

Jim Tobin ([00:08](#)):

Welcome to Housing Developments, this is Jim Tobin.

Paul Lopez ([00:11](#)):

And this is not Jerry Howard.

Jim Tobin ([00:13](#)):

Yeah, Paul, Paul Lopez is sitting in today for Jerry Howard. So, excited to have you on the broadcast.

Paul Lopez ([00:19](#)):

Thank you. I kind of like the Jerry seat, I can get used to this.

Jim Tobin ([00:23](#)):

It's big, it's very throne-ish. It's got a lot of velvet and gold swirls on it, but yeah, no, it's comfy.

Paul Lopez ([00:29](#)):

The swords intimidate me though, that's the thing.

Jim Tobin ([00:31](#)):

That's right. Oh, well, welcome to the podcast.

Paul Lopez ([00:35](#)):

No, I appreciate it. I like being on the front side of this. This is kind of fun, usually I'm on the backside. So Jim, let's just get into this, because we've got a lot of information here and a lot of important information. You've been trying desperately to get a meeting with the secretary of commerce, and you finally did. So, tell me what happened.

Jim Tobin ([00:55](#)):

Yeah, so the last couple additions of the podcast have really been about forest products companies talking to mill operators. One from Maine, the other one from Oregon, those have been really fun. In the midst of that, of course we had the bombshell announcement of the preliminary determination by the commerce department to raise double, in fact, the tariffs on Canadian softwood lumber. Which was not well received by us, as you would imagine, considering that we've been talking routinely with The White House and the commerce department about actually lowering the tariffs temporarily during the supply crisis and lumber crisis.

Jim Tobin ([01:35](#)):

The offshoot of that was in my mind a little bit of egg on the face of The White House in the commerce department, because those determinations are made by career folks in the basement of the commerce department, not necessarily the politicals who we've been dealing with. That really highlighted the issue for them that they need to step in and really accelerate the attention that they're paying to the lumber issue.

Paul Lopez ([02:01](#)):

Well, I mean, we reacted within hours.

Jim Tobin ([02:04](#)):

Hours, hours.

Paul Lopez ([02:05](#)):

Right?

Jim Tobin ([02:06](#)):

Yes.

Paul Lopez ([02:06](#)):

That was the impressive part on everyone's side on this.

Jim Tobin ([02:08](#)):

Yeah, yeah, yeah, and thanks to your team for cranking out a tersely worded ... and tersely, it may have been one of the harshest statements. I mean, calling into question the commitment of the administration for housing and solving the lumber crisis, it went noticed, as they say, by the administration. Over the course of a week, we had Secretary Raimondo get on the phone with Jerry Howard on a Saturday, The White House staff talked to me as well, very apologetic, understanding that the timing was really, really poor.

Jim Tobin ([02:39](#)):

But what the offshoot was is that we held a meeting with our officer team led by Chuck Falck a couple weeks ago with the secretary of commerce, and from our perspective, it struck all the right tones. She clearly understands the issue, and now we've accelerated into trying to solve this crisis.

Paul Lopez ([02:58](#)):

So tell me, and I know you can only say so much, but I mean, what came out of that meeting and are you more optimistic now? Or what's the feeling? What's the tone [inaudible 00:03:07].

Jim Tobin ([03:07](#)):

Yeah, I'm optimistic about what the government's going to try to do to this. Again, I've talked to many members who believe the government needs to step in, I've talked to many members who say the government needs to make sure they're staying out of this. I get it, but this is one of those issues where it's so dire, either housing is going to come to a crashing halt because the lumber producers aren't going to meet demand, or what our hope is and what I think with the offshoot of that meeting, is that we're going to find the government leaning hard into the suppliers to increase their supply to make sure that they don't crush housing.

