

PAG

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Final Report

Presidential Advisory Group on Sustainability

May 2020

PAG Purpose

NAR President Vince Malta formed the Sustainability PAG to evaluate and make recommendations on how NAR can assist members, the broader real estate industry and the NAR organization to become more resilient and sustainable in the face of extreme weather events. Current extreme weather events impact the real estate industry, transactions and property values. The PAG discussions also revealed, through meetings with experts in real estate and resiliency, that these trends will continue into the future. Assessing and promoting risk-mitigation strategies for current and future events will enhance sustainability and resiliency among the industry, members and the NAR organization.

Key Conclusions and Recommendations

- Commit to a long-term plan by engaging with private sector consultants to develop and implement a formal Sustainability Plan.
- Support and involve established policy committees and programs to carry on the work of the PAG through review of NAR's advocacy efforts and policy positions based on Sustainability PAG findings and recommendations.
- Institute a volunteer leadership office within the structure of the Leadership Team and commit to grooming leaders to fill that role now and in future years.

Sustainability PAG Deliverables

- **Final Report**
Describes the PAG's scope, purpose, membership and key recommendations, as well as how the PAG achieved its stated charge.
- **Strategic Guidance and Recommendations**
This document provides additional information and context regarding the Action Plan. The PAG identified 5 categories of recommendations based on meeting discussions: Marketing/Engagement/Education, Financing Resiliency & Risk Assessment, Data Collection & Research, Partnerships & Coalitions, and Success Metrics (Appendix 1).
- **Action Plan**
This Action Plan is a visual representation of a timeline of comprehensive actions that can be taken by NAR over a ten-year period to achieve the goals and recommendations of the PAG (Appendix 2). Additional ideas from PAG discussions are captured in "The Box" (Appendix 3).

Sustainability PAG Members

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Leadership Team Charge to the PAG

The Sustainability PAG evaluated NAR's role in assisting members, the broader real estate industry and the NAR organization to become more resilient and sustainable in the face of extreme weather events.

A critical outcome of the PAG was the creation of a 2030 Sustainability Action Plan. This Action Plan will, over the next decade, allow NAR to:

- Take a leadership role in helping members and the industry become more resilient to extreme weather events;
- Identify NAR programs and resources that can help states and localities reduce the impact of extreme weather events;
- Evaluate and recommend new strategic partnerships with other organizations and industries to address common concerns related to extreme weather events;
- Clearly articulate specific short and long-term operational and business planning goals and actions to reduce the impact of extreme weather events on the real estate industry;
- Support the Leadership Team's 2020 Strategic Priorities related to using the best available data for decision-making, encouraging community development and achieving housing equality and affordability while enhancing the value of membership.

Sustainability PAG Work Process

The PAG held several Webex video-chats, plus one in-person meeting held in Chicago, IL in February to conduct its work.

The in-person meeting in particular was important for the group to clarify the scope, purpose and charge of the PAG, hear experts discuss the extent to which extreme weather events were impacting real estate and property values and begin to formulate an action plan that would react to and mitigate these impacts, now and into the future.

STRATEGIC GUIDANCE & RECOMMENDATIONS

SUSTAINABILITY PAG

PREAMBLE

The changing dynamics the world is experiencing due to COVID-19 have given everyone on the planet - for a brief, albeit chaotic moment - a shared experience which may result in a global change in culture. As REALTORS®, involved in all phases of the transaction, we all know the current nature of our business is full of cultural change. The PAG discussions, as broad as they were considering this subject, came back to an important centering notion that NAR must adapt this organization to accept cultural change that includes resiliency measures and adaptation in all aspects of operation. This adaptation is necessary not only internally, but throughout the entire organization as a new foundational aspect of the three way agreement. This report is a foundation and a substantive beginning; a road map beyond an organizational Sustainability Plan that shows a constructive plan for today, that builds over the next ten years. If we have achieved what we have presented to you, this plan will continue for generations to come.

We establish metrics for success based on the implementation of this PAG Action Plan. Successful implementation will quickly teach REALTORS® that there is a compelling business case for sustainability and resiliency in real estate, and this knowledge benefits our members and their clients. Successful implementation preserves our current business model and builds pathways for new ones at all aspects of the transaction. It was noted during multiple discussions held by the PAG, that REALTORS® across the nation who have embraced sustainability and resiliency as part of their business plans have seen growth in commissions, profitability for brokers, higher quality, more credible valuations, as well as a better understanding of home ownership for their clients.

As REALTORS® on the front line, we know transacting real estate is more about than the numbers. It's about establishing the American Dream for everyone. This notion has long been a core principle that makes REALTORS® different. As a result of the increased frequency of extreme weather events, our clients will expect REALTORS® to understand this issue more than ever before. We know this situation all too well. A client concern becomes our concern. It represents the human component of what we do. This expanding trend demands a new toolbox from NAR. By gradually adding sustainability and resiliency to the REALTOR® organization and member practice, as specified in this plan, we do more than close transactions. We establish social equity with the consumer and provide relevance and value to the brand. We build upon a shared experience from the most significant event of our new generation by fostering a new realm of understanding for our members that assists them in delivering expertise to sustain profitability for decades to come.

