STRATEGIES FOR EXPANDING AFFORDABLE HOUSING

Announcer 00:00

Please welcome the panel on "Strategies for Expanding Affordable Housing," moderated by Jennifer Sondag, executive director of CityLab at Bloomberg.

Jennifer Sondag 00:13

Hi, everyone. Thanks for being here, and thanks to our panelists today. I actually am a senior editor at Bloomberg. I was running Bloomberg CityLab for the last four years, and I would just like to mention that my colleague, Alexandra Lange, who's a contributor to CityLab, won a Pulitzer yesterday, which was a huge deal for us, for her design writing. And I would recommend everyone to read her work, which is so fantastic, and about cities and how we can improve cities and make them better. So that is what we are here to talk about today. And, you know, I came in from New York on Sunday, and I was in the cab, and the driver asked me, "What do you do?" I said, "I'm a business journalism journalist." And he said, "What's going to happen with housing?" And I thought, this is really a strange thing to happen when I'm doing this panel, but I think, you know, he was complaining it's too expensive here in LA, and I think this is a really good place for us to be having this discussion, and I think this is an important audience for us to be having this discussion with. So I really, you know, I could not answer his question. I do not know what's going to happen with housing, but I am really grateful to be here with this group of experts who I hope do have some answers and can get into solutions and talking about the great work that they're doing. So to kick this off, I would love just to hear from each of our panelists for about one to two minutes on what they think is the biggest obstacle right now to creating more affordable housing, creating more housing. So let's start at the end with Shane, and then we'll work our way down here.

Shane Phillips 01:59

Sure. Thanks, Jennifer. Well, I think I might have stuff to say that others will also have to say. Certainly, the long-term biggest problem we've had is just housing supply, not building enough housing for going on four or five decades, probably. And that's been the biggest problem in places like Los Angeles, where there is very high demand, lots of job growth, and yet we have not really responded to that in a meaningful way by building more

homes. And I think over the last, let's say, 10 to 15 years, a problem that was really concentrated in places like Los Angeles and San Francisco and New York and Boston and so forth is spilling over into other cities that maybe have been building enough housing, but they can't build enough housing for their own people and their own growth, plus all the overflow from places like this. So I think that's a really core issue in the long run. Obviously, there are short term things going on right now as well.

Martin Muoto 02:54

I think the problem is multiple fold. Just to provide context, we are a large affordable housing developer in Los Angeles. We build exclusively in low-income communities like South LA, Watts, Compton. We have 40 projects at various stages of completion. 17 are complete, 13 are in construction, and 10 are in entitlement. So we are at the front lines of Los Angeles, which is, you know, patient zero—of Ground Zero—of the lack of affordable housing. And I think fundamentally there is, you know, it needs to have the political backbone. The politicians have to really commit to changing the entitlement and permitting process. There's a lot of policy that needs to be changed fundamentally on the capital side, because most of us here are not politicians, but in the capital side, there does need to be a long-term commitment to the category, the institutionalization of it, and bringing in institutional capital into the category would help. So those are maybe some high-level strategic things, and then, you know, dozens of tactical things that we will get into as well.

Jennifer Sondag 04:09

Thank you.

Stephanie Rawlings-Blake 04:10

I feel like it was a setup—that you're talking about elected officials. So when I think about my time as mayor of Baltimore, affordable housing wasn't a talking point—it was an everyday crisis. And as I think about this panel from that perspective, I think it's intrinsic upon everyone that is in government to remove every barrier to housing creation. We're not going to build our way out of it with the status quo. The bureaucracy is broken in cities across America, and until we figure out at every level—city, county, state—how we make it easier, whether it's permits whether it's zoning law, whether it's, you know, density law to make it easier for people to build, we're never going to close the gap. I think we're over 5 million homes short in this country. And, you know, I know you've probably sat in community meetings where you think you're not going to get one unit built because of the NIMBYs. So, you know, I think we need more YIMBYs and we need more elected officials who are willing to innovate and to make housing creation. You know, because housing is critical infrastructure. We listened to some of the panelists in other days talk about how they have to bring people in because they don't have space for their workers. That's important. You have to have a place for your workers to live near the jobs. So we need more elected officials to think about housing as critical infrastructure and move those barriers.

Scott Epstein 06:04

Hey, everyone. Scott Epstein, I'm the director of policy and research with Abundant Housing LA. We're LA's YIMBY pro-housing advocacy organization. I tend to agree with Shane that essentially, this is a supply issue, but...but why have we not gotten that supply? And I think about two major buckets of policy failure. One is we have been extremely restrictive about what we can build, right? So the number of units, the height, the uses...also in terms of building code, you know, we have to have double—two stairways in every building. All of these things really limit what can be built. And then we have created a process that is extremely onerous, extremely costly, extremely risky for building housing. So discretionary processes, you know, the whims of elected officials, lawsuits, because we have environmental...an environmental kind of regulatory process that is not actually getting the most environmentally friendly thing built, which is infill housing. So all of these things add up to a process where it's just very hard to build housing.

