

Jim Tobin: Hi, welcome to Housing Developments: the International edition. This is Jim Tobin joined today by my great colleague and friend Paul Lopez. Hey Paul, how you doing?

Paul Lopez: Hey, Jim, how you doing?

Jim Tobin: Oh, well it's good to see you. We are in interesting times and so much that we're... We don't... I don't usually have my running buddy with me. Jerry Howard is out on assignment, so to speak, and we'll talk a little bit about that later, but Paul, how are you doing?

Paul Lopez: I'm doing well. I mean, DC is starting to become that beautiful fall location where the leaves are turning so it's lovely to be out here as you know.

Jim Tobin: Well, Paul, I know you're even the tip of the spear on one of the hot issues for our members in that supply chain. Just wondering what you're hearing from Rob Deets and what you're seeing about, is there any relief coming for the members?

Paul Lopez: Yeah, I mean, I think you're hearing the same thing from our members which is basically we were pivoting all from lumber and that kind of microcosm to the broader issue of supply chain in general. It's a variety of different materials and different products that are slowing down the housing sector right now, which obviously, as you know, we're kind of at a deficit in regards to production and this is not helping at all. So we're just trying to push the message out as much as possible. I think we're making inroads there and trying to supply our members with all the materials they need to push that out. Because as you know, eventually it's all about the local economy and what's happening at the local level. So we just want to make sure that we're giving everyone the materials that they need to make that happen.

Jim Tobin: Yeah. I was just out in South Dakota for the last few days, visiting with our builders out there and windows are... It's a 13 week lead time. I've heard the housing is so desperate and South Dakota is really hopping certainly in the Black Hills-HPA region. We have people who just have a preliminary certificate of occupancy and people are like, "I just want to move in.", "I'm ready to go.". I mean, demand is so high across the country. And yet the supply chain issues remain clogged. That's why we at NHP, we've been working with our colleagues in the trucking industry, other construction industries, and other supply chain industries to try to find ways to suggest to the Biden administration and to Congress, how they can help alleviate some of these constraints, whether it's trucking, ports or anything, just what we can do to try to alleviate these issues, which is a kind of a segue.

I mentioned the word ports, which leads me to the infrastructure bill that just passed last week, a big win for the president.

Paul Lopez: Yeah. Congress actually got something done and it looks like something got moved. I mean, do you want to go a little bit through the details and tell us how that's going to affect our members?

Jim Tobin: Yeah, thanks. Yeah. So the Senate had passed this Bipartisan Infrastructure bill back in August. It then, became a pawn in the larger three and a half trillion dollar reconciliation package that the Build Back Better legislation, that everybody's heard a lot of about, and finally, the President and the Speaker of the House were able to break the impasse between the House moderates, who wanted the bipartisan infrastructure bill passed, and the House progressives, which were essentially holding it hostage until they got a vote on that larger spending package that impasse broke. Interestingly enough, Nancy Pelosi lost five votes. They voted no on that package, which really prevented her from getting to a full majority in the house. She needed about a dozen Republicans who had committed to voting for that bill to get it over the finish line, but truly bipartisan, that's on its way to the President's desk. I think for us, that's something NHP supported.

Paul Lopez: So, just a little bit more inside baseball. Do you think those five, that defected from the democratic party, were they able to do that just because they knew that they had the votes to pass it anyway, and maybe they would've voted for it had Nancy needed them, or do you think it was truly like a "No we're going to stick to our guns."?

Jim Tobin: Yeah, I think it's probably a little bit of both. I think she probably could have had a couple of them to help out, but she knew that she had a dozen Republicans, the problem solvers, Republican problem solvers, caucus folks. So I think she knew she had that. Now, interestingly enough, usually you give a pass to members of Congress who have tough re-elections coming up where you have enough votes, but if they need to vote no for the demographics or the district, they're given a pass. The five Democrats they're in some of the safest, most liberal districts in the country, they didn't need a pass, so to speak, but I think they just wanted to stand on principle that they felt like they were going to get hung out to dry in that larger reconciliation package. So, really interesting dynamics right now.

Paul Lopez: Do you think that there's going to be repercussions for those, on the Republican side, that moved over to a yes?

Jim Tobin: Yeah, though. There's a lot of talk because president Trump was against the bill, the Republican leadership whipped against the bill. So there's been a lot of talk that they're traders and that they're enabling the Biden administration's agenda. Yeah. I think that's unfortunate. I think these are good members that number one, support housing, and have been, have been some of our biggest champions. They tried to move a bill in a bipartisan manner that will do good for this country. There's no two ways about it. Again, NHP supports it and will continue to support those members for taking, unfortunately, what turned out

to be kind of a stand, so to speak, but unfortunately I think the larger politics are at play in this. Infrastructure's always popular back home and this is a good bill.