PAG RECOMMENDATIONS

The PAG Recommends that NAR:

- Commit to a long-term plan by engaging with private sector consultants to develop and implement a formal Sustainability Plan.
- Leverage established policy committees and programs to carry on the work of the PAG through review of NAR's advocacy efforts and policy positions based on Sustainability PAG findings and recommendations.
- Institute a volunteer leadership role within the structure of the Leadership Team to ensure the Leadership Team has the ongoing perspective and expertise to incorporate sustainability throughout the organization.



KEY FINDINGS

- The PAG identified and agreed sustainability and resiliency are issues impacting organized real estate and is considered an industry disruption;
- NAR must act now to ensure their leadership role in the industry on this issue. The PAG has observed businesses and corporations are successfully implementing ongoing reporting and benchmarks to reduce the negative effects of extreme weather on their organization; and as a result, our members and clients are impacted. NAR has a responsibility to lead efforts to prepare our members on this and related topics.
- The PAG members believe additional, ongoing, and collaborative work needs to be done in this area both internally and externally to secure NAR as a leader and to assist members, the broader real estate industry and the NAR organization to become more resilient and sustainable in the face of extreme weather events.
- While policy work in this space has begun, designating one of the policy committees to lead the review of NAR's advocacy efforts and policy positions on climate risk, extreme weather, and disaster resiliency, and make recommendations as needed through the regular governance process.

LEVERAGING NAR POLICY COMMITTEES

Many of the tools NAR needs to expeditiously implement the PAG findings and recommendations are currently in place. The PAG notes NAR has several existing policy committees to review NAR's advocacy efforts and policy positions in light of PAG findings and recommendations. For instance, with respect to the Action Plan:

- The Insurance Committee has already been working with FEMA and many others (including emergency managers, etc.) to develop disaster preparedness, resiliency and response policies, plans (pre- and post-disasters), strategies, recommendations, toolkits, resources, legal research, actuarial studies, member education and communications under both the Stafford and National Flood Insurance Acts.

- The Conventional Finance Committee has been monitoring the 30-year mortgage and working with the GSEs and broader financial services industry to help position the Association on a wide range of home and property risks.
- The Land Use, Environment and Property Rights Committee sponsored NAR's Global Climate Change policy, which has been adopted by the Board of Directors, and has been working to advance green infrastructure, energy efficiency and other sustainability priorities.

For more information about the work of the policy committees, the PAG prepared a compilation of disaster related policies and resources. Please click here: <https://narfocus.com/billdatabase/clientfiles/172/26/4010.pdf>

INTRODUCTION

There is a strong business case to be made for NAR to lead in this charge. With every crisis, no matter how big or small, there is opportunity. The PAG reviewed the impact of severe weather on the real estate market, the Association, and our individual REALTOR® members. For REALTORS® to see growth, NAR must provide the tools.



These tools would:

- enhance member understanding the impact of severe weather on all aspects of the transaction.
- provide opportunity for the Association to educate brokers and enhance profitability by looking beyond kitchens and bathrooms to identify opportunities for client's infrastructure improvements.
- ascertain value from new research and analytics that develop a total cost of homeownership index so homeowners can model the cost of resiliency improvements.
- provide practical guidance for all members to include sustainability and resilience into their business models to increase profitability.

There is also a cost of doing nothing; an option the PAG categorically dismissed.

As we have learned from the floods in New Jersey to wildfires in California, issues of preparedness, relocation, and recovery rely and focus so much on the services of REALTORS®. This fact necessitates us to have a network of programs, training and toolboxes for us as an industry to serve those most affected. With the reoccurrence of severe weather happening more frequently, the overwhelming consensus was the Association must act immediately so as to make the best impact for our members, our clients, the state and local associations, and most importantly the industry as a whole. We have never shirked our role as the undisputed leader in all matters real estate and with this latest challenge amongst us, the PAG concluded the responsibility is ours.

As a result, the PAG felt that a strategic guidance document should be attached to this PAG report which not only provides a summary of the PAG Action Plan, but also provides ideas and thought processes to achieve the PAG goals set forth by President Malta.

Throughout the process, until the PAG Action Plan was locked down in Mid-April, we treated the Action Plan as a living document; that is a document that would accept changes throughout. As you, the Leadership Team, review the document and its recommendations, we urge your input to help the document grow, taking on the natural opportunities presented in the NAR

structure and our diverse committee structure to continue the considerable progress the PAG has made.

STRATEGIC GUIDANCE AND RECOMMENDATIONS

The PAG did not prioritize one area over another feeling that was beyond the purview of the PAG.