Stephen J. Cloobeck 07:20

Hi, I'm Steven J. Cloobeck. Very good, by the way, all of you. I come from a very different skillset. I have built just about everything except tilt up, industrial...but residential, commercial, office, hotels—small, medium, and large, and in 35 countries around the world, and just about every state, the United States. So—as a builder—one of my first projects, way back when I actually had to build myself because everyone went broke. So I learned the hard way. But I've also been involved in legislation, creating legislation in various states. I have changed laws in some of the most difficult states. I took a law all the way to the Delaware Supreme Court. I've also been a regulator and I've also been a judge. So I come with doing due diligence and really trying to fix broken, and I've fixed the most broken. And I think the most difficult state—country—to operate in is the country of California. And I've done my homework, because when I was a young man, I built my first shopping center in my 20s in Burbank, and I was able to pull permits in the form and fashion where that broke them up. I did not have to abide by the stringent regulations. California is probably the most regulated state, with over 380,000 regulations. We are lawed out. We are regulated out. Regulations are put in place to keep bad actors out, only—not to inhibit good business from doing good business. The good news is there's solutions. I come to the table with solutions. Unfortunately, with the fires in Los Angeles, we paused through the governor, through an emergency action CEQA. CEQA was created 50 years ago, and probably needs to be revisited. But people forget it's not just CEQA. It's the Species and Wildlife Act also because they have to be looked at and combined. And in doing so, we have an affordability emergency in our state...and that's part of it. It's no secret, I'm running for governor of California. One of the main issues that I'll deal with as your next governor to pause CEQA and the Wildlife Act until new legislation is crafted to bring it up to standards to allow us to grow into the future with reinforced housing that understands the insurance impediments that we now have to deal with because it's tantamount to insurance. And of course, hopefully we don't have these unwieldy tariffs, which are an act of war, but we're going to need somebody to fight for California. But, you know...I'm in preplanning on a project right now that I'm doing with my office, and just the comparative analysis between what I'm doing today compared to what I had to do in the '80s or in the '90s...it is a thousand times more difficult, and I happen to be fortunate enough to have the value of time and some money, but if somebody did not have time and money, the uncertainty and risk, it's not worth the squeeze. And then you overlay this crazy law in Los Angeles—ULA without talking to its customers first. There's no—you thought you were going to raise $800 million? There's a reason why you only raised $100 million because the market spoke for itself, because the bureaucrats have forgotten to talk to its customers. And it's tip to tail in the state, and it's.. it is. It's time for those that have been in office to leave office, and new leaders come in with experience, those that have signed the front of a check. And the time is now, so it's all of everything you just heard. But you must have certainty. We must have certainty locally. We must have certainty statewide. We must have certainty in our federal government. We're

living in this land of whiplash today, and California used to be a bully pulpit. And it shall be again. When I grew up here, that's what it was. But with that, we'll just turn it over.

Jennifer Sondag 12:09

And I do want to, I do want to talk about what we're seeing at a federal level, and especially a state level in California, given so many of you are working here in California. But first, I would like to really talk about Los Angeles and Martin, you know, we've...you know, we've heard about what's going on, we haven't talked about what happened with the fires and what that has done to compound a lot of these issues. And I know you've been personally affected, and I would love for, you know, if you could share your story, but also talk about what you're seeing in your work and what that does for all these issues that we've just brought up.

Martin Muoto 12:44

You know, as you mentioned, I lost my house in the Palisades fires. I know other people have as well that are here, friends and community members. And you know, it's not only losing your home; it's literally losing every material possession you own. My wife lost her wedding veil, and my kids lost everything. And, in some respects, you know, it really grounds you about what is important in your life. I grew up in West Africa. I came from nothing. And to some degree, you know, eight weeks ago, I had only two suitcases of everything I owned. I've moved seven times in the last 60 days. And it—you really get back to the essence of why you do what you do. And it's certainly—we all care about the economics, and we're all here. We're capitalists, we're free enterprise people. But really, I continue to believe that everything that is good about this country and everything that is troubling about this country is one degree of separation from housing. And it is a critical element of competitiveness, of mobility, of economic opportunity, of racial equality. All of these things are one degree of separation from housing, and it really just reinforced to me the sense of urgency at which we have to go after this problem. And I will say—just sharing my personal story...you know, as we went from Airbnb to Airbnb, ultimately, a lot of nights, my kids would come into our bedroom to sleep, because there was just a different, you know, level how it impacted them. At first, it was cute and endearing. It's not good for the marriage—not cute and endearing. [laughs] And my son, who's four years old, turned to me and said, one night, "Dad, you're a builder, so are you going to build our house, or are you going to build everybody else's house first?" And I, you know, sort of had a moment there and swallowed hard, and I turned to him. And I said, "Listen, you know what? There are kids that are sleeping outdoors today without a roof over their head. There are 60,000 people. I didn't say 60,000 to him, but I said there are hundreds and thousands of people that are unhoused, and so I have to build their house first." And you know, he kind of got it. And so I think we should all be operating the sense of urgency, and I've spent a lot of time with the Mayor of LA Karen Bass. She will be here tomorrow at one if you want to see her opine, and the city officials, the president of city council, Scott Turner, came down to visit with us after this happened, and I think this is an important time for us to use this crisis to redefine the process to fix some of the problems. We can spend this entire session speaking about the problems, but it is about the conviction and the will and the fortitude to drive change at every level of bureaucracy in LA, and LA will come back. I'm convinced, and I'm hoping to be one of the folks that help, you know, lead that. But really, not politically—no political aspirations whatsoever, but to build our way and increase the supply dramatically, and there's just got, there's just so many changes we have to make.

