

# **P3 Models Deliver More, Better, for All**

Rose Jordan 16 May 2018

## **Fresh Coast Capital Partners with Economically-Challenged Cities to Deliver Community-driven Green Infrastructure at Scale**

### **Executive Summary**

Climate change-driven urban flooding impacts everyone, but hits low-income communities hardest. Unable to invest in climate resilience and rarely included in the funded solutions, these communities are reliant on the public sector, which currently faces an estimated \$105 billion water infrastructure funding gap. Chicago-based Fresh Coast Capital, a women-owned B Corp, has assembled a team of experts from the community engagement, utility, and cleantech spaces to adapt their proven playbooks for the stormwater industry; the result is a public private partnership (P3) model designed to accelerate cities toward comprehensive green infrastructure, a cost-effective solution with a cadre of documented co-benefits (e.g., public health, crime reduction, and social cohesion). The Chicago-based Yagan Family Foundation and Midwest-based Kresge Foundation are among the early investors funding growth,

and today Fresh Coast's impact-driven, 'community first' P3 model is emerging as a preferred path for municipal stormwater management.

## **Water Infrastructure: The \$105 Billion Question**

Weather events like Hurricane Harvey, which caused an estimated \$70-90 billion in damage, are a stark reminder of the need for cities to increase investment in water management infrastructure to mitigate the impacts of flooding on water quality, home and property destruction, and public health. And while they dominate the news-cycle, hurricanes are only a portion of the problem. Inland states, too, face historic flooding as the frequency and intensity of storms increases across all parts of the country. While urban flooding impacts everyone, it hits low income communities hardest because they are more likely to be located in areas prone to flooding and to lack the resources and investment to prepare for and respond when it occurs. Unable to invest in climate resilience and rarely included in the funded solutions, these communities are reliant on the public sector, which currently faces a crippling water infrastructure funding gap.

The American Society of Civil Engineers (whose latest Infrastructure Report Card gave America's wastewater infrastructure an overall grade of D+) identified a \$105 billion funding gap between committed public funds and those needed to make critical water and wastewater

infrastructure upgrades by 2025. A large part of the problem is that current water management infrastructure is both outdated and highly centralized, which concentrates risk and makes systems easier to overwhelm, even during minor weather events. For example, today in the United States, 772 cities have obsolete combined sewer systems that collectively discharge an estimated 900 billion gallons (for perspective, that is more than 1.3 million Olympic sized swimming pools) of untreated sewage each year, which adds up to a costly problem. In fact, the ASCE estimates that unless this water and wastewater infrastructure funding gap is closed, America will have lost \$896 billion in business sales, \$508 billion in GDP, and 489,000 jobs by 2025.<sup>1</sup>

The public sector is struggling to allocate sufficient funds to build adequate stormwater infrastructure, but in this age of increased flooding, we cannot afford to let deferred projects, or band-aid fixes put American cities at risk. Resource-constrained communities must prioritize critical water infrastructure updates, but they need 1) a cost-effective, reliable infrastructure solution, and 2) a mission-driven partner that offers technical expertise; impact-driven private capital; and long-term performance contracts.

## **A Better Infrastructure Solution**

Green infrastructure, the use of vibrant natural systems to

manage water where it falls, is the best tool for addressing stormwater, flooding, and water pollution problems because it is cost effective (studies show an average of 60 percent cost savings compared to traditional “grey” infrastructure), creates long-term jobs, and drives community health, safety, and prosperity. However, in order to realize its potential, green infrastructure must be designed holistically in partnership with the community, delivered at scale, and maintained for the long-term. Fresh Coast Capital offers cities just that, and in doing so, offers a better route to solving America’s crippling infrastructure problems.

## **Accelerating Green Infrastructure with P3s**

Chicago-based Fresh Coast Capital, a woman-owned B Corp, is a mission-driven green infrastructure delivery partner dedicated to helping resource-constrained cities build more, better, for all. Co-founders Nicole Chavas, April Mendez, and Laura Brenner Kimes, first discussed green infrastructure when they met in an impact investing class at Kellogg School of Management. Their early market research revealed that upfront capital expenses, limited staff capacity, and project complexity prevented many cities from scaling green infrastructure and guaranteeing proper maintenance long-term.

## **Leveraging the P3 Structure for Impact**

Over the past four years, the co-founders have assembled

a team of experts from the community engagement, energy, and cleantech spaces to adapt their proven playbooks for the stormwater industry. Fresh Coast's staff, advisors, and board concluded that a P3 is the best vehicle to serve cities' needs. As a long-term green infrastructure delivery partner, Fresh Coast designs, builds, and tests citywide green infrastructure, then maintains it for the long term, engaging the community at each stage. And rather than paying for these services upfront, cities pay a performance-based annual service fee to guarantee a long-term solution that works.

This P3 model offers cities several key advantages; Fresh Coast:

- is their long-term, trusted partner with a committed team managing the projects;
- absorbs many of the risks that can make public projects costly and unpredictable;
- delivers capacity-validated green infrastructure on time and within budget;
- simplifies the procurement and management experience to unburden city staff;
- begins accepting performance-based annual service fees only after green infrastructure is delivered and functioning as promised; and
- drives the most inclusive process to transform regulatory compliance measures into community revitalization strategies.

