RESIDENTIAL SHORELINE LOAN PROGRAM FEASIBILITY STUDY

Since 2014, local Shore Friendly programs have engaged with hundreds of waterfront homeowners to encourage voluntary removal of damaging shoreline armor where erosion risk is low to moderate. Engineered soft shore protection techniques are an attractive protection alternative that benefits fish and wildlife. However, cost is a significant barrier to these projects and existing financial incentives are not sufficient to meet demand.

We aim to address this gap by developing a program that provides low-cost loans for Shore Friendly projects.

WHAT WE’RE DOING

Puget Sound Institute, Coastal Geologic Services, and Northern Economics are preparing:

- A market analysis to estimate homeowner interest in and regional demand for loans to implement Shore Friendly projects
- A project cost analysis to estimate the anticipated range of loan amounts
- A financing analysis to determine capitalization needs for a self-sustaining revolving loan fund
- A feasibility report that identifies potential sources of funding, entities that could administer a Shore Friendly-branded loan program, and next steps.

WHY THIS ISSUE IS IMPORTANT

Shoreline armor damages beaches and degrades critical habitat for fish and wildlife. As sea level rises, armor can cause more damage by preventing shoreline habitats from shifting inland. Waterfront homeowners are increasingly concerned about coastal flooding and interested in options like elevating and moving homes inland. When combined with armor removal, these adaptation measures can increase the resilience of both human and ecological communities.

WHAT YOU CAN DO

Waterfront homeowners can visit www.shorefriendly.org to learn about healthy beaches and resources available to help protect your property and Puget Sound.

Local Shore Friendly programs can help by noting promising armor removal, soft shore protection, and sea level rise adaptation projects unable to move forward without additional financial incentive. This record will support follow-up with willing homeowners once a loan program is operational.

ABOUT PUGET SOUND INSTITUTE

The Puget Sound Institute was established at the University of Washington to catalyze application of science by resource managers and policymakers engaged in Puget Sound recovery. We synthesize and integrate research findings and conduct original research to support development of strategies for

FOR MORE INFORMATION

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Project based on NTA 2018–0266
RESULTS

The assessments conducted as part of this feasibility study demonstrate that a loan program is a viable mechanism to advance residential shoreline projects and improve ecological outcomes. Results of the market analysis indicate that there is demand for 6 to 8 loans per year over a 15-year analysis period. We expect demand to increase in the future as extreme high-water events become more frequent.

Since revolving loan funds are replenished as loans are repaid, a relatively low initial investment can have a large impact. Financial modeling indicates that $4.5 million in seed money could fund $9.7 million in projects over the first 15 years of a loan program. Seed money could be added over several years; $600,000 should be enough to cover program start-up costs and initial fund capitalization in year one.

Financial Model Results. Source: Northern Economics

Existing institutional authorities and expertise, as well as established local Shore Friendly programs, can be leveraged to administer a loan program. Program administration is envisioned to be like Washington’s on-site sewage system replacement loan program. In this model, a lead state agency applies for funding, develops eligibility requirements and prioritization criteria, and oversees a contract with a financial institution to manage the fund and service the loans.

Waves crashing in front of Seattle homes. Photo: J. Kinney

Another state agency provides technical assistance, and local jurisdictions can opt-in to the program under a memorandum of understanding with the lead agency. For a residential shoreline loan program, four state agencies could potentially be program partners.

NEXT STEPS

This feasibility report ends with an outline of the steps needed to develop a Shore Friendly loan program; description of options for its administration; and summary of partner input received on potential project eligibility criteria. The next step is to identify a state agency champion willing to either dedicate existing staff time, or apply for grants to hire a temporary position, to secure funding and engage potential partners to develop program guidelines. Criteria are proposed for evaluating potential roles for lead and supporting agencies, and a qualitative evaluation of potential partners is provided.

LINKS

The feasibility report and technical appendices can be found on the Encyclopedia of Puget Sound.