Stephen J. Cloobeck 16:09

I feel bad for you, personally. I feel bad for you in business, because I know the people that you're dealing with in the city of Los Angeles, and they've never signed the front of a check. They don't even know what you go through. They tell untruths. They don't level set the people of Los Angeles, okay? They let a reservoir not be taken care of for a year, for $170,000. They let the people of Altadena not have water for weeks, the Black and brown community. I know because I'm involved on the philanthropic side. So we, as leaders, have to look really hard at those that we have elected and those that we have elected that have failed us. And I give them an F, because when they fail us on life safety—the most important issues of how we live and pay our tax dollars—we have gotten negative value. So these are hard truths. And you know, we can be sweet and kind or we can call the balls and strikes as we see them. Okay?

Jennifer Sondag 17:45

I'd like to hear from Scott and what he thinks about this. What kind of grade are you giving everyone right now, and what has changed about your strategy for your organization, and what you're finding now in the way things look in LA?

Scott Epstein 18:00

Yeah, I mean...well, I'm sympathetic to the view that are that we have had a political problem in this city. I ran for city council to try to fix these issues. And I think our local officials have, for decades, created this problem. This is a problem of our own making. It really is. So I think that's important to recognize. You know, the fires. I think, as Martin so eloquently said, you know, we have 60,000 people count, citywide on the street. We have tremendous overcrowding. We have over half of Angelenos cost-burdened, which means that they're paying over a third of their salaries on rent. That is...these are huge problems, and tens of thousands of folks all of a sudden being displaced, of course, exacerbates it. I do see signs of optimism. I do think that we are building power as sort of a pro-housing movement. You are seeing more elected officials that are willing to champion housing. And I think that the fires was a moment that is instigating some action. You are seeing Council Member Raman in the city, in LA, who's, I think, definitely our strongest pro-housing champion, start to move on things like self-certification so that okay, you know what? A simple, single family home? Let a licensed engineer self-certify that everything works out. That's going to take staff time off of these simple things—we're living in fiscally constrained times—so that they can focus on the more complicated projects that we so desperately need; those dense, multi-family projects. That's smart stuff that should have happened, quite frankly, a long time ago, but I think you are starting to see political movement as a result of these fires and as a result of the severity of this crisis. You are seeing that in the state legislature as well. Every year, every legislative session, we have more pro-housing people. And you know, a decade ago—I've been in this movement long enough to remember a decade ago—when YIMBY's pro-housing people were in the woods, you know? Now, the speaker of the assembly identifies as a YIMBY, you know. And so things are changing, but we have a long, long way to go.

Shane Phillips 20:37

I am no longer the expert on the bills moving through the Assembly or the Senate. I have not followed them closely in quite a few years, but I mean, one very big one that is moving forward right now—against quite a bit of opposition, but it has gotten through a few committees—so far as SB 79, Senate Bill 79, and that's a bill that would essentially allow, or require cities to allow, fairly dense housing within a certain distance of transit. And this is something we tried back in 2017 and again in 2018, both of those bills failed. Cities said: don't put this on us, we can solve the problem ourselves. Here we are, eight years later, and by and large, cities have done nothing, and the things they have done have actually been the result of other state laws that have passed around 2017 to 2019. So Senate Bill 828, which passed in 2017, I believe, is the reason that cities, in this most recent planning cycle that they have to do every eight years, have had to plan for a lot more housing. In the case of the city of Los Angeles, the prior eight year cycle, they had to plan for building 82,000 homes. This eight-year cycle, they had to plan for 456,000 new homes. They have not done a perfect job of planning for them, but just the mandate of doing that has really changed the conversation, and it has led to zoning reforms and incentives and so forth at the local level that just would not have happened otherwise. And I've become a very strong proponent for state reform. I think there's still a role for local governments, and a lot of the laws that have passed at the state level here and in other states start as local reforms that show promise and also show that the sky didn't fall when they were approved, and so that allows you to scale them up to the state level. But I think the state is really the only way we solve these problems, because individual cities cannot do it on their own. You need to find the solutions that work and then scale them up so that everyone has to contribute. And the nice thing about when you require every city, every community, to put something into this, build some housing, solve the problem a little bit, no one actually has to do all that much. You don't have to concentrate everything in a few communities. And that experience this, you know, really sometimes catastrophic change, just to bear that burden for everyone else, if everyone's contributing, no one really has to do all that much, is what we're seeing around the country.

Jennifer Sondag 20:37

Shane, could you talk about these bills that are moving through the legislature right now? I mean, what are their chances of success, and could they work? Could they have an effect?

