

San Francisco Bay Conservation and Development Commission

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March 1, 2017

TO: All Commissioners and Alternates

FROM: Lawrence J. Goldzband, Executive Director (415/352-3653; larry.goldzband@bcdca.gov)

SUBJECT: Draft Minutes of February 16, 2017 Financing the Future Working Group Meeting

1. Call to Order. The meeting was reconvened by Chair Wasserman at the Bay Area Metro Center, 375 Beale Street, Yerba Buena Room, First Floor, San Francisco, California, at 3:21 p.m.

2. Roll Call. Present were Group Members: Chair Zack Wasserman, Commissioner J.R. De La Rosa, Commissioner Jennifer Lucchesi, Commissioner Dave Pine, Justin Cooper, Roger Davis, Mark Northcross, Michael Paparian and Chad Spitler.

Also present was: Mike Pechner, MTC Advisory Council Member.

Not present were Group Members: Commissioner Geoffrey Gibbs, Commissioner Aaron Peskin, Commissioner Alex Zwissler, James Cervantes and Paul Rosenstiel.

3. Introduction of and Comments by the Working Group Members. Chair Wasserman mentioned that he had given a brief summary of what had brought the group to meet in the Ohlone Room earlier in the day. Self-introductions were also made at that time.

Chair Wasserman addressed some of the subject matter to be discussed during the meeting. He mentioned a number of areas of discussion: brainstorming about some of the mechanisms Members may have thought of or be familiar with that may apply to some of the kinds of things we need to finance as well as brainstorming about the kinds of topics that we think we want to cover in our meetings over the next 18 months.

Chair Wasserman briefly discussed two programs that are underway that would provide background and information for our efforts. The two programs he noted were the ART Program (Adapting to Rising Tides) and the Resilience by Design Contest. A number of details and noteworthy characteristics of the two programs were shared with the Group by Chair Wasserman.

He mentioned that the context of potential projects should be mentioned however getting bogged down in specific projects would not be productive.

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FINANCING THE FUTURE WORKING GROUP MINUTES
February 16, 2017

The subject of protecting vital infrastructure such as airports, sewer treatment plants, highways, utilities and other built infrastructure was briefly touched on.

Protecting the natural environment including hardscapes and softscapes was also mentioned.

Executive Director Goldzband informed the Group that what they would talk about would be discussions and not decision-making meetings. The engagements of the group would be in the setting of a public meeting and all applicable state rules would be followed.

Participants introduced themselves. Among those present were: Steve Goldbeck, BCDC Chief Deputy Director, Mike Pechner, Mineralogist, Climate Change Consultant and MTC Advisory Council Member, Jennifer Lucchesi, Executive Officer, State Lands Commission, J.R. DeLaRosa, Assistant Secretary for Climate Change, Natural Resources Agency, Mike Paparian, Formerly a California Deputy State Treasurer, Consultant and Volunteer with various Environmental Organizations, Dave Pine, San Mateo County Board of Supervisors and BCDC Commissioner, Chair of San Francisco Bay Restoration Authority, Larry Goldzband, BCDC Executive Director, BCDC Chair Zack Wasserman, Kate Sears, BCDC Commissioner and Marin County Supervisor, Mark Northcross, NHA Advisor to public agencies, Chad Spitler, Sustainable Investor, Former Managing Director with Black Rock, Justin Cooper, Public Finance Attorney with Orrick Herrington & Sutcliffe and Roger Davis, Public Finance Attorney with Orrick Herrington & Sutcliffe.

Commissioner Pine informed the group that the San Francisco Bay Restoration Authority was created by legislation in 2008 with the sole purpose of finding a mechanism to raise funds for Bay restoration. A parcel tax passed inclusive of the nine-county Bay Region provides about \$25 million a year and is in place for 20 years.

Commissioner Pine briefly discussed details for distribution of funds as well as the governing mechanics of the Authority.

The hope is that these funds will allow the Authority to leverage funds from state and federal resources.

Mr. Mike Paparian mentioned that current and future maps will have dramatic impacts on the types of projects that will be funded for adaptation purposes.