Paul Lopez: So, let's talk about what's in it for housing. What are some of the things that we liked about it? Why were we for this bill?

Jim Tobin: Well, I think it's first and foremost hard infrastructure. Often times, our industry is saddled with the development cost of building out infrastructure at the local level in order to get a project through. Our hope is that by the federal government injecting money into local infrastructure projects that alleviates some of that pressure, number one. Number two, people can't move from the houses we build to the places they play and work if they don't have good roads and bridges. So, I think just infrastructure in general, fundamentally is something that NHP supports. Finally, I think that the bill had the potential to have some serious downsides for us, because there was a lot of talk about climate change initially, maybe some tax increases to pay for it. This bill is also notable for what it doesn't have, which I think there's nothing detrimental to the home building industry.

As we move forward the next couple of weeks, we'll talk about that bigger bill, because there are issues with that, but the infrastructure bill is pretty clean. Two things I want to point out, one is we were able to win some concessions from the Democrats and they wanted to really crank up resiliency and energy codes in this infrastructure bill, we were able to moderate that. There are incentives in there for local governments and states to advance their energy codes and modernize them or update them, but no mandates on what code, no latest published codes. So that's a great win for us. And number two, there's actually a fix from the old Trump tax cuts in there. If you remember going back now, four years, 2017, knee deep in negotiating that bill.

Paul Lopez: Yeah.

Jim Tobin: There was something called CIAC in there, contributions in aid of construction. It basically allowed privately owned water companies to pass along the cost of water infrastructure to a builder, a builder would put in water infrastructure, they would then transfer that water infrastructure, sewers, and pipes, and so on, back to the utility, the utility had to take that contribution as a taxable event. What they'd end up doing is they'd turn around and they charge that builder on the front end, so they're paying for coming and going.

Paul Lopez: Right.

Jim Tobin: We got that fixed buried in this bill with our friends on the Senate in particular, who made that fix for all of our state locals out there who are fighting this issue and our developers who are having to pay this extra money. So a nice win kind of under the radar. One that is an absolute pocketbook issue for our members for the last four years.

Paul Lopez: So, let me ask you, because I know that the Democrats were getting beat up a little bit as we started watching to see the sausage being made. I mean, was this just truly how it's supposed to work? A lot of compromise, a lot of back and forth. And at the end, everybody got a little bit of something, but nobody got everything they wanted?

Jim Tobin: Yeah. This one just played out publicly and I think has been kind of an embarrassment for the democratic party in the short term here. I mean, they've got two big signature pieces of legislation they're really close on them. They finally got one of them. Yeah. The sausage making has to be getting done. I think what the Democrats suffered from was they won the House, they won the Senate, and they won the White House. The sky's the limit. They can do anything they want. They thought that their common goals were greater than their individual differences turns out the other way has happened here. So, I do think this paves the way for that larger bill, it's not going to be three and a half trillion dollars. It's going to be closer to two and a half trillion dollars. I still predict that they will get something to the present desk by the end of the year. There's too much at stake, but yeah, I mean, this is the way it gets done it's never easy, but maybe, there's a little too much hubris after the elections last year.

Paul Lopez: Well, I was going to say... And they took a little bit on the chin last week, right? I mean, it was a little bit of a too little too late to try and bring up the demand and rile up their base because obviously they got in the gin that the polls.

Jim Tobin: Yeah. Virginia, Jerry and I talked about on our last podcast, Jerry boldly struck out and I'll give him credit. He picked Glenn Youngkin to win that Virginia race. I was a little bit more hesitant. It certainly was close, but the Republican Glen Youngkin, reclaimed Virginia for the Republicans, they pretty much ran the table at the top end of the ticket and then took back the House of Delegates here in Virginia. So, that's a big night!

Layer on that the incredibly close race for governor in New Jersey with Phil Murphy, barely hanging on. I think it's still within about one percentage point in as deep blue a state as you're going to find in America, New Jersey. So there's real pause for the Democrats out there about whether they're ... and of course everybody's reading the Teale district, the progressives think "We're not being progressive enough." "We have to go further." Moderates of course say, "Whoa, whoa, whoa, we're going way too far. Let's reign it in." So the Democrats still have some soul searching to do about a national message and especially going into the midterms in 2022, when all of Congress in the house of representatives up for reelection.

