

San Francisco Bay Conservation and Development Commission

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March 15, 2019

TO: All Financing the Future Working Group Members
FROM: Lawrence J. Goldzband, Executive Director (415/352-3653; larry.goldzband@bcdc.ca.gov)
Steve Goldbeck, Chief Deputy Director (415/352-3611; steve.goldbeck@bcdc.ca.gov)
SUBJECT: Draft Meeting Summary of December 6, 2018 Financing the Future Working Group Meeting

1. **Call to Order.** The meeting was called to order by Acting Chair Holzman at the Bay Area Metro Center, 375 Beale Street, Ohlone Room, First Floor, San Francisco, California, at 10:30 a.m.

2. **Roll Call.** Present were Group Members: Acting Chair Jeff Holzman, Commissioner Kate Sears, Commissioner Claire Jahns, Executive Director Larry Goldzband, Working Group Members, Roger Davis, Mark Northcross and Chad Spitler.

3. **Not present were Group Members:** Chair Zack Wasserman, Commissioner Jennifer Lucchesi, Commissioner Aaron Peskin, Commissioner Alex Zwiessler, ECRB Member Robert “Bob” Battalio, James “Jim” Cervantes, Justin Cooper, Michael Papanian and Paul Rosenstiel.

4. **Approval of the June 7, 2018 Meeting Summary.**

MOTION: Working Group Member Northcross moved approval of the June 7, 2018 Meeting Summary, seconded by Working Group Member Chad Spitler. The motion passed by voice vote with no objections or abstentions.

5. **Briefing on California’s Fourth Climate Change Assessment.** Executive Director Goldzband briefly noted the reasons for postponement of Item 5 as well as upcoming presenters and topics. Also noted were issues involved in the transition to a new governor here in California. Areas of environmental emphasis were mentioned and nuances regarding different priorities between the existing administration and the new administration were noted.

Executive Director Goldzband introduced Susanne (Susi) Moser, Ph.D. to the Working Group and had meeting attendees introduce themselves.

Ms. Moser presented the following:

Research questions should cover the three areas of Funding gaps, Nature of Financial Challenges and Adaptation Finance solutions.

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FINANCING THE FUTURE WORKING GROUP MEETING SUMMARY
December 6, 2018

Contextualizing finance challenges addresses the longitudinal issues involved with long-term funding and potential measures to address them.

In the latest workshop the size and reasons for the adaptation, funding gaps was discussed. This proved extremely difficult and no definitive answers were produced.

The four areas of discussion centered around: adaptation needs, adaptive capacity, adaptation gaps and adaptation barriers.

Sub-sets or potential ramifications of the above included: cost of inaction/fiscal exposure, cost of adaptation actions and funding sources and mechanisms.

The most rapidly growing of these sub-sets is novel financing instruments housed under funding sources and mechanisms. A very small proportion of this is focused in the United States.

Adaptation plans and implementation documentation developed by local governments were looked at. Actual expenditures and justifications were examined.

An emphasis was placed on looking at stakeholder workshops and archetype analysis (grounded theory).

Workshops were held throughout California but those held in coastal areas were the most, well attended.

Archetype analysis is becoming more popular in the social sciences. This is an attempt to get at the commonalities that are valid across multiple cases. It requires that you look at large numbers of case studies to do your analysis.

In the United States we don't have the luxury on understanding the nature of funding challenges. Not a single case study for the U.S. was found.

Dr. Moser and her colleagues looked at the common reasons given for climate change adaptation barriers among the stakeholder groups that addressed this issue.

The most repetitive themes were as follows: lack of funding to implement a plan, insufficient staff resources to analyze relevant information, current pressing issues are all-consuming and lack of funding to prepare a plan.

These four issues have remained consistent in California since 2006.

Adaptation needs are changing as is the funding for it.

Most monies have been spent on vulnerability assessments, preparation of plans, implementation of adaptation strategies and community engagement with very little spent on evaluation of implementation actions.

Only two percent of respondents said they had secured all of the necessary funds. One third reported that they had secured some of the necessary funds. One third stated that they had begun seeking the necessary funds. And one-third noted that they have not looked into possible funding options.

In coastal communities funding sources are as follows: 30 percent has come from internal monies (pay-as-you-go), 62 percent from outside funds, 5 percent through financing and 3 percent from in-kind/pro bono sources.

Most of the monies have come from grants which are probably not how implementation will be funded.

For coastal communities there is an enormous spread of sources for adaptation funding.

What has been spent to date is vanishingly small compared to what is expected to be spent on implementation.

