WHAT WE HEARD

Panel: Financing Resiliency in Lower Manhattan

FIDI-SEAPORT CLIMATE RESILIENCE MASTER PLAN | 4.13.21

INTRODUCTION

NYCEDC and MOR (the City) hosted a panel discussion Financing Resiliency in Lower Manhattan on April 13th, 2021. This panel featured key experts in financing resiliency and large scale infrastructure projects, and 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 that:

- Provide greater context to participants about funding considerations for projects across the city, where the FiDi Seaport Plan fits in, and how other case studies help inform our funding and financing approach
- Participants leave with an understanding of the FiDi Seaport purpose and key cost drivers, the unique constraints of the project area, and the many other considerations that will need to be considered to create an effective flood defense system, in addition to the cost of inaction
- Participants walk away with an understanding of how we are approaching the financial analysis and assessing possible funding sources,

The first portion of the session consisted of a presentation given by the City. They Mayor's Office of Resiliency (MOR) opened by sharing 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. The New York City Economic Development Corporation (NYCEDC) then shared specific project background on the FiDi-Seaport Master Plan, reminding the audience about key project components and goals. Lastly, NYCEDC shared an overview of key funding and financing sources that are available for resiliency projects and the different benefits and tradeoffs associated with each.

The second portion was spent in a panel discussion and Q and A 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 Ernest & 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 in financing resiliency projects, the challenges with securing funding and financing for these projects, and more. Participants were then welcomed to ask questions to the panelists. Below is a summary of the key take aways from the panel discussion, including points made by both the panelists and questions asked by the participants.

KEY THEMES FROM THE SESSION

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

These funding sources encompass a number of strean, and can include federal, state, local, and private pathways. Most large scale projects require drawing from different funding and financing streams to meet the total project cost, and must consider a number of factors, such as the volume of the funding source, the mechanisms involved, and timing of the funding and financing. Below are some examples of what this looks like for large scale resiliency work:

For example, some resiliency projects may utilize value capture, in which the project assesses the value of protection that it offers to specific buildings, structures, spaces, etc., by looking at the losses that are avoided. Part of the project cost is then distributed in a fair away among those who benefit. This is also similar to financing mechanisms such as creating a resiliency district and property tax surcharge for the areas within that district. However, that revenue stream could take time before it could start bringing in money, so a project would require a different source for upfront funding.

The private sector also has an important role to play, by offering financing to projects that are deemed more “risky” (being an early-stage project, being a complicated project, etc). The private sector is also pushing markets to take a broader look at economic returns, by forcing them to think about the long-term negative impact of climate change on portfolio’s returns, and considering how to value the social benefits a project brings.

Additionally, advocates and legislators are pushing for the creation of new funding sources – in New York State, the legislature is working to create an entirely new pot of funding for resiliency projects through passing the Mother Nature Bond Act, which would create a $3M funding pool to be used statewide of for resiliency projects.

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

With these models there is a need to be mindful of who the financial burden falls to, and acknowledge that there are vulnerable New Yorkers, including NYCHA residents, who live in high risk areas. The Mother Nature Bond Act also acknowledges the importance of environmental justice within resiliency conversations, and has set aside 35% of its funding to go towards environmental justice communities. Additionally, with each resiliency project the City looks at both the needs of a specific neighborhood, while also considering 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 an important aspect of this, and it is really important that there be a strong educational component and that stakeholders understand the importance of a project – what are the avoided losses? What would happen if we did nothing? It is also important to share information about the scope of the Biden administration's infrastructure bill, since it includes funding for resiliency projects, and to make sure that people are aware of these opportunities. Additionally, with engagement it is critical that the community feels included and brought along, that the proposed project actually addresses community needs, and that community members have a voice in shaping it. 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) 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 kinds of calculations and inputs into a BCA, and the City includes a sophisticated analysis that looks at a variety of risks and benefits from a project. The benefits of a project include both the easily quantifiable pieces like building damages, and some of the less easily quantified pieces like impacts to quality of life, etc – it is the role of the BCA to put a value to the relative cost and benefit 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 for help finance the project, this is a plan that is driven by coastal defense and is not one 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.