There was consensus the Leadership Team strongly consider instituting a volunteer leadership role within the National Association of REALTORS® to oversee development, measurement and tracking of Association wide sustainability plan and issue periodic public report cards at the national level.

EXECUTIVE SUMMARY OF THE ACTION PLAN WITH HIGHLIGHTED RECOMMENDATIONS

What follows is a high-level summary of the aggregated ideas of the PAG.

MARKETING/ENGAGEMENT/EDUCATION

This section puts forth a member and consumer centric campaign to establish a culture of sustainability and resiliency within the organization.



WHAT THIS DOCUMENT IS AND WHAT IT IS NOT

A description of the Action Plan goals, the format of the chart and a note that the chart is a document with pragmatic recommendations and a path; not a directive. This is not a formal sustainability plan, but proposed Action Plan from the PAG members.

REALTORS® are at the center of the real estate transaction and we must ensure members are aware of the business impacts of severe weather. The PAG observed severe weather events are an emerging factor in financing and insurance, as well as an issue opportunity for expertise and guidance between REALTOR® and client. The PAG identified the Association has a considerable opportunity to lead and make a lasting impact on the market. Framing the issue in a compelling way from the REALTOR® standpoint for consumers is critical, especially in areas of the nation where severe weather issues are more common. As a result, communicating the new approach demands a concerted and collaborative effort. The PAG suggests the following path:

1. 0-1 Years - Develop a comprehensive strategy across the association to make the members and consumers aware of the business issues and resiliency opportunities resulting from severe weather events through fact sheets, disaster planning, and other tools.
2. 1-3 Years - Continue implementing the strategy by adding opportunities in education, events and financial wellness for both members and consumers.
3. 3-10 Years - Maintain an aggressive marketing of the strategy and normalize it as part of the traditional transaction.

FOR EXAMPLE:

REALTORS® are a major component of the recovery efforts in communities. Member surveys can determine what tools are used and are needed to strengthen these efforts and contribute to an overall engagement strategy. Additional videos and interviews enhance engagement efforts with our clients or REALTORS® from different geographic regions who have experienced/survived a natural disaster.

A NOTE ON COVID-19

The pandemic and the resulting reaction and ensuing major changes in business personalized the impact a significant environmental event has on us all. As a result, a discussion was had with the PAG recognizing the new environment. The PAG determined that the substance of the Action Plan developed in Chicago remained unchanged. The PAG reassessed the vision and urgency for action, knowing that sweeping actions being suggested requires more strategic planning and the work. The PAG determined they were preparing the Association accordingly and moreover was putting NAR and their members at the forefront of pre and post disaster planning.

The coronavirus pandemic moreover gave the PAG the opportunity to see NAR, State and Local Association respond in a crisis with various programs, plans and services focused on Realtor resiliency. While this crisis was not an extreme weather event, we believe lessons learned would be beneficial in any future crisis. NAR should survey and collect data at all three levels. The goal would be to identify what worked as well as to distill best practices and innovations. The PAG determined these could be included in core standards and a Sustainability Toolkit / Knowledge Database in the future. The PAG determined responses may identify opportunities for the creation of NAR grants to make NAR offerings available for a limited time for those affected areas. For example, NAR's crisis response included: Right Tools Right Now (Education & Free/Low-Cost Member resources and benefits), Telehealth (Healthcare), and NAR Center for Realtor Financial Wellness (Financial).



FINANCING/RESILIENCY/RISK ASSESSMENT

This section puts forth a more robust evaluation from NAR of the relationship between extreme weather events and the transactional elements of lending and insurance. Using the findings of such an evaluation, the PAG recommends collaborative work with other industry groups to develop tools to support to state and local associations on this issue to help mitigate roadblocks to resiliency resources nationally.

1. 0-1 Years – NAR strengthens the necessary alliances across the industry and evaluates/aggregates data to assess the financial impact of extreme weather on all aspects of the real estate transaction.
2. 1-3 Years – NAR identifies pre- and post-disaster resiliency funding options and disseminates information for both state and local Associations and community leaders, and builds upon data it has aggregated to understand disaster risk considerations across the industry and they impact the transaction.
3. 3-10 Years – NAR leads advocacy efforts supporting funding of sustainable and resilient communities, and collaborates on tools to identify at-risk markets.

FOR EXAMPLE:

The financial services industry is using advanced catastrophe modeling and predictive analytics to help evaluate and price potential risk depending on the location of the property and the probability of extreme weather. REALTORS® would use the data to help homeowners better understand the total cost of housing in disaster prone areas.

DATA COLLECTION & RESEARCH

The section identifies necessary research and data collection on extreme weather impacts in real estate markets nationwide. The PAG agrees that homeowners do not understand the full cost of homeownership in many high risk areas around the country, and such research and data can support efforts to integrate resiliency conversations into disaster response as well as home and insurance affordability to support communities and continue through the ten year plan.