Paul Lopez: Yeah. So hopefully in a couple of weeks, we'll have a couple of political insiders to come in and talk about what their views of the midterms are. So, that should be really interesting. Alright so, let's shift a little bit now to the international stage, because president Biden was in fact in Scotland last week, and you teased

a little bit of why this is the international edition of housing developments. So, he went to Scotland, they're still meeting as we're recording this. So, why am I here rather than Mr. Jerry Howard?

Jim Tobin: Well as you said, the big cop 26 is taking place over in Scotland right now. That's the Bible change conference and my partner in crime, Jerry Howard, and our immediate past chair, Greg Ugalde, are over in Scotland, as we speak, participating in some of those meetings. It was given that while this is international and focused, the US is a large outsized driver of climate change of the policies in the world. Vice president Biden said, we know we need to lead by example. So that means that whatever comes out of Scotland, that's going to migrate to our shores. I think it's really important for us as a building industry, because a portion of this conference is focused on the built environment and focused on commercial and residential building. So having Jerry and Greg over there representing the US, listening to what's being said helps prepare our members for what may be coming our way when it comes to climate change, resiliency and energy efficiency.

Paul Lopez: Yeah. I mean, it seems like there's been a lot of stuff floating out there. A lot of big talk, very few concrete decisions that are being made in regards to what's going to translate into real policy, not only here in the United States, but across the globe. I mean, we had to take it seriously and with that, Jerry and Greg felt the need to go out there. There is a housing portion of the agenda that we felt that we needed to be a part of.

Jim Tobin: Yeah.

Paul Lopez: Almost, within a matter of weeks, we made this happen. So, they're actually there to represent the interest of the home builders. So

Jim Tobin: Yeah, it's good that they're over there and participating. So, I know Jerry and Greg are going to join us from Scotland and to talk about what they hope to accomplish this week and what the vibe is on the ground in Glasgow. So with that, I'm going to kick it over to Jerry and Greg. Fellas take it away!

Jerry Howard: Thanks, Jim. Thanks, Paul. So Greg, we find ourselves here in Merry old England, getting ready to head north to Scotland, to the latter part of the climate change conference. What do you think?

Greg: Well, I'll tell you, there's a lot of excitement and we look forward to representing our industry there.

Jerry Howard: Yeah. I think it's funny, and the irony doesn't escape me, that we're in one of the most housing expensive cities in the world, and they're talking about getting to net carbon zero by 2050. How do they think they're going to address housing affordability?, Or I guess, that's going to be up to you and me to tell them about it.

Greg: That's right, and we all realize that as an industry, we have to face these facts and we have to deal with them. But, the problem is that we can't do it at the expense of housing affordability. We have to keep reasonableness in the equation. We have to look at science and we would like to have steps taken that are based in facts and reasonableness and that's what we really are the voice of. When you get caught up in the excitement, often times these things are overlooked.

Jerry Howard: I agree. I'll tell you, there has to be some understanding of what the market can bear cost wise and what the market will bear in terms of consumer preference. And I don't think that these people at this climate change conference are thinking in those terms at all.

Greg: That's right! We need a balanced approach at the end of the day.

Jerry Howard: And I think that it also is important to leaders globally to understand that it is existing stock that is causing the problem significantly more than newly built stock. So, global leaders need to look at retrofitting that's important.

Greg: And I think that when we get there, we'll be waving our climate change banners just like everybody else, but just like back home, whenever we're dealing with the code process, when we're dealing with zoning regulations and the land use rules across the country, these are always the kinds of things that we look at and we look to. At the end of the day, you have to focus on housing affordability while climate change is critically important, nobody's denying that, but it has to be done so that we don't really damage the housing market more than all the other headwinds that we face as we say.

Jerry Howard: Exactly. So we're off to Scotland where we'll be in the housing and the built environment elements of the conference. And I guess we'll close by me, paraphrasing from the great movie about Scotland called, Braveheart, with Mel Gibson,

Greg: Right.

Jerry Howard: Where I think he rallied it troops by saying they can take our lives, but they'll never take away our freedom of choices Back to you, Jim, back to you, Paul.

Paul Lopez: Okay. That was a really interesting segment. Thank you, Jerry and Greg, we really appreciate that reporting from Scotland.

Jim Tobin: It was great to hear what they're up to, and again, our goals for this week. It's great for them to jump on a plane and be able to do this. I think it's helpful for the industry. So with that, Paul, thanks for joining this week.

Paul Lopez: Always a pleasure

This transcript was exported on Apr 26, 2022 - view latest version [here](#).

Jim Tobin: I look forward to our next edition, but until then, for Housing Developments, International edition. I'm Jim Tobin.

Paul Lopez: And I'm Paul Lopez.

Jim Tobin: Thanks. See you.