



PUERTO RICO
BUILDERS
ASSOCIATION

January 12, 2019

Puerto Rico Recovery Roundtable Agenda Remarks

Good afternoon,

My name is Emilio Colón-Zavala, Chairman of the Board of the Puerto Rico Builders Association and on behalf of all our members we welcome all the attendees to this Congressional Hispanic Caucus. Thank you for giving us the opportunity to be part of this Winter Retreat.

On September 20, 2017 our vulnerabilities were exposed in a manner we never thought would happen. This has been the biggest disaster on US territory. Approximately 60,000 families lost their homes while our infrastructure was destroyed. Still today we're struggling to provide basic necessities to our people. The saddest thing of all, is that we were warned almost twenty years ago.

In 1999, in the aftermath of Hurricane Georges' impact on Puerto Rico, the Federal Emergency Management Agency ("FEMA") issued its assessment and recommendations to mitigate risks of another disaster. In Chapter 9, it is stated that,

"Mitigating future losses, however, will not be accomplished by simply reading this report; mitigation is achieved when a community actively seeks and applies methods and approaches that will lessen the degree of damage sustained from natural hazards."

It's a shame that we did not take the necessary steps to prevent today's predicament. Except for the adoption a new building code, we're still facing the same challenges in 2019. Nevertheless, Hurricane María represents the best chance we have to rethink and rebuild PR the right way; the canvas was left essentially blank. We need to start over.

A preliminary study commissioned by the ACPR evaluated Hurricane María's economic impact and estimated how long it would take for Puerto Rico to reach 2006 economic activity levels. After accounting for federal aid programs, insurance companies' disbursements, and the reinstatement of the approved fiscal plan, it projected "a contraction in economic activity that should average 3.2% between 2020 and 2023. Between 2023 and 2027 1.9% growth is assumed, 2.4% between 2028 and 2032, and finally 3.0% growth from 2033 onward." This means that 2006 levels of economic activity would be reached by 2032 or 17 years from now. This is unacceptable. We need to take affirmative actions to speed up the process.

The question must be: how do we take the necessary steps so that we don't find ourselves in this same predicament? How do we finally solve our vulnerabilities? These are true for the reconstruction after the hurricane as well as our eleven year old economic depression. The opportunity is here to rebuild a resilient Puerto Rico.





An initiative aimed to the reconstruction efforts should be the identification of which entity should receive and manage reconstruction and mitigation programs' funds.

One challenge in our recovery is the multiplicity of federal agencies doing a seemingly uncoordinated tasks related to the recovery. There seems not to be coordination between agencies. Even getting information on funds assigned to the recovery is a serious challenge as there is no single source of contact or information. We believe that the most transparent way to manage this is through a separate entity in which all sectors are represented. This entity should be kept in arms length from usual public sectors and include equal representation from the private and third sectors. A Federal Puerto Rico Reconstruction Task Force to manage reconstruction efforts. The magnitude of the damage inflicted by Hurricane María should mandate a federal entity, as a single point of contact, to manage all efforts and funds required to the reconstruction while the government provide essential services to our people and the Oversight Board deals with the fiscal crisis and fulfill its duties under PROMESA.

In terms of the Reconstruction Authority and the funds it will receive from the federal government, the following must be obtained for a period of no less than ten (10) years:

- a. Priority access to unused appropriated federal funds from other jurisdictions destined to infrastructure or housing rebuilding programs.
- b. Priority access to housing bonds and awarding tax credits (i.e. LITEC, NMTC and others)
- c. Waiver from matching funds requirements to local sponsors
- d. Declaration of all PR Municipalities as disadvantaged under SBA's HUBZone program
- e. Declaration of all PR owned businesses as disadvantaged under DOT's DBE Program
- f. Establishment of an educational program on accessing and managing federally funded programs
- g. Allow housing sector reconstruction projects to be permitted under the process set forth in PROMESA's Title V
- h. Permitting to be processed through PROMESA's Title V.

It has been widely reported of the billions of dollars some corporations have accumulated overseas to avoid paying federal income taxes. We propose that, for a period of ten (10) years, a preferential repatriation tax rate of 5% be established for US entities that move capital from foreign jurisdictions to Puerto Rico. This capital is to be invested in infrastructure.

Protection of our environment is equally important as economic development. Sophisticated economies understand this and have strong environmental protection measures. Mitigation banks can be established so that project sponsors can invest in establishment, conservation and preservation of ecologically sensitive areas as a way to mitigate project impacts on the environment.

The partial federal government shutdown that started on December 21st has had adverse effects on housing programs and recovery programs such as CDBG-DR. On one hand their is much uncertainty on the viability of affordable housing projects should payment of vouchers be interrupted. On the other, there are significant delays on the approval of guidelines, use of funds and approval of the comprehensive ammendment to the approved action plan. This issue needs to be results in order to expedite our reconstruction. I have attached some information on challenges of the shutdown to the industry.

On Thursday, NBC News reported that the Trump Administration is looking into diverting funds appropriated by Congress, in the 2017 Disaster Supplemental Appropriations Act, for the US Army Corps of Engineers to perform flood control projects in disaster areas. These funds would clawed back to build a border wall at the border between the US and



Mexico. For Puerto Rico this would put \$2.5bn at risk and could mean a lost opportunity to protect the lives of over 400,000 families that live in floodable lands. This is unacceptable and underscores the vulnerability and need for equality for the american citizens hat live in Puerto Rico. I urge Congress to take necessary steps so that recovery and mitigation funds assigned to Puerto Rico are actually used to rebuild our island after the worst natural disaster in US soil.

We thank you all and we invite you to join the conversation and take action towards Puerto Rico's recovery and reconstruction.