Jennifer Sondag 23:16

And just to stick with you for a minute; I mean, one thing you've talked about is that there's so many public misconceptions around housing and what's needed for housing. What are some of those misconceptions? And then I want to hear from everyone else of what could we do? And Stephanie, maybe you could take that after.

Shane Phillips 23:32

There was a really good set of three studies that were kind of survey based over the past several years from some colleagues based here in California, and one that's in New Orleans right now. But essentially, they asked people, if there was a supply shock—a sudden, you know, surge of supply of cars, of homes, of grain, these kinds of things—what would happen to the price of these things? They mostly got it right for food, they mostly got it right—they almost all got it right, actually, for cars—I think because we just experienced a shortage of cars during COVID-19, so it was fresh in people's mind. Most people got it wrong for housing. They assumed that more housing would

either increase prices or do nothing. And I think there's a lot of reasons for that. I think one is just that we have not, in most places, experienced a supply shock of housing in most communities in the US for decades. So it's just not in people's experience. But that was a kind of disturbing finding, that people have this mistaken view about what it would mean to build more housing, which explains a lot of the opposition. The good news was that this did not seem to be a result of motivated reasoning, where people were convincing themselves that more housing was bad because they actually just didn't want change, or they didn't want their home prices to go down, for example. The other good news was that most people did not feel strongly about those views. They were not confident in them. They just—it was just kind of their intuition. And so there were some follow up studies done, and just to wrap this up, what they found is that people were really willing to change their minds when they were offered information or an explanation of "how," building more housing. And I don't want to say that's the only thing that matters here, because it's not, but it is really a core issue. When they were explained, in different ways, how this helps, it was a really big shift; you know, 15 percentage points—30 to 40% increase in support for building more housing—in the suburbs, in cities, transit-oriented development, these kinds of things. And so I think it's really just demonstrated—and explains why YIMBY-ism and pro housing, that movement—has been fairly successful, is if you go to a public meeting and hear people opposed to housing, you'll think that like people are really set in their ways—and those people are—but that is not most people. That is not the majority people. Most people are pretty open minded and willing to listen. And I think YIMBY, broadly speaking, has been really more than anything, an educational movement, and over time that is spreading. It just takes time. It's not something you can change people's views on in a year or even five, but we are seeing a lot of progress over time.

Jennifer Sondag 26:15

Thank you. Stephanie, you wanna...?

Stephanie Rawlings-Blake 26:17

It just made me think about, you know, the comment about elected officials failing, and to Shane's point, it's about education. Because I think the reflection of the decision-making that a lot of politicians or elected officials make are reflection of the people that they serve, and if the people that they serve don't have the right understanding about increased housing supply, then those elected officials make decisions based on those things. And—to the point about the educational movement of YIMBY—one of the things that I'm proud about the work that I'm doing now is with the Airbnb Housing Council, and we believe that supporting grassroots organizations that are doing that education is the way to create more housing supply across the country. And I believe strongly it has to be grassroots. You know, I don't see this being a top-down issue. This is a...working with people on the ground who want housing, who understand that it's critical for complete communities, especially to have affordable housing, to have them be the messengers of this YIMBY movement. So it is, I think, a critical time to change hearts and minds, so those hearts and minds will align with what needs to happen in government.

Martin Muoto 27:59

And I think, you know, I agree with you. I think there needs to be a grassroots movement. I think us as the private sector, at least, you know, speak on behalf of a lot of developers have not been organized enough and coordinated

enough, and I think we should be doing more. I think capital needs to play a much more vocal role. Capital tends not to want to weigh in on sort of semipolitical issues and face headline risk. And so there is issues there as well. I will say that, you know, my sense is that this administration, and I want to be clear, I'm not a pro-Trump or against—I'm neutral. I want common—I'm looking for the Common Sense party. I haven't found it, but I think this administration is going to begin to have a very pro-housing agenda. I think that Trump is a builder, and he has not yet come out vocally at that. I know that, you know Opportunity Zones, which have been one of his sort of pet policy projects, is something that has been working and working in the background. Housing and scalability is not coming out of the nonprofit sector, and a lot of affordable housing has been left through nonprofits that, despite good intentions in Los Angeles, are building for $700,000, $800,000 $900,000 a door. That is not scalable in any regard. We've been able to build sustainably at under $300,000 a door—really closer to 279-, 287-. And that is through relentless focus, discipline, hard work, brute force, [laughs] and watching, you know, pennies, nickels, and dimes, because we're fiduciaries to our investors.

Stephen J. Cloobeck 30:42

That was my point. Look, I've worked with LAHSA, and I've worked and I've seen, when you don't know where $2 billion are, you got a problem. You and I cannot operate our businesses that we didn't know where $100,000 was, let alone $2 billion. The execution is terrible. The accountability is terrible. The enforcement's terrible. I walked through a project in the city of LA, and as I was walking through it like with my eyes up a punch list with blue tape, and I saw so many imperfections, and they told me it was finished, and they told me it was good enough. It would never happen in our world. I would say, more public-private partnerships. Let the private sector be involved. We could do it cheaper, more efficient, more better. Public-private partnerships are the way to go. You get one plus one equals five. If I was in office, I'd have you work side by side with me in a heartbeat.

