Economic Architecture Podcast

Episode 29 Transcript:

The following transcript has been edited for clarity:

Abby Ross: Rebuilding infrastructure is inevitable. And therefore, we need it to be resilient.

Stuart Yasgur: I'm Stuart Yasgur, and this is Economic Architecture, the podcast.

Abby Ross: The only reason we have this Resilient Delta Fund, I think, is because hopefully one day there isn't a delta. This is just how we build things. So that's the ultimate vision is that capital flows because resilience becomes the norm and standard for how we build, because we recognize our risk, we're able to deploy solutions into managing that risk, and that's something that we can do over and over again because we recognize the benefit of resilient financing.

Stuart Yasgur: This week, I spoke with Abby Ross, the founder of The Resiliency Company. It's an organization that's focused on helping communities become more resilient in the face of the growing risk, from extreme weather and climate change. At Economic Architecture, we share her view that improving climate resilience is one of the key issues of our time.

Stuart Yasgur: Whether or not our communities become resilient depends on the choices that families, community members, policy makers, builders, bankers, business leaders make every day.

Stuart Yasgur: We need them to make different choices, and that's not gonna happen only because people become aware of resilience or even start believing that it's the right choice to make.

Stuart Yasgur: It will only happen if the resilient choice is the actionable choice that each of these people see is best for them.

Stuart Yasgur: Unfortunately, today, too often it isn't. We need to change that. We need to change the strategic landscape.

Stuart Yasgur: To make our communities resilient in each of these countless numbers of choices, each person needs to be able to choose the option that makes their communities more resilient. And it needs to happen over and over again, day in and day out.

Stuart Yasgur: At Economic Architecture, we focus on advancing the kind of structural innovations that can change the strategic landscape and make our communities more resilient.

Stuart Yasgur: We need structural innovations with the potential to change the strategic landscape so that when each of these people face each of those choices, they will choose the resilient option. Not because or not just because it's the right thing to do, but because they're making the choice that they believe is in their own best interest.

Stuart Yasgur: As we start this new year, I'm excited to share this conversation with Abby Ross, who has a clear vision of why it's so critical to create resilience and is taking concrete action to close the delta between where we are today and where we need to go in the future.

Stuart Yasgur: Resiliency Company, it's a great name for an organization.

Abby Ross: Fastball down the middle.

Stuart Yasgur: Absolutely.

Abby Ross: You know, we used to have a billion-dollar disaster about eight times a year, 20 years ago, and now they're happening every two weeks. As a country, we've spent over, you know, about $3 trillion

rebuilding infrastructure, and we're rebuilding that infrastructure the exact same standard that was there before.

Abby Ross: Humanity inevitably needs to adapt to a world with a changing climate where we have wildfires, severe storms, extreme heat, drought; therefore, we need all of our infrastructure to be more resilient.

Abby Ross: That's the work that we do at the organization, the Resiliency Company, where resiliency is the norm and standard for how businesses, and it's a core tenet of how we design and build infrastructure.

Abby Ross: Our goal is to mobilize as much capital as possible into more resilient infrastructure because rebuilding infrastructure is inevitable. And therefore, we need it to be resilient. And this is something that ultimately requires a broad networked approach of various different stakeholders to do something differently than they did before, to design things differently, to have a new set of standards to create new financing mechanisms. And so, we've put ourselves in a place to weave together that complex network and ecosystem to help build confidence and conviction that we can and should build things differently, and then figure out how to pay for it.

Abby Ross: Ninety percent of counties in the past 10 years have had a federally declared disaster. If you ask folks, have you had a disaster in the past 10 years, you know, most people don't recognize they're in that 90%, but in fact, you are. Whether it's extreme flooding, extreme heat, just things are changing in a way that hasn't happened before. And we work with an organization called Probable Futures.

Abby Ross: They're a climate literacy company. They have these fantastic maps that show recent history today at point five degrees Celsius, one, one and a half, two, et cetera, of what different places are gonna look like. And because of changing climate, whether that's degrees of severe wildfire risk to amount of rainfall, as you saw in Asheville or in Texas. And what you realize is that we had a stable climate for 12,000 years. We don't anymore.

And the entire kinda landscape of places are going to change with new risks.

Abby Ross: That changes how we build infrastructure and changes, you know, the risk profile of specific places. And so, a lot of this is change management and helping humanity adapt to these changing conditions.