1. 0-1 Years – NAR surveys and evaluates existing legal and member resources to determine the gaps in data, awareness, and research across the entire economic profile of real estate transactions to communicate the cost of homeownership to members and the public.
2. 1-3 Years – Based on the surveys and data, NAR builds on the pre and post disaster resiliency tools to build the business case and value implications for members, to better understand the total cost of ownership and disaster risk considerations across the industry and their impact the transaction.
3. 3-10 Years – NAR becomes a recognized leader in data and research on extreme weather risks and the impact on total cost of homeownership, tracking information to improve the communication about total cost of ownership considerations.



FOR EXAMPLE:

NAR addresses the data gaps by evaluating, presenting and educating the membership and community leaders on standard indices regarding the “total cost of ownership” on multiple data points integrated into a tool that is embedded in to REALTOR.com. This could involve encouraging RPR® to develop metrics on value implications of sustainability and resiliency features and components, and reports to communicate with brokers, members, customers, clients, elected officials and regulatory agencies.

PARTNERSHIPS & COALITIONS

This section puts forth a strategy to build upon internal and external relationships to understand how to best provide value to state and local associations and members based on existing strategies and creating new coalitions to continue to assess changes to the relationship between real estate and extreme weather events over time.

1. 0-1 Years - NAR grows existing and cultivates new relationships inside real estate and in the larger business community around the issue of sustainability and resiliency.
2. 1-3 Years – NAR builds support and collaboration within the industry and our internal partners and affiliates to establish a cohesive network for advocacy, networking, business development and crisis relief efforts.
3. 3-10 Years - NAR leads a collaborative and industry wide coalition effort on sustainability and resiliency.

FOR EXAMPLE:

NAR forms a standing coalition with industry and other organizations to address a range of disaster related risks. Rather than forming different coalitions on an ad hoc basis as issues arise, this coalition can nimbly address or prioritize a number of issues at once.



SUCCESS METRICS

This section puts forth the development of a strategy to measure the successful implementation of the Action Plan. This strategy includes assessment and reporting on proposed integrations into current NAR efforts and future opportunities, and monitored and conducted by a new volunteer leadership position.

1. 0-1 Years – NAR conducts an internal assessment to effectuate this effort, exploring programs and principles, adaptability and execution of this plan; and establishes a volunteer leadership role to oversee the plan implementation.
2. 1-3 Years – NAR volunteer leadership role integrates sustainability and resiliency programs and principles into key areas including core standards; the code of ethics; planning and programing; education of members and staff education of members and staff; and association operations.
3. 3-10 Years – NAR volunteer leadership role integrates sustainability and resiliency programs and principles for implementation throughout the organization's programs and culture.

FOR EXAMPLE:

Under this plan, NAR volunteer leadership role oversees development, measurement, and tracking of programs such as zero waste meetings, metrics to establish and exhibit the success of the program comprehensively across the organization, and a REALTOR® Relief Foundation grant program.



HOW DID THE ACTION PLAN GET DEVELOPED?

A description of the process we undertook;

1. The PAG hosted a live meeting in Chicago in late February.
2. There was thoughtful division of the goals into distinct discussion areas; notes were produced documenting the ideas of PAG members of each goal by NAR staff.
3. Highlighted goals were identified by acclamation of the PAG, all other ideas are documented in APPENDIX 3. (Appendix 1 are these notes, Appendix 2 is the Action Plan, and Appendix 3 are the notes that didn't make the Action Plan.)
4. Meetings were held to refine the Action Plan and it was finalized by the PAG on April 10, 2020.
5. The Action Plan is divided into goals sensitive to future leaders' abilities to have maximum flexibility in addressing these issues in the future.
6. We did not look significantly at the fiscal impact/savings as a result of these efforts. That was beyond the purview of the PAG; but it was discussed.
7. We also did not look at the public policy/ advocacy/external affairs aspect of this initiative in detail. That stated, two areas were discussed; one - that the Association's actions are consistent with other trade groups of comparable size and scope and; two - that the Association's advocacy team participated in collaborative discussions and provided guidance and counsel throughout for the PAG in the meeting in Chicago.



SUSTAINABILITY PAC ACTION PLAN



MARKETING/ENGAGEMENT/ EDUCATION

0-1 YEARS

1-3 YEARS

3-10 YEARS



SUSTAINABILITY PAG ACTION PLAN

KEY



Take a leadership role in the industry on resiliency against weather events



Identify programs and resources to help states and locals



Evaluate and recommend partnerships around common concerns



Articulate short-and long-term business planning goals



Support 2020 Strategic Priorities

FINANCING RESILIENCY/ RISK ASSESSMENT

0-1 YEARS



Expand relationships and form alliances with governmental and other organizations (grassroots) to learn more about risk assessment, resiliency and funding strategies



Monitor and review the impact of extreme weather on existing mortgage products including but not limited to the 30-year mortgage, the potential of climate redlining, and any regional impacts on mortgages based on weather (CoreLogic)



