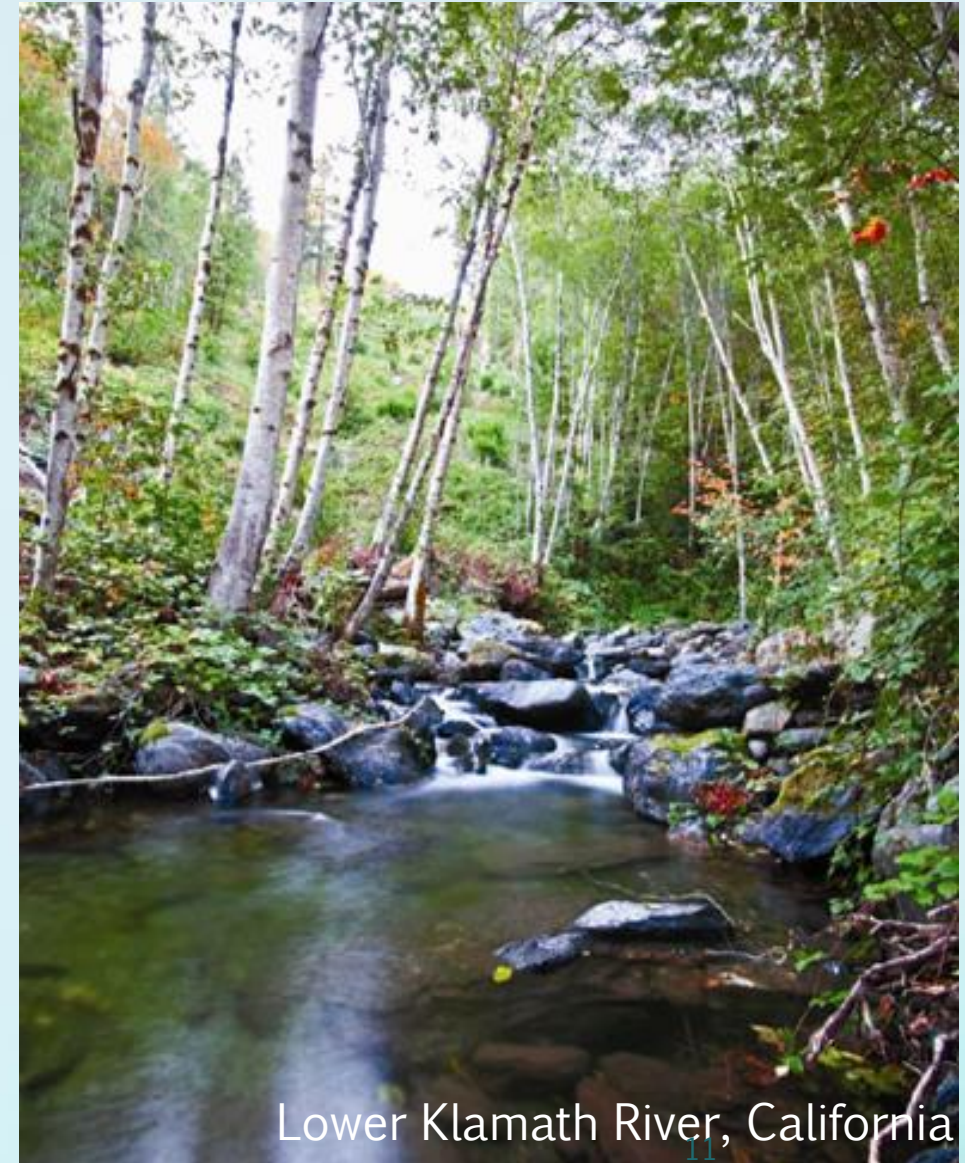


Challenges for Using CWSRF for Land Conservation

- Identifying a repayment source
- State-imposed restrictions on lending to NGOs and Community Development Financial Institutions (CDFIs)
- Higher administrative burdens associated with smaller loan sizes and greater # of projects
- Capacity constraints at state CWSRF agencies to explore new directions

