SENATE COMMITTEE ON APPROPRIATIONS
Senator Anthony Portantino, Chair
2021 - 2022 Regular Session

SB 83 (Allen) - Sea Level Rise Revolving Loan Program

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Urgency: No
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Policy Vote: N.R. & W. 9 - 0
Mandate: No
Consultant: Ashley Ames

Bill Summary: This bill would establish the Sea Level Rise Revolving Loan Program for purposes of providing low-interest loans to local jurisdictions for the purchase of vulnerable coastal properties.

Fiscal Impact:

- The State Coastal Conservancy (SCC) estimates ongoing costs of $907,000 annually (Sea Level Rise Revolving Loan Fund [SLRRLF]) to administer and oversee the program established by this bill.
- The California Coastal Commission estimates one-time costs of $60,000 to $80,000 and ongoing costs of $20,000 annually (SLRRLF) to provide input and coordinate with SCC on criteria and guidelines. While SCC would be required to also coordinate with other agencies, the Coastal Commission would likely be the most substantive participant given their existing regulatory authority and extensive work with local governments on sea level rise.
- The Ocean Protection Council (OPC) estimates that any costs from this bill would be absorbable within existing programs.
- Unknown, likely significant ongoing cost pressure to provide funding for the loans established under this program.
- To the extent that this bill results in an increase or acceleration of adaptation activities, this bill could result in savings due to lowering the risk of loss or damage to state resources, mitigating potential negative impacts on the state economy, and avoiding some disaster response spending (see staff comments).

Background: The potential changes in sea levels and coastal storms will impact both human and natural resources along the coast. These events will increase the risk of flooding and inundation of buildings, infrastructure, wetlands, and groundwater basins. A 2015 economic assessment by the Risky Business Project estimated that if current global greenhouse gas emission trends continue, between $8 billion and $10 billion of existing property in California is likely to be underwater by 2050, with an additional $6 billion to $10 billion at risk during high tide. A recent study by researchers from the U.S. Geological Survey (USGS) estimates that by 2100, roughly 6 feet of Sea Level Rise and recurring annual storms could impact over 480,000 California residents (based on 2010 census data) and $119 billion in property value (in 2010 dollars). When adding the potential impacts of a 100-year storm, these estimates increase to 600,000 people and over $150 billion of property value.

Rising seas will also erode coastal cliffs, dunes, and beaches—affecting shorefront infrastructure, houses, businesses, and recreation. The state's *Safeguarding California*

Plan cites that for every foot of Sea Level Rise, 50 to 100 feet of beach width could be lost. Moreover, a recent scientific study by USGS researchers predicted that under scenarios of 3 to 6 feet of Sea Level Rise—and absent actions to mitigate such impacts—up to two-thirds of Southern California beaches may become completely eroded by the year 2100.

Existing Private Property Buyout Programs. A few states have begun home buyout programs in certain coastal areas after experiencing severe or repeated flooding or extensive storm damage. For instance, after Hurricane/Superstorm Sandy, New Jersey established the "Blue Acres Program" in 2012 to dedicate state funds and leverage federal dollars to purchase at-risk homes. As of September 2019, this program has spent $375 million to purchase and demolish almost 1,000 properties. Damage from Hurricane Sandy also resulted in New York purchasing 300 homes for $120 million on Staten Island. Both of these examples used a combination of state and federal public funds. In North Carolina, a regional storm water service agency purchased 460 properties at a cost of $67 million. Storm water fees financed this program almost entirely. Once frontline properties are purchased, residents are able to relocate to areas at lower risk of flooding or storm damage. The frontline areas can then be restored and managed to promote resiliency and mitigate the impacts of future floods and storms.