Monitor the impact of extreme weather events on rising insurance costs and advocate on behalf of property owners for reasonable actuarial costs index

1-3 YEARS



Develop tools for State and Local REALTOR® leaders about resiliency funding availability at the pre and post-disaster level (Stafford Act)



Work with financial services industry - including insurers, lenders, investors, regulators, credit raters, accounting standard boards and data providers (and others)- to understand the existing climate risk considerations that impact REALTORS®



Develop tools for State and Local Community leaders about resiliency funding availability at the pre and post-disaster level

3-10 YEARS



Advocate for funding that supports communities that are resilient, safe, and sustainable and remove barriers to sustainable technologies



Develop resources from the lessons learned from research to help REALTORS® identify at-risk markets as it pertains to weather events. (i.e. color-coded maps based on data)



Provide solutions for REALTORS® by engaging with members and with financial institutions to recommend and use financing products to support resiliency and sustainability for pre- and post-disaster funding

SUSTAINABILITY PAG ACTION PLAN

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Support 2020 Strategic Priorities

DATA COLLECTION & RESEARCH

0-1 YEARS

1-3 YEARS

3-10 YEARS



Collaborate with NAR Legal Affairs to augment legal research and member resources to address extreme weather and answer client questions



Develop a report to aggregate financial and sales implications through 2030 of weather events on the real estate industry and the impact to REALTOR® members if no change is made (showing risk of inaction, business case)



Establish database of resilient real estate parcels, paired with comparable "non-resilient" parcels to develop indications of cost differences over time for insurance, utilities, maintenance, etc.



Update NAR economic research on all perils insurance to include wildfires and other disasters (NAR Insurance Committee)



Utilizing research, consider the value implications of more resilient properties (design and construction, hardening, etc) and the relationship to insurance and operating costs for homeowners



Conduct a national survey and focus groups of NAR members and consumers to determine the gaps in resiliency education, actions and needs



Assess ongoing sustainability considerations through continued focus groups for members and consumers, and weave into NAR programs and services as appropriate



Work with data providers to estimate the total cost of property ownership by geographic market, including the costs of extreme weather not typically included in real estate decisions (i.e. utility cost, transportation, PITI, etc)



Use research and data to provide increased member value through the creation of a total cost of ownership index



In developing data sets, include the impact on diverse and low income communities as well as affordability considerations

SUSTAINABILITY PAG ACTION PLAN

KEY



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Evaluate and recommend partnerships around common concerns



Articulate short-and long-term business planning goals



Support 2020 Strategic Priorities

PARTNERSHIPS & COALITIONS

0-1 YEARS



Leverage and expand existing partnerships to include mutual sustainability/resiliency goals



Explore partnerships outside of the financial services industry including but not limited to the US Chamber, Red Cross, environmental groups, universities, home builders, relevant executive branch agencies, and local units of government



Provide guidelines to state and local boards to partner with local experts in their markets include unique weather events in those associations/cities



Develop a strategy for a leadership coalition internally that trains members and volunteer leaders on sustainability and resiliency information (i.e. NAR Leadership Academy, AE orientations, Sustainability Advisory Group)



Work with Association Executive Committee (AEC) to collect examples of extreme weather event preparedness and response from state and local associations, as well as resources provided to members based on type of weather event

1-3 YEARS



Strengthen relationships with internal partners (i.e. RPR, REALTOR® Relief Foundation, affiliate organizations, C2EX) to better integrate business case into several NAR mechanisms



Strengthen relationships with home builders and related groups to explore education/resource opportunities that encourage REALTORS® to serve as the source of information on energy upgrades that can reduce the footprint of the built environment



Leverage partnerships with members like volunteer leaders, broker-owners, and YPN to understand the most valuable and necessary information and upgrades that can reduce the overall cost of ownership in markets nationwide



Establish a Community Resource Network made up of leading state and local REALTOR® Associations to support existing relief efforts and offer guidance on extreme weather preparedness and response by region and weather event

3-10 YEARS



Lead a new coalition of real estate industry voices on sustainability and resiliency as it impacts the real estate transaction and homeownership (FOR EXAMPLE: Encourage RPR to develop metrics on value implications of sustainability/resiliency features/components, and reports to communicate with customers, clients, elected officials and regulatory agencies)

SUSTAINABILITY PAG ACTION PLAN

KEY



Take a leadership role in the industry on resiliency against weather events



Identify programs and resources to help states and locals



Evaluate and recommend partnerships around common concerns



Articulate short-and long-term business planning goals



Support 2020 Strategic Priorities

SUCCESS METRICS

0-1 YEARS



Conduct a comprehensive assessment of NAR to identify/leverage any existing programs or resources to support resiliency/sustainability efforts by state and local associations (beginning with SAG 2019 Working Group Outcomes)



Conduct a comprehensive assessment of NAR to explore opportunities to integrate adaptive sustainability into all aspects of the association