Flexible Repayment Options

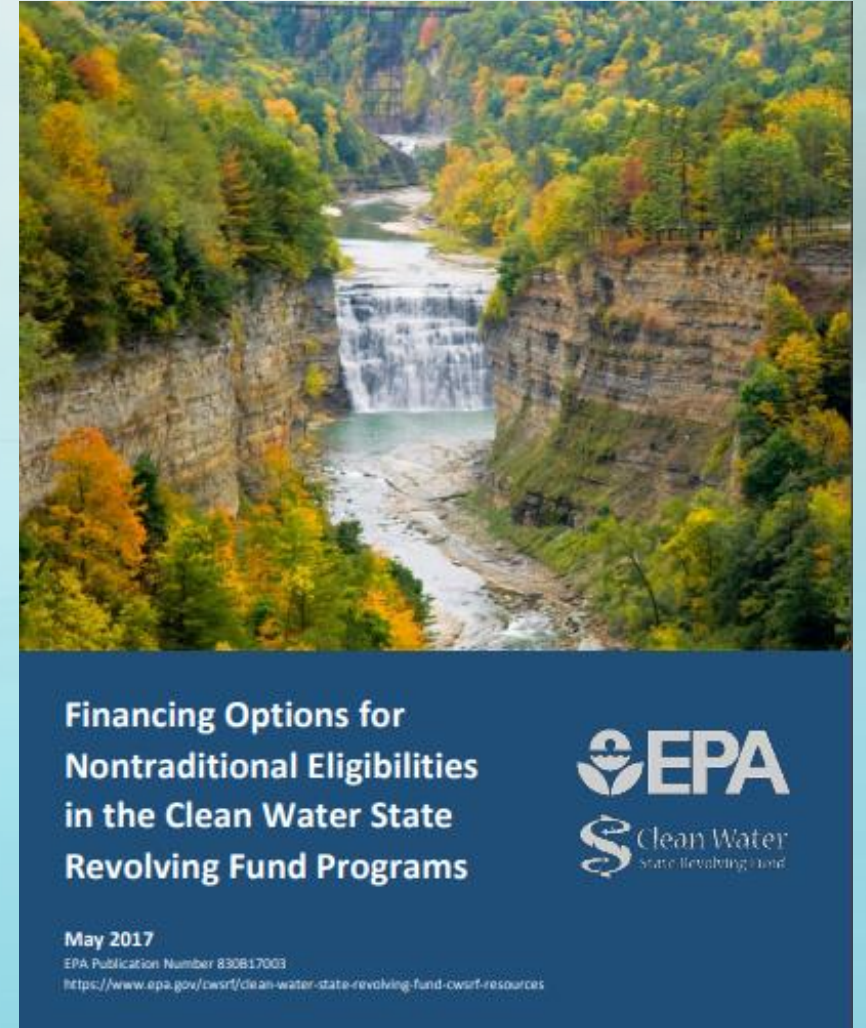
- Identifying a repayment source can be challenging for land conservation projects...
 - Sustainable timber harvest revenues
 - Stormwater district fees
 - Non-profit membership fees
 - Homeowner fees
 - For profit company revenue
 - Property tax revenue
 - Carbon or water quality trading credit revenue
 - Hunting or fishing license revenue



Lower Klamath River, California

Innovative Financing Mechanisms

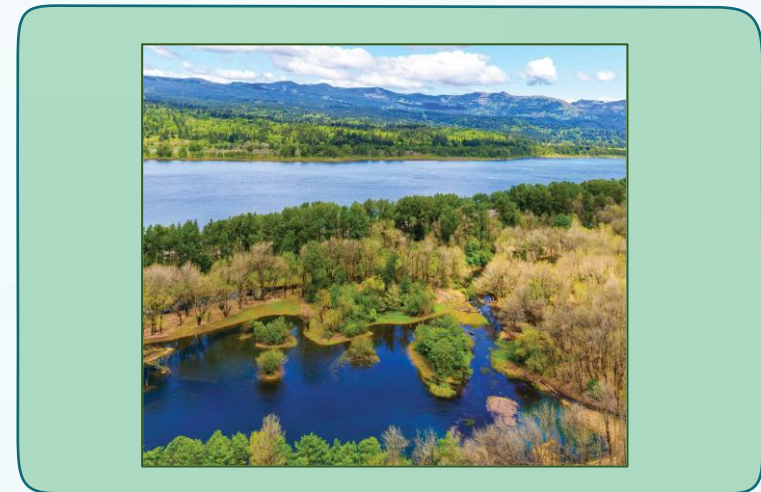
- Co-Funding
- Grant Match
- Sponsorship Financing
- Programmatic Financing
- State Incentives
- Linked Deposit
- Pass-Through Lending



<https://www.epa.gov/cwsrf/clean-water-state-revolving-fund-cwsrf-nontraditional-financing>

The Sponsorship Lending Model: How it Works

- A typical sponsor would be a wastewater utility willing to fund a NPS project that costs significantly less.
- CWSRF can finance both the POTW project and the NPS project in one loan and offer an incentive rate. To the sponsored project, the financing feels like a grant.



