

Financing Community Infrastructure

Taking Advantage of State Enabled Shoreline Restoration Interest Free Loans

Communities across Maryland are using special administrative and funding programs to finance their medium and long-term infrastructure needs. Over a hundred communities, some being near our FCF community (e.g. Bay Ridge, Highland Beach, Cape Ann, etc.) are taking advantage of interest-free loans to offset and minimize more traditional capital cost financing. Enabled by Maryland Code Title 21, Special Taxing Districts (STD) allow communities to address infrastructure needs using interest free loans of between 5-20 year terms. Long-term interest free loans allow communities to spread payments over time such that future owners bear a share of the project and immediate increases to assessments can be minimized or avoided altogether. FCF is eligible to make use of one of these state programs for shoreline restoration of Southbreeze Beach. The State Department of Natural Resources (DNR) grants these shoreline restoration interest-free loans, and they must be administered through a shoreline restoration control district approved by Anne Arundel County. In order to take advantage of this financing option, Fishing Creek Farms HOA would have to apply to establish a Special Shoreline Erosion Control Tax District to receive DNR interest-free loan funding.

Community Requirements

Communities applying to take advantage of a Special Shoreline Erosion Control Tax District must first document that 75% of the homeowners in the community agree to the STD. For FCF, this means 90 of the 120 owners would have to approve. Once documented, the community applies to the Anne Arundel County Council for official approval and establishment. This process is known to take approximately 2-3 months but given the encouragement by state and local authorities to communities to make use of these programs, approval is described as routine.

Unique Benefits to FCF HOA

Given the age and distinct character of our community's assets, establishing a special Shoreline Erosion Control Tax District would increase flexibility to use existing HOA reserves and operating funds in a more flexible manner. Based upon the project type, DNR loans can be up to \$1million and have a term of 20 years. DNR representatives have visited Southbreeze Beach and are aware of our plans to restore it, including our actions to seek grant funding. They indicate that Southbreeze Beach restoration is the kind of project they are focused on supporting. DNR loans are also flexible, and the amount of a loan can be adjusted through consultation of the parties. This approach will enable FCF HOA to scale down or up a loan amount for any grant funding to be received.

DNR loan funding must only be used to pay for sand, stone, and planting cost of a restoration project. It may not be used to pay for costs such as bulkhead or boardwalk construction.

FCF SBB Hybrid Financing Strategy: Maximizing Financial Options

Given the increasing breaches at Southbreeze Beach and the assets of our community, this State-based program presents an attractive addition to our plans to utilize an array of different funding sources (such as grants and HOA reserves) for our Capex needs.

By adopting this method for the Southbreeze Beach project, the FCF community can leverage multiple funding sources while maintaining an equitable balance of payments for both current and future homeowners.

Funding Discussions and Action Plan

While no specific loan amount has been decided upon at this time, the Board would like to hold community meetings beginning in September to elaborate on the idea of applying for a Special Shoreline Erosion Control Tax District, how it may benefit our community and our infrastructure needs, and to invite homeowner input.