

Catalyze - Housing Equity (S. 1 Ep. 1) Transcript

SPEAKERS

JB Holston, Sarah Rosen Wartell, Matt Kelly

Matt Kelly 00:00

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JB Holston 00:28

Welcome to Capitol Region Catalyze a monthly podcast from the Greater Washington Partnership. I'm your host, JB Holston, CEO of the Partnership, for those of you who are new to our work, we are a civic alliance of business leaders committed to making the region the best place to live, work, and thrive. We do this by fostering unity and advancing inclusive growth, catalyzing solutions at pace and scale across our region. Each month, I'll feature one of our board members in conversation with another recognized leader who's shaping our region's future. This month, I'm honored to welcome Matt Kelly, Partnership board member and CEO of JBG Smith, a real estate development company that comprises more than 20 million square feet of commercial, multifamily and retail assets in the Washington area. Joining Matt is Sarah Rosen Wartell, president of the Urban Institute, an economic and social science research and policy organization. Their more than 550 researchers, experts and other staff who believe in the power of evidence to improve lives and strengthen communities. Hello, Matt. Hello, Sarah.

Sarah Rosen Wartell 01:28

Really great to be here, thanks,

Matt Kelly 01:29

JB, how are ya? Thanks for having me.

JB Holston 01:32

Thanks. Thanks for joining us, we really wanted to talk about inclusive recovery, affordable housing, inclusive growth, all areas where you both, I know, have a great deal of interest and expertise. But before we start, I wanted to talk a little bit about how you two initially connected?

Sarah Rosen Wartell 02:20

Before I knew Matt, I knew Matt's team because the Urban Institute after 40 plus years in one home south of Dupont Circle was looking for a place that would provide us a kind of physical environment, which we all wish we were back in now to convene to do the work to collaborate, and ultimately ended up selecting JBG Smith companies to be the landlord for the new headquarters that we created.

Matt Kelly 02:48

Thankfully, it's a new building. So, I don't get too many phone calls about burned-out light bulbs or people stuck in elevators. As far as joining the board, all they had to do was ask, because I hold urban in very high regard. And I always have, and for me, it was a real honor to be invited to join such an impressive group of people who are really trying to tackle some of the most difficult issues of our time.

JB Holston 02:54

Let's take just a minute or two for the audience and Matt talk a little bit about JBG Smith, what it does who it is.

Matt Kelly

We are a publicly traded real estate company focused only on the Washington DC metro area in what we refer to as urban infill submarkets. Which really constitutes about five different neighborhoods throughout the metro area. And everything is centered around creating great places. Creating places that are vibrant and thriving, and that are the types of places where people really want to live and work and recreate. We've been very focused on how that all relates to housing and the evolution of neighborhoods over time.

JB Holston 03:34

Thanks, Matt. And, Sarah, of course, Urban is very well known, it's now been 53 years. That's just extraordinary. Could you talk a little bit about the range of topical areas that Urban is engaged in?

Sarah Rosen Wartell 03:46

I think what all of our work has in common are two things. First, it is about bringing evidence to bear on decision making by people we call changemakers. Those could be elected members of Congress or administration officials or a local government agency official or someone who runs an NGO or a business trying to contribute to their community, and we've partnered with the Greater Washington Partnership on projects like that. The other thing is that we are at heart an evidence-based organization, and the facts matter to us, and so we don't come with an institutional agenda. We try to bring the sort of the policy forward that we think either from our own research or that of others in the field is borne out by facts and evidence. Then we do that in things that help to strengthen community and improve people's lives. We have a very strong focus on meeting the needs of the underserved, tackling discrimination, structural racism, lack of opportunity. We do that in health and tax and criminal justice and Housing and Community Development and nonprofits and philanthropy, labor markets and many more, but the sort of common theme is about helping people take advantage of their own great talents and skills to thrive.

JB Holston 05:05

Matt talked about how creating great places is central to JBG Smith's work, Sarah, how would you describe Urban's relationship to place?

Sarah Rosen Wartell 05:12

So, when Lyndon Johnson convened the founding group of board members to create this place, he gave us a charge to bring the power of knowledge to solve the problems that were weighing heavy in 1968 on people's minds, the American cities and their people. Today, we would argue it's about communities, whether they're in cities, or suburbs or rural areas, but it is about place – place matters to people. And the kinds of places that people grow up, can expand or limit opportunities dramatically. We need to take places that are isolated, that are disinvested, where there aren't access to resources and connect them. We need to take places that are rising and thriving, and make sure that the long-standing residents benefit from those gains, and don't just get pushed out and left to places that are not opportunity rich. And then we need to open the doors of the opportunity rich places and create ways that people can afford to live there and connect to the jobs and opportunities that are there. And so, whether that's tribal lands or whether that's downtown Arlington, it's really about making sure that people thrive because they have access to the richness that really great places can create for them.