	Loan Amount	Interest Rate	Total Repayment Over 20 Years
CWSRF Loan	\$1,000,000	3.8%	\$1,463,707
CWSRF Loan w/ Sponsored Project	\$1,393,442	0.3%	\$1,463,707

Ohio's Water Resource Restoration Sponsor Program (WRRSP)

Medina Marsh Land Conservation Project

Northeast Ohio Regional Sewer District (NEOSD) received 0.06% discount on standard rate in exchange for sponsoring land protection



- NEORSD saved \$432,900 in reduced interest payments
- Sponsored acquisition of 87-acre Medina Marsh with partners Western Reserve Land Conservancy and Medina County Park District
- Protects 1,450 linear feet of floodplain and forested buffer along the Rocky River, 32 acres of high quality wetlands, and various habitats

EPA's Drinking Water State Revolving Fund

Set-asides available for Source Water Protection



State Program Management (10% Set-Aside)

- Most commonly used to support staff in the state's SWP program or other technical assistance providers

Local Assistance and Other State Programs (15% Set-Aside)

- Loans to PWS for SWP land acquisition/easements, voluntary, incentive-based SWP measures, and SWP programs
- Delineation, assessment, and *updates to assessments* for SWP areas
- Establishment and implementation of wellhead protection programs and *implementation of efforts to protect source water*
- Assist PWS with capacity development

www.epa.gov/sourcewaterprotection

www.epa.gov/dwsrf

DWSRF & CWSRF Coordinate to Protect 250 Acres in Washington

- DWSRF grant from 15% local assistance set-aside for property value appraisal
- CWSRF loan used to purchase 250 acres of forest (up to 50% principal forgiveness)
- Protects drinking water source for Skagit PUD's 65,000 customers in perpetuity



Skagit Public Utility District, Washington

<https://www.epa.gov/sourcewaterprotection>



Next Steps:

- Reach out to your state CWSRF & DWSRF program
 - <https://www.epa.gov/cwsrf/forms/contact-us-about-clean-water-state-revolving-fund-cwsrf#state>
- Encourage your states to fund land conservation activities
- Have a discussion on the financing options available to you.

Resources:

Water Finance Learning Modules (SRF, DWSRF, WIFIA, etc.) A 101 of each program is available.	https://ofmpub.epa.gov/apex/wfc/?p=165:9:8014844532819::NO:9:
Overview of CWSRF Eligibilities	https://www.epa.gov/cwsrf/overview-clean-water-state-revolving-fund-eligibilities
CWSRF Webinars <ul style="list-style-type: none">• Topics including land conservation, sponsorship, and more...	https://www.epa.gov/cwsrf/cwsrf-webinars
CWSRF Fact Sheets	https://www.epa.gov/cwsrf/clean-water-state-revolving-fund-cwsrf-project-success-stories
State CWSRF Websites	https://www.epa.gov/cwsrf/forms/contact-us-about-clean-water-state-revolving-fund-cwsrf#state
DWSRF Set-Asides	https://www.epa.gov/dwcapacity/use-drinking-water-state-revolving-fund-dwsrf-set-asides
Memo: Expanded Source Water Protection Related Eligibilities under DWSRF's Local Assistance and Other State Program Set Aside	https://www.epa.gov/dwsrf/protecting-source-water-dwsrf-set-asides
Protecting Source Water with the DWSRF Set-Asides	https://www.epa.gov/dwsrf/protecting-source-water-dwsrf-set-asides
UNC "What is the Value of an SRF Loan?" savings calculator	https://efc.sog.unc.edu/resource/what-value-srf-loan-subsidized-loan-calculator#panel-1



Please reach out with any questions!

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<http://www.epa.gov/cwsrf>