

Financing the BHI Engineered Beach Project

Funding Concepts and Approaches

KICK-OFF CHARRETTES

July 11-12, 2008

PARC

Peter A. Ravella Consulting

Overview of Talk

- The BHI Engineered Beach Project
- Why Financing is Tricky: The Duality of Beaches
- The Big Picture: Federal, State & Local Money
- Example Case: Okaloosa County, Florida
- The Local Level: Four Secrets to Success
- Public Discussion

Part I

The BHI Engineered Beach Project



Causes of BHI Erosion

PARC

1. Divergent alongshore littoral transport gradients at South Beach
2. Tidal currents and proximity to the Cape Fear River Entrance, and
3. Long-term morphological changes in island configuration and offshore ebb tidal shoal formations due to both initial navigation channel construction and subsequent channel maintenance.

USACE Sand Management Plan

Six Year Cycle/About 1 million cubic yards (mcy)

- 2011 Yr 2: Planned BHI Placement
- 2009/Yr 6: Planned Caswell Beach Placement
- 2007/Yr 4: BHI (1.0 mcy)
- 2005/Yr 2: BHI (1.2 mcy)
- 2001/Yr 0: BHI (Channel Widening (1.58 mcy))

USACE Sand Management Plan

WHY IT DOESN'T WORK?

- The Four-year Gap: No sand btw 2007 to 2011
- Annual BHI Sand Losses: 350,000 cu. yds.
- Losses during “The Gap:” 1.6 million cu. yds

Without the BHI Engineered Beach Project, BHI beaches, infrastructure and homes are at greater risk.

BHI Engineered Beach “FILLING THE GAP”

- Project Length: 16,200 feet (3.08 miles)
- Sand Fill Volume: 2 million cubic yards
- Fill Density: 128 cu. yds./ft.
- Estimated Cost: \$15 million
- Sand Source: Jay Bird Shoals
- Construction Dates: Nov '09 – April '10

Part II

Why Financing is Tricky:
The Duality of Beaches



There's Nothing Like a Beach

Public Character

- It's a "park"
- An economic engine
- Foundation of the tourism economy
- Drives the real estate market
- Expands the tax base
- Increases public revenue

Private Character

- Direct recreation area for beachfront owners
- Protects homes from storms
- Increases property values
- Generates rental and investment income
- Provides "aesthetic" and "spiritual" benefits

“Duality” is the Key to Funding

- Successful beach financing plans reflect the duality of beaches
- Failed beach financing plans fracture:
 - Beachfront owners can emphasize the “public character” of the beach and refuse to help
 - Off-beach owners can emphasize the “private character” of the beach and refuse to help
- Financial plans must capture the Public and Private character of the beach

Build Funding Coalitions Based on the “Duality” of Beaches

Contributors should include:

- State of North Carolina Public
- The Village of BHI Public
- Overnight & Day Visitors Public-Private
- Beachfront property owners Private
- Off-beach property owners Private

Part III

The Big Picture:
Federal, State &
Local Money



Federal Funds

- Irregularly authorized through WRDA
- Complex Process
 - Reconnaissance Phase - Section 905(b) Report
 - Feasibility Study Phase - Authorization & Funding
 - Project Authorization & Appropriation
- The brass ring: 50-year authorization, 50% federal share
- Time to secure project funds: 5 to 10 years

State Funding Program

- Water Resources Development Grant Program
- Annual grant process
- Agency's project list integrates all water projects
- Legislature acts on the entire list
- State share: 25% – 33%

**BHI will request a 33% state share
for the BHI Engineered Beach**

Potential BHI Funding Tools

Near Term

- State of North Carolina (public)
- BHI General Revenue (public)
- Accommodation Taxes (overnight visitors)
- Ad Valorem Revenues (owners)
- Cart Rental Fee (day visitors)

Long Term

- USACE SMP – closing the gap
- Brunswick County revenue sharing

Part IV

An Example:
Okaloosa County,
Florida



Okaloosa County Projects

- **City of Destin**
 - 3.1 miles long
 - Partially Critically Eroded Area
 - Estimated Cost: \$13.4 million
 - Minimum state share (6%)

- **Okaloosa Island**
 - 2.8 miles long
 - Critically Eroded Area
 - Estimated Cost: \$12.35 million
 - Maximum state share (50%)

