WHAT WE HEARD

Panel: Financing Resiliency in Lower Manhattan

FIDI-SEAPORT CLIMATE RESILIENCE MASTER PLAN | 4.13.21

INTRODUCTION

The New York City Economic Development Corporation (“NYCEDC”) and the Mayor’s Office of Climate Resiliency (“MOCR”, and together with NYCEDC, the “City”) hosted a panel discussion Funding and Financing Resiliency in Lower Manhattan on April 13th, 2021. This panel featured key experts in financing resiliency and large-scale infrastructure projects. The event drew thought leaders and experts in this space, along with members of the Climate Coalition of Lower Manhattan—a forum of individuals and groups who have expertise on Lower Manhattan’s complex context and are invested in the climate resilience of Lower Manhattan.

The City’s objectives for this meeting were to:

- Provide greater context to participants about funding considerations for projects across the city, where the FiDi-Seaport Climate Resilience Master Plan (“Climate Resilience Plan”) fits in, and how other case studies inform the funding and financing approach
- Ensure participants leave with an understanding of the Climate Resilience Plan’s purpose and key cost drivers, the unique constraints of the Financial District and South Street Seaport project area, and the many other considerations that will need to be made to create an effective flood defense system, in addition to the cost of inaction
- Provide insight and transparency into how the project is approaching the financial analysis and assessing possible funding sources
- Collect feedback from a broad range of stakeholders, including residents and neighborhood stakeholders, finance professionals, and other project implementation specialists

The first portion of the session consisted of a presentation given by the City. MOCR shared an overview of resiliency projects across the city, homing in on specific case studies to highlight ongoing work and demonstrate precedents for how resiliency projects have been funded in New York City. NYCEDC then shared project background on the Climate Resilience Plan, reminding the audience about key project components and goals. Lastly, MOCR shared an overview of key funding and financing sources that are available for resiliency projects and the different benefits and tradeoffs associated with each. For the Climate Resilience Plan, a funding source is defined as a direct revenue source (such as money provided by the Federal, State, or local government, or private sources like a self-imposed and self-governed assessment). Financing is defined as the structure or instruments used to leverage money from funding sources, typically used to accelerate project delivery by capitalizing long-term revenue sources upfront.

The second portion consisted of a panel discussion, as well as question and answers with leading resiliency and financing experts. Our panelists included:

- Amy Chester, Managing Director of Rebuild by Design,
- Elizabeth Yee, Executive Vice President, Program Strategy and Chief of Staff at the Rockefeller Foundation, and
- Tom Rousakis, Senior Managing Director at Ernst & Young Infrastructure Advisors.

The panel was moderated by Eric Clement, Senior Managing Director of Strategic Investments Group at NYCEDC. Panelists were asked questions about their experiences financing resiliency projects, the different roles that federal, state, and private sector play, the challenges with securing funding and financing for resiliency projects, and more. Participants were then welcomed to ask questions to the panelists. Below is a summary of the key takeaways from the panel discussion, including points made by both the panelists and questions asked by the participants. Additional details were added to the summary to provide further clarification for the reader on definitions and what was discussed.

KEY THEMES FROM THE SESSION

There are a number of potential funding and financing sources; it is unlikely that any one source can cover the full needs of a large-scale project which will likely require mixing and matching of several sources.

Potential funding sources encompass a number of revenue streams, which can include federal, state, local, and/or private sources. Most large-scale projects require drawing from different funding streams to meet the total project cost. When creating a funding and financing strategy, a number of factors must be considered, such as the volume of the funding sources, the mechanisms involved, and timing of the revenue stream.

For example, some resiliency projects may utilize value capture, a type of public financing that recovers some or all of the value that public infrastructure generates for private landowners. However, that revenue stream could take time before it could start bringing in money, so a project would require a different source for upfront capital (money), or a financing strategy to allow the City to capitalize the future funding stream.

The private sector also has an important role in offering financing to projects that are deemed "riskier" (i.e., an early-stage project or a complicated project). The private sector also pushes markets to take a broader look at economic returns by forcing them to think about the long-term negative impact of climate change on their portfolio's returns and considering how to value the social benefits a project brings.

Additionally, legislators and advocates are pushing for the creation of new funding sources for resiliency projects. In New York State, the legislature is working to create an entirely new pot of funding for these types of projects through passing the Environmental Bond Act[1], which would create a $3M funding pool to be used statewide. Further, new funding sources for resiliency projects could become available under the Biden Administration's infrastructure bill which, if passed, could offer potential opportunities for this project.

Within these funding and financing sources, participants expressed a strong desire for financing mechanisms that are equitable.

There is a need to be mindful of who the financial burden falls to, as there are vulnerable New Yorkers, including NYCHA residents, who live in high-risk flood areas. For example, the Environmental Bond Act acknowledges the importance of environmental justice[2] within resiliency conversations and has set aside thirty-five percent of its funding to go towards environmental justice communities. For each resiliency project, the City considers both the needs of a specific neighborhood and how it fits into the citywide resiliency portfolio.

Building widespread support and momentum for these projects is critical in making the case for their funding.

There are a number of different stakeholders and constituents to engage while building a coalition of support for a project. The community is a critical aspect of this, and people should feel that they were included and brought along, that the proposed project addresses community needs, and that they have a voice in shaping it. A strong educational component is also important in the engagement process so that stakeholders understand the need for a project. It must be clear what losses are avoided through a resiliency project and what would happen if nothing were done.

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[1] For more information about the Environmental Bond Act, visit the New York State website: https://www.governor.ny.gov/programs/restore-mother-nature-bond-act

[2] All people and communities, regardless of race, color, national origin, or income, have the right to equal environmental protection under the law, and the right to live, work and play in communities that are safe, healthy and free of life-threatening conditions.

If conflict or disagreement arises within the community or among stakeholders, it is helpful to reframe by centering and aligning on core project goals and rely on that as the underpinning for any project.

Benefit-Cost Analysis is an important metric for understanding the value of a project.

In Lower Manhattan, the Benefit-Cost Analysis ("BCA")[3] ratios are quite high because of the overall importance of this area, and how many people rely on Lower Manhattan – from living here, working here, passing through on their daily commute, etc. Different funding sources require different approaches to calculations and inputs into a BCA, and the City uses a sophisticated analysis that looks at a variety of risks and benefits from a project. The benefits of a project include both easily quantifiable pieces, like building damages, and less easily quantified pieces, like impacts on quality of life. It is the role of the BCA to put values to the relative costs and benefits of a project, to support case making around project importance.

There is a real opportunity to create a world-class space here; development should be limited and take into account neighborhood context.

While development is one pathway for project financing, our financial analysis has shown that no one funding source will be sufficient to cover the entire project. While development is considered an option to help finance the project, the Climate Resilience Plan is primarily driven by coastal defense and is not a plan oriented around development. Stakeholders have expressed a strong desire for improved quantity and quality of open space, and providing that amenity is a core project goal. Participants have also noted that different neighborhoods have different contexts, and any development should be sensitive to the surrounding contexts-- the project team strongly recognizes the importance of understanding impacts to the existing neighborhood. Finally, when thinking about development, the project team is also bringing in an urban design lens and considering how buildings are critical for activating space – bringing in community and cultural facilities that will make this an exciting place to visit, bringing eyes to the street and connecting to the urban character that is central to Lower Manhattan, and strengthening Lower Manhattan's role of economic engine for the city and region.

[3] A cost-benefit analysis (CBA) is the process used to measure the benefits of a project minus the costs associated with the project.