RETOOLING DISASTER PREPAREDNESS AND RESPONSE: NEW DIRECTIONS AND OPPORTUNITIES FOR RESILIENT RECOVERY

Announcer 00:17

For the next segment, please welcome the panel on "Retooling Disaster Preparedness and Response: New Directions and Opportunities for Resilient Recovery," moderated by Associate Director of MI Finance at the Milken Institute, Kristen Fanarakis.

Kristen Fanarakis 00:40

Can everybody hear me? Okay, excellent. So, consensus is pretty tough to come by these days, but I think what we can all agree on is that natural disasters are becoming more frequent and spreading in unexpected ways, as we saw with Hurricane Helene in Western North Carolina. We're really being forced to rethink how we prepare and respond to these storms. And I couldn't have asked for a better panel because we have California, Florida, and North Carolina represented today. So, I think we're in for a good chat. So, we have a very short amount of time and a lot to cover. So, let's just get started. Tom, I want to start with you. What are the economic benefits of being proactive about resilience planning?

Tom Hoban 01:29

It's a good question. Thank you for having me here today. It's an honor to be here. We're a real estate developer in Florida, and so our mission statement is to create extraordinary environments that enrich the human experience. And part of that comes out of building sustainable communities and being sustainable dovetails into resilience. So, on the resilience side, it's complicated. There's a lot to consider. On the proactive side, we're mostly doing new development, not redevelopment. And on the new development side, you have tend to have a white canvas that isn't encumbered with prior issues. So out front, it's really getting in front of the local community, local municipalities, and the local utility providers to make sure that you're working hand in glove with them to create the community that's resilient. And in Florida, which is a pretty storm-heavy—South Florida in particular—a storm-heavy region, we spend a lot of time on the front end, on the engineering side, on the planning side, to make sure we're thinking through all scenarios. Not all scenarios can be solved for. But understanding what those are on the land side, you know, it's, maybe sounds kind of basic—but understanding the land, you know, what are the natural conditions of the land? You can go back, and you can look at maps from the past, and look at the natural flow ways of how water makes its way from the site to the exit of the site. You know, building-wise, there's some pretty stringent codes in South Florida, and so local municipality, local policy has a big impact on it. You know, there's the storm, readiness to survive the storm. Ideally have your homeowners build a shelter in place. And then there's kind of the aftermath of the storm, what happens after the storm. So, what we try to do as developers is make sure on the land side, we've done everything we can to mitigate water. How does water move across the site to avoid flooding? We own a water utility in one of our communities, so making sure the utility stays operational, which is a lot of work. I think a lot of developers tend to look at wetlands as an issue. You know, as a developer, how do I mitigate the wetland and create more uplands so I can sell it, get more revenue? If you look at your wetlands as a real asset and a resource, they can be tremendous storage facilities on your property. So, we tend to try to invest in, back into the wetlands and create more of an ecosystem of natural habitat to create and collect water flow. So, the combination of that on the land side with stringent building codes on the build side—one, two punch there creates a pretty resilient community. We are a utility provider, so working with our local utility to understand power. Power is a big deal, turns out. You want to keep your house powered, keep your refrigerator with food in it, and ideally in Florida, these storms tend to hit in the summertime, so when your AC goes out, it can be about 85 degrees in your home. So, having power is a big deal. And having your local commercial assets, shopping centers, et cetera, with power makes for a pretty good combination for the homeowners, if you can do it. So, it's a lot of work, it's a lot of preplanning you might spend—you will spend more dollars on the front end doing these sorts of things. But I think if you look at the damage that came through from Hurricane Ian in '22, last year with Helene and Milton—you're talking several hundred billion dollars of damage to the region. And our community had very little damage. And we had a very, kind of—a good scorecard on resiliency in our community, in Babcock Ranch.

Kristen Fanarakis 04:43

We don't really quantify how much you save on the back end from those investments. So you don't really see—you don't see those statistics. You see the damage statistics, right?

Tom Hoban 04:53

What could have been done up front to help mitigate some of that damage? Doesn't get discussed a lot.

Kristen Fanarakis 04:56

Yeah, exactly, exactly. Lynette, do you want to chime in?