Stuart Yasgur: You know, if we think about places like California, in wildlands we need firefighters as part of that ecosystem, but not having it go from house to house is incredibly important. So, the good news is we do have some engineering solutions for the kind of things you're mentioning, right?

Stuart Yasgur: One of the challenges people have is sometimes they seem deceptively simple. If you change what your vents look like. If we remove the kind of combustible things from within five to 10 feet from the home, it seems like a relatively simple thing, but the impact—if we all start to do it—can be really huge. In your work, there are some engineering solutions, but we really need people to start employing them, right? So we have this kind of coordination issue.

Abby Ross: Yeah, work in Los Angeles is a great example of this, that rebuilding infrastructure is a lot of times inevitable. There were 12,000 homes that were destroyed in Los Angeles from the fires in January of 2025. And so, the community's talking about rebuilding. But the way that the system works today is it really will only rebuild what was there before. Which is not set up for a future of increasing risks. So that's how insurance pays money out. That's how most builders and architects think about building the same home. And a lot of times, to your point, it's what homeowners are thinking about, which is, I wanna go back to my home.

Abby Ross: And so, a lot of our work is change management, helping the ecosystem recognize if we're going to rebuild 12,000 homes, let's think about rebuilding those homes with resilience.

Abby Ross: Several things that kinda have to happen, a homeowner needs to be aware that we have the engineering solutions. They have to then sort through the different standards to think about how to do that, then pull together the network of contractors. You need a landscaper. You need an architect. You need a general contractor that understands resilience, and then you have to figure out how you're gonna pay for it.

Abby Ross: Because we haven't been building homes this way. It's not baked into the process. A lot of times, these materials cost extra. And so, when you're rebuilding a home, something that you probably never imagined to be hit with an additional cost might seem like something extra when it's actually essential. And so, our work in Los Angeles has been about how do we help a homeowner navigate that complexity of figuring out how you pay for it and making sure that you have the education and network to do it.

Abby Ross: So, we've done that through two things. One is, through convenings and ecosystem building, of how do we work with builders and architects on, here's what a resilient home looks like. And we've partnered with IBHS, the Institute for Building Home and Safety, on their Wildfire Prepared Plus standard, as this is a scientifically proven solution to keep homes more survivable and insurable from fire risks.

Abby Ross: So, we said this is the standard that we should rebuild all 12,000 homes to, and then it's been sitting with those builders and architects on, make sure you have a home plan that can be built to the standard.

Abby Ross: Then it's been working with community groups on education about make sure that you're thinking about rebuilding to the IBHS standard. Working with lenders, as homeowners go to take out, borrow money, can we create a way so that they actually include a resilient standard and get more favorable lending terms for that? So, raising the Resilient Delta Fund to help homeowners cover that difference. It's called the delta between

building a cost home to code and a more resilient home. So how can we help homeowners with that 25k difference, with a lower cost loan to incentivize doing that? And building that network so that the north star of rebuilding homes to a resilient standard happens. And we don't just go back to rebuilding what was there.

Stuart Yasgur: That's a great description of it. And how receptive have people been?

Abby Ross: What I've learned, especially in working with communities after a disaster, is that this is when communities are most aware of the risk. They're kind of the most porous to change. So post-disaster is challenging for so many reasons, but it's also the most affordable it will ever be.

Abby Ross: So, building a home new or a rebuild is three to five times cheaper than it is doing a retrofit. So now is the time to make the decision, and it's also directly correlated to potential outcomes of increase in home value and more insurability of the home. So, all of the incentives are aligned, it's just about connecting that ecosystem of recognizing you all want the same thing, which is a safer, more insurable home. Here's how we make that happen.

Abby Ross: We've had a lot of success talking about this delta concept, but figuring out who pays for the delta. Should insurers pay for this? Is this the homeowners, the banks, there's so many people that benefit, that are co-beneficiaries when you invest in more resilient homes. Who can we get to invest into this? And so, what we've recognized is that with the north star of 12,000 resilient homes, we actually can partner with lenders. So CDFIs, credit unions, or even large financial institutions who have a vested interest in lending to homeowners to do the actual on balance sheet loans for a resilient home.