According to the New York Times, in 2020 the US Army Corps of Engineers began requiring in certain circumstances that local jurisdictions force people, if need be, out of their homes or forfeit federal money for certain flood-protection projects. The move to relocate whole neighborhoods, as opposed to individual repeatedly damaged homes, is new. In August 2020, FEMA announced a new program designed to pay for large-scale relocation nationwide budgeted initially for $500 million. The US Department of Housing and Urban Development started a similar $16 billion program. The potential costs of (repeated) disaster recovery outweigh the upfront costs of buyouts to facilitate moves to less-risky areas.

State Funding for Sea Level Rise. The state has provided some limited funding for sea level rise planning and projects, totaling $67 million for the past five years. These funds have been provided from a variety of sources. The Legislature has utilized bonds as the largest source of funding for these coastal adaptation activities ($26 million), followed by the Environmental License Plate Fund ($17.5 million) and the Greenhouse Gas Reduction Fund ($14.8 million). Much of this funding has been or will be used for grants to local governments and nongovernmental organizations for planning and projects, including through SCC's Climate Ready Program. In addition, a portion of the funds have been used for state department staff to undertake activities that assist local governments, such as staff support from the San Francisco Bay Conservation and Development Commission (BCDC) and the Coastal Commission for local planning efforts.

Upfront Investments for Mitigation Projects Provide Savings in the Long Term. Adaptation activities require up-front investments, but the costs of failing to adequately prepare for the impacts of sea level rise likely would cost even more. Recent research found a strong benefit-to-cost ratio for undertaking mitigation projects ahead of disasters compared to spending on disaster response and recovery. Specifically, a Federal Emergency Management Agency sponsored study by the National Institute of Building Sciences found that for every $1 the federal government invested in various types of pre-disaster mitigation activities in recent years, it avoided public and private losses totaling $6.

Proposed Law: This bill proposes an innovative method to buy out properties vulnerable to sea level rise in communities that voluntarily choose to participate. The sellers would be paid for their properties, and the property—until it becomes unsafe—could generate rental income to provide a revenue stream to repay the loan. Government ownership of vulnerable properties also affords local jurisdictions more options and greater flexibility for adaptation projects.

Specifically, this bill would:

1. Establish the Sea Level Rise Revolving Loan Program to provide low-interest loans to local jurisdictions for the purchase of coastal properties in their jurisdictions identified as vulnerable coastal property.

    a. Define "vulnerable coastal property" as any coastal land containing a building or structure, identified by a local jurisdiction that is vulnerable to sea level rise, as determined in accordance with the criteria developed by OPC.

2. Before January 1, 2023, OPC, in consultation with other state planning and coastal management agencies, including the Office of Planning and Research, the Strategic Growth Council, the California Coastal Commission, the State Lands Commission, the SCC, and the San Francisco Bay Conservation and Development Commission, shall do both of the following:

    a. Adopt criteria and guidelines for the Sea Level Rise Revolving Loan Program.

    b. Post all criteria and guidelines on OPC's internet website.

3. Establish the Sea Level Rise Revolving Loan Fund, to be administered by SCC, for the purpose of providing loans in accordance with the Sea Level Rise Revolving Loan Program.

    a. Require the California Infrastructure and Economic Development Bank to make recommendations, upon the request of SCC, regarding the specific financing mechanisms and risk mitigation measures necessary and appropriate for the successful administration of the fund. Recommendations may include identifying available funds to make direct loans, or to capitalize trust funds for the purpose of guaranteeing loans made by a participating lender. Recommendations may also include a proposal for the issuance of revenue bonds by the bank, if feasible.

    b. Allow SCC, upon appropriation by the Legislature, to provide low-interest loans from the fund for purposes of the Sea Level Rise Revolving Loan Program to any local jurisdiction that meets specified requirements in connection with the financing or refinancing of a vulnerable coastal property, either as a sole lender or in participation or syndication with other lenders. Prohibit the financing from exceeding the total value of the vulnerable coastal property being financed.

c. Require that all moneys received for repayment of a loan, and any penalties, interest, and fees in connection with a loan, provided for purposes of the Sea Level Rise Revolving Loan Program shall be deposited in the fund.

d. Allow SCC to use moneys in the fund, upon appropriation for this purpose, for administrative costs incurred in implementing the Sea Level Rise Revolving Loan Program.