JB Holston 06:26

Matt, in addition to your role at JBG Smith, you also sit on the board of the Greater Washington Partnership and shared our reopening committee. Back when the pandemic began, no one forecast we'd still be working from home this many months later. Sooner or later, we will go back to the office, hopefully sooner. How do you think the past year will affect the future of JBG Smith and the way you do business?

Matt Kelly 06:46

I would say first, I don't think we know yet how it will change all of these things. Our expectation is that when things do return to whatever normal will look like in the future, I think people will value and appreciate togetherness in ways they didn't before, and I think people will value and appreciate the places where we convene and where we spend our time. You think about the drivers of place -- a lot of it has to do with amenities, and a lot of those are small businesses, restaurants, bars, shops, the things that really serve a neighborhood. And that's probably where we've seen the greatest impact. Most of the commercial tenants in our market, you know, have been okay, they have an educated workforce that's well connected, that can work from home and work remotely and still do their business. It's a lot of the small businesses that really create that urban fabric, that amenity base, that have really been hammered by this. I've heard predictions that forecast as many as a quarter to a third of all the restaurants and bars in the district will not make it through this. That's a staggering number. There have been efforts afoot to subsidize, fund, support many of those operators, but it's not enough, so more needs to be done. The same is true of a lot of renters, in particular, apartment renters, who are in the middle and lower end of the socio-economic spectrum. There's going to have to be a lot of work done to make sure we get that right because I fear once you lose some of these things, these businesses, once you lose the population in a neighborhood, it's very hard to get them back. And these contend to be one-way doors, which is really problematic and the kind of thing that we have to be in front of.

JB Holston 08:56

As we know all too well the pandemic has brought the incredible inequities in our society into focus. According to the CDC, 34% of COVID related deaths are among non-Hispanic black people, though this group accounts for only 12% of the total US population. Sarah, what have you learned through this year that will inform your approach to an inclusive recovery?

Sarah Rosen Wartell 09:16

There's been a great moment of understanding – shared understanding – that the economy, the booming economy, maybe didn't allow us to have quite as well before.

The last year has forced us to reckon, first of all, with the effects of this digital inequity that we have, it's forced us to realize that an economy where some thrive and others don't, doesn't work for anybody. And it has forced us to deal, obviously, not only through George Floyd but the way COVID has landed on people with structural racism's embeddedness in our society, and I see the private sector, try, and social sector coming together to step up to fill gaps that the government hasn't been able to serve, and partner with them. So, I'm very hopeful actually, that we're going to kind of come out of this with a kind of shared vision across sectors I see alignment in ways I hadn't before.

JB Holston 10:10

That's a really good segue for us to talk a little bit with you, Matt, about your work and JBG Smith's work in the region on affordable housing. Where are we at with affordable housing? Where are we going?

Matt Kelly 10:20

Yeah, it really all started with our development and investment in a number of neighborhoods throughout the district, we found that as we develop new housing and increase the denominator of housing in those neighborhoods, it was still very difficult for many of the existing residents to remain because, you know, some say rising tide lifts all boats, in that instance, there wasn't enough supply and preservation of existing supply in the affordable zone of rent cost to retain the existing residents. So, you not only lose, I'll call it 'neighborhood memory,' but you also lose a lot of the workforce. A lot of the folks that actually work in a lot of the businesses in the neighborhood now end up having to move farther out because they can't afford it anymore. You know, some people talk about gentrification as well, this is a bad thing. I think gentrification gets a bad rap because it's focused on the unintended negative consequences of investment. Gentrification really is investment in a neighborhood to build new housing. What that does, the unintentional consequence is that it results in a lot of people who can't afford to live there anymore. This model is designed to address that issue, by making it so that the housing that is there today that is affordable, stays that way. And if you do that, you end up with a neighborhood that has more investment, retains a lot of its character and residents, people who can be employed by the local businesses and who don't have to live so far away they can't get to work anymore. It makes for a richer neighborhood, it makes for a neighborhood that's more equitable. And our customers want that.

Sarah Rosen Wartell 12:28

I mentioned earlier the importance of creating strategies so that people have access to opportunity. And the preservation strategy that Matt described is, I think, one of three

critical strategies that are important to making places that work for everyone. In particular, Matt's talking about neighborhoods where change is happening rapidly, but it is very expensive to imagine being able to take people who have lost access to opportunity and somehow move them into very high-cost neighborhoods. If they already live in a neighborhood where more opportunity more jobs more connection, if people could stay there, that's far more efficient than trying to move them somewhere else and tell them to, maybe they can't afford a car, figure out how to get there for those opportunities. So, we really want to allow people to be able to stay. That doesn't mean we can't also and must also invest in protecting people and in investing in other neighborhoods and giving them access to other high opportunity neighborhoods, but preservation is kind of a too frequently misunderstood part of this. We have a huge supply problem in housing -- supply to whom, available and affordable to whom? And when we have really skyrocketing rents and workforce, middle income folks end up occupying the housing that otherwise might be affordable to low-income people you even further scrunch the affordability for people with limited means. So, preservation is a critical piece, this strategy that the business sector through Amazon and Matt and others are investing in is a critical piece of that broader balanced regional housing strategy that we work with the Greater Washington Partnership to design.