Jennifer Sondag 31:51

Stephen, do you think we're going to see a better, friendlier building environment from our builder and chief at the national level?

Stephen J. Cloobeck 32:01

Are you talking about me running the fourth largest economy?

Jennifer Sondag 32:03

I'm talking about the US economy. [laughs]

Stephen J. Cloobeck 32:06

Look, we're living—you know, look, I don't believe in tariffs. They're an act of war. Then you go to sanctions, then you go to boots on the ground, and then missiles are flying. It's just, look, I understand that bravado. He's the Apprentice. I'm Undercover Boss. Both shows end up in tears. Mine are happy, his are not. I have values, he doesn't. I have integrity, he doesn't. I've sat alongside with him. I cannot do business with him. There's a better way. I don't like—he said, the other day, some of his emissaries...He likes chaos. The United States needs certainty. We need certainty in business. He likes to play the game Crazy Ivan—that's a quote. We can't have that in America. We'll seize our bond markets, we fall apart. We need certainty. We need to know where we're going, both at the federal level, the state level, and the local levels. So, we need this new framework of hard-center folks. Hard-center, collaborative. Hard-center, best in class, best standard operating procedures, and call those balls and strikes, and we're all to blame. No finger-pointing.

Jennifer Sondag 33:27

Stephanie, what are you hearing from city leaders around the country? Of, you know, how they're dealing with this uncertainty and, you know, what it means for this mission of creating more housing?

Stephanie Rawlings-Blake 33:39

Well, the frustration among mayors across the country is palpable, mainly because the current administration sees cities as the enemy and you don't—it's hard to have a positive working relationship when the person across the table thinks that you're the problem and doesn't see the innovation, doesn't see the opportunity, and quite frankly, at a time when Washington is broken, when tweets and viral videos count as leadership. I think we are missing an opportunity to see where real leadership is happening, and that's in cities. Because, you know, we can't—mayors cannot say that they're not going to pick up the trash or they're not going to fill a pothole for political reasons, you know, because they oppose someone's ideology—they have to get the job done. So it's not the uncertainty that I think is the issue when it comes to cities across the country and the current administration. It is the certainty that there's a lack of respect of city leaders across the country—and I think that there's an opportunity. I mean, when the United States made strides when it comes to—on a federal level, when it comes to climate change—it didn't do it on its own. The federal government—Congress—didn't do it on its own. It was cities, mayors across the country that signed a climate compact, and once there was a patchwork and then a network of cities that had signed on, it gave Congress the foundation to pass action on climate. I think there's—when it comes to housing—there's an opportunity there as well. We have to rethink housing. We have to unlock. We're not going to build—we can't rebuild our way out of this fast enough, you know? Because the urgency that we need is coming up against regulations. It's coming up against zoning. It's coming up against all of the well-meaning legislation preventing increased housing supply. So I think we have to rethink what housing supply looks like, whether it's ADUs, whether it's unlocking unused housing supplies, housing supplies in people's homes. We have to rethink every part of it to find a way to house those who need it.

Jennifer Sondag 36:31

So what is—what are some cities that are doing this well? What, you know—are there cities that you look to as examples, and what are they doing differently from anyone else?

Stephanie Rawlings-Blake 36:40

I think—oh.

Jennifer Sondag 36:41

Go ahead. And then Scott. Why don't you go first, Stephanie? Then Scott.

Stephanie Rawlings-Blake 36:44

Austin, for example, reduced their regulation. Is that what you were about to say?

Scott Epstein 36:49

Austin is a great example. I was thinking about Cambridge, Massachusetts, but Austin's fantastic.

Stephanie Rawlings-Blake 36:53

Take it away. You know, and their prices came down, so...

Scott Epstein 36:57

Yeah, and Cambridge just—and Cambridge is now the leader on zoning reform in the whole country. So Cambridge, Massachusetts, basically gone to four to six—

Shane Phillips 37:05

Unexpected city, to be the leader.

Scott Epstein 37:08

Well, they've had the pro-housing—

Jennifer Sondag 37:10

So walk us—take us big picture of like, what did they do that was different?

Scott Epstein 37:14

They have—so, Cambridge went to a citywide upzoning approach. The entire city is zoned, and they had substantial single-family zones in Cambridge. The entire city is now multifamily, four to six stories—so about four to five, if you don't do any deed-restricted units, and then you get some—up to six, which is basically like a wood frame limit anyway, right? If you do some set aside. So, you know, nobody has done something that—I mean, that's basically like Paris-style, urban form, right?

Stephen J. Cloobeck 37:59

So, when the mayor was talking, she said something so important. When we all start respecting each other, when we all start having responsibility to each other, and we all are looking for and demand and need—because we need and deserve—results that are meaningful and measurable, then we'll start getting some solutions. It's all a big—these all, concentric circles, they all work together. Gotta collaborate. Okay, when you have regulations that become weaponized, they create uncertainty, and this uncertainty needs to be removed. What was needs to be revised. No mandates. Have aspirations and pivot towards that aspiration.