The four top categories to funding-specific barriers and strategies are as follows: insufficient staff time, some funding is available but it is insufficient, not sure where to go for adaptation funding and unsure of how to cost out adaptation investments. Ten other barriers were listed in order of importance.

An “archetype” is a recurrent, representative, persistent, causally related and mutually reinforcing pattern. Each archetype consists of a set of symptoms typical for a particular stage in the adaptation process with a set of underlying drivers or contributive factors that are inter-related with a unique or defining consequence for the ability of local governments to get funding.

There are sets of factors involved in archetypes with a varied occurrence depending on a government’s specific situation.

There are 15 unique archetypes. They are as follows: disproportionate burden/prior disadvantage, conflict of interest, low priority, lack of champions/leadership, disjointed risk structure, inappropriate funding scale, silo’ed governance syndrome, inability to make economic case, chronic underfunding/basic lack, lack of capacity, discontinuous funding, aversion to innovation, funding biases, lack of knowledge about sources, restrictions-conditions-eligibility criteria.

Conclusions arrived at are as follows: it’s about more than “not having enough money”, challenges are deeply rooted in historical choices and multiple interacting drivers, we must focus on novel funding mechanisms (may be necessary but is completely insufficient & may reinforce existing fiscal capacity disparities) and greater private-sector involvement. There are no easy solutions and there are many more entry points and suggested solutions are just a starting point.

Working Group Member Northcross commented: I think Susi drilled down to where we really need to be which is the political infeasibility of new taxes. My gut feeling is that this is the kind of stuff we need really be into which is, how do we convince people to pay for an unprecedented exaction to deal with climate change?

Mr. Bob Spencer from Urban Economics had a question: Did you have a chance to reflect on any historical case studies that might inform how a state like California might adapt to this challenge? Is it that unprecedented? I am wondering if there are any historical analogies that might help us get over the incredible challenge we are facing.

Dr. Moser replied: We did not look into those specific solutions. My sense is that there is some level of unprecedented costliness of what we are dealing with especially in the Bay Area because of how urbanized it is. I believe that for pieces of this there are historical precedents. There are lessons to be learned pertaining to implemented solutions and the positive and negative outcomes associated with them.

Executive Director Goldzband commented: There has been local reporting about the Coastal Commission's Guidance and how it is being treated by local governments who are having to start talking about, "managed retreat". In Pacifica there has been a near-revolt against the city council for even thinking about it. In Del Mar there has been truly a revolt against the idea of managed retreat. Del Mar is very wealthy and Pacifica is not poor. As you look through what you have done can you apply this to the issue of the discussion of managed retreat?

Dr. Moser explained: Some of the archetypes that we found begin to reflect some of that political dynamic. There are cultural dimensions. There are conflicts of interest dimensions and others. If you are a coastal community and you are supposed to move back; you are literally cutting down your tax base. You are so backed into a corner that it is unbelievable. This is why we ultimately need to open these Holy Grails of how we tax local governments or do taxation at all which is an incredibly, big, political undertaking to do. The more and harder and faster that sea levels rise the harder we will press to have this conversation. I guarantee you we will have to have this conversation because sea levels will rise everywhere and every part of California will want money from the state, every part of California wants to get money from the feds and they (the feds) will be more concerned with D.C., New York and Miami and that's it – then they run out of money.

We are going to have to figure out some way to redevelop the entire coastline and how to make that conversation palatable; how to make a future imaginable. I don't see anyone actually doing that work at present anywhere – at least not in this country. I think there is more conversation about this in Europe but not here.

Working Group Member Northcross replied: I agree Susi and I'm in support about what you are saying on how managed retreat needs to be addressed. I can't imagine putting a tax measure on the ballot that would levy \$1,000 per year per family to protect Marin County coastal areas from rising sea levels. Here is the question for an elected official like Commissioner Sears; we are likely to have people who don't live along the Bay coming to us and saying, what about managed retreat? Why should I pay \$1,000 a year to save these areas when we can just let them go and they can move?

Commissioner Sears responded: There has recently been a conference in southern California that has done a whole panel on the topic of managed retreat. We are hopeful that they video that conversation because I'm really curious. This is the first kind of scaled-up conversation about managed retreat that I'm aware of.

Our population in Marin is not on the coast. We are very much on the brink of needing to have a conversation about; do we focus our resources on actually addressing sea level rise on the coast?

Managed retreat is part of that. Some of our communities are more open to that conversation than others. Most aren't because they want to protect their properties. But we are right on the brink of having to make those decisions; do you focus on sea level rise adaptation where the people are or do you focus on fortifying your beach front?

