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City of Hampton Fights Flooding with Issuance of Virginia's First Environmental Impact Bond

Hampton to Undertake Three Major Flood Resilience Projects with \$12 Million in Innovative Outcome-Based Financing

HAMPTON, VA — The City of Hampton closed on Virginia's first Environmental Impact Bond yesterday, a creative outcomes-based tool to finance \$12 million in nature-based solutions to localized flooding as part of its Resilient Hampton initiative. These bonds allow investors to support innovative projects with measurable and reportable benefits for communities and the environment and ensure the outcomes of the projects are reported back to the investors. The Chesapeake Bay Foundation and Quantified Ventures, an outcomes-based capital firm based in Washington, DC, provided technical services with respect to developing the three projects, designing the outcome metric, impact measurement, and disclosure aspects of the Environmental Impact Bond.

Hampton's three critical projects are expected to add more than 8.6 million gallons of storage capacity for stormwater that would otherwise contribute to flooding and polluted runoff in the Newmarket Creek watershed, a key environmental, economic, and transportation corridor.

Hampton has experienced increased flooding frequency and severity in recent years. The Newmarket Creek watershed is central to the City's water management plans. Through this Environmental Impact Bond, the City of Hampton will predict, measure, and report on the stormwater volume storage capacity added by these projects. The gathered data will inform future public investments in resilience projects that seek to improve quality of life, economic viability, and environmental health for Hampton residents, while also disclosing the measured outcomes to the bond's investors.

"We are thrilled to further our commitment to innovation, transparency, and storm resilience through the issuance of the first Environmental Impact Bond in the Commonwealth of Virginia," said Hampton Mayor Donnie Tuck. "We appreciate the many members of the community who have provided input on our Newmarket Creek Water Plan and Resilient Hampton initiatives. The residents of Hampton can look forward to improved storm resilience, cleaner water, and better transportation and recreation infrastructure as a result of these important projects."

Hampton joins a small but growing number of cities using Environmental Impact Bonds to benefit communities, including Washington, DC, and Atlanta. These are a type of municipal bond that require issuers to predict, measure, and report on the environmental or social outcomes generated by the funded projects. Some Environmental Impact Bonds also connect bond buyers' financial returns directly to the performance of the funded projects, which allows risk-sharing between the issuer and investors. The requirement for impact measurement and disclosure differentiates Environmental Impact Bonds from traditional Green Bonds, which support specific environmental and climate-related projects, but do not require the same level of rigor in outcome prediction, measurement, and disclosure.

As part of this Environmental Impact Bond, the City of Hampton has committed to having a third-party validator provide a post-construction comparison of the actual stormwater storage capacity created against the predicted 8.6 million gallon capacity increase. This bond qualifies as both an Environmental Impact Bond and a Green Bond, under the International Capital Market Association Green Bond Principles.

The City of Hampton was advised by Davenport & Co. on the transaction. Morgan Stanley served as underwriter, with Wells Fargo as co-manager. Kutak Rock served as bond counsel. CBF and Quantified Ventures work with Hampton on the EIB was funded by a generous one-to-one challenge grant to CBF from an anonymous donor that was matched in part by The Kresge Foundation.

"Cities like Hampton are leading the innovation charge by advancing nature-based solutions that make neighborhoods more resilient. We applaud Hampton's leadership, creativity, and dedication to building a more resilient city in issuing this Environmental Impact Bond," said Eric Letsinger, CEO of Quantified Ventures. "Their commitment to community equity and involvement is second to none."

"With the Resilient Hampton initiative, the city is undertaking an incredible effort to both fight localized flooding and do its part to restore the Chesapeake Bay. By using creative EIB financing to meet these goals, it's blazing a path that cities around the Bay can follow even when budgets are tight," said Chesapeake Bay Foundation Lands Program Director and Special Counsel Lee Epstein. "These bonds allow the city to pilot cutting-edge solutions based on natural processes that both prevent flooding and keep runoff from polluting waterways."

The three prototype resiliency projects that will be constructed with the proceeds from this bond are:

- **Big Bethel Blueway:** A green infrastructure project that will store and slow water through the redesign of existing waterways in order to reduce flooding upstream and downstream in Newmarket Creek. The project creates stormwater storage through the expansion of the main drainage channel, the addition of bioretention cells to backyard drainage swales, and the installation of several weirs in the channel. Newly planted vegetation on the channel banks will filter and slow stormwater runoff before it reaches the waterways. Future funding will transform the existing maintenance path into a recreation trail with additional stormwater storage capacity.
- **North Armistead Avenue Road Raising and Green Infrastructure:** This road raising project will eliminate chronic flooding on a major thoroughfare and evacuation route, improving transportation reliability to Joint Base Langley-Eustis and key economic centers. In connection with the road raising, green infrastructure will be installed in the median and on the road shoulders to help slow, store, and redirect stormwater within the space adjacent to the elevated roadway.
- **Lake Hampton:** This project involves the transformation of a detention pond into a purposefully-designed stormwater park with enhanced stormwater storage capacity. The project will raise the height of the dam and weir to greatly increase potential storage volume, as well as install a series of

smaller detention basins with wetland plantings to slow, store, and clean runoff from North Armistead Avenue before it enters the lake.

