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Obama's Green Efforts May Lead to More SRF-Backed Land Purchases

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By [Audrey Dutton](#)

Clean water state revolving funds may increasingly be used to purchase land due to the Obama administration's focus on "green" or alternative infrastructure investments, market participants said Friday as the president launched a major conservation initiative.

During a White House conference kicking off an "America's Great Outdoors Initiative," President Obama said his administration will spend the next several months in talks with tribal leaders, farmers, elected officials, and conservation groups, among others, to examine conservation funding and "better protect our natural landscape and our history for generations to come."

One goal during the next two and a half years will be to assess opportunities "to leverage non-federal public and private resources and nontraditional conservation programs," Obama said in a memo announcing the program.

A resource currently available to state and local governments is clean water state revolving funds, or SRFs, that in some cases serve a dual role in water and land preservation.

Clean water and drinking water SRFs are federal funds states use to issue loans with low, no, or negative interest — essentially grants — to publicly owned water agencies. The American Recovery and Reinvestment Act gave SRFs a total of \$6 billion, of which 20% had to be used for "green infrastructure" innovative programs, according to Rick Farrell, executive director of the Council of Infrastructure Financing Authorities.

Clean water SRFs have provided \$69 billion in total assistance, the Environmental Protection Agency's 2008 annual report said. States have the flexibility to choose the projects they want to fund, and SRFs are sometimes used in conjunction with bond financing for water infrastructure projects.

"Massachusetts has sold billions of dollars of bonds against that [SRF] cash flow," said Daniel Patrick O'Connell, president of Evergreen Capital Advisors Inc., who attended Friday's White House meeting. Most clean water pollution now comes from a "nonpoint source," such as farming runoff, and that is where using SRFs for land acquisition could help, O'Connell said.

Market participants noted last week that SRFs are used to buy land and sometimes are more cost-effective when used that way.

"With the 'green infrastructure' emphasis now ... there will probably be more acquisition of wetlands" and similar projects, Farrell said. "This may become more prevalent than it has been in the past."

Many of the SRF funds are still used for traditional, brick-and-mortar infrastructure like wastewater treatment facilities or sewer lines. However, in recent years the EPA has highlighted alternatives, such as Middletown, R.I., purchasing 45 acres of agricultural land "in order to prevent it from being developed, thereby protecting the local drinking water reservoir." Rockville, Md., used a \$1.4 million clean water SRF loan to enhance wetlands, stabilize an eroding stream bank, and restore a stream buffer. Also cited was the use of more than \$220 million "for nonpoint-source projects," such as landfill and brownfield rehabilitation. States including New York have used SRFs to buy tracts of land, the EPA's 2007 report said.

For such projects, "land preservation groups may be involved in an effort, and the SRF might be part of a larger package," Farrell said.

Though funding needs for traditional water infrastructure are great, buying land upstream can be more a cost-effective use of SRFs by preventing pollution of water that would otherwise have to be treated downstream, he said, asking, "What's the bottom line in terms of what is the most effective way to increase the water quality?"

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