Abby Ross: And then the Delta Fund has turned into catalytic capital that helps blend down the rate of a resilient loan. So, if I'm a homeowner and

I'm looking at an eight percent loan for a resilient home, or a seven and a half percent resilient home loan, we've recognized that, hey, that's enough incentive to say, I'm gonna think about this.

Stuart Yasgur: It's a moment of decision-making, and they can change which pathway they're on, right? Like, are you on a resilient pathway, or are you maintaining the level of risk that's becoming increasingly difficult to bear?

Abby Ross: Exactly. And you know, resilient home lending is not something that a lot of these banks have ever had to do before. You know, a lot of 'em haven't even done construction loans before. And we're starting to live in a world where more financial institutions have to start lending in new ways.

Abby Ross: And so a lot of this is, well, here's the standards, here's how to underwrite to a resilient home. It's why we've selected the IBHS standard, is because it's clear and consistent for underwriting criteria, and it's accepted most widely by insurers, as this becomes an insurable standard. So, the Delta Fund is both catalytic in that we can leverage it up. It's also catalytic in that we're seeding a market of lenders to learn, hey, our goal is, several years from now, you can just walk into your local bank and they can give you a resilient home loan for a fortified roof for wildfire retrofit, but we have to start having those financial products available in market and this is a great way to get that work going.

Stuart Yasgur: Yeah, absolutely. As we think about moving from the engineering problems of changing the vent sizes to the coordination problem, like how do we help people change the decisions they're making, and they're distributed, right? These are thousands of homeowners, thousands of contractors.

Stuart Yasgur: There's so many people who have to be involved in this, and everybody has to be thinking differently. We have to find these kinda

leverage points to help create that change. But also, for people to build new muscles 'cause they have to reorganize differently.

Abby Ross: I kind of think that we have two jobs at the Resiliency Company. One is to tell a big story about resiliency and helping decision makers, whether it's the local leader in the sewage department, all the way up to a large-scale capital allocator, see the ROI in resilience. And so that comes through. We have a publication called The Epicenter, where we talk about some of the, you know, leverage points and opportunities for different capital markets in resilience, and we profile success stories. We are also the fiscal sponsor of Probable Futures that is a climate literacy initiative.

Abby Ross: They have some fantastic executive education programs on helping stakeholders just understand what the probable future looks like over the next hundred years, and looking at their portfolio or their strategies around adaptation.

Abby Ross: And then we also fiscally sponsor an organization called Case Study Adapt, that has partnered with Architecture Digest, and is resurrecting the case study program from the 1940s through ‘60s that built homes, essentially launched mid-century modern, as this model of this is what kind of architecture looks like. And so, they've resurrected that program, Case Study Adapt, in this new wave of resilient architecture to create kind of beauty and set the standard of what a new wave of architecture will look like in a world where we need to adapt. So those are all kind of initiatives in telling a big story about resilience in terms of the ROI in terms of moving culture and moving markets and minds.

Abby Ross: The second thing that we do is what we call creating conditions for success. And it turns out it's actually not a ton of examples at the clip and scale that we need to do this work. So we said, all right, well, where are the leverage points? That's an example of that is our work in commercial real estate. Our work in Los Angeles is going in and finding markets in places where we can have an outsized influence in how capital

flows into more resilient homes, into more resilient buildings, into more resilient communities, so that creating conditions for success.

Abby Ross: I call us a do tank, not a think tank, and it's all about how do we create the ecosystems and those conditions for success, whether it's new financial vehicles, whether it's new networks, whether it's new commercial businesses that come out of it, that can be kind of part of that work as long as it's serving that north star mission of mobilizing capital into more resilient infrastructure.

Stuart Yasgur: What you're describing is something that often happens whenever we see like a major set of innovations emerging, right? In the early days, people turn around and say like, okay, show me examples of how this is gonna work. And then you present examples and people say, well, it's not at the scale yet. And you say like, that's the point. This is, in 10 years from now, we'll have a lot of those examples to show you, but that's no longer the frontier of innovation, right?

Abby Ross: Right.

Stuart Yasgur: At these moments of kind of inflection, whether they're homeowners, kind of builders, capital allocators, public officials, et cetera, who can recognize the challenges we face and have the vision to say, okay, we need to go in a new direction. And the courage and conviction that comes with that, because it can be difficult to advance some of these things.

