Agenda
Comprehensive Economic Development Strategy (CEDS) Committee
Thursday, February 21, 2019 at 9:00 am
Alamo Area Council of Governments
Al J. Notzon III Board Room
8700 Tesoro Drive, Suite 100
San Antonio, Texas 78217-6221

Request All Electronic Devices Be Silenced

1. Meeting Called to Order

2. Roll Call/Establish Quorum

3. Election of Committee Chair and Vice Chair

4. Review and Discuss the 2018-2023 Comprehensive Economic Development Strategy (CEDS) – Economic Resiliency Section Research for the 2019 Review and Update

5. Review of Hurricane Harvey Disaster Recovery Projects List

6. Chair Report

7. Director Report

8. Next meeting date: Thursday, April 18, 2019 at 9:00 am

9. Adjourn

This meeting is accessible to people with disabilities. The accessible entrance is located at the front entrance of 8700 Tesoro Drive. Accessible parking spaces are also available. Please contact AACOG for auxiliary aids and services for the hearing impaired, including interpreters for the deaf, at (210) 362-5200 at least 48 hours prior to the meeting or by calling Texas Relay at 7-1-1 for

Planning for a More Resilient Future
A Guide to Regional Approaches

4 Economic Dimensions of Resilience

Regional development organizations can play a key role in enhancing economic resilience at two levels. First, they can work with businesses to help increase their ability to rapidly return to normal functioning after a disaster, and second, they can pursue a broad range of economic development strategies and initiatives to improve long-term regional competitiveness.

Economic resilience is important from two perspectives. On the one hand, it is about a community's individual businesses and short-term, practical actions to sustain their operations after a disaster. On the other hand, economic resilience is concerned with the broader regional economic development and long-range adaptability to a changing, and often turbulent, economic environment.

Business Resilience

Business resilience is primarily focused on business operations and business behavior in the days and months following a disaster. This is because economic recovery is very much determined by short-term actions and responses (Rose & Krausmann, 2013. Although it is not unusual for recovery agencies to focus on business property and the extent to which it is damaged, it is more important to prioritize the maintenance of markets and customers and the generation of income, without which businesses cannot continue (Rose, 2009).

Thus, supply chains and logistics feature prominently in business resilience, as interruptions in supplies, distribution of finished products and services, access to customers, or availability of the workforce can jeopardize the continuing operation of the business. As supply chains have become more global and complex, the risks from a variety of natural and human-made shocks rise exponentially (Lynch, 2011). A shock impacting any part of a supply chain can cause significant short-term and sometimes long-term damage to economic activity in several geographic locations. The 2011 earthquake in Japan created major supply problems for assemblers and retailers of Japanese cars in the United States and across the world. It is worth noting that the adoption of just-in-time practices, where inventories are kept to a minimum and dependency upon reliable suppliers and efficient logistics, can increase business vulnerability.

There are therefore tensions between operational efficiency and business resilience, with the former focusing on short-term cost-reductions and profitability based on current understandings of the business environment, and the latter on pre-emptive investments to reduce vulnerabilities and increase adaptability in the face of longer-term uncertainties. Such investments might include advance planning and preparation for increasing essential inventory, building excess capacity, alternative locations for temporary operations, and contractual arrangements for accessing alternative supplies. However, if disaster strikes, the spotlight shines on human resources and their ingenuity under stress – doing whatever it takes to survive and recover, from ways of conserving resources and energy to adapting work practice and processes (Rose & Krausmann, 2013).

A series of surveys of 5,000 businesses in four states (Webb, Tierney & Dahlhamer, 2000) found that apart from direct damage to premises, the largest impact of a disaster was the disruption of lifelines – water, electricity, sewer, and waste water treatment. Other factors included disruption in logistics flows, reduced employee productivity through transportation difficulties and the effects of the disaster on their homes, and reduced customer traffic. Disconcertingly, the surveys also found that businesses placed limited emphasis on disaster preparedness, favoring generic lower cost measures rather than developing emergency and recovery plans or buying business interruption insurance. Small businesses generally were less

prepared than larger ones, presumably a factor of resources. According to the Insurance Institute for Business and Home Safety, an estimated 25 percent of businesses do not reopen following a major disaster (IBHS, 2007).