In this assessment, explore NAR programs including RPAC, C2EX, and grant programs that could be leveraged to support member resiliency



Institute a volunteer leadership office within NAR to oversee development, measurement and tracking an Association-wide sustainability plan and issue periodic public report cards (national level)



Identify preparedness methods and best practices for all levels of associations to continue operational needs in the event of extreme weather as a resiliency measure (i.e. virtual meetings, learning, etc)

1-3 YEARS



Integrate sustainability into core standards, code of ethics, and strategic planning



Reach out to NAR affiliated programs including RPR, MLS and REALTOR® Relief Fund to explore opportunities to advance sustainability/resiliency (i.e. increased green, resilient information/fields)



Conduct ongoing focus groups with Association Executives and Presidents to evaluate the success of changes on previously researched industry benchmarks on awareness, resources, risk, and partnerships



Using new volunteer leadership officer, continue to implement, monitor and recommend action items that include consideration of extreme weather preparation and response efforts through programs and association operations

3-10 YEARS



Take measures to adopt a zero-waste meeting policy by 2030 Create metrics to exhibit the success of the sustainability/resiliency efforts into each NAR committee, strategic planning and into the core standards, strategic planning and committee efforts of state/local associations



Institute a REALTOR® Relief Foundation dedicated disaster preparedness kit/start-up grant section for associations

SUSTAINABILITY PAG ACTION PLAN

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Articulate short-and long-term business planning goals



Support 2020 Strategic Priorities

THE BOX

Throughout the discussions various ideas that either didn't make it to the Action Plan or were beyond the purview of the PAG were designated to "The Box". For example:

- A PAG member suggested NAR should consider fossil fuel divestment. The consideration was outside of the PAG's charge, but with respect to the concept we felt the Leadership Team should be aware of the PAG's rigorous discussion.

Hence, because we collectively felt there were no bad ideas; and because we felt the Leadership Team should be aware of all discussion points, these ideas and others are included as Appendix 3.

GROUP RESPONSES TO PAG MEETING QUESTIONS

Identify NAR Programs and Resources that can help states and locals reduce impact of extreme weather events

- Conduct an organization-wide review to determine where sustainability principles can be built into NAR programs and decision making, including RPAC, Core Standards, etc.
- Develop a consumer campaign to fill a demand for disaster resiliency information which no other organization provides (including real-life disaster stories).
- Broaden NAR's member communications and message to attract and reach members whose top priority is sustainability
- Compilation of case study/successes
- Suggest not doing Core Standards requirement but taking softer approach
- Sustainability grant to accommodate regional needs
- Education on extreme weather impact on real estate
 - Sustainability conference
 - Integrate into NAR 360, Leadership Summit, Broker's Summit, other events, MLSs
 - Publications - REALTOR® Magazine, Core Standards
- State advocacy toolkit based on research
- Model legislation on how REALTORS® can assist clients - regional/market focused (i.e. need to clear brushfire)
- Tiered grant (if Assn completed #1, they qualify for more for next step) over several years
- Staff expertise - legal and advocacy
- Event template to qualify for core standards -- educational/community event
- Publication/Policy/Ordinance
 - RPAC support of candidate that champions sustainability/land use
 - Candidate School - how to select REALTOR® Friendly Candidates (add sustainability)
- Sample mitigation programs - regional areas/given the specific disaster
 - Packet of stats/research
- MLS - data fields - need education
- House-hardening certificate
- CRS - NFIP - increased discounts

- Post disaster housing database - warehouse/commercial buildings
- Displaced persons task force
- Temporary practice permits
- Printed pre and post disaster toolkit (2006 PAG)
-

Identify how NAR can lead by example - NAR Master Vision, Grant programs, GREEN Designation

- Research on anything weather-impact related
- Best practices for association or company
 - Hosting events with local government; Education and seminars on extreme weather events
 - Tie into Core Standards - required events, education
 - Continuing education on sustainability a la technology education
 - Regional focus
 - Sustainability accreditation for associations
 - What if it's a requirement that any NAR strategic plan includes sustainability and is revisited every 2-3 years?
- Educate the membership by providing examples of NAR leadership (e.g., Sustainability Advisory Group, REALTOR® Relief Foundation, etc.)
- Create a toolkit, located prominently on NAR.Realtor, for members and associations to become more resilient (e.g., disaster plan and page for each type of disaster - earthquake, flood, etc.); and including co-brandable content such as post cards and door hangers).
- Conduct a survey to help determine what members are doing to become more resilient and what NAR can do to help.
- Sustainability award
- How does a REALTOR® become resilient (video)?
- Broker designation on sustainability
- C2EX module
- Procurement
- Provide hard data on how this adds value to the transaction
- REACH Program for sustainability businesses
- One pager on sustainable topics
- Core standards
- Expo demo - 1970s house vs 2020 house

Evaluate and recommend new strategic partnerships with other organizations and industries to address common concern