Lynette Bell 05:00

Yeah, when we think about—thank you for the opportunity as well. So, being a private corporate foundation—so, Truist Foundation is a part of Truist Financial Corp., one of the seventh largest banks in the country. And so, when we think about disaster, and relief, and resilience, what does that look like for us? So, we really look at a phased approach with this. And so, I will say that we use a lot of research and data to help inform our investment practice when it comes to disasters and looking at resilience, which in our book, means the marathon of long-term recovery. And so we looked at this phase approach, because when you think about disasters, it's a strategic investment for us. It's not an expense; it's an investment. And so, when you think at it from the philanthropic space, that has to, be kind, of this change and shift in mindset that it's an investment, because you're protecting not only the communities that you're serving but protecting your own assets as a firm. And so, our CEO wants to be in front of every storm. So, I'm looking at all kind of predictive analytics every single time, know our reports as we think about storms. And so, when Ian hit in Florida as an example, we were well out 48 hours before the storm even hit. And so, that has become our practice, that that is why we call it a strategic investment, because we want to get in front. And so, the piece of it for us that is really critical when you think about resilience and preparedness for communities—that all of the assets that are in a community help to build and support the support systems you need. And so, when we think about immediate care and immediate relief, that's our phase one. And phase two would be, "Wow, how do we get to those midterm goals?" Right? Whether it's flooding, whether tornadoes, fires, right? How do you get to that midterm goal? And then the last piece is the resilience, right? So, we did immediate care, midterm goals, and then resilience. So, whenever we do a distribution of dollars in front of storms, 70 percent goes directly to those first two buckets of immediate care, immediate needs, or to those midterm goals. 30 percent is reserved for resilience. And so that is how we look at, kind of, this phased approach in three ways, and look at that as part of our strategic investment model when we think about philanthropy. And of course, the other piece of this is that then we look for our partnerships and collaborations with those who are dealing with disaster relief and recovery in a way that is episodic, but they're the top of the impact. So that's the local leaders and local infrastructure. But also, might also include national players who have done this and created a great model, and you know, they're going to drive the impact, because they're going to meet the local needs where they are.

Kristen Fanarakis 07:23

I love the idea of thinking about it as an investment and not an expense. I think that's the key to the mindset.

Nuin-Tara Key 07:29

Yeah, well, it's wonderful to be here. Nuin-Tara Key. I'm executive director of programs at an organization called California Forward, and we're working to build a new California economy that's resilient, inclusive, and sustainable. And for that, that means, kind of, really driving on two things. One is, you need what we call our regions-up approach. I think, in California, but across the country, a lot of these issues that we're talking about and around resilience and recovery really have to be bottom-up and region-specific, and so we're really focused on that. And recognizing the other, kind of, pillar to our work is recognizing that we cannot separate anything we're doing around the economy and economic development from climate—because whether it's the energy transition and transition to a low-carbon future, or recognizing the real fiscal and economic impacts that climate is having on communities now, we just cannot separate economy and climate. So, just as, kind of, quick orientation to my view to this conversation, I think one of the things—and is a through line through many of the conversations that we've heard today, and then some of the points just made here on the panel—is really thinking about, how are we incentivizing reducing risk, and then how are we thinking about the funding and financing to sustain investment in risk reduction across the board? And we are really focused on another piece to the puzzle here—what we're talking about is local governments, and municipal governments, and the critical role that they play. Someone on an earlier panel mentioned this but as really the holders of risk in perpetuity. And local governments are really faced with, I think, a real challenge in this time of having to figure out how to both make strategic investments in risk reduction and resilience, while also being prepared when events happen to be able to mobilize and bring together partners to fund and finance the recovery. And I love your description of, kind of, recovery is the long term resilience, and that's definitely how we think about it as well. So the way I'm thinking about it as a framework, really, I tend to think about it as a risk curve. What are we doing to sustain investment to reduce the top of the curve, to bring down the risk to a manageable—risk will always exist— but to a manageable place? And what are the funding and financing tools that we have to manage the tails? And in a changing climate, those tails are getting bigger and more expensive. And so, we need to really be thinking about how we're leveraging different economic incentives to make sure we're investing in long term resilience.

Kristen Fanarakis 10:23

Let's, kind of, double down on that, because that's sort of the next thing is. What are the incentive structures? What do you see as the ideal incentive, incentives, or incentive structures to, sort of, get to a more resilient community?

Nuin-Tara Key 10:36

Yeah. I mean, I think part of the challenge that we have is we're really good at quantifying the costs after they happen. We are not as good at quantifying the avoided costs. I mean, there's a lot of information around avoided costs, but how does that actually inform and drive decision making in making those investments on the front end? I think one of the things that is really important, and we're spending a lot of time thinking about this is, how are we aligning the different sectors across the economy to be thinking about risk and resilience in the same way? So, if local governments are making sustained investment in risk reduction and adaptation—for example, there are communities in California that are taxing themselves to do long-term, sustained investment in forest management, fuels reduction, to reduce wildfire. The goal is that investment is being carried through in access to capital and, you know, also insurance premiums, and just availability at this point in time. There is a real disconnect there that I think is a real opportunity for us to figure out how to better get actual investments in resilience recognized because we're recognizing the risks when they're there, but not equivalent on the other side.