Project Funding Guidelines

- Use the “bed tax” (accommodation tax)
- Use landowner assessment fees, not *ad valorem* tax
- Use a Beneficiary-pays principle
- Use a Municipal Services Benefit Unit (MSBU) – a unique type of Florida Special District

Benefit –Based Assessments

PARC

Assessments are based on Two Project Benefits

- **Storm Damage Reduction Benefits (SDR)**
 - Apply to beachfront properties only
 - Based on a point system
- **Recreational Benefits (RB)**
 - Apply to all properties within the MSBU
 - Based on pro-rate or equal shares

Distribution of Benefits

- **Storm Damage Reduction Benefits** 60%
- **Recreational Benefits** 40%
 - Beachfront owners pay
 - Storm Damage Reduction Assessment
 - Recreational Assessment
 - Off-beach owners pay
 - Recreational Assessment

Beachfront SF Home Example PARC

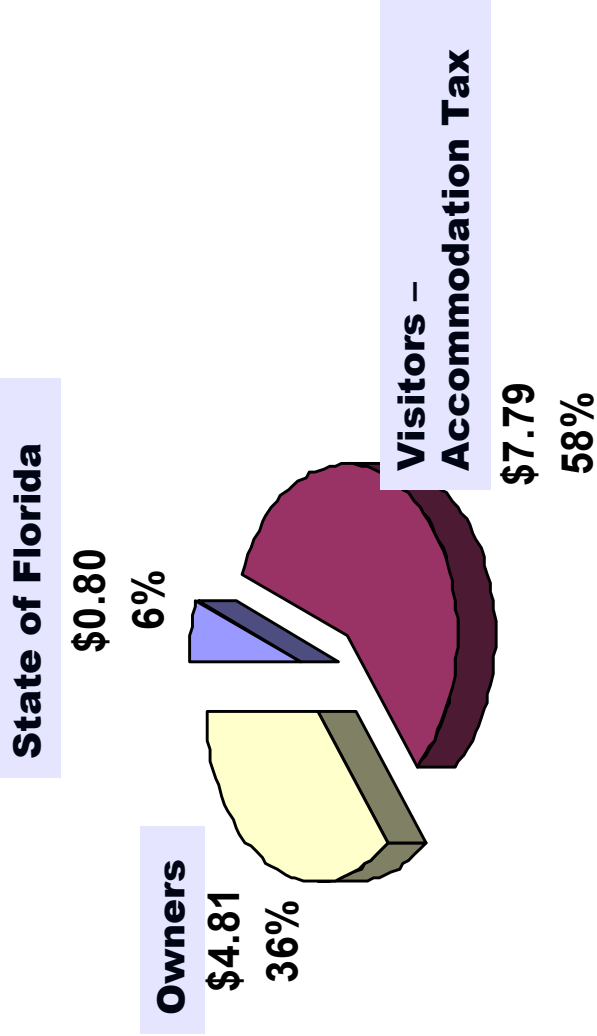
- Lot size: 0.3 Acre = 3 points
- Dwelling Units: 1 Unit = 1 point
- Beachfront length: 50 ft = 5 points

Total 9 points

	Cost per Point	SDR Points	SDR Assessment	Recreational Assessment	Total Assessment
Okaloosa Isl.	\$40.43	9	\$363.87	\$59.93	\$423.80
Destin	\$49.39	9	\$444.51	\$53.84	\$498.35