Abby Ross: Well, and so much of what we think about the work in Los Angeles is, we're not thinking about this as a one-off pilot. We're thinking of this as this needs to become the way that communities rebuild after disasters.

Abby Ross: And so all of the learnings from the Delta Fund concept, the network that's required to come together to working with builders, architects

and general contractors, and insurers around this. That is something that needs to happen every time there's a disaster. And the larger scale, how do we help financial institutions lend on this thesis? All of those are kind of part into the, how are we moving, you know, hundreds of billions, you know, not just one-off communities here and there.

Stuart Yasgur: One of the issues that we have with resilience is sometimes it doesn't make the news when it works really well, right? We don't say, hey, there's an incredible storm, but we didn't have flooding because this was really well designed. What does that kind of resilience infrastructure start to look like?

Abby Ross: Great point. Which is avoided losses are really tough, but it's frankly gonna be one of the things that demonstrates resilience, is things not happening.

Abby Ross: And what resilience infrastructure looks like is we know today that a lot of the homes we've built, especially in places like California, were designed for a different past. A past that didn't have wildfire risk or fires heading into, you know, a city like Los Angeles. And the fact is that now we're going to have more of those, but we can build homes that don't have the fire move from home to homes so significantly by changing the building materials that you use, the way that we put ventilation in, how much space is between homes.

Abby Ross: These are the engineering solutions that we know we have to build infrastructure. You know, a lot of times, what that will look like is a fire that happens. Not spreading.

Abby Ross: Because our mission is, how do we mobilize more capital into resilient infrastructure? One of the places we started poking around is commercial real estate. One of the projects that we've done is a playbook with partners like the Urban Land Institute, JLL, Ryan Companies, and a group of 55 other commercial real estate partners that represent, I think it's

2.5 trillion in market cap, have all come together to help us author a playbook called From Vulnerability to Value. And it's a guide for commercial real estate to think about building more resilient buildings.

Abby Ross: The people that hold the risk in the end of what's built are not the people who are deciding what gets built. So how do we align those stakeholders to truly understand, from kind of the investor to the pre-development, to the contractors and the owner tenants, to recognize. So, how can we influence those decisions along the way in commercial real estate to help include resilience as a core tenet of how we think about new commercial infrastructure buildings?

Stuart Yasgur: And as this need is arising, we need to meet this need, and as capital's flowing, there are also gonna be huge opportunities for businesses to grow and be built, and for people to make profit by creating resilience. So, your mission —mobilized capital into the resilience—what would success look like in the years ahead?

Abby Ross: One thing that's really interesting is that institutional investors are starting to pay attention, whether it's funds that are being created that think about resilience and adaptation as a thesis across venture private equities or even public equities.

Abby Ross: Thinking about how policy can mobilize capital at a state and local level. How we can use larger market instruments to think about how resilience can be included in that?

Abby Ross: The only reason we have this Resilient Delta Fund. I think is, because hopefully one day there isn't a delta. This is just how we build things. So that's the ultimate vision, is that capital flows because resilience becomes the norm and standard for how we build, because we recognize our risk, we're able to deploy solutions into managing that risk, and that's something that we can do over and over again because we recognize the benefit of resilient financing.

Stuart Yasgur: Are you starting to see cities, states, other public sector folks starting to move in this direction as well?

Abby Ross: You know, state and local governments are the largest asset owners that we have. And public finance, you know, municipal bonds have funded 80% of all the infrastructure in this country. So, what are the ways in which we can help state and local governments think about their risk, including resilience into the measures of what we start building?

Abby Ross: And so that could mean thinking about a different HVAC system for a school that's experiencing extreme heat. That could mean thinking about water in a different way, that is not just about capturing it, but thinking about flood mitigation. So I think both start recognizing avoided losses and, you know, cost of insurance and thinking about how they can use the public purse in a meaningful way to invest in, you know, what ultimately will be economic growth by creating more, you know, safer, resilient communities.

Stuart Yasgur: Yeah, I absolutely agree. I think one of the really interesting pieces that we've learned throughout this journey is that sometimes also those decisions are being made in places and in offices, and that you wouldn't have expected, right? That these are civil sector kind of employees who are saving people's lives by decisions they're making and kind of quiet offices.

Stuart Yasgur: That might be the sewage authority who's changing where water's flowing, what the exposure the homes and homeowners have to the risks of flooding and all kinds of other issues. For us, it's changing our kind of conception of who the heroes are, who are kind of leading this change.