Anything that is built, proposed or financed within impacted areas is placing an extra burden on society in the future. Monetizing that impact now should be considered.

Anything that is financed in the Region ought to make a small contribution to the type of fund that would assist Bay- Area-Wide.

Commissioner DeLaRosa opined that one key element will be the Ocean Protection Council Sea Level Rise Guidance Document which will provide guidance on sea level rise and will have a key component of a Science Advisory Team looking at ice melt.

Specific guidance and advice to specific localities will be a challenging aspect of this work.

Commissioner Lucchesi mentioned her work with the Port of San Francisco on their various waterfront projects and how they are going to fund their Seawall Resiliency Project.

The Port has been utilizing infrastructure financing districts to help capture the local government's share of property tax increase. They have even talked about the State's share of that tax increment.

Mr. Mike Pechner mentioned that he works with the Northwestern Pacific Railroad as their meteorologist and the Union Pacific Railroad. Capitol Corridor is a very large part of the synergy with Union Pacific.

The flooding seen in the Sonoma area is the most he has seen in his lifetime going back to 1955. Many creeks have not been dredged in many, many years so their capacity to hold enough water has been greatly diminished.

In the short term the dredging of these creeks will be advantageous as will be the involvement of private companies.

Mr. Roger Davis mentioned that many areas are currently distressed and local tax initiatives have differing levels of acceptance. Sales tax tools tend to be inter-generational.

Mr. Justin Cooper stated that specific sources of revenue allotted on a project-finance basis could be useful. Anytime you can get the threshold for a tax down from two-thirds to 55 percent makes a huge difference.

Mr. Chad Spitler stated that first we must start with the science and understand what the priority areas are. We need to look at these areas and think about the financing options for these specific areas.

Mr. Mark Northcross mentioned the U.S. Army Corps of Engineers and the challenges involved with dealing with them. His experience with the Corps is that the typical timeline for project implementation and completion is about 20 years.

We are behind by 20 years even if we do something brilliant and on-point right now it will take the Corps 20 years to figure out how to do it. There is no way around this.

So the question is; how do we get ahead of the game? The best thing we can do for our work plan now is to get all the questions on the table.

Commissioner Sears stated that the time-table problem is daunting. We do not have that time. We should think about how we can expedite what we are doing.

Commissioner Pine mentioned that the size of the challenge is immense. We have done some very successful and significant things around the Bay. Prop 218 is something that would really provide incredible revenue opportunities.

You build current protections with the thought that you can strengthen it later if necessary. Permitting challenges contribute to the prolonged implementation timeline.

Chair Wasserman mentioned that GHADs (Geological Hazardous Abatement Districts) are a different version of the infrastructure financing districts. This is a method to think about in some areas. The Statewide Flood Control District Association has been exploring giving flood control districts the powers that utilities have in order to reduce the threshold.

The power of the FEMA maps and flood insurance to compel people to start paying some money is something we need to look at.

We need to look at the areas in which we could privatize development that will provide adaptation to sea level rise.

4. Public Comment. Commissioner Gorin commented: I am Susan Gorin, First District Supervisor representing the Sonoma Valley. We have flood challenges in many areas and I also serve on the four-county Highway 37 Policy Committee. We are exploring financing options to elevate as well as expand Highway 37.

We are looking at watershed-wide implications for sea level rise and the rain events watershed-by-watershed.

Kudos to this group for looking and brainstorming on these important issues. The permitting challenges will be difficult to streamline and finding the appropriate strategies will also be challenging.

Mr. Bob Tally addressed the Committee: I am a professional civil engineer and I work for Environmental Science Associates. I am here as an individual and not representing ESA.

I would suggest that you might consider financing landward realignment of development. An important question is whether or not you are thinking of protecting assets in place or also looking at aligning upwards or landward.

Ms. Kathy Schaefer commented: Before I retired from FEMA I worked on the maps. You do not have to have the Corps of Engineers involved in your construction and rehabilitation projects. They will be involved in the permitting.

I would encourage you to talk to Contra Costa County in regards to this.

Prop 218 is something near and dear to the flood control managers. The Bay Area Flood Protection Association has been working very hard on Prop 218.