Matt Kelly 14:16

I would just add, this serves the purpose not just of trying to achieve better equity, but it also serves the purpose of trying to achieve better economic growth. If you rewind and think about what businesses were constrained by before the pandemic, it was access to labor. Most businesses would tell you whether it was software developers, accountants, drivers, restaurant workers, across the board, there was a shortage of personnel, of staff. And much of that had to do with the fact that there weren't enough people living close enough to those employers as potential talent pool for employment. Solving this preservation equation actually serves that purpose as well and I think will enable faster and better economic growth, because you will have more people who are living closer to work and there's a lot of evidence that supports the fact that the closer you live to your job, the more likely you are to keep it. That's, I think, going to be really important as we recover, and hopefully remote work will cut through some of that for certain jobs. But you know, as we all know, a lot of these jobs can't be done remotely. And that's where many of the labor constraints existed pre-pandemic, and having more affordable housing for that workforce, in close-in areas in urban employment centers, is critical to not bottlenecking and throttling economic growth in the long term. So, that's another reason why when we look at this, you know, we look very long term when we think

about the things that we want to invest in and do to stimulate long term economic growth.

Sarah Rosen Wartell 16:07

Research supports Matt's intuitive understanding of what's going to be good for the economy. Our analysis suggests that economically, racially integrated communities are actually the ones that in the long term, do well across a bunch of metrics – lower crime rates, but also higher rates of resiliency and ability to recover also from the economic cycles that we have. So, it's really good for everyone to make sure that these communities don't become isolated, single model places, but in fact, are places where everyone can find a role.

JB Holston 16:46

The Partnership has defined the greatest opportunity for the region to be around inclusive and equitable growth, we've got a view that inclusion is a new innovation, and that the region that is the most equitable and inclusive will become the fastest growing, because it's going to provide the greatest opportunity for talent here and the greatest appeal for talent that's looking for opportunity ahead. As you both think about what inclusive growth means and you think about inclusive growth through the region, what's the mission? Where's the opportunity? What do we need to focus on to get this done?

Sarah Rosen Wartell 17:21

Ours is a very diverse region, if you think about Richmond, Baltimore, the DC region, and there are all kinds of barriers to opportunity for people of color, and as we've learned, really intense, particularly anti-black racism that's built into lots of aspects of our society. So, thinking about entrepreneurs of color, not only the folks who were, in many cases, first and second-generation small business owners, but a whole way of the housing sector that Matt works in, and even the affordable housing sector is almost entirely – leadership of most of the firms in the sector is largely white, even though it houses a very diverse multicultural population across the region. We have a lot of work to do to create opportunities for entrepreneurs of color and in particular, it's not just capital, but getting people capital ready, providing them the technical assistance, the support, in some cases, the equity, the startup equity, which is the most difficult to find not just the debt, there are a whole lot of work for us to do in the region in those issues.

Matt Kelly 18:28

I agree with that. I think one of the things that to me seems to be lacking is investment and intervention earlier in people's lives where those inequities are the greatest,

providing exposure to employment, providing exposure to even just basic job skills. When somebody graduates from high school, they should have enough exposure to basic job skills to be able to be a candidate or eligible for entry level, yes, many of them are lower wage jobs, but that's a starting point and it is a springboard to future opportunity, getting that first job. And the fact that you had on one hand, high unemployment, but also employers, you know, short on staff tells you a lot of this can be addressed by better targeting skills training and basic job skills. That's where I think the CoLab could be a good model, because that was targeted towards digital skills, higher skilled jobs, but applying some of that working with employers to say, what exactly are the things that you're looking for? What are the things that you could establish programs to help people acquire? And how can we then connect you with students and young people in our city who want to learn those skills and to me, that's an opportunity that we haven't really tapped into that where you know, it could be employer led, but a public private partnership is probably the right answer.

Sarah Rosen Wartell 20:01

JB, if I can add something that may be a bit provocative. You know, our country is wrestling with a challenge around how we achieve community safety and justice. Criminal justice system is actually not always achieving a just outcome and I'm hopeful that particularly after this year, and with the growing recognition I'm seeing across the business community about the importance of being a voice for racial equity, that we may even find ways to work on justice and safety issues for the whole region.

