

Jerry Howard: Welcome to Housing Development. I'm Jerry Howard.

Jim Tobin: I'm Jim Tobin. Hey Jerry. How are you doing?

Jerry Howard: Hey Jim, how's it going, man?

Jim Tobin: I'm all right my man. How are you?

Jerry Howard: I'm doing... I hear that Senator Manchin is caving like a house of cards up there?

Jim Tobin: Yeah. All of a sudden Senator Manchin, darling of the right, is now trying to re-ingratiate himself to the left. I don't know how much he's caving, but he is starting to sound a little bit more interested in trying to get to a final deal on the larger reconciliation packet, which is giving the Democrats a lot of hope.

Jerry Howard: And what does it mean for us, James?

Jim Tobin: Well, I think it means... At the end of the day, I think it increases the likelihood that we will see a couple of bills get to the President's desk by the end of the year. One, The Bipartisan Infrastructure Bill, and two, The Reconciliation Build Back Better social spending package. It continues to mean that the package will be smaller, down from the president's opening bid of \$3,5 trillion down somewhere around \$2 trillion.

For us, that means a smaller package means a smaller impact, both from the negative, meaning the tax increases that we are watching and fighting against could be smaller, and the impact less on the industry. And two, it also means that some of the priorities on the housing side, including the low-income housing tax credit, or some of the housing programs that were slated to get over \$300 billion, that also is on the chopping block. So still a lot of negotiations to go.

Jerry Howard: Well, I want to get into that part of it with you in a couple of minutes here, but first, let me ask you this, is Senator Sinema also caving?

Jim Tobin: She continues to be the pariah to the left. She is not really saying publicly what she wants, and I think that's important distinction for our members to make, that Manchin and Sinema, while lumped into this moderate category by the left and the media, they are two separate entities, negotiating two different lists of priorities that they have, and they come from two different states. As you know, West Virginia is a whole lot different than Arizona.

Jerry Howard: Well, you'd think it is.

Jim Tobin: Yeah. I know what you're thinking: just a couple thousand mile difference, one very forested, one not so much.

Jerry Howard: That's good recognition of geographic diversity from a man from Connecticut.

Jim Tobin: That's that university of Connecticut education coming through. Her priorities are much different than Senator Manchin's, and she is working through a lot of those issues as well. So they've got, I think personally, two negotiations on their hands, never nevermind their own internal, progressive negotiations. So I guess a lot of moving parts.

Jerry Howard: Well, let's get to the housing package, the low-income housing tax credit, as well as some of these other proposals. President Biden very sternly put out his declaration that he wanted to build, I think it was 250,000 units of affordable housing during his administration. And now it seems like the housing programs are on the chopping block; is that an accurate perception?

Jim Tobin: Yeah. That's absolutely accurate. When the package gets smaller, things have to go, and there's two ways that this happens. One, you do a little bit of everything that's on your priority list, or you do a lot of a fewer number of things. That is what the progressives and the whole Democrat caucuses in both the House and the Senate have to deal with, as well as the white house.

When you're talking about over \$300 billion dedicated by Maxine Waters on housing programs, plus more money for the low-income housing tax credit on the tax side. When the package shrinks, that's got to shrink. I've heard alternatively, over the last 24 hours, that the housing package is going to shrink considerably, or be cut altogether.

And I'll tell you, if there's one thing I know about Financial Services' Chairwoman Maxine Waters, she is a tenacious fighter. She believes in housing. She believes in trying to get more money to the low-end of the economic spectrum through housing, and I know in our conversations with their team, they're not taking this lying down. She's going to fight tooth and nail for every dime.

Jerry Howard: Well, riddle me this Batman, are you telling me that the progressives are now finding that housing is not part of the social fabric, it's not worth fighting for, for the most part?

Jim Tobin: I don't know if I'd go that far, but I would definitely say that-

Jerry Howard: How far would you go?