Related Legislation:

SB 1 (Atkins, 2021) would establish the California Sea Level Rise State and Regional Support Collaborative, among other things. (*This bill is on the Suspense File in this Committee*.)

SB 45 (Portantino, 2021) is the Wildfire Prevention, Safe Drinking Water, Drought Preparation and Flood Protection Bond Act of 2021, which would authorize the state to issue $5.5 billion in general obligation bonds, as specified, including to reduce climate impacts on vulnerable populations, support regional climate resilience projects, reduce flood risk and protect coastal lands and resources, among other things. (*This bill is on the Suspense File in this Committee*.)

AB 11 (Ward, 2021) would require the Strategic Growth Council to establish up to 12 regional climate change authorities by January 1, 2023 to coordinate adaptation and mitigation activities in their regions, coordinate with relevant stakeholders and adopt guidelines that define regional climate authorities, as specified.

AB 50 (Boerner Horvath, 2021) would establish the California Climate Adaptation Center and Regional Support Network within the OPC to provide technical support and information to local governments on adapting to climate change impacts related to sea level rise.

AB 51 (Quirk, 2021) would require the Strategic Growth Council to establish guidelines for the formation of regional climate adaptation planning groups, and would require the Natural Resources Agency and others to develop criteria for the development of regional climate adaptation plans.

AB 67 (Petrie-Norris, 2021) would require state agencies to take current and future sea level rise into account when planning, designing, building, operating, maintaining or investing in state infrastructure located in the coastal zone or otherwise subject to flood from sea level rise or storm surges, among other things.

AB 72 (Petrie-Norris, 2021) would authorize the Natural Resources Agency to explore and implement options to increase the efficiency and coordination of coastal adaptation project review and permitting, among other things.

AB 897 (Mullin, 2021) would authorize local jurisdictions to establish regional climate networks, in consultation with OPR, among other things.

AB 826 (Bennett, 2021) would establish the Beach Erosion Authority for Clean Oceans and Nourishment (BEACON) Program within the State Coastal Conservancy, as specified.

AB 1384 (Gabriel, 2021) would require the Strategic Growth Council to develop a strategic resiliency framework that makes recommendations and identifies actions that are necessary to prepare the state from the most significant climate change impacts.

AB 1500 (Garcia/Mullin, 2021) would authorize the issuance of $6.7 billion in general obligation bonds to finance specified programs including a local assistance grant program to update LCPs.

SB 1293 (Allen, 2020) would have established the Sea Level Rise Revolving Loan Program. (*This bill was not heard due to the COVID-19 pandemic*.)

Staff Comments: Investing in adaptation activities, such as the program proposed by this bill, could help to mitigate significant damage, disruption, and erosion that will otherwise occur from sea level rise, and would allow the state to potentially avoid some disaster response costs.

Sea level rise will put public and private assets worth billions of dollars at risk. If vulnerable coastal property values fall considerably from the increased risk and frequency of coastal flooding, over time this will affect the annual revenues upon which those local governments depend. To the degree local property tax revenues drop, this also could affect the state budget because the California Constitution requires that losses in certain local property tax revenues used to support local schools be backfilled by the state's General Fund.

It also threatens the state economy, especially the coastal economy, and state tax revenues. Moreover, it increases the likelihood and magnitude of natural disasters, for which the state must provide emergency response and other resources.

<u>Potential Funding Sources.</u> This bill would create the Sea Level Rise Revolving Loan Fund, but not provide any appropriation or revenue source. In the past, the Legislature has utilized bonds as the largest source of funding for coastal adaptation activities ($26 million), followed by the Environmental License Plate Fund ($17.5 million) and the Greenhouse Gas Reduction Fund ($14.8 million).

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