JB Holston 20:36

One of the things I think that we've also been looking at is this whole question of sort of equitable, resilient, long term health infrastructure because again, I think a lesson of the pandemic is we don't have that and this won't be the last pandemic, for sure. I'd love to switch gears a little bit and hear both your thoughts on Amazon establishing its HQ2 and Arlington. Bringing them here took a big collaborative effort from everyone in the region. Sarah, can you talk a little bit about your views on the opportunities that this presents and Matt, JBG Smith is leading the Amazon development at National Landing, what do you see is the potential impact of their footprint in the region?

Matt Kelly 21:14

Yeah, I'm obviously biased because I have a significant stake in what Amazon is doing as their landlord, but I think it has already been a good thing for the region, also, in part because of what the Commonwealth of Virginia in particular has decided to do in the context of the increase in tax revenue that will come from all of the Amazon employment

that they anticipate that has a lot to do with infrastructure, digital infrastructure, hard infrastructure, you know, the Long Bridge project, new Metro entrances, investment in roads and transit. Metro coming together to collaborate and solve the first phase of its funding issues was entirely Amazon driven.

Sarah Rosen Wartell 22:07

Amazon is learning also, from their lessons in Seattle that you can hear Seattle officials say we had no idea what was going to hit us. Well, we can't say that, because we've seen Amazon's rapid growth in Seattle and the challenges that that's posed to the region, but we could see a future that could be very damaging. So, there's been an anticipation of that, and the kind of strategies around housing, regional transportation, skill development, those things could be things that actually help all the regions, right? 50,000 employees, or whatever it ends up being, is still a small part of the region's employment growth. And if this catalyzed us to act, the test is before us, and it's not clear whether we'll meet the test yet.

Matt Kelly 22:52

I do think Amazon learned a lot about the importance of trying to get ahead of trends based on their experience in Seattle. And the fact that they are such a large player, you know, over \$300 million allocated to this first investment in Housing Preservation right in their backyard, I think speaks volumes to their commitment to try to make sure that we preserve housing equity in and around that neighborhood. And then it's not just good for the Amazon team, or it's not just good for one segment of the population. And I think long term, the fact that we have a new kind of employer here will enable us to better retain a lot of the folks that we are educating in this area. Then the last thing I would add is just I think the Virginia Tech funding for their Innovation Campus, which is focused not only on tech education, but also on an inclusive growth of our tech talent pipeline, that funding I think, you know, they've been working for 20 years to get that funding, it's no coincidence that it happened when Amazon's decision was made and when we were pursuing as a region, that employer, and so I think all of those dollars, we have yet to see the fruits of those dollars, but they've been allocated and earmarked for certain things that I think are going to be very positive for the region.

JB Holston 24:15

We're recording this podcast just one week after the January 6 insurrection at the US Capitol. Sarah and Matt, what are your insights as to the implications for our region in the country and the role of business at a moment like this?

Sarah Rosen Wartell 24:27

This region is home to the seat of our federal government, and it has been the home to the worst display of division and dissension amongst America, but it is emblematic of our country's divisions. That's something that is kind of unique to our region, an effort to focus again, on facts and evidence. I do think state and local government does that better. The state and local conversations tend to have avoided some, not all, but some of the most angry, fraught challenges that our country has faced. But at the heart, those challenges do come from a large moment of transformation to a society that's multiracial, that's multiethnic. And I think that is, in large part a source of the anger and horror we've seen over the last few days. This may air some with some of that with a little more in our rearview mirror, we may have some greater perspective than I do today when I'm talking about it, but I think that there is no community that can avoid that issue, but this community has more to wrestle with around those divisions than any other part of the country, because we're where it gets expressed.

JB Holston 25:50

Matt, what's a timely and critical topic. How do you think of the role of business at this point on these issues?

Matt Kelly 25:58

Historically, businesses have been, I've tried to be very careful, and I've tried to remain neutral, or, you know, don't want to go there, don't want to get into politics, or, you know, many have not wanted to get into matters of race or other things. And this year, has really forced the issue where, you know, silence now says a lot more than it ever did. And I think it's incumbent upon business leaders to make it very clear where they stand and I don't think these are close calls, issues of racial justice, you know, issues of insurrection against our government, these are the sorts of things that we can't remain quiet or even timid on, without sending a clear message that somehow, you know, we think it's okay, and, you know, that's an uncomfortable place for a lot of business leaders to be in, because many of them are, have been satisfied with saying, "Well, I'm not going to get into politics." I think those days have to be put behind us. And I think people need to, they need to hear from leaders everywhere, what they think of this, because it really does cut to the root of what makes our society work, which fundamentally, is trust. We don't have written contracts everywhere, saying that people must do the following. We have trust that causes people