Jennifer Sondag 38:55

How can the private sector work with the city leaders on these issues, and also at a federal level? Martin, you want to take this one?

Martin Muoto 39:05

Yeah. Well, how many of you are based in Los Angeles here? Show of hands. About a third of the room. You know, look, I think we're very focused on Los Angeles. It's our backyard. You're never profit in your own backyard, but we believe that it has tremendous potential. And I know a lot of institutional investors have written off Los Angeles and sort of fly over and I think it's incumbent on the private sector, both capital and operators, to really sift through a lot of the noise to find out where the opportunities are. When we talk to institutional investors, it's—look, you know, there are certainly opportunities for sustained higher returns, IRRs and whatnot, but you're also investing in the quality of life of your retirees. Of your pensioners, of your teachers, their teachers that are commuting an hour and a half to get to their schools because they can't afford to live close to Palos Verdes or whatnot, and that is a quality of life investment. So, you know, I think one of the things that the private sector has to do is really to look at this space—affordable housing, broadly defined. You know, fundamentally we believe all kinds of housing— workforce housing, attainable housing, call it what you will, covenanted and uncovenanted. It's something that the private sector has to double down on. I think the future of Los Angeles relies on us being able

to solve this as we go into the 2026 World Cup, the 2027 Super Bowl and the 2028 Olympics. The world is coming to see the American experiment in the streets of Los Angeles. And so we have to get it right, because the stories that they take back to Kazakhstan and to Angola are going to be about what happens in America for real. And so I think the private sector has to be more deliberate, more vocal, more coalition building. You know, sometimes the private sector gets a little sharp-elbowed around. This, from a competitive standpoint, we have spent a lot of time working with what would be notionally competitors, to say, look, let's agree on frameworks. Let's bring it to the public sector. Let's give them the benefit of the doubt. I've been disappointed again and again, but I continue to do it, right? To give them solutions. And there is a spirit of receptivity, currently. I don't know how long it will last. The implementation, you know, still is discouraging. But, you know, we don't have that option. We don't have the option of picking a different commander in chief right now. We don't have the option of changing the mayor or the governor. May—you know, folks are running, but fundamentally, we have to deal the hands that—the cards that we're given, and we have to be pragmatic about it, and it really...the private sector has got to do a better job. And I will make one additional point, which—look, we are a double bottom line operator. We believe deeply in social impact. We believe deeply in community development. And that has to go hand in hand with being a great operator. You have to invest in the community. And we have seen, and have dozens of not only anecdotes, but data, about how social impact done right really transforms community and improves your ROI. And it's something, again, the private sector has been somewhat ambivalent about

Jennifer Sondag 42:40

Shane, I think you wanted to comment?

Shane Phillips 43:44

Yeah, I just wanted to say, I think there's, like, developers and people in that industry could and should do more, but I think what would have even more impact is people outside of that industry in, you know—because every industry relies on affordable housing in the communities in which they operate, and I think when hospitals show up, when, you know, the grocery stores show up, when, you know, just local businesses of any kind—whether individually or in coalition—show up and say, "This is important to us," and have you know—show up to support specific things, not just kind of abstractly support more housing affordability, because there's a million things you could do with that, you know, guidance. But I think that is really what we need to see a lot more of. And I think it just hits different for elected officials. Stephanie, maybe you can say one or the other, but I think, you know—rightly or wrongly—when developers show up and say, "We need to make all these reforms," it's taken as just self-interest—and it is, at some level. It doesn't mean they're wrong, but...[laughs]

Jennifer Sondag 42:42

Yeah, and I actually want to read this one question I got from the audience. I'm getting some questions in here, but—and I think you guys have answered this in some of your comments—what do you say to the criticism that private sector cares about their bottom line? For true private and public partnerships to work, and for the people and the most vulnerable, there has to be a balance where profits can't be the only goal.

Stephanie Rawlings-Blake 44:05

So, I mean—

Jennifer Sondag 44:06

Go ahead.

Stephanie Rawlings-Blake 44:06

And Shane, and I'm glad you mentioned it, because, you know, as Martin was talking, I was reliving community meetings where the developer has, you know, come in to make the pitch, and that's probably the worst person you can bring to make a pitch in a community that is hesitant, in a community that doesn't have trust, right? But we have to figure out a way to solve for that. So when—the question was, what can the private sector do? I think that, you know, I look at a problem and I look for the opportunity, right? The private sector, I think, in collaboration with institutions like CityLab, could create hubs for innovation around quality, affordable housing. And the private sector could create, to support, you know, incentives around that building. You know, I really think that there is a way to use the smarts of the builders, the willing investors, and, you know, people who get it, that have have built things, to come up with solutions for how we can create more affordable housing in cities across America. Because, you know, you said it again, there's no reason why a teacher should have to commute for an hour and a half. I mean, that's atrocious, and that underscores what I'm saying. You know, we should treat housing as critical infrastructure and look for ways to fund it like we fund every other critical infrastructure in cities.

Jennifer Sondag 45:50

Thank you.