- Engaging with partner organizations on sustainability (NAGLREP, ARIA, WCR) to provide topic/speakers
- Emergency management associations/disaster preparedness
- Local environmental groups (careful not to politicize)
- Emergency Management staff at municipal level
- Partnering with municipalities (grant opportunity)

- Grant to educate homeowners on sustainability
- Energy partnerships -
 - Alliance, Coalition on a single issue
- Strengthen partners with insurance, financial services, lenders, Chamber of Commerce
 - Timeliness and importance to members
 - Considerations folded into products associated with transactions
 - Working with Chamber can underscore community element
 - Appraisers - Appraisal Foundation, Appraisal Institute
- How to merge NAR priorities with other organizations to ensure valuable partnerships
- Local trade groups and technical training and education
- Red Cross, Salvation Army and state/local Offices of Resiliency
- Insurance providers, business interruption/gap insurance
- Climate vulnerability assessment
- Local grants
- State/local organizations such as Home builders, architects, chambers of commerce
- Educational organizations/universities for research
- Home depot, other private sector affinity providers
- Lenders, institutional investors - 203K for sustainability
- Utility companies, water/electric/gas
- Building materials providers
- MLSs
- Build standing partnerships who meet regularly and are ready to go as sustainability issues arise.
- Move beyond existing partnerships to include others who can have an impact on sustainability (e.g., Chamber, Towns/Townships, NRCS).
- Engage data providers including CoreLogic to explore opportunities for partnership to advance resiliency issues.

DAY 2 DISCUSSION SUMMARY - LIVE MEETING FEBRUARY, 2020

Discussion

1. *Extreme weather events are having increased impacts on the real estate industry, transactions and property values.*
2. *Clearly articulate specific short and long-term operational and business planning goals and actions to reduce the impact of extreme weather events on the real estate industry.*

Top 5 Ideas Distilled:

1. Extra data in RPR for Total Cost of Ownership costs for extreme weather risk (flooding recovery, resiliency methods). Objective data through research to integrate (actuaries, insurance, data providers). Lenders and insurers are baking this into their rates/costs. "Blended Peril Score"
2. Survey & Strategy to communicate how REALTORS® and clients are affected, how businesses are impacted, and how REALTORS® can/are helping recover from disaster (mobilize REALTORS®, Relief, etc.)

3. More clearly define partnerships with transaction-related groups to support state and local initiatives and operational items (housing affordability and accessibility, insurance - home builders, financing, etc. - 4th national climate assessment)
4. Provide resources for Toolkit for association members that relates to managing extreme weather risk, events, flood information, etc. There's a value add for REALTORS® as a conduit on this topic.
5. Integrate into Ethics Training, C2EX, NAR Events/roadshow on risk and responsibility, NAR 360, Forum at RMTLE & Annual, evolve Sustainability Summit to include open member enrollment.

ADDITIONAL DAY 2 DISCUSSION NOTES - LIVE MEETING FEBRUARY, 2020

What should be addressed immediately? (1-2 years)

- Survey members - Has your business been affected directly by extreme weather? Colleagues? Identify areas of vulnerability, such as effects on inventory
- Survey consumers - what are members aware of, what are they feeling in markets?
- Marketing - tell your story (consumer/REALTOR® relationship post disaster)
 - Provide resource checklist to take inventory of home and document loss of homeowners
 - REALTOR® would be liaison with clients to help home feel secure/prepared for disaster
 - Can we use Core Logic data/First Street data?
- To define partnerships with related response groups (i.e. REALTOR® Relief Foundation/Calvary)
 - Appraisers
 - Property Managers
 - Home Inspectors
- Add sustainability to NAR governing docs (i.e. Code of Ethics)
- Add sustainability or Total Cost of Ownership/extreme weather risk/resiliency (insurance payback, improvements) to C2EX
- Strengthen relationships with lenders on sustainability and resiliency options
- Provide resources for Toolkit for broker owners and agents that relates to managing extreme weather risk, events, flood information, etc.
 - Identify community leaders who can host sustainability "road show"
 - Integrate into broker summit
- Use NAR business operations as model for state / local or REALTOR® members/offices (lead by example with checklist or best practices)
- Strengthen relationship with USGBC to create program/partnership to provide LEED certification support for associations who want to retrofit or build to LEED standards.
- Sustainability Grant or similar to modernize available projects that require funding

What should be addressed next? (3-5 years)

- Take action in affected markets by mobilizing REALTORS® after disasters response groups (i.e. Evolution of RRF/REALTOR® Calvary)

- Marketing Strategy to communicate how REALTORS® can make homes more sustainable and protect value (merges core value of protecting private property rights with sustainability)
- Elevate RPR to include disaster disclosure data, total cost of ownership data, utility data, flood and disaster maps, insurance rates, transportation, energy efficiency, opportunity zones
 - We have a role with ownership, not just sale
 - REALTOR® as partner throughout ownership
- Add appointment to NAR Leadership Team that champions sustainability (replicate at State/Local)
- Add to Core Standards so state and locals can integrate actionable items on sustainability initiatives and business operations (energy reporting, biz operations, etc.)
- Sustainability Award for associations

What is addressed longer term? (6-10 years)

- Aligning NAR Strategic Planning and Visioning
 - Provide topical guidance for state and local associations
- Incentivizing to integrate into business and community
- Vision: NAR Leads conversation in communities, planning, and public policy
- Add total cost of ownership, risk assessment of extreme weather and natural disaster impact to Ethics training (online training)
- Homeownership is dropping - how do we engage consumer in this industry. Perhaps create an AARP style consumer organization (National Association of Property Owners) and can allow us to engage new partners in homeownership space.

