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Talking Points Prepared for

Disaster Recovery Institute International 2000 Breakout Session

"Achieving Resilience in the Built Environment: Engaging the private Sector for Public Benefit"

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Questions and Answers

1. **The current state: where are we today and where do we need to be in the future when it comes to engaging the private sector for resilience?**
   a. Three paradigm shifts: Sea level rise become ocean inundation climate crisis), industrial policy becomes National Climate Policy
   b. Climate change has become an existential crisis – in cities and beyond. In **Belfast, Maine**, population 7,000, located on the rapidly warming Gulf of Maine, the local Climate Change Committee has replaced its middle name to become the "**Climate Crisis Committee**."
   c. All of us can point to examples in our communities – small and large.
   d. Because the "climate crisis" requires an unprecedented amount of funding to support research, technology, community engagement, infrastructure design, construction and ongoing operations and maintenance, I propose a **major policy shift** for the U.S.
   e. Beyond promoting the nation's growth through our long-standing "Industrial Policy," we need a new "**National Climate Policy**." What's the change?
   f. The U.S. government historically has taken the lead in fostering private enterprise. Take the transportation sector. From the early days of America, government supported private transportation companies by building canals, financing the transcontinental railroad, standardizing safe train arrival and departure times through the creation of time zones, supporting the fledging airline industry with contracts for air mail, and enacting the Interstate Highway Act.
   g. Now it's time for the private sector to come forward to support a new "National Climate Policy."
   h. The National Climate Policy recognizes the **government, acting alone, cannot bear the financial cost of addressing climate mitigation** and climate adaptation.
   i. Therefore, the new "National Climate Policy" will **engage industry and non-government** actors in funding and financing research, new technology and massive public works projects that meet the challenge of reducing the rate and reducing the negative effects of climate change.
   j. The non-government sector must step in where the government will not or cannot lead.

k. Let me elaborate on the need for non-government leadership by citing three examples. Three examples, one "**will not**"; one "**cannot**," followed by a **third example**, an example of government and non-government actors mutually reinforcing each other's capabilities.

   i. "Will not" example: "A massive 200 Billion Dollar Sea Wall, built around New York to protect it from rare storms, is a costly, foolish & environmentally unfriendly idea that, when needed, probably won't work anyway. It will also look terrible. Sorry, you'll just have to get your mops & buckets ready!" – Donald J. Trump, 1/18/20 No funds for feasibility study in Administration's budget, 2/16/20.

   ii. "Cannot" example: Pick almost any major project; pick any list of unmet resilience needs. Government alone cannot save the day.

   iii. Positive example: In 2013, Congress provided $1B to HUD to design and build seven post-Superstorm Sandy projects to reduce flood risk in New York metro area. Non-government funds from the Rockefeller Foundation for a design competition enabled the government to allocate the $1B to the most qualified Rebuild by Design projects. The government had the funds for design and construction. The private sector had the latitude to optimize the design for use of those funds.

l. What can the non-government sector do? Here are nine examples that have been in the news during the past two months. All of them are on my Twitter account: **@allenwkratz**.

   1) **Provide Direct Funding:** Houston Chief Resilience Officer's work will entail boosting & deploying funding for multiple projects, including high-frequency transportation. First two years of her salary is paid by grant from Shell Oil. (2/16/20)
   2) **Collaborate**: In Portland, Maine, the city's fishing industry was key to discussions about how the city utilizes tax-increment financing to support an industry vital to the economy of Portland and Maine. (2/7/20)
   3) **Technology needed**: At a meeting of the Maine Climate Council, attendees heard that although Maine's soil-moisture ratio is favorable for many crops, climate change has burdened the state's agriculture sector with higher variability and fewer "field work days," thus lower productivity. Here's an example of how the agriculture industry can address changed growing seasons with new crop varieties and harvesting methods. (1/29/20)
   4) **Support projects**: In New Jersey nature-based resilience & restoration project at Bradley Beach, Point Pleasant, Maurice River Twp., Delaware Bay were funded inm party by the Rotary clubs and the William Penn Foundation in Philadelphia. (1/24/20)
   5) **Support research**: Brooklyn, N.Y.-based First Street Foundation has launched Flood Lab, a research partnership through which it will make the model with data on previous instances of flooding as well as future risks available to eight universities for free, giving them and the public a look at the data institutional investors use to gauge risk. Goal: apply accurate flood risk to land-use decisions, bond ratings and other financial instruments. "First publicly available flood risk model that predicts the probability of flooding for U.S. homes & properties." (1/15/20)
   6) **Invest in sustainability**: BlackRock, the world's largest fund manager, has announced it will put sustainability at the heart of its investment decisions. In his annual letter to chief executives, the BlackRock boss, Larry Fink, writes that the climate emergency is altering how investors view the long-term prospects of companies. "Awareness is rapidly changing, and I believe we are on the edge of a fundamental reshaping of finance." (1/14/20)
   7) **Use private-sector know-how**: With government entities at all levels fiscally constrained, the state Legislature is poised to approve today a bill that would allow