We are on the brink of that conversation. Given the concerns about fire that the only way that you will ever get any kind of a ballot initiative passed is if you link fire danger and sea level rise because it is extraordinarily difficult for people who live in communities where their primary concern is evacuation during fire – they live on a hill and maybe they aren't thinking about the fact that they can't drive out when there are high tides. So I do think you need to come up with ways to link issues that bring people together.

I was at a holiday party in Belvedere last night and one of the city council members told me that the night before they had a public meeting on the sea level rise challenges they have and they have spent a lot of time in the last couple of years costing out what they need to do. And so they are having their first, public conversation about, here is the amount of money that is going to go on the ballot for you; not surprisingly people were saying, well that just protects the folks who live in Lagoon and I live up the hill. (Laughter)

Since I started talking about this in 2013 that is always the first question. Why should I care? I am fine. Our lack of a sense of community and the common good is a huge and tremendous problem.

Executive Director Goldzband asked: What was Belvedere saying are some of the possible solutions they would spend money on?

Commissioner Sears replied: They have costed out different measures. They have waterfront right along the Bay that needs to be fortified. They have pumps that really address the issue in Lagoon. They have engineering solutions that they need to spend money on.

As the city council woman said, and she is part of our Bay Wave Initiative for the County as a whole on the Bayside, and we are trying to have the conversation in terms of; it's not just rising water – it's going to affect your ability to have sewage and electricity and things that apply to everybody. You may not have your feet wet but if you can't flush your toilet you are not going to be so happy either.

She was saying, I wish we had framed the conversation with those topics rather than just saying, we need to do this to address rising tides.

Executive Director Goldzband added: And that goes to what Susi is talking about – community engagement.

Commissioner Sears interjected: And how you frame it.

Working Group Member Northcross commented: You are also touching on the silos question. Palmdale Water District is a client and we have the Twin Tunnels Project which I call a climate-change, adaptation project whether you like it or not. We've got snowpack turning into rainfall. We have our own groundwater recharge project plus we have a whole host of other climate-change, adaptation, mitigation exactions. For my \$55,000 a year median,

household income – 85 percent of the state average, a water rate payer in Palmdale just the Twin Tunnels, snowpack, groundwater recharge is \$500 per family per year. That is basically one percent of the gross household income and that is a silo. I've got all this other stuff out there.

I want to get a big number. I'm going to tell people in Palmdale how bad it is going to be for climate change – I only want to give them the number once. (Laughter) I don't want them to come back and telling me, well you said it was \$500 a year and I was shocked then and now you are saying, yeah and everything else is –

Commissioner Sears interjected: There are other ways to think about this. In Marin and other jurisdictions we passed renewals for transportation-funding, ballot measures in the fall. We were very successful on that. We know the implications of climate change particularly in terms of sea level rise on our transportation networks in some areas.

There are ways to have that conversation with people. It is tough to go out and say, I'm only going to do this one time and you are going to have to give me \$5,000,000 right now on this ballot and then I will never come back. That is a tough conversation. These are not insignificant challenges particularly for under-served communities and folks who don't have millionaire incomes.

Working Group Member Chad Spitler commented: The thing that really struck me was the need for private capital and how it is still a very small aspect of the funding source.

To tap into the big pools of private capital that exist there has to be a very good, success story around the financial return and the positive impact.

To your point about leveraging community engagement, the more that we can get the community to understand that there are investment vehicles that can achieve both a financial return and a positive impact; the more that we can start to overcome this misperception that investing in positive impact means some sort of abdication of fiduciary duty or that you are going to be earning less on your investment vehicle.

The drive for individuals to act on behalf of all of us isn't strong enough to solve the problem. We have to be able to make this happen in a way that everybody's own, individual selfishness and their, own, individual selfish behavior will contribute to solving the problem.

Dr. Moser chimed in: I very much agree. I also agree with the need for reframing and dialogue. Kate you already have great traction on that in Marin. Really thinking hard about that reframing task; essentially what we are looking at is a redevelopment of the coastline completely. What does that mean and how do we bring people along?

First maybe through the communication side but then it's very hard through the legal and financial mechanisms to make that happen. Those are really important and there is also a lot to be gained from making cross-sector connections.

In that reframing we must solve more than one problem. If it is just about one sector I don't think it is going to resonate as much nor will you get the necessary, political support and you can't make the calculations work.

In our study of the adaptation documents that local governments have produced we did not find, “two” of all the documents that we found that used the same methodologies in assessing their costs, their risks. (Laughter)

Working Group Member Roger Davis commented: Consistency is something that is not worth seeking because you are not going to find it. The thing that strikes me when asking from a due diligence point of view is; what are you doing about climate change and rising sea levels? For the most part local governments are expecting that money to come from somewhere else. That has been the model in Katrina and various, other, natural events and disasters and hoping and expecting that it is going to come from somewhere.