# Measuring success

As Fresh Coast's impact-focused P3 projects advance, Fresh Coast will define success based on the following: 1) successful municipal partnerships that lead to year-over-year contract growth; 2) construction validation showing the green infrastructure has capacity to prevent urban flooding and reduce combined sewer overflow events; and 3) impact assessments showing installations helped strengthen community, promote ecological health, and drive shared prosperity.

## **A Fresh Approach to Equitable and Community-Driven Solutions**

Two distinguishing characteristics set Fresh Coast's Citywide Solution apart from a traditional P3: the community-first approach, and the exclusive focus on low to moderate income communities.

## **Community-First Approach Drives a More Holistic Solution**

Fresh Coast's community-first commitment means that the team co-designs each project with residents to revitalize neighborhoods, increase public health and safety, and create new job opportunities. This commitment is evident from work to date in cities like Youngstown, OH and Peoria, IL. In both cities, Fresh Coast leads active stakeholder advisory groups and publicly

celebrates major events like Groundbreakings and Ribbon Cuttings with the community. In Youngstown, the design phase of a new citywide green infrastructure plan is kicking off with a community workshop series to gather input on flooding and crime hotspots (to date, more than 150 neighbors have attended these meetings). Fresh Coast also fosters transparent project communication by working with local news outlets to publish all major updates, and posting project information, educational resources, and calls to action on a daily basis through city-specific Facebook pages. These community-oriented practices are foundational to Fresh Coast's strategy because they secure resident buy-in, which in turn rallies resources and support to accelerate deployment. And in fact, involving community members in every phase of the P3, from design through long-term maintenance, is critical to project success, because when the community feels pride of ownership, they are far more likely to help ensure the installations are safeguarded and properly maintained.

## **Exclusive Focus on Lower-Income Communities**

Fresh Coast's exclusive focus on low-to-moderate income communities targets the benefits of green infrastructure where they will do the most good. Three principles help shape the services to resource-constrained cities' needs. First, it is critical to offer a cost-effective solution. Cities seeking to reduce the cost of their stormwater

management infrastructure are finding that green infrastructure averages 60 percent project cost savings in construction and long-term maintenance when compared to grey infrastructure. In fact, last month, City of Akron estimated it could save \$10 million by replacing plans for a 1.9 million-gallon stormwater basin with green infrastructure. Furthermore, following construction, green infrastructure also reduces water treatment, energy, and flood damage costs.

The second principle that guides our solution is maximizing benefits. Like its grey counterpart, green infrastructure effectively manages stormwater and prevents flooding, but that is where the comparison ends. When well designed and properly maintained, green infrastructure also improves health and public safety, generates long-term jobs, stabilizes property values, and helps local businesses succeed. Resource constrained cities cannot afford to continue investing precious resources into limited solutions when a better alternative is within reach.

Finally, Fresh Coast only accepts payment after projects are delivered and working as promised. Performance contracts are designed to ensure cities access all the benefits of citywide green infrastructure right away, and make predictable, affordable payments over time. By contractually tying these payments to key performance indicators, Fresh Coast is able to guarantee municipal partners a long-term solution that works.

Even with these resource-sensitive structures in place, some cities will not launch into the exploratory phase of citywide green infrastructure plans without additional financial assistance. Fresh Coast founded an affiliated nonprofit, Fresh Coast Communities, to provide the support resource-constrained cities need to get started on a community-driven green infrastructure plan that Fresh Coast can deliver. This approach is in action in Youngstown where Fresh Coast Communities worked with local foundations to launch community engagement and education around the benefits of green stormwater infrastructure as well as citywide green infrastructure planning.

## **New Opportunities for Impact Investors**

The Chicago-based Yagan Family Foundation and Midwest-based Kresge Foundation are among the early investors funding the management company's early growth. Fresh Coast's P3 model offers 'green infrastructure as a service,' each municipal contract will trigger creation of a project-specific LLC which seeks debt and equity financing to pay all upfront costs of project management, community engagement, design, engineering, construction, and long-term maintenance. Following construction and validation, cities begin paying Fresh Coast a long-term, performance-based annual service fee which is used to service debt and repay equity investors.

# Accelerating the Transformation to Cleaner, Greener Urban Landscapes

As the community-driven P3 model expands in the coming years and decades, Fresh Coast will continue to pursue the vision that every city facing stormwater management challenges implements comprehensive green infrastructure plans, the natural choice for strengthened community, shared prosperity, and ecological health.

## Author bio

As Marketing Director, **Rose Jordan** guides Fresh Coast's efforts to design, communicate and deliver value to cities, landowners, stakeholders and investors. Rose brings ten years of marketing and program management experience in consulting, public sector, nonprofit and social enterprise settings. Her ultimate professional goal is to further the way we communicate the ideals and practice of urban sustainability. Rose earned a community-based urban planning B.A. from the University of Washington and an M.B.A. in marketing management from Northwestern University's Kellogg School of Management.

## Works Cited

<sup>1</sup> ACSE: Failure to Act: Closing The Infrastructure Investment Gap For America's Economic Future, 2016 ([www.infrastructurereportcard.org](http://www.infrastructurereportcard.org))