the private sector to invest in energy-related projects at public facilities. The legislation (A-4535) aims to address the aging, and in many cases obsolete, energy infrastructure owned by government facilities that have long gone without upgrades and replacement because of budgetary constraints. The legislation, approved by the budget committees in the Assembly and Senate last Thursday, could help governments develop a wide range of projects, including renewable energy, energy efficiency, and energy storage, according to proponents The bill would allow government entities to leverage the expertise and financial resources of the private sector to develop energy-related facilities. Private entities would be responsible for all aspects of the projects with their government partners, including finance, design, construction, operation and maintenance under the bill. Projects would not be supported by utility customers or budgetary allocations. Instead, some would be entirely funded through energy savings over time. Others would rely on investment tax credits, tax exemptions and abatements, private equity, bonding and eminent domain authority. (1/13/20)

8) **Support public bond initiatives**: Governor Cuomo announced a $3 Billion Bond Act for ecological restoration and resilient infrastructure to address the flooding NY is already experiencing. (1/8/20)
9) **Support cap and trade**: In California, 38 public works projects will receive $21.45 million to help restore wetlands, watersheds, salmon habitat and our global climate (12/28/19)

l. Non-government entities and governments need to **jointly undertake climate-resilience** projects: conception, design, community engagement, engineering, construction drawing, permitting, construction, operations & maintenance.

m. **Precedents** for private sector engagement:

1) industry self-regulation to mitigate harmful practices (e.g., insurance, brokerage, film industries)
2) corporate social responsibility (e.g., AT&T Foundation, Prudential Foundation, etc.)
3) LEED certification
4) eco-friendly products
5) recycling of used products, etc.)
6) new technologies, e.g., Cupolex sustainable building solutions; oyster reefs

2. In which areas of risk do you see the private sector contributing to urban centers' resilience profile? Seismic risk, urban heat, hydrological risk (flood, storm surge)?

a. All of the above, plus wind, fire.

b. “Resilience profile” encompasses more than structural resilience. Equally important: social and resilience, “community” as a civic good – a good that will be challenged by demographic changes (population declines and, elsewhere, population surges).

c. Resilience is not “bouncing back.” It’s “bouncing forward,” Jeanne Herb, Rutgers University says.

3. *Cui bono* – Who stands to win? What is the value proposition or financial argument for greater public-private engagement for resilience? Can cities do this alone?

- Who stands to win? Everyone: those at immediate risk and those who are related by economic supply chains, regional infrastructure/utilities – i.e., everyone in the “infrastructure shed” (Cynthia Rosenzweig).

4. Financing for risk? What are the tools?

a. In New Mexico, proceeds from a higher gasoline tax would be shared with clean infrastructure fund and low- to moderate-income families. 2/3/20
b. In Massachusetts, S.B. 10 that would raise $137M/year and $1B over 10 years for climate resilience infrastructure via real estate transfer fee, e.g., $900 upon sale of $400,000 home (1/22/20)
c. In Arkansas, Pew Trusts reports that state has provided $4.5 million in tax credits since 1995 to conserve wetlands (1/19/20)

Carbon taxation – RGGI, TCI
Catastrophe bonds
District-level financing
Green bonds
Hazard assessment districts
Insurance risk-pricing based on resilience metrics
Parametric insurance
Property & casualty insurance surcharges
Resilience bonds
Stormwater utility fees
Utility surcharges

Conclusion"

"Be bold." "Integrate the voices of young people." "This is a 30-yer adventure. What systems do we need to change?" "There are many overlapping vulnerabilities that we need to address."

Allen Kratz, 3/1/20