Shane Phillips 45:51

Can I just add, just really quick?

Jennifer Sondag 45:52

Yeah, go ahead.

Shane Phillips 45:52

I mean, I think the...I'll say the maybe unpopular thing—maybe not to this crowd—but, like, profit isn't bad, and when someone builds housing, the only thing—profit is not the only thing that's happening. You're building a house for someone to live in, or homes for people to live in, and there are all kinds of positive externalities and so forth that come from that. And so I think the idea that someone's profiting off of it—like, that's true of just about everything that we buy. And so I don't think that should be the metric one way or another. You know, at the end of the day, we need housing, and oftentimes, for better or worse, the people building it for profit are actually able to do it at much lower cost. And if we're able to get housing at lower cost, I think that's probably more important than, you know, making no profit, but it costs 50 percent more.

Stephen J. Cloobeck 46:02

When you say profit—let me just go to a higher level for a minute. Is there profit in education? Yes, it's the result of what the children graduate with. That's profit. Is there profit in taking care of the homeless or the mentally ill? Yes, there is a profit. Profit is ubiquitous. So, change the nomenclature. Everyone is a customer. Everyone should get equal or greater value. There is a profit. There's a social profit, and that's a profit. So help me, help us, change this language. It's not divisive. Let it be collaborative. Everyone is involved, in the profit business. There's just different types of profits. Would you agree to that?

Shane Phillips 47:37

Yeah.

Stephen J. Cloobeck 47:38

So don't ever say business is bad. Because everyone is in—

Shane Phillips 47:42

I wasn't—

Jennifer Sondag 47:43

No, I don't think he was saying that. It doesn't have to be at odds, right?

Shane Phillips 47:47

No, yeah. Yes, and—

Stephanie Rawlings-Blake 47:51

I was, you know, speaking from my experience on the ground. And it's not, you know—it is born out of, you know, everyone's not a good actor. And if you have communities who feel that they have been taken advantage of, sometimes they will act against their own best interest and fight against housing opportunities because they've been burned. And we have to accept that and solve for that as well.

Stephen J. Cloobeck 48:22

How do we change that then? How do we then sit down and collaborate to make sure that everyone is a stakeholder together?

Scott Epstein 48:27

But, I mean, I think Stephanie's speaking truth in that, look—there are people that have been harmed by the policy failures, right? Look at Los Angeles; like, 75 percent of land in Los Angeles is single-family owned, and you can't build there. Well, where is the development pressure going to go? That's going to go mostly to the existing multi-family stock, and people are going to be evicted, and if they're lucky, they'll get, you know, a nice package and they'll be able to land somewhere else. I'm not saying that we should never tear down any multifamily building and redevelop. That's a part of, you know—buildings get old, we need to redevelop. But we have created a system that disproportionately harms higher needs folks, tenants, renters, to appease folks that want to control not what is happening on their property, but what is happening on the property right next them, right?

Shane Phillips 49:35

Or four blocks away. Or...

Scott Epstein 49:37

Which is not their right, you know? That doesn't belong to you. Your neighborhood doesn't belong to you. You're part of a community. And so I do think it's important to recognize that people have been harmed by the system and that is some of the cynicism, the skepticism, that we are seeing in the world. And we need to create an abundance culture that can actually deliver, so people can live in a world where—you know, people have lived in a scarcity world where they think, quite rightly, I guess, you know, that the most vulnerable among us are always gonna be harmed.

Stephen J. Cloobeck 50:17

How did Cambridge overcome, you know, it's legacy of rezoning itself to accept their new zoning platforms? How'd they do that?

Scott Epstein 50:30

I think a lot of movement building and education over time...I mean, I attended the YIMBY town conference in Boston four or five years ago, or something like that. There are leaders in Cambridge that have been fighting this fight for a decade now.

Shane Phillips 50:48

I think they've had their own YIMBY group, A Better Cambridge—ABC—for probably a decade or longer. And again, it's—they didn't, you know, have changes in their first year or their first five years. But I always point to Auckland, New Zealand, and New Zealand as a country. I learned a lot about it in a conversation with someone from there and all the reforms they've made that were huge reforms, citywide in 2016 and then countrywide in 2019 or 2020. And from the outside, it looked like all of a sudden they were just doing these huge things. But actually they had been having conversations about it since about 2005, 2007. And that was just not visible to the rest of us. But again, it was this movement building, this education, that was kind of rowing under the surface and was nurtured and, you know, elected officials participated. But it didn't just happen by itself. It was an active effort.