These efforts are among the first projects associated with the Newmarket Creek Water Plan, which the City developed through its Resilient Hampton initiative after nearly two years of public engagement. The projects benefitted from expert consultation by urban designers from the Netherlands (BoschSlabbers), an architecture and environmental design firm based in New Orleans (Waggoner & Ball), engineering design work by national engineering firm (Moffat & Nichol Engineers), partners (including NGOs, universities, regional planning district commission, state and federal agencies), and by the City's interdepartmental Resilient Hampton team. Rather than look at flooding alone, Hampton's approach to Newmarket Creek integrates flood risk mitigation, engineering, urban design, environmental restoration, community assets, and economic development.

"We are pleased to have advised the City of Hampton on this forward-thinking public finance transaction," said David Rose, Senior Vice President and Manager of Public Finance at Davenport & Company LLC, the City's Municipal Advisor of record. "This first-of-a-kind issue in the Hampton Roads region and Commonwealth shows the City's commitment to sustainability and resilience, which is becoming more important to the credit markets and the National Credit Rating Agencies."

"The City's willingness to undertake innovative resiliency projects and measure and report on the outcomes positions Hampton as a leader in the Green and Sustainability Bond marketplace," said Cabray Haines, Executive Director at Morgan Stanley. "Its unique EIB offering enabled the City to tap into a rapidly growing buyer base focused on sustainable investing and attracted participation by leading institutions in the space, who applauded the City's efforts as setting a new standard for Green municipal issues. The strong investor interest in the EIBs helped reduce financing costs to historically favorable levels."

"The work this team has done to evangelize the use of impact bonds was not an easy process. We applaud all partners involved in helping the city to fight climate-driven urban flooding through solutions that provide reliable, equitable and innovative water services," said Jalonne L. White-Newsome, Environment senior program officer with The Kresge Foundation who oversees the Climate Resilient and Equitable Water Systems (CREWS) initiative. "The inequities in our nation's water systems have a disparate impact on low-income communities and communities of color. The importance of this work is intensified due to the prevailing socioeconomic conditions in the affected neighborhoods. Addressing these challenges will help to safeguard the economic future of Hampton and the general wellbeing of all residents."

About the City of Hampton and Resilient Hampton

Located on the mouth of the Chesapeake Bay, Hampton, VA, is graced with miles of shoreline and breathtaking water views. The city is literally in the heart of the Hampton Roads region and the center of the East Coast. Established in 1610, Hampton is one of America's oldest cities and is also one of the fastest growing cities in the region. [Resilient Hampton](#) is a city-wide initiative to improve resilience. Resilience is the bolstering of a community's inherent strengths in order to alleviate chronic stresses and enable recovery from extreme events and shocks in ways that make the community even stronger than before. For Hampton, some of the extreme events include hurricanes and nor'easters. Chronic stresses may have a milder, but more frequent impact on everyday life, such as recurrent tidal flooding that blocks a road during high tide. Resilient Hampton tackles both of these issues in such a way that it also improves residents' quality of life, economic viability, and environmental health.

About the Chesapeake Bay Foundation

With offices in Maryland, Virginia, Pennsylvania, and the District of Columbia and 15 field centers, the [Chesapeake Bay Foundation](#) leads the way in restoring the Bay and its rivers and streams. For more than 50 years, it has created broad understanding of the Bay's poor health, engaged public leaders in making commitments to restore the Chesapeake, and fought successfully to create a new approach to cleanup that features real accountability—the Chesapeake Clean Water Blueprint.

About Quantified Ventures

[Quantified Ventures](#) is an outcomes-based capital firm that develops public-private projects by structuring innovative financial transactions that drive transformational health, social, and environmental impact. As a certified B Corporation, we partner with corporations, governments, and nonprofits to solve some of the most intractable environmental, social, and health problems facing communities today. With DC Water, we pioneered the Environmental Impact Bond in 2016 to address local stormwater challenges. In 2019, we structured the first publicly-offered outcomes-based impact bond in partnership with the Atlanta Department of Watershed Management. We operate four synergistic areas of practice: Agriculture, Forestry and Land Use, Health and Human Services, and Urban and Coastal Resilience.

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High-Resolution project renderings are available for download at

https://www.dropbox.com/sh/57bqk8xb4rwxpe/AAA7Jq_UN6kDTQvFDhyldG4Sa?dl=0