KEY MEETING FINDINGS:

1. Extreme weather is having an impact on the real estate industry according to the data.
2. Whether there is yet consensus among the REALTOR® community, it is clear that other organizations directly related to the transaction and industry are making decisions that could affect our members, businesses and clients, and NAR must be at the table to have a voice in these discussions.
3. The rest of the financial services industry -- including insurers, lenders, investors, regulators, credit raters, accounting standard boards and data providers - have begun evaluating and "baking climate risk" into their decision making.
4. Other associations and businesses have already begun taking proactive steps to address these risks and are finding a lot of positive response and less opposition among their members/stakeholders.
5. In order to provide value to the membership, NAR should make the "business case" for sustainability, including consideration of proactive adaptation strategies and the need for additional data analytic capabilities accounting for extreme weather in the "total cost of ownership" (PITI, transportation, utility costs, weather risks, etc.).

6. NAR should also make sure it is addressing the needs of the membership, keeping the value proposition of our members top of mind in this conversation. This could include solutions like a comprehensive survey of members, associations, and consumers to determine what actions they have taken to be resilient/sustainable, what risks still remain, and how NAR can fill in the gap of any member needs.
7. Other ideas include:
 - a. A comprehensive education, communications and messaging strategy to build a culture of resiliency, including a comprehensive toolkit, model disaster preparedness and response plans, and real-world stories and examples of real estate heroes to consumers;
 - b. Innovative ways to integrate adaptive sustainability into all aspects of the association; some opportunities include the REALTOR Relief Fund (pre-disaster aid?), core standards, strategic planning, RPAC, C2EX, MLS fields, grant programs, conventions, education, and RPR.
 - c. Strengthening external outreach and engagement to include groups outside of the financial services sectors such as the NAR affiliate organizations, the US Chamber, Red Cross, home builders, environmental advocates, universities, emergency managers, municipalities, and data providers.

ADDITIONAL NOTES

- Whether virus or natural disaster, our supply chain must remain fully stocked in times of need. Natural disasters are caused by nature but can also have a human origin. People need to stay informed, have a plan for evacuation and emergency kits on hand. Hospitals must remain open and functioning. How vulnerable are you?!
- **As in the report, the business issues of severe weather on financing, insurance and overall construction costs are going to become more expensive.** Recently, I spoke with a builder about roofing materials with regard to hail damage. "Instead of paying your deductible 2 or 3 times for a new roof, build it right the first time with resiliency to hail." The money a person would save over the long haul would cover the extra expense of resilient materials along with a lower insurance premium.
- Repeatedly, conversations arose about the use of the phrase "climate risk" or "climate change" by the PAG members. It should be noted this was a recurring conversation even though the PAG represented various markets and political viewpoints. It was determined that "climate" is not a conversational theme that will diminish.
- The younger crowd considers the environmental impact and the reputational conduct of the company that produces products when making purchasing decisions. Catastrophic effects on Millennials
 1. We haven't saved enough!
 2. Should we get married?
 3. Should we have children?
 4. Should we buy or rent?
- Education to our members:

In my area, I'll take tornados. I have several Realtors and homeowners personally affected and a professional videographer ready to go. We need to hear the same from hurricane and flood victims along the gulf and the Atlantic seaboard, and then out west regarding wildfires and

earthquakes. I envision these videos being shown at a NAR conference, preceded by actual footage of an approaching disaster. The importance of Sustainability and Resiliency would have an enormous impact on our members. How have these disasters changed their lives and ideas for preparedness in the future?

- Next, architectural firms, construction and insurance companies must collaborate as insurance claims are not sustainable.
- **NAR SHOULD ESTABLISH COMMUNITY RESOURCES FOR** college and high school students on sustainability and resiliency. In 2030 these high school and college seniors will be around 30 years old. These are the people that will be designing and implementing better products and ways to hopefully keep us safer in the future.
- It has been noted think the policy committees have done a good job in staying focused on our industry and who we serve on disaster issues. But perhaps we could do a better job telling the story of what we (NAR) have done including the many policies and resources in place already, and the PAG could help? Maybe we could use the PAG report as a platform to help educate the Leadership Team about what's already been done so they can make use of existing resources and policies and update them as needed.