Jim Tobin ([03:40](#)):

But to answer your question about what the Raimondo meeting, or Secretary Raimondo, I should say, the meeting, the offshoot was clearly they understand the implications of the lumber crisis, clearly they understand that the domestic supply is not meeting the moment of demand. Some real questions

about, if you watch the [inaudible 00:03:59] over the last couple of years, despite the COVID slowdown a year ago, interest rates were low, housing demand was high, the builders were starting to heat up, and yet the domestic lumber producers didn't rise to meet the moment, to actually borrow a phrase that Joe Biden used a lot in the last year or so. So, we're left in this crunch right now.

Jim Tobin ([04:21](#)):

We're still importing 30% of our lumber from Canada, nevermind the potential for these new tariffs, but she really raised some questions about why the industry hasn't ramped up. Then finding, I think, the thing that we've been calling for for months now, and that has been a summit. Having the commerce department and the administration call together a summit. Soup to nuts, from the loggers to the consumers, from all the way through the mills, the retailers, the wholesalers, the distributors, home builders, even some of the chemical companies that provide resins for paints, resins for OSB. We know that price is through the roof, but really a soup to nuts studying and convening of the supply chain. Not just lumber, but of all building materials as well.

Paul Lopez ([05:07](#)):

I was surprised at how she just right from the beginning said, "I get your point, you guys have made excellent points. I agree with almost everything you've said, let's move forward."

Jim Tobin ([05:17](#)):

Yeah.

Paul Lopez ([05:17](#)):

I was shocked by that.

Jim Tobin ([05:18](#)):

Yeah, our friends in Rhode Island, the members who know her well enough, they've done a great job of kind of giving us insight into dealing with Secretary Raimondo. But she's a data hawk, and she was taking copious notes during the meeting, which always impresses me. I think she really wants to solve this problem. I think it confronts her and the ability for her as the department of commerce, the head of department of commerce to accelerate American business into the recovery.

Jim Tobin ([05:51](#)):

They know it's 15% or 17% of US GDP, if housing starts to falter, the rest of the economy's going to fall behind it. So there's a parochial interest of doing the right thing, but also she likes homebuilders. She's got a great relationship with our Rhode Island members, she knows the value of housing and knows that lumber is really a drag on us right now.

Paul Lopez ([06:11](#)):

So that meeting was what, almost two weeks ago now?

Jim Tobin ([06:14](#)):

Yeah, almost two weeks ago. Yeah.

Paul Lopez ([06:15](#)):

So since then, what's been happening behind the scenes?

Jim Tobin ([06:18](#)):

So behind the scenes, staff level meetings with the chief economist who's been tasked with kind of the data side of this of collecting information. They've asked us to hook them up with other members of the supply chain. We've been very close to the loggers and the wholesalers and distributors, so we're going to provide, not only our information about housing, but also as a conduit to other parts of the supply chain to get commerce up to speed about the different facets of the supply chain.

Jim Tobin ([06:46](#)):

Then the other side of that is the staff and Congress are going to start putting together this summit. That's probably the most important thing, getting all the players in the room to really talk about the nuances of everybody's stop along the chain. We don't pretend to know all the answers or know what's going on with everybody. Whether it's hiring practices, whether it's having to shut down mills because of maintenance, let's get this all out in the open, then it helps us understand what the challenges are, but then also helps the government to find out where they can actually intercede and play a role in getting more production up, because that's what everybody wants.

Paul Lopez ([07:20](#)):

Okay, so not to get too negative on this, but what could be the pitfalls between now and making that summit happen?

Jim Tobin ([07:27](#)):

Well, let's see. I guess miraculously we get all the lumber we need overnight, and we decide that everything's okay.

Paul Lopez ([07:37](#)):

But the lumber guys haven't seemed to want to talk to us, so are they going to want to talk more with the Biden administration than with us? Or just the political pressure?

Jim Tobin ([07:45](#)):

Yeah, I think it's political pressure. Anytime you have the President of the United States calling you to come together, the answer is always yes in my mind.

Paul Lopez ([07:52](#)):

Right.

Jim Tobin ([07:53](#)):

So, I think they ignore it at their own peril, right? I mean, I think it shines more of a spotlight on them. I think they would want to come in and tell their story, what they're dealing with, and just like we do too. So I think the enemy right now is time, and that's what our job is, is to keep the urgency high in the administration.

Jim Tobin ([08:14](#)):

The housing starts numbers. Every month we're ticking through our HMI as a critical component, we always pass that along to the administration. Production numbers for the first quarter of the year from lumber, that's going to drive the conversation. The issue isn't going away, we've got their attention, it's our goal to make them use it.

Paul Lopez ([08:31](#)):

So we got Rob Deeds coming in a couple weeks to talk about the second half of 2021, but I want to ask you a little bit in terms of what are you hearing from members who ... I mean, because we're out there screaming and yelling how important this is, but production's still high and our members are still positive. How do you balance those two things out?

Jim Tobin ([08:54](#)):

Well, I think at some point the American consumer's going to hit the pause button, right? That's what we're waiting for. If the consumers are willing, because interest rates are low, that certainly helps. If they're willing to keep buying homes, and our members will stay optimistic and they'll keep building them, but we are hearing stories from across the country of builders that are pulling back on workforce development. First-time home buyer developments, because lumber prices have increased the cost per unit of \$40,000 or \$50,000. That segment that they were selling to can no longer afford that house.

Jim Tobin ([09:27](#)):

We're starting to hear about appraisals. That's a real killer right now, that banks are asking customers to get a second lien on a mortgage right out of the box in order to cover the VIG, so to speak, on lumber. So, there's a lot of things that may yet shake out that could slow things down, and that's what we have to be careful of. I think we're getting close to the inflection point here on the second half of the year as we creep into the second half of the year, and I know Rob is looking at crunching the numbers daily on what the future holds.

Paul Lopez ([10:02](#)):

Right. Okay, so let's talk about the second half of the year. I mean, the last few days have been kind of interesting as well on what's going up on the Hill. Senator Manchin-

Jim Tobin ([10:13](#)):

Senator Manchin-

Paul Lopez ([10:13](#)):

Very publicly threw out an op-ed out there and said basically, "No, I'm not playing ball with the Democrats."

Jim Tobin ([10:19](#)):

Yeah. Yeah, oh boy, he's in the hot seat every day, right? People say he's the most important person next to Joe Biden in Washington, D.C., he'd probably beg to differ. There's other more conservative members of the Senate, or additionally conservative members of Senate who maybe aren't as public as Joe Manchin, but yet he came over the weekend and said two things. Actually, he reiterated two things, we should be clear about that.

Jim Tobin ([10:44](#)):

One, he's not going to support the voting rights bill that the Democrats are putting for H.R. 1, it's too expansive in his mind. It's written from, in his mind, a democratic partisan slant, and he wants to see that modified to bring Republicans on board. All but killing the chance of it happening in a divided Senate, because he reiterated, once again, that he will not vote to overturn the filibuster and overturn the requirement. The legislative items need 60 votes to move through the Senate process, kind of dashing hopes of not only moving the voting rights bill, but many other items such as the infrastructure package if his colleague Shelley Moore Capito can't strike a deal with the Biden administration.

Jim Tobin ([11:33](#)):

That's starting to finally come to its inevitable unfortunate conclusion of probably not a deal. If Senator Manchin holds the Democrats' feet to the fire about moving pieces of infrastructure through the reconciliation process, which averts the filibuster and can be passed by majority votes with Kamala Harris casting the tying vote. If they can get all the Democrats, he may not even go that far, and he may narrow that package, because he's a key swing there as well.

Jim Tobin ([12:05](#)):

So a lot of hand ringing here in the beltway about what this means for the agenda. For us, I think, again, more moderate legislation that has bipartisan support, especially for housing is more enduring. Sorry, more enduring.

Paul Lopez ([12:24](#)):

More enduring.

Jim Tobin ([12:26](#)):

And it's also adorable. I think that's better for everybody.

Paul Lopez ([12:32](#)):

Okay, but you used a phrase that perked my ears, you said more bipartisan legislation getting passed. Is bipartisanship even in play here? I mean, it just seems like everyone is locked in. McConnell's locked in his Republicans, that's fine. Schumer, who I barely hear about really these days, but he has his Democrats kind of in a row. But, I mean, what's bipartisan here and how's that going to move forward?

Jim Tobin ([12:59](#)):

Yeah, you don't hear Chuck Schumer, because the big guys sit at 1600, right? He's the leader of the party right now, where Schumer and Pelosi divided power over the last four years as the democratic voices in Congress. There's actually a bill on the floor this week dealing with competitiveness against China in bolstering some US R&D products. That's bipartisan, that's going to pass. After a robust amendment process in the Senate, that's going to move, right? So, that's a good thing.

Jim Tobin ([13:28](#)):

It's going to be small ball stuff. Infrastructure, I think there's a path for an infrastructure. It doesn't look like Joe Biden's \$4 trillion plan, that's the difference. There's going to be a surface transportation bill this year, it will pass with bipartisan support. What's not going to come along with it is huge tax increases or

undoing the Trump tax cuts, the Republicans. It's only three years old, right? The Republicans sold themselves on this.

Jim Tobin ([13:53](#)):

By the way, that's not a big surprise. If you remember when we did Dodd-Frank in the wake of the housing crash in The Great Recession, there were flaws in that legislation that the Democrats passed. They refused for years to fix it, because then it looked like they got it wrong the first time. Republicans are in the same boat. Everybody has to understand that people need to retreat to their corners, wait for the Trump tax credits or tax cuts to end in 2025, that'll create the momentum for some longer deal.

Paul Lopez ([14:28](#)):

So, let me put you on the spot here. Looking at your crystal ball, what does the next six months look like? What are some of the things that our members should be looking at in terms of what gets passed, both up on the Hill and what does the Biden administration put in front of them?

Jim Tobin ([14:41](#)):

Yeah, I think first and foremost, we've got to fund the government past September 30th, always critical for us. That will happen. Won't be the big appropriations bills, it'll be CRs until they get to the end of the year. So, that's number one. Number two, flood insurance is a really big issue for us. That expires at the end of September. Again, I expect no real robust flood insurance bill, but an extension of current law. That's important for our members.

Jim Tobin ([15:07](#)):

Then I would watch infrastructure. I still think that has the potential to do something for our members. Anytime we're pumping money into infrastructure and roads and bridges and rail, especially with supply chain issues we hear about from the lumber and trucking and training. So for us, I do think there's going to be a modest infrastructure package. Then of course if they can get Manchin and Senator Sinema and a couple others in line, you could see a modest package that may carry some tax implications. But I think Senator Manchin's notes today, as we talked earlier, I think that kind of really dampens big, big, big plans.

Paul Lopez ([15:53](#)):

Right. Is there anything else we want to talk about here?

Jim Tobin ([15:55](#)):

No, I think that's ... I look forward to seeing Rob next time, and Jerry, I think I have some competition for him.

Paul Lopez ([16:02](#)):

I don't think his job's in jeopardy any time soon.

Jim Tobin ([16:04](#)):

Well, I don't think so either. I don't think so either.

Paul Lopez ([16:06](#)):

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But this has been fun, I've actually joined this.

Jim Tobin ([16:08](#)):

Yeah, well, thanks. It's good having you here.

Paul Lopez ([16:10](#)):

I appreciate it.

Jim Tobin ([16:10](#)):

All right.

Paul Lopez ([16:11](#)):

Well, I am definitely not Jerry Howard.

Jim Tobin ([16:13](#)):

That's right. And I'm Jim Tobin. Thanks for listening to Housing Developments, and we'll talk to you next time.

Paul Lopez ([16:17](#)):

Take care.