Martin Muoto 51:39

You know, this is a point of tension, because even communities that desperately need housing, you know, are conflicted, in some degree. Developers are easy to vilify. Believe me, I know this firsthand. And you have to be in it for the long game, and you have to look beyond some of that. You know, I've been out raising capital from institutional investors. Martin here has, and so on. And when you talk about things like affordable housing, a lot of folks go, "Well, what about things like headline risk?" And you go, "Of course, there's headline risk. But there's also, you know—KKR, BlackRock, Blackstone are all in the headlines. But when it comes to affordable housing and being in low-income communities, there's a tremendous amount of tension there. And so you have to have the receipts, you have to have the track record. You have to find great operators that really can execute ethically with the community in mind, but are still pragmatic about, you know, outcome. And so I think it's a much more complicated and nuanced story. And I would say that, you know, for those that are on the capital allocation side, it really is looking beyond some of the superficial you know—when you deal with some large institutions, they are so shy about the headline issues that they simply don't move. And I continue to reiterate that the importance of this at every level of society requires that, you know, capital, not just—and it's not concessionary capital. It's pragmatic, sort of long-term capital. Think about how to play a role for operators—I think they have to, similarly, take a long-term perspective. This is thankless. You know, a lot of people just think that we're knuckleheads because we continue to stick to it, but that long game is critical to be able to, you know, withstand. One of my investors said it best, and I think it applies to a lot of us in the room, which is, look, tough times don't last. Tough people do. And that has been my mantra in 2025. [laughter]

Jennifer Sondag 53:50

Yeah, and just with about five minutes left here...I mean, I'd like to ask you all a closing question, where you could talk for a minute or two, but what is one thing that we could change tomorrow? Like each of you, just one thing that you would like to see change that could lead to, you know, a dramatic change? Stephen, we'll start with you.

Stephen J. Cloobeck 54:11

I would absolutely call an emergency to an affordability crisis in the United States on housing, I would absolutely focus on family first—us first—because I think, you know, we've got all these geographic things that we're thinking about, but let's take care of family first, and let's deregulate. Have regulations to keep the bad actors out, but don't have regulations that inhibit good business from doing good business—and we forget about the fact I said earlier. We're all customers. Deliver equal or greater value to us. Respect us—both ways. Be responsible and show results. Show results. If we show results, everything will change in a nonvitrolic way, collaborative. No more yelling and screaming. Enough. We're all Americans, okay? We're all customers, and we have to demand the same from our leaders. And if we're upset, change. Don't keep making the same mistakes, because that's the definition of insanity.

Jennifer Sondag 55:26

Scott?

Scott Epstein 55:28

Well, I think we need to open up single-family neighborhoods in affluent communities. I think that's a huge deal for housing equity. It's a huge deal for access to opportunity. Right here on the west side, we have, like, a four, five to one jobs ratio. That's hurting us all. That's carbon emissions going into our planet, into our atmosphere. That's smog and air pollution in California, because people are having to drive an hour and a half to get to their jobs in Silicon Beach. And I will also say it's, like, really important from a housing production perspective as well, right? I mean, what we need to be thinking about is diversifying our portfolio. Any particular parcel has a very small percent chance of being redeveloped. Like, for various reasons. People live there. They don't want to sell. Maybe it's not a desirable place to build, and so the only way that we're going to kind of get the abundance that we need is if we open up more land.

Jennifer Sondag 56:33

Thank you. Stephanie?

Stephanie Rawlings-Blake 56:34

I think one of the things that would be helpful is if more people wanted to be a part of the solution. So, in the green room, the president of Johns Hopkins, came in. Hopkins needs their workers in proximity, right? What if every—and they've worked to create affordable housing around there. What if more companies, more institutions, would do their part? And it's not for me to prescribe what that is, but to accept that it is part of their responsibility to try to find a way to incentivize affordable housing and to increase housing supply. And you know, again, that's what makes me proud about the work that Airbnb is doing with the Housing Council, is because we know that we can't solve it all, but we can be a part of the solution. And talking to other companies that are saying the same thing. Let's find a way to be a part of the solution, I think that that would go a long way towards creating more housing.

Jennifer Sondag 57:40

Thank you. Martin?

Martin Muoto 57:41

I think there are great thought leaders here from UCLA and Abundant Housing that really—policy—they have done great work. And I commend them for pushing that thinking. I think that us as individuals and us as a community need to be less polarizing and more pragmatic, wherever the solutions are coming from. We've just, you know, it just seems like we live in this increasingly polarized world where, you know, if the person on the other side said something, it doesn't matter what they say it is—bad, and that we can't sustain that. And so we've just got to be pragmatic around dissecting what is being said from wherever it comes from—far left, far right—to go, '"What are the changes that need to be implemented in?" And I hope as a community, we can do that.

Shane Phillips 58:30

I think we need to do a better job of telling the positive story of what reform looks like and what change looks like. I think we're pretty good at pointing out the problems and how if we don't change, you know, things are not going to stay as they are. They're going to continue on the same trajectory. And that's all true, and important that we make that clear. But housing reform can't just be and building more housing can't just be like, eating your vegetables. Like, what's the positive aspect? What are you selling people on? And so really emphasizing, you know, the fact that your kids will be able to live in your community, the fact that you might be able to build new parks and be able to walk to more locations. You know, the really—the stuff that people care about, making their lives better, not just keeping it from getting worse. Because I think that's just not motivating enough by itself. And so I think really finding those stories and those examples and figuring out what works for different people, also, is all going to be really, really essential.

Jennifer Sondag 59:30

Thank you all. I feel very encouraged that you're all working on these issues, and I appreciate your insights, and thank you all for listening. Appreciate it.

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