Until it becomes clear that they are not going to get money from other sources, they are not going to get the county to focus on these issues and give attention to these elements that motivate local governments.

One conceivable, partial mode might be the Earthquake Authority. Here we have an unpredictable, massive-but-foreseeable, natural disaster; how do they address it? They make stacked insurance and in a partial manner that is addressed. If you combine that with some incentives or requirements for certain areas and components of the community to have some kind of insurance then you will have some partial funding.

If I am now going to have to pay \$1,000 or so for insurance then now I am going to be motivated to try get the community to step up as a community.

Ms. Kathleen Schaefer from U.C. Davis commented: If you look at just the people who are paying for flood insurance today, if you said, right your check to the BCDC Funding Authority and you take their money for just two years and you say, we’re just going to put it away and put it in a pot – you would have more than enough money to pay every flood claim that has ever been paid in the Bay Area and from that point forward you have \$24,000,000 a year that you can do something with.

Now that is just the people who are currently buying flood insurance at the current rate that is going to go up at least 10 percent a year for the next foreseeable rates.

And this doesn’t include any of the monies that big corporations are paying in their, overall, corporate, risk-management stuff. So we could extract even more from corporate companies if we could separate the outcomes.

Acting Chair Holzman commented: I was thinking about the retreat conversation and I just don’t know how we retreat from all of these places that have built our infrastructure in the wrong place. No matter where you live you want your toilet to flush.

Commissioner Sears interjected: And who is going to pay to fix it?

Acting Chair Holzman continued: It seems like there is this pairing between a lot of money that does go into city and local governments for infrastructure and a lot of money that does go to transportation and tying those things together so that people can really see this does affect, in fact, everybody.

Commissioner Sears responded: For me that is a fair point. It is kind a triage of what you focus on fixing. Perhaps you focus on fixing the transportation network but you don't look for a lot of extra money to help people fortify their homes, you don't restore sand dunes; at some point you have to do that triage of where you are going to focus.

Working Group Member Davis commented: I really wonder whether or not retreat is at all practical in getting people to move.

Commissioner Sears replied: Well it won't happen until it absolutely has to happen.

Working Group Member Davis added: Even after it has happened you can't get people to move. Take a look at New Orleans. After Katrina the city was half of its pre-Katrina size and it contracted the size of the city. Politically people were not willing to give up those areas.

Commissioner Sears continued: A lot of the areas that were underwater in Katrina have not been rebuilt because they were poorer communities and people left and haven't returned. There are areas that were rebuilt but not the whole original size.

Working Group Member Davis emphasized: But the city was unable to contract itself into a smaller environment.

Commissioner Sears added: Well maybe formerly but it has a smaller population than it had before.

Working Group Member Davis continued: It has a much smaller population but it still has the same infrastructure needs for a smaller, geographic scale. And it not just the poorer areas a number of wealthy areas also got back.

Ms. Schaefer asked: I really struggled with how to describe your archetype analysis. The whole archetype analysis is difficult to put into simple, sound bites. What is the sound bite that you would use to describe the archetype analysis?

Dr. Moser responded: Identifying the repetitively mentioned challenges that communities face in getting adaptation funding.

Executive Director Goldzband added: The common concerns.

Working Group Member Davis commented: A lot of those conditions are the same ones we encounter in every public project. We don't have enough money. We don't have enough staff. We have other priorities. It is nothing particularly unique other than the mention of the problem about rising sea levels.

Dr. Moser agreed: I think you are right about that. They are not unique to coastal adaptation. They might be unique to any, major, funding challenge. I ran this by a number of different audiences and I've gotten confirmation from far-away places like Germany where the exact same issues are there. They are very different governances and still they face this series of issues. And I've heard this from sub-Saharan Africa.

It is interesting to me how they hold across these very different contexts. It speaks to the realities and the structures that we have imposed on them.

Working Group Member Northcross was recognized: There is one, key difference with climate change and that is what I will call, “futuraity”, uncertainty. And the question is, if you are putting things on the ballot for normal infrastructure – 101 in Marin is a mess – okay – we will vote for Smart Train; go down the list, schools are overcrowded, we’re going to vote for the Skilled School Bond. The bad thing, the avoided cost is in your face; the voters will vote for an exaction.