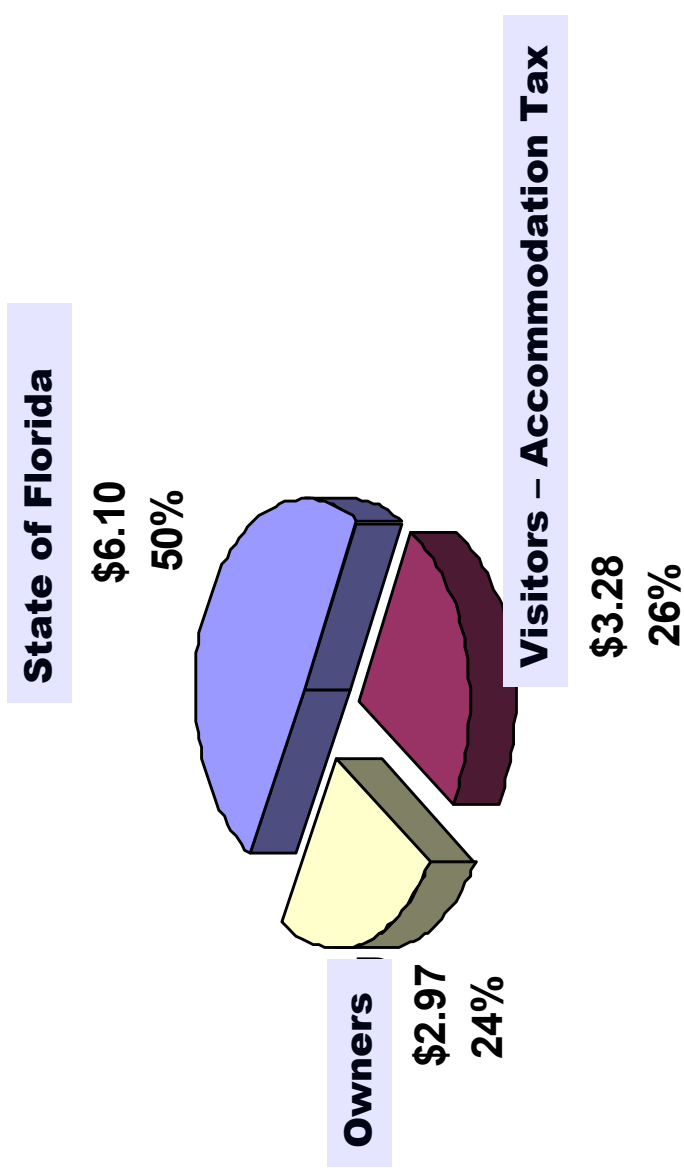
Destin, Florida Project

Destin Project Cost Distribution (\$ in Millions)



Okaloosa Island Project Cost

Okaloosa Island Project Cost Distribution
(\$ in Millions)



Part V

The Local Level:
Four Secrets to Success



Secret #1: **“It’s Only Politics”**

At the Community Level

The funding plan must be “*fair and equitable*” in the eyes of most in the community.

At the City Government Level

Elected officials must be in a position to vote “yes” and that requires broad community support and an open financial planning process

Secret #2:

Blended Benefits, Blended Contributors

- Beaches produce both “Public” and “Private” Benefits – the “Duality”
- Successful Funding Plans Generally:
 - Reflect the dual nature of beaches
 - Capture identifiable beneficiary groups
 - Reasonably identify and define the benefits
 - Have a sensible & understandable method of allocating project costs among the beneficiaries

Secret #3: Who's in and Who's Out

- **Larger assessment zones are preferable**
 - Lower the average cost of individual assessments
 - Reflect the community-wide benefits of the beach
 - Avoid financially unstable project fragmentation
- **Beachfront vs. Off-beach Dichotomy**
 - Beachfront owners should pay more than off-beach owners because of the unique storm damage reduction benefits

Secret #4:

The Perfection Trap

- Assessment Strategies can become complex
- There are always finer “distinctions” to be made:
 - Among beneficiaries,
 - Property characteristics, and
 - Assessment strategies and rates
- Increased complexity can lead to increased “accuracy” but at some point, public understanding and support declines
- Best Rule: “KISS” – do not seek perfection

Part VI

How to Participate in
the BHI Beach Project
Financial Planning
Process



We Need Your Help

- Attend the Charettes and Workshops
- Visit the Website:
www.villagebhi.org “Engineered Beach Project” link
- Review the Project Materials on-line
- Watch the Project Webcasts
- Participate in the On-Line Discussion Board
- Contact PARC with questions or comments

Funding Plan Process

- Charettes – July 11-12, 2008
 - Initial discussion of funding concepts
- Workshops - August 15-16, 2008
 - Review specific funding options
- Funding Plan – September-October 2008
 - Preparation, revision & presentation of Draft funding recommendation
- Council Action - November 2008

PARC

PETER A. RAVELLA CONSULTING, LLC

512-784-3565 cell

peter@ravellaconsulting.com