Abby Ross: I think that's exactly right. This is gonna be a sum of a bunch of little decisions. And it, it's decisions that are not just made once. This isn't just an end destination. We're gonna have to make these decisions over and over and over again because the risk is going to keep changing.

Abby Ross: I think that a couple of things have to happen in order for those decisions to be made. Places need to understand their risk and how that's changing over time. They need to recognize that we have the engineering solutions available, and then we need to make sure that that becomes a priority as we're thinking about all the things that we have to do, you know, for communities. And isn't just something that having the same road flood every year for five years isn't something that we need to keep taking. We actually can build infrastructure to be more resilient to this.

Stuart Yasgur: If you're somebody listening to this and you're saying, okay, we recognize this need is real, we need to make change. How do people start? What can they do today, tomorrow, to start moving in this direction?

Abby Ross: I think a lot of it kinda starts with climate literacy. Understanding where you live, what the risk is, and how that's going to change. I think that when you talk to folks in the Northeast, and you show them a probable futures map of over the next 10 years, here's your increasing wildfire risk, they're like, what? That's just a California problem.

Abby Ross: I live in Chicago, and you look at some of the likelihood of flood events or severe storm events, you're like, oh I need to think differently when I go to replace my roof. So, as a kind of individual, it's looking at the world and the risk in a different way.

Abby Ross: If you're kind of on the decision-maker side of that, it's figuring out what is the surrounding business case for investing in resilience? We can create new technology, new innovation, new business models around that, and that is required. And then if it's larger scale, market-based play, it's thinking about how does my portfolio, or how does my perspective on places change over the next, you know, time horizon, and have I factored those in?

Stuart Yasgur: I think that's really well said. Abby, thanks. This has been great. I love the kind of clarity of focus on resilience, and no individual kind of owns it. We all need to kind of join in together, but you're helping to give us a convening point, which is really, really fruitful.

Abby Ross: Thank you. Thank you.

Stuart Yasgur: There are a few things that are really interesting about the conversation with Abby. One is, at the Resiliency Company, they're focused on a big, constructive vision.

Stuart Yasgur: So many folks spend two-thirds of the time describing the problem and only one-third of the time kind of gesturing towards the solution.

Stuart Yasgur: Instead, Abby and her colleagues are front and center, aiming at a very large and positive change that needs to be brought about, namely, creating resilience. Second, they're trying to do it in a very collaborative way. They're trying to create space for many other people to join in and take ownership of creating more resilience.

Stuart Yasgur: The third point is that they're thinking really creatively about how they can create the most impact. For example, think about the conversation about the Delta Fund. Their goal is for every one of the 12,000 homes that's going to be rebuilt in L.A. to become a resilient home. And figuring out how to do this, they've moved from focusing on the money that's needed to build 12,000 resilient homes to focusing on paying the additional cost of making every one of those 12,000 homes resilient. And from there, they moved on to focus on deploying capital that can make the financing and construction of resilient homes less expensive than financing non-resilient homes.

Stuart Yasgur: So this is a really smart progression 'cause it creates greater and greater leverage at each stage. They move from needing to

mobilize billions in funding to possibly hundreds of millions of funding to needing to mobilize something like millions or tens of millions in funding. This is a much more leveraged approach that has the potential to achieve similar results.

Stuart Yasgur: We call these kinds of approaches, kind of tugboat models because, like a tugboat, which is a small vessel that has the potential to turn an enormous freighter that would've taken forever to turn under its own power. These approaches have the potential to change the impact of enormous systems by deploying rather small and targeted amounts of funding.

Stuart Yasgur: Abby mentioned that we all have an interest in making homes safer and more resilient, but we have to figure out who pays for it. This has all the hallmarks of a collective action problem.

Stuart Yasgur: At Economic Architecture, we think that this is where the design work starts.

Stuart Yasgur: We ask, how can we design this market so that when everyone makes the choices that they think are best for them, they'll make the choices that are in all of our best interests.

Stuart Yasgur: As we pursue these questions with a goal of creating safe, healthy, and resilient homes, communities, and businesses, we look forward to partner with Abby and her colleagues at The Resiliency Company.

Stuart Yasgur: I'm Stuart Yasgur, and this is Economic Architecture, the podcast.