However, the majority of businesses surveyed (Webb, Tierney & Dahlhamer, 2000) did return to pre-disaster levels of operation, and some even reported being better off. Important determinants of business recovery were broader economic trends, although smaller firms generally fared less well, and those in poor financial condition before the event were less likely to survive. The main takeaways from the surveys were that greater emphasis has to be given to the needs of smaller businesses to increase survival rates, and that businesses, having a strong vested interest in ensuring the preparedness of utility companies, emergency services, and public services, need to be much more active in community preparedness and recovery planning.

Economic Development

The ability of local and regional economies to adapt to changing conditions, including disasters, is the focus of regional economic resilience. Although it is common to talk about economies bouncing back after a shock, current thinking tends to focus on how economies respond to and generate constant change. Economies comprise many moving parts – the structure and type of industries, the engagement of the banking and financial system, labor market conditions and workforce skills, and the interactions between business and government. These in turn are subject to a broad range of local, regional, national, and international influences. It is this complexity that determines why regions differ in their vulnerability to shocks and how future growth and development are differently shaped in their aftermath (Martin & Sunley, 2015).

A region's economic resilience will change over time as it passes through stages of development. Resilience increases as a region's firms respond to, and exploit new markets and technologies, but as the economy enters into a phase of stability, the economy "locks-in" to a particular trajectory of development. At this point, the indicators of a highly competitive economy, such as clustering, increasing specialization, and tighter networks may also be early warning signs of decreasing resilience to potential disasters. This is not necessarily an argument against economic development strategies that encourage regional competitiveness such as industrial and occupational clusters, but an acknowledgement that these are not static and do evolve and may decline over time (Audretsch & Feldman, 1996; Sölvell, 2008).

As a regional economy becomes less competitive, much will depend upon the extent the economy has locked in to a path characterized by lack of innovation, comfort with the status quo, failure to discern broader economic trends, and resistance to change (Hassink, 2010). A disaster may push an economy further down the path of decline or it may shift it onto a new path of emergence and openness and new opportunity, and increasing resilience.

Economic diversity is often seen as an indicator of economic resilience. "...[T]he greater the variety of industries in a region, and the more dispersed the regional employment among these industries, the less likely a region is to suffer severe economic decline" (Dissart, 2013, p. 424). Some researchers point to the negative consequences for regions that specialize in extraction industries (Melizia & Ke, 1993; Thompson, 2004) and to the "staple trap" where the profitability of resource extraction effectively delays development, reduces job creation, and inhibits regional competitiveness (Watkins, 1977; Auty, 2000, 2001).

Feser et al. (2014) argue that "pursuing diversity as a goal helps economic development practitioners and community stakeholders better detect and understand economic opportunities and threats" (p. v). They suggest that "a competitive regional economy, and one that is also diverse in comparison to other regional economies of similar levels of development and scale, is likely to be comprised of multiple competitive specializations" (p.vi).

In its content guidelines for the Comprehensive Economic Development Strategy (CEDS), the Economic Development Administration (EDA) provides some practical guidance to regional development organizations on how to improve business resilience and regional economic resilience through what are called responsive and steady-state initiatives (EDA, 2015):

- **Responsive** initiatives include pre-disaster recovery planning to define key stakeholders, roles, responsibilities, and actions; establishing a process for regular communication, monitoring, and updating of business community needs and issues; and building a capability to connect with public officials at local, regional, state, and federal levels to rapidly communicate business sector needs and to coordinate impact assessments. These are intended to develop a capacity to address the immediate post-disaster needs to maximize the prospects for continuity of businesses in a community.

- **Steady-state** initiatives refer to longer-term efforts to bolster a region's ability to withstand or avoid a shock, and in doing so, improve its adaptability. These include comprehensive planning efforts to engage the community in a collective vision for resilience, economic diversification initiatives building on local and regional assets, business retention and expansion programs, workforce development strategies, and many other examples of good economic development practice.