If you can get money from the NRCS as opposed to FEMA; it comes with less strings and is often easier to manage and work with.

You also have your urban pipeline transmission system to consider in regional protection from flooding. Our buried infrastructure is really at risk as well.

I encourage you to reach out to the Central Valley Flood Protection Board for conversations and possible collaboration in your efforts.

Executive Order 13-960 has the potential to impact everything landward of El Camino Real, Highway 101, Highway 580 and Highway 101 to the north with the Federal Floodplain Boundary Standard and requirements imposed by federal agencies doing work within the Federal Flood Standard.

Mr. Will Travis addressed the Committee: Coastal real estate has traditionally been the most valuable. It seemed that it was destined to increase in value over time. This worked as long as the location of the shoreline did not move.

With sea level rise that line is going to move inland and upland for as long as we can imagine. What we are engaged in here is trying to find a way of building, designing and planning along the shoreline and using this area productively in a fashion that will be resilient to a moving shoreline.

Coastal real estate values will start to decline if we are not successful in addressing this situation. The value will go from the highest to zero to, perhaps, below zero.

We are in a race between trying to find a way of solving the problem and coastal real estate values. The major beneficiaries of finding ways to use our coastal areas in a productive fashion are the owners of that property.

So tapping into some of their value is a very good investment for them. It is far better to pay a little bit out now and have something at the end of the day than to watch your values go to zero or below.

Chair Wasserman suggested some topics for the work of the Committee. We need one or two background sessions in which we delve more deeply into the science and into some of the project array that we have. We probably want some sessions on some of the specific methods that we have talked about. We probably need a presentation on education. We should probably make some decisions about structuring some workshops out of that background.

Committee Member Paparian mentioned the project array comment by Chair Wasserman. We need to know, what is it that we are trying to finance and how much is it going to cost? Are we sacrificing some areas over time and protecting others? Are we protecting everything around the Bay and how much does it cost?

Chair Wasserman stated that it was clear to him that we are not going to be able to protect everything around the Bay. We are nowhere close to identifying those.

Cost estimates will be a developing process. As events and protections unfold we will have a better idea of potential costs.

Committee Member Paparian stated that having a sense of trying to come up with a number of potential cost would impact some of the ideas for financing.

Chair Wasserman opined that the Committee will start pulling off chewing pieces of this. We may get to some guesstimate of the cost for the whole picture but I am not sure that this scare number is going to help anybody.

Commissioner Pine agreed and stated that there is no way to determine the number because sea level rise is going to affect us for generations to come. The problem will not be solved in one generation. You have to deal with it for hundreds of years.

Committee Member Davis opined that in the short run the number is going to be affected by how much revenue we can assemble to address the issues. We might want to look at creating a master list of possible revenue streams.

Chair Wasserman agreed and stated that some will be more real than others. We need to delineate as full a list of potential sources as we can.

Committee Member Papanian commented that even with the chewable pieces that Chair Wasserman had mentioned that we have to be very careful of where we start because if we mitigate a problem in some area we are going to compound the problem in a nearby area as well.

Chair Wasserman stated that the unintended consequences piece is very important. One of the difficulties that we will face is that you cannot talk about how to finance without knowing what the project really is. We are going to have to talk about financing without knowing what the project really is. This will affect financing. The product that we produce is neither going to be controlled by nor controlled that. It is going to be an array of mechanisms.

Committee Member Northcross stated that what Chair Wasserman just described was process finance. We are talking about coming up with the process by which you can extract revenue from multiple generations to address a multiple-generation challenge. I am reeling from substituting the word, "process" for "project".

5. Next Steps. Executive Director Golzband stated that he was assuming that each Committee Member would email him with ideas based upon the discussion of the group. He would organize them and get them out to everybody. Over the next few weeks an order of things will be put together. This will be sent to Committee Members as well.

Executive Director Golzband suggested that this group meet on the first Thursday of the month at 10:30 a.m. He stated that unless he heard otherwise from the group they would meet on the first Thursday of April in the Yerba Buena Room.

6. Adjournment. There being no further business, Chair Wasserman adjourned the meeting at 4:18 p.m.