What do you do when you are going to someone in east Oakland or in Palmdale and you are saying; there is a bad thing that is going to happen. We know you are already disadvantaged. I want you to take food out of your mouth and pay for something I can’t even tell you how bad it is or when it is going to happen.

Commissioner Sears added: So that is why you link it to health. It is a climate-change impact on health that disproportionately impacts some of the disadvantaged communities. It’s back to my reframing.

Executive Director Goldzband reiterated: It goes back to your linkage issue. When Zack and I went to Finance this past summer to start talking about this issue with regard to BCDC and the resources that we think we need over the next three to eight years; one of the things that I made sure we talked about was the fires and the amount of destruction from a physical-resources perspective but also from a financial-resources perspective.

I said, this is the perfect example of pennies on the dollars that it costs you to save huge amounts of money. And that question we hope they will answer and they will say, yes – you are right. It is time to spend a minimal amount of millions of dollars in order to avoid huge disasters. I do think that Finance got it.

We tried that before and it has fallen to some extent on deaf ears but when you talk about the fires I think they got it.

Mr. Warner Chabot from SFEI commented: The good news about this bad situation is that there are a large number of entities in the Bay Area in the coming year that are going to force that discussion. BCDC’s leadership is one of many that are going to do that.

In doing this research I assume you probably did some survey of the literature. You previously said you haven’t seen any good examples of where a state/regional, government alliance has taken action on this. Have you even seen any good examples in the literature where the economic cost or the magnitude of the problem has been communicated in the United States? Have you seen any good literature that would apply to the Bay Area where journalism or local/regional, state agency has tried to communicate the magnitude of this financial challenge facing local governments?

Dr. Moser replied: Actually I have. The good example I have heard is the state of Louisiana. The state of Louisiana has a Coastal Management Master Plan that is not an adaptation plan by any stretch of the imagination but it is the best I know in the nation in terms of a coastal, adaptation plan that says, here is the scenario, here is what it could cost, here is what I believe we can save, here is what we can protect, here is what we can restore and here is what we will abandon.

They actually talk about it and they have terrible trouble getting the money from the feds and from their own sources. It is the one plan I know where they put a dollar figure and they actually said; we can't protect everything. I think it is an incredible, good study for that.

One of the things Kate said about, just link it to the health issues; true that this is something that resonant but I would be very, very cautious about putting one answer to everything about environmental justice and low-income communities.

The issue you were talking about was around how to show the benefits and how to make sure that they assess that correctly. Our money is just as silo'ed and the agencies are just as silo'ed as the rest of the governments and our minds are silo'ed. People don't make those connections easily.

To address that needs concerted effort and leadership like yours and others to bring that together. There is a really big piece of work to be done around developing adequate, economic-assessment tools that are readily available for the staff to use.

If you are a very strapped community you can't pay the AECOMs and the big, consulting firms to do that kind of work for you. So then, what do you do? BCDC could be doing an enormous service to Bay Area communities and beyond to come up with a good set of economic-assessments tools showing where the data are, what is important to look at and assess, how to do that, train up people; there is so much capacity-building needs in all of what I showed you here.

You could make a huge difference so I encourage you to go the Appendix to this study and within the report there are table after table summarizing the solutions people offered. Use that as a starting point and look specifically how you can address the different archetypes. There is no one solution to address these 15 different, unique problems underneath. But there are 15 sets of solutions under each and that is the hopeful piece from the study.

Commissioner Jahns commented: I think she is right about the Louisiana Plan being the best example. It would be interesting to see how the local governments who are the losers in that plan are reacting to it. That is a different demographic and a different political situation.

Executive Director Goldzband stated: It is a different political geography but at the same time there are an awful lot of parallels that you can draw.

Commissioner Sears added: And if you haven't read, "Strangers in Their Own Land", I encourage everyone to read that because it is about Louisiana and the Tea Party. It is a fascinating book.

Dr. Moser stated: And if you haven't looked at the Louisiana Foundation and what they do to empower and train up and build capacities of local communities to have conversations about retreat then that is a huge source.

Executive Goldzband continued: All right Susi. Thank you so much for the presentation. We really appreciate it. If you get me the links I will make sure that everyone gets them and we will also post them.

I am hoping that after a mid-December meeting when we sit down with RBD we will then have the ability to put you all into action with the different projects. That is really what we want to do. They are applying for grants but they definitely need help on the financial infrastructures.

6. Briefing on Philanthropy's Potential Roles on Funding Adaptation-related Projects Relating to Sea Level Rise. (Item postponed)

7. Discussion of Possible Future Topics. (Item not discussed)

8. Adjournment. There being no further business, Acting Chair Holzman adjourned the meeting at 12:02 p.m.