MILKEN INSTITUTE

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EXECUTIVE SUMMARY

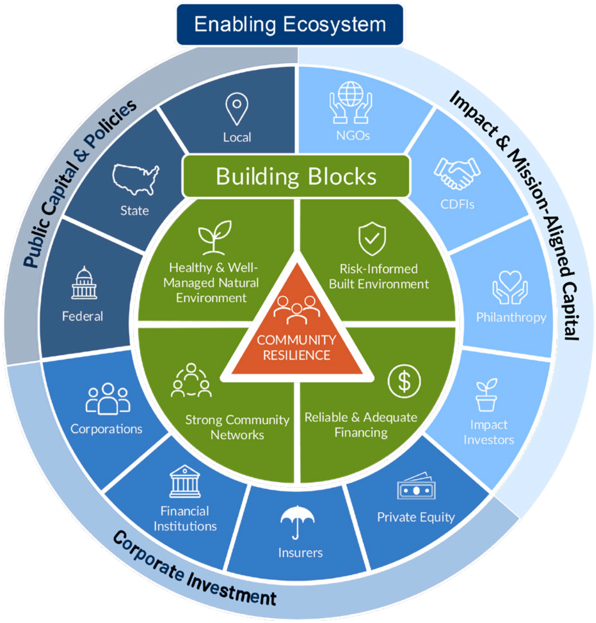
ENSURING A BETTER FUTURE:

Innovative Financing for Resilient Communities

We live in a new reality defined by extreme weather events. Disaster recovery is taking longer. Resources, public and private, are strained. Social and economic stress is increasing. Experts ranked extreme weather as the *most severe* risk over the next 10 years.

Given this context and the devastating 2025 Los Angeles fires, the Milken Institute, in partnership with Marsh, undertook a Financial Innovations Lab® to examine investment in resilience to weather events and identify innovative options for greater capital allocation. Based on research, stakeholder interviews, a Lab workshop, and working groups, the report captures insights into this market failure and outlines potential solutions.

Figure 1: Community Resilience Building Blocks and Enabling Ecosystem



Source: Milken Institute (2026)

Experts identified four building blocks of resilience (see Figure 1):

- **A healthy and well-managed natural environment** acts as a buffer, reducing the impact of hazards.
- **A risk-informed built environment**, including up-to-date building codes and civil infrastructure, reduces the vulnerability of assets.
- **Strong community networks** share information on risks and solutions and accelerate response.
- **Reliable and adequate financing** is vital to delivering these building blocks.

Community resilience projects are complex multistakeholder endeavors that require an enabling and collaborative ecosystem of public policy and capital, philanthropy, and corporate investment. But today's ecosystem is fragmented and insufficient. Governments lack resources to address mounting risks. Private-sector investment has largely been philanthropic or venture investment in technology. Broader investment is hindered by poor communication, uncoordinated and outdated policy, and difficulty quantifying the return on investment (ROI).

Without change, communities will continue to lose access to insurance, and rebuilding will grow costlier and slower. **Resilience requires a new tool kit of solutions.**

Solutions Overview

Recommendation 1: Design a Stakeholder-Driven, Insurer-Supported Community Plan

A community plan (CP) will identify resilience projects—new and existing assets—within a defined district in a process managed by a local team. District stakeholders identify priorities and engage the insurance industry at the outset to offer data on risk exposure and inform project selection and design. Where needed, philanthropic and public-sector grants and technical assistance can support planning. Introducing mixed commercial uses will diversify revenue sources. Over time, CPs will demonstrate ROI in avoided losses, insurance savings, reduced future costs, increased occupancy, and other benefits.

Recommendation 2: Finance a Private-Sector-Led Revolving Loan Fund to Finance the CP

Revolving loan funds draw capital from various low-cost sources to offer below-market-rate loans; they "revolve" by reinvesting repayment proceeds into new loans. Philanthropies, local governments, and community-based lenders could provide grants and low-interest loans to set it up. It would then approach private beneficiaries for capital, including local corporations, and financial institutions with an interest in area resilience. Repayment could originate from property value increases, upzoning rights, and other measurable returns.

Recommendation 3: Issue District-Backed Resilience Bonds to Finance the CP

Districts could issue bonds repaid by annual property assessments collected alongside property taxes. A special-purpose vehicle, distinct from the CP, could administer funds to reduce the bond's risk profile. Early insurer involvement and philanthropic credit enhancement will reduce risks and draw investors.

Recommendation 4: Structure a Resilience Innovation Technology Investment Fund

A dedicated investment fund will scale solutions while generating market-rate returns for investors. Anchor investors with shared interests in resilience—with the insurance industry playing a leading role—would stand up the fund. It could incorporate special-purpose vehicles dedicated to different weather risks (e.g., vegetation management for wildfire or floodproofing for storms).

Recommendation 5: Draft State Playbooks

States can coordinate budgetary and policy actions to reduce barriers to private investment in resilience. They can deploy balance sheet capacity by investing alongside private actors and offering credit enhancements (e.g., loan guarantees and interest rate buydowns) that reduce risks and costs of financing. States can also improve the collection and sharing of data on risk exposure and the ROI of resilience.

If implemented collaboratively in an enabling policy and capital ecosystem, with early engagement from insurers, these risk-informed solutions can attract private investment at the scale needed for community-level resilience in today's reality.

View the full report.