Kristen Fanarakis 11:56

Tom, as a developer, what are your thoughts on what kind of incentives?

Tom Hoban 12:02

I think there's incentives, and there's policy. So, I guess, you know, I can kind of put those two together. So in real estate, it's very local. So, depending upon which region you build in and develop in. You know, we were talking earlier, right? The standards in Dade County, Miami are very different there from Jacksonville, Florida, for instance. So, I do think local governments need to be looking at the data in a more clear way to recognize and underwrite that risk and make sure the policies that are in place for that local region are correlated to that risk. And I think in Florida, we do a pretty good job of that. I think that the building standards are very high. You know, areas that get hit that maybe are more unexpected, like the Carolinas that got hit pretty hard this past year when Hurricane Sandy hit New Jersey—where those standards aren't really in place, and they aren't really as frequently hit—those create bigger issues and bigger risks. So, I think we tend to look at it as, how do we influence local policy to make sure that the proper risk adjusted policies are in place, to result in a safe place to live? Incentives for us—developers don't get a lot of incentives, typically, from the government—so, it's really more aligning with them on what those risks look like, and how do we enact policy that can help us get to a better outcome?

Lynette Bell 13:14

For us. It's twofold. It's incentives and policy as well. Every—in this private company probably has lobbyists that lobby on behalf for different things. And so, part of that is, to your point, lobbying for the right type of regulations so that we have sound housing in face of storms that, you know, Jacksonville should not be different from Miami, Florida. But in fact, it is based on some of the requirements of law. And so, based on that local government. So having consistency in regulatory policy is key. And so, when we have our lobbyist [inaudible], that is one thing that we look at, kind of across the board, because, again, we make mortgage loans as part of that transaction. And so, we want to make sure that that client has their house, even in the face of disaster. I will say, for our incentives, for us, when we looked at some of the things around our modeling for being very catalytic in our, you know, investments for storms and preparedness, we looked at the whole company. And so, we're a bank, and we're like, "Okay, how can we support what happened in Western North Carolina, in a way?" And so, we activated every lever inside of the company. So, to your point, if clients' homes are gone, and again, Western North Carolina was not on the map, so you have devastation from the storm. We know that storm surges are higher, more powerful, and are longer on shore. And so that part of Western North Carolina got hit. So, we activated the philanthropy piece, which is clearly important. But we invested $725 million in resiliency over three years to support the rebuild for Western North Carolina because of what happened when that storm rolled through. And it's beautiful country. You saw main streets of downtown North Carolina being washed away by muddy rivers. And so, sewage and water lines were gone. And so, we're like, "Where's public finance on the banking side? Let's go ahead and get that activated to support the city, support the county." And again, the state had already turned on their activation, but we activated the levers inside of our institution, because those are assets that we have, but those assets make a difference in that community. And so, we actually public finance, mortgage, Truist Community Capital, to talk about, what does multi-family housing look like, what does temporary housing look like as rebuilding is occurring? And then the philanthropy comes in, because we bring in those local partners who are on the grounds, helping with that infrastructure redevelopment, to do and meet those local needs, but also to look at what needs that might arise two years from now, or one year from now, as recovery is occurring and happening, whether it's housing or small business related. So for us, it was about the activation of our asset, which is the bank going, "Okay, let's activate at every lever." And so, we made a three-year commitment of 725 million just for Western North Carolina.

Kristen Fanarakis 15:43

I love the community approach that you all have, and so I want to pivot a little bit on that. And I think it offers a good model for those that aren't familiar with Western North Carolina. It's largely rural, and small businesses really dominate the landscape. And most of these small businesses don't have the insurance coverage. We were talking before our panel. You know, they're not covered by flood insurance because they're on the top of a mountain. And so, the small businesses are the most vulnerable. But at the same time, they are the first responders in many ways. And so, when that part of the state was cut off from really the rest of the state, it was the small brewers and other small businesses who were providing water. Can you, sort of, talk about the role, and how you all are supporting the small businesses, and how maybe we need to think about them more, think about resiliency, planning, and incorporating the small businesses in those planning?

Lynette Bell 16:45

I would say that one of the great things is that small businesses were part of the infrastructure that existed there. And so, the ability to take their B2B service—I mean their retail establishment, maybe, if not damaged—to turn it into, kind of, a distribution center to help with that triaging. Really important. But I will say, for small businesses, one of the things in preparedness is that, yes, they need to be a cushion for accessibility to access to capital, so that when that happens, they need micro loans, they need grants, right? To, kind of, bring their storefront back to life. But they'll need a different capital set in the future that has some subsidies for them so that, again, they can be resilient as they wait on insurance and other dollars to roll in. But clearly preparing for the disaster or the interruption to business—just like when COVID happened, right— lot of our companies, small businesses, actually had to pivot in a really big way and provide some basic things and basic things around health care that were not part of their business model before. And so, I think for them, figuring out, what does that disruption look like, and how I either take my business to the back room, or how do I provide some other provided service that is going to be a part of the rebuild or recovery, resilience for the community is really, really key. And so, I'm all supportive of that. And so, we funded—again, when you're philanthropy arm of the company, you fund dollars to those intermediaries so that they can provide those grant dollars to those small businesses, right? So, directly get them those dollars immediately, and get on the ground as part of a rapid response. Like, it should not be 60 days, but within five to 10 business days, dollars should be on the ground being deployed to them so they can use that money to start that process of building a new stack on how they're going to recover.

Kristen Fanarakis 18:26

Nuin, you have thoughts on how we need to rethink the public-private partnership? Do you want to, kind of, elaborate on that?

Nuin-Tara Key 18:31

Definitely building on what you were just describing. I think one of the things, you know, having worked in climate adaptation and resilience for a number of years here, I think recognizing it still is a relatively new, kind of, field of practice and is that—we need to mature our thinking of how we think about funding and financing, and then also the part, kind of, public-private partnership away from this place where we've been thinking about resilience, resilience planning, implementation as being dependent on one-time grants. One-time grants are not going to get us where we need to go. We need to have grant funding available at the right time in this process to make sure that it's getting—and deployed to people who need it. But that can't be how we think about, really, at scale across our economy, the investments that need to be made. And I think there's some maturing that's happening to really think about that and think about what is the role of—again, going back to kind of municipal finance—of dedicated revenue streams at a local government level that are making sustained investment in risk reduction. How are you bringing in and leveraging different capital through the process in building resilience? And then when events happen again—to be able to have access to capital when it's needed in the right way and through the right channels. So, I think there still is maturing that we need to do to understand that, and part of that comes from—and you mentioned this—having the right information is actually just operationalizing resilience and understanding of changing risks into the work that we all do every day. It's not a standalone. It has to be part of how we're making decisions. So, on the public-private partnership side of things, I think, you know, all of that needs to be done collectively because we need to be understanding the same data. We have to be using the same information. We need to be incorporating it in. And I like to think about, kind of—where I think there's a lot of space and opportunity—is going back to the point I was making before, of, like, economic incentives. I think we've spent a lot of time of, like, a public-private partnership on a project. And that's important, but we're missing some of the drivers that are actually counter to going back to kind of insurance or access to capital. If we're not thinking about how to actually align economic incentives towards resilience and rewarding investment in risk reduction, I think we're missing a lot of opportunities. I feel like that gets right to you, Tom.

Tom Hoban 21:03

I think we're all saying similar things from different lenses. But, you know, it's funny. Because I think there's—in the development world, there's community redevelopment areas, CRAs, that are deemed-to-be areas that are blighted or under underserved. And there are tax structures in place there to help create incentive to redevelop those areas. There hasn't been a lot of that on the frontend to, kind of, get proactive on thinking about what would be the incremental cost on a new area to take it from—I'll just use a scale one to five in terms of resiliency. If it's at a two or three, how do we get it to a four or five? And can there be more innovation in thinking about tax dollars? Because as a developer, when we create places, they end up being tax districts, right? Where homeowners are paying taxes, commercial properties paying taxes. So, back to the lunch conversation, you know, how do you maximize those tax dollars and create the best outcome with those tax dollars? And there's—I'm sure there's a hundred opinions on that in the room. But when it comes to resilience under what we're talking about here, there could be some creative ways to rethink about tax dollars and how to reallocate those dollars to create a better fortified region or area, especially these areas and regions that are more susceptible to storms and to fires, and whatnot. You know, for us as a developer, we're very focused on creating that peace of mind, you know, for our customers. And so, we see a lot of the data there, and there's, there's thousands of drivers of decision making, for purchasing decisions. But that that community that gives me peace of mind, that I can live there comfortably, safely, or I can open a business there— to your point, Lynette, that's not going to get shut down, for some reason, it can remain operational. So, from a risk perspective, if we can get really, kind of, innovative on infrastructure and bury everything under ground, all of our powers under ground, all of our wifis is under ground, we can have our lake systems integrated within the community, control the level of lakes. We can plug into the NOAA, have a smart system to manage our water, and all the water can [inaudible] predictive analytics when storms are coming. What's the rise going to be in the lake system to make sure we can deplete those lakes so we don't flood the streets? There's lots of things we can do on the innovation side as developers, and we need to do it in hand in the glove with the local jurisdiction, local municipality. And so, it doesn't work in our business without that public-private awareness and partnership. That really gets to, kind of, the last question as we wrap up here, is sort of you know—why is it important to really think about this at the regional and community level, where you know—rather than having, sort of, blanket responses of, "This is how we should respond to a natural disaster"? I don't know if you—

Lynette Bell 23:04

I would say from a regional level—again, nobody's going to know the community better than people who live there every day. And so understanding the infrastructure, understanding some of the politics that are there—and clearly that plays a part into it. But looking at the different ecosystems that exist in a community are critical to that community bouncing back from the hazard of disaster. And so, that level of recovery and resilience has to be linked together as part of that. And you can't do the work to support that community without getting local boots on the ground. And so, to me, that is the first, kind of, layer in understanding what's going on and what's happening. And again, you know, from a 20 foot view to Nuin's point about, how do we help de-risk it— you de-risk some of that by understanding the local community. I mean, you cannot do that work. And so you can have all kinds of research and data. I love the fact that, you know, we said, "Hey, let's look at some of the predictive analytics of rising lakes," and, you know, the shoreline getting inundated with water and flooding, what happens—but that has to be driven at the local level as well. And so, the state will drive some of the funding to support and love that—if we could get into a space of preparing for the disaster, I love the adaptation program that Nuin talked about like, "Hey, can we do community adaptation program at the state level"—so that when it gets to—where Todd said, "Hey, lake levels are rising, we need to do something to help dump that out." That local community needs to be engaged in that process the entire way.

Tom Hoban 24:53

I would add data has become such a big topic for all of us. And I think we haven't always been great at gathering the data and synthesizing the data to make informed decisions. So, I do think at the regional level—at the at the end of it, it's a very local issue. For us, there's no national housing market. You'll hear about the national housing markets, you can blend all the data together, but it's very different. And what's happening in one town next to adjacent towns can be drastically different. But the data can get very micro, and I think the world tends to move in a macro data mindset. Example would be—again, tracking regionally—insurance claims. And you would think that data would be easy to get, and it's not. And so, in Southwest Florida, you look at the storm activity in the last several years. And we try to track it by, like, a heat map as to, you know, how does the region perform with claims and amounts of claims versus how are our communities performing within that region? Are we an outlier? Are we outperforming? We can't get our hands on the data. We've talked to insurance companies. They allegedly don't have the data. So, I think some mindset with this local partnership with public-private regions, municipalities, and broader regions—get the data. Open up the doors to the data, get some really good analytics going to help predictive analytics, Lynette, right? To forward think and plan ahead, and put those dollars out day one, instead of worrying about it in year five, when you've got $100 billion [inaudible] that just pollute through the region.

Kristen Fanarakis 26:13

Final word.

Nuin-Tara Key 26:15

Yeah. So, echoing everything that you all said, agree. I think the one thing I would add on is it's really important to be thinking about this at a regional scale as well, because climate impacts don't stop at jurisdictions boundaries. We all know that. They don't care where—who's responsible for this part of the road versus that part of the road, right? But the impacts cut across communities, and they cut across shared economies, and they cut across the entire—to your point earlier—kind of, ecosystem that makes a community a community. We are respective of jurisdictional boundaries. And so, we're not thinking about it at a regional scale. We're not understanding both the real scale of impact but also the potential scale of solution. For example, in a previous life, I worked for the State of California and did work in the town of Paradise that was devastated by wildfire and burned down. It wasn't just the town of Paradise that was impacted. Chico, the neighboring community, saw overnight their population increase on the order of—and I'm it's not getting the exact number—but on the order of 15 years of growth overnight in their community. They had to figure out how to house and, you know, teach, and provide services to those community members who had fled from Paradise. And that is a regional issue, and you can't be solving that jurisdiction by jurisdiction. It has to be done together.

Kristen Fanarakis 27:46

Thank you all so much.

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