



Resilient Infrastructure Financing: A Call for Vignettes

In May, 2020, national and regional finance experts will be assembled at the [Milken Global Conference](#) in Los Angeles for a meeting linking together west coast jurisdictions, finance experts as well as impact and institutional investors interested in building multi-state best practice mechanisms to fund and finance resilient community infrastructure, with a focus on operationalizing the use of Opportunity Zone and similar financing for building micro-grid and affordable housing projects, energy-efficient water systems, 21st century community service facilities, post-disaster communications infrastructure, integrated “grid edge” distributed energy resources and restoring contaminated brownfield areas to new uses to support community resilience.

In advance of this event, [the Milken Institute’s \(MI\) Center for Financial Markets \(CFM\)](#) is issuing a call for public sector vignettes aimed at crowd-sourcing innovative approaches to leverage Opportunity Zone financing, and to address resilient infrastructure needs. The winning vignette writers will be invited to present their findings in Los Angeles at a planned MI event on resilient infrastructure finance *and* serve as a guest trainer at our planned west coast resilience finance “boot camp” occurring on the sidelines of the 2020 MI Global Conference.

The planned May 2020 resilience finance boot camp will be designed to support city and state efforts to scale up resilient infrastructure projects using impact capital sources, including Opportunity Zone funding, while building upon the [2018 resilience finance commitment](#) made by the three West Coast Governors through the [Pacific Coast Collaborative](#). These [regional trainings](#) are designed to leverage impact investing as a place-development tool and will be offered at no charge to public sector leaders through an [announced partnership](#) between the **Milken Institute**, **Sorenson Impact Foundation**, **Economic Innovation Group**, **Accelerator for America** and other national partners to hold a series of regional public sector training sessions. The first training was held in the [Southeast Region in September](#). Additional boot camps are planned for other regions, including the Southwest and Midwest regions, as well as at the 2020 Milken Global Conference in May.

West Coast Resilience: The Problem

As noted by the 2018 Pacific Coast Collaborative declaration signed by the Governors of California, Oregon and Washington: “the Pacific Coast’s experience with drought, wildfire, extreme weather...threatens the environment, private and public property, cultural and economic resources, and public health and safety.”

As a result, the three Governors called for new “strategies and approaches to mobilize public and private resources to increase infrastructure resilience, including innovative financing and procurement approaches to accelerate investment in modern, low carbon and climate resilient natural and built infrastructure across the region, leveraging successful examples and models.”

The May 2020 Milken Global Conference meetings in Los Angeles aim to answer this call for action by focusing on how sidelined private capital and innovative procurement can tackle a specific integrated challenge, in this case building resilient infrastructure, community micro-grids, and new, affordable housing. Based on [past work highlighting how investors could structure complicated deals to tackle a key challenge such as attracting capital to new grocery stores in food deserts](#), MI’s CFM is now looking to crowd-source a series of public sector-focused vignettes, beginning with the “resilient infrastructure” category.



Resilient Infrastructure Financing: A Call for Public Sector Vignettes

Overview: Facing multi-trillion dollar funding gaps between now and 2050, public sector leaders in the region must facilitate innovative public and private partnerships to address the failing health of damaged or unreliable infrastructure systems. Vignettes must consider how Opportunity Zone (OZ) equity capital can help finance local community infrastructure when both community and investor interests are transparent and aligned. The OZ Initiative is a new federal tax incentive, and if used as intended, a potential impact investing tool that could attract an estimated \$100 billion annually in new private investment into 8700 economically distressed census tracts across the United States. While OZs are not a panacea for fixing every distressed community’s historic economic problems or reducing regional and technological trends that may be affecting local economies, finding a way to leverage private capital transparently aligned to local needs is a necessity. Potential use cases for profiling how opportunity zone capital can innovatively finance resilient infrastructure could include, but are not limited to:

- **Micro-Grids:** How distributed energy resources (DERs) could be paired and financed with public dollars and private equity investment, especially OZ investments. The integration of a micro-grid infrastructure that can both connect and disconnect from the current grid system brings stability in service to areas recovering from damage caused by natural disasters and for communities that suffer from past infrastructure neglect. Vignettes could address new micro-grid construction through linkages to affordable multi-family housing investments, public buildings such as community shelters and schools, and/or geo-thermal, earthquake and other benefits tied to homeowner retrofits, community district solutions and/or broadband solutions.
- **Energy-Efficient Waste Treatment and Wastewater Systems:** How OZ capital could upgrade degraded community water supply and wastewater treatment plants and offer triple bottom line benefits to communities in need. For example, hundreds of 1970s era wastewater treatment plants across the country are out of date, out of regulatory compliance and are usually the largest energy user in a community.
- **Syndicating Deals:** Ways for states or regions to develop a [deal warehouse](#) that could enable public resources to engage in pre-development and de-risking of OZ-eligible transactions that leverage federal programs (EDA, SBA, USDA) and are aligned to local economic development objectives. As a large number of community infrastructure projects have long lead times, state and local efforts to create a pipeline of transactions with timetables that are ready for OZ capital and designed to meet local and regional resilient infrastructure needs may be a critical policy gap to fill in order to better connect projects, investors and communities.

Submissions: Similar to [Milken Institute’s 2019 Opportunity Zone Vignettes](#), participants are invited to create training vignettes to guide public sector leaders and community anchor institutions (e.g. universities, hospital, public housing or energy authorities) through each step of moving from vision to reality in advancing combined resilient infrastructure project partnerships leveraging opportunity zone capital. Vignettes must include:

1. A step by step guide to how to move from a specific resilience goal (eg, build 1000 units of affordable housing linked to a new community micro-grid) to a project where OZ financing is part of the capital stack;
2. An overview model from a public sector officials’ point of view at every stage from planning to feasibility studies to regulatory and permitting considerations, to financing and oversight;
3. Plans for engaging key stakeholders (property owners, communities, the energy and private utility sector, innovative technology companies, and developers) and what these relationships look like;
4. Identification of specific risks and barriers in their own local context, and options for mitigating them;
5. Details on how OZ compliance will be met (eg, robust local reporting, transparency and procurement requirements)

Deadlines:

Formal Call for Responses Issued	December 17, 2019
Initial Expression of Interest Due (via email)	January 17, 2020
Applicant conference call & Detailed Vignette Format distributed	January 17, 2020
Two page summary due that addresses each of the seven requirements and defines the exact size of problem the vignette will address (eg housing scope and project megawatt size)	January 31, 2020
Final Vignette Submissions Due	March 16, 2020
Invited Vignette Winners Notified	April 2, 2020
West Coast Resilience Boot Camp @ 2020 Milken Global Conference, Los Angeles, CA	May 2-6, 2020