Jim Tobin: I would go as far as to say that they have other priorities that they place much farther ahead than housing. Paid medical leave, universal healthcare, let's see what else. Expanding Medicaid and Medicare.

Jerry Howard: But people who are living in substandard housing are going to need healthcare more because the conditions aren't going to be right for a healthy lifestyle [crosstalk] I understand that.

Jim Tobin: It doesn't make any sense. We've got a homelessness problem. We've got a housing affordability problem. We've got a housing production problem, nationwide; pick your community, pick your state. To abandon housing now, I think is dangerous, reckless, and ignorant of the facts in front of us.

Jerry Howard: Well, let's hope that your perception of Chair Waters is accurate, because I agree with you. If she believes in something, she's a very tenacious fighter, and she's sitting in a pretty lofty perch as chairman of financial services. But the fact that these so called "progressives" are abandoning housing as a basic component of a healthy life for all Americans is just ironic, to say the least.

Jim Tobin: Agreed. Agreed.

Jerry Howard: Meanwhile, now, I understand that you're becoming an expert at whack-a-mole. And in this instance, the mole is the lumber industry. Prices have gone down. You successfully whacked that mole a couple of months ago, but now it's popped right back up. What's going on, Jim?

Jim Tobin: Yeah. After our successful campaign, we finally saw lumber prices fall over the summer, in a great win for housing affordability across the country. And now we're starting to see prices creep back up. I think the futures market is now, if not close to, it's right around \$600 per thousand board feet. Not good. I mean, we've seen this story before. It was just a year ago that prices were high, and then it of course accelerated into uncharted territories in the spring of this year.

A lot of concern out there. I think for me, it's once again, looking at press stories about curtailments at mills across, whether it's Canada or the Western U.S. because quote/unquote prices are too low. So once again, the mill industry is manipulating the supply chain in order to drive prices higher.

I know we've seen reports of fires out West, whether the big forest fires in Canada, which shut down some of the transportation routes to ship logs. We've also seen fires on some log decks, particularly at West Fraser, that is concerning to us. But really, this manipulation by the mills of curtailments in order to drive prices higher is infuriating.

Jerry Howard: Here's an idea. It seems to me that if the administration and our dear friends, the not so progressive progressives, really do care about housing, and they're not willing to put the money where their mouth is, maybe they ought to consider urging Canada, and urging our own international relations team to get back to the bargaining table, and sit down and hammer out an agreement where at least lumber prices would be low enough that we could do some housing that's affordable to the average Americans? What a novel concept that might be.

Jim Tobin: Yeah. You're right. This administration, one of their focuses is on economic opportunity, economic justice for the disadvantaged. Housing, we believe, is the

number one wealth builder in America. You're absolutely right. If you don't want to dedicate billions of dollars in social spending, in your own plan to solving, or trying to solve, the housing crisis, one way you could do it is drive prices down through support for material prices.

That's something that our chairman, Chuck Fowke, has directed us to do. We'll be sending letters to the administration to that exact point. Not only are we urging them to keep their foot on the gas pedal in dealing with supply chain issues and tariffs, but also making that point about getting back to the table with Canada. And more importantly, if you're not going to put money into housing from the federal coffers, at least do your part to drive down supply prices.

Jerry Howard: It seems pretty logical to me, Jim, but so far, I don't see anything logical in any of these discussions. We'll just have to stay tuned.

Jim Tobin: Yeah. I've never seen anything like it in my career in DC, and you've been through some more battles than I have. But even in the height of tax reform in 2017, things didn't seem as crazy as they do right now. It's fun if you're a political junkie, but when you're dealing with real issues for our members and our customers, it's pretty infuriating sometimes.

Jerry Howard: Well, it's infuriating because you have people speaking out of, not only both sides of their mouth, but both sides of their heads, it seems like. Their actions contradict their words so dramatically, it almost seems impossible to understand.

Jim Tobin: Yeah. It's hard to figure out where we're headed sometimes. It really does. And then of course everything's colored by the politics of the situation. Moderate versus progressives. Election next year, not too far off now. Redistricting. The complicating factors here in Washington D.C. are pretty large.

Jerry Howard: Yeah. It certainly sounds like it, and it's interesting that this kind of [inaudible] and party squabbling that literally brought down the Republican majority, and brought down two very, very capable speakers in John Boehner and Paul Ryan. No lesson seems to have been learned on the democratic side of the aisle. They must just have been over there, giddy with excitement that the Republicans were floundering, and now all of a sudden they've caught the same disease. There is no mask mandate that can prevent you from not learning from a situation.

Jim Tobin: That's right. As my old high school history professor used to say, "History is like a burp. It always repeats itself." And it does seem that there is a real failure to study history, as I'll say, past its prologue. We're watching the left start to eat its own. We watched the right do it for a decade, and it's going to have serious impacts on the majorities, at least going into the elections next year.

Jerry Howard: And hopefully this will be a symbol, or a signal rather, to the American voters that when you elect people that are too far to either side in their philosophical views, the beauty of our country and the vision of the founding fathers, that compromise and moderation would rule, becomes a very, very difficult goal. And maybe it's time to start electing moderates again.

Jim Tobin: I wish. Looking at the maps that the states are starting to put out next year, I don't know. That's the deal, right? On the conservative side and on the progressive side, those are all safe districts. They don't have anything to lose. In fact, there's stances about they're driving the country to the brink of either breaching the death ceiling, or driving away from bipartisan deals in order to get 60% of what you want, rather than get a 100% of something. They play right to their base, and that's all they care about. And it's frustrating.

Jerry Howard: Yeah. You know, you and I could... Well, we could... We have talked about this over many, many cocktails, and it all comes back to one thing, and that's the way the districts are drawn up and gerrymandering, which I think is a very good thing if you're in either party and you're in control of that process, but a very bad thing for the overall American governance system. But be that as it may.

Jim, we're getting ready to go down to our leadership meetings in Houston next week. First time we'll be together with our members in a long time. I know I'm really excited about it; speaking of having a few cocktails.

Jim Tobin: Yeah. I'm looking forward to seeing my friends, and doing some business for the association, and just coming together as an industry, and having a successful meeting in Houston, and letting that be the springboard for an even more successful meeting in February, in Orlando at IBS.

Jerry Howard: I am too, I'm looking forward to seeing what the mood of the members is, in terms of how we try to navigate this lumber prices problem, the reconciliation package, some of the other interesting developments that are going on here, and I'm interested in learning from them what's going on in their state governments. I've been to California three times this year, learning very much about what's going on out in the great Golden State, out there.

I got to tell you, if the left wing governance in California is any precursor to what the left would want to do here in the rest of the country, we've got a good petri dish to learn from, I'll tell you that.

Jim Tobin: Well, that's what they say, at least in my opinion, is that all the bad ideas seem to emanate from the west coast, and like the weather, blow east. For the first time in history, California's actually losing a congressional seat in the upcoming cycle. There are people actually moving out of California. I think that speaks volumes about the state of taxation, politics, social agendas in California, when you have people look into other places like Texas or Florida. Our friends in Idaho and Montana have got an infusion of Californians, I hear, so very interesting.

Jerry Howard: It is very interesting, indeed. Well, Jim, listen, work hard the rest of this week. Let's try and see if we can make any progress. And to me, progress is defined as the administration and the Congress recognizing that among all of these other social and economic issues they're talking to about, don't forget housing. Don't forget the positions you've taken on housing, and keep your words to the American people.

Jim Tobin: That's right. I hear you.

Jerry Howard: So for now, Jim, if I don't see you beforehand, I will undoubtedly see you in Houston on Monday next. And this is Jerry Howard.

Jim Tobin: This is Jim Tobin. Safe travels to Houston everybody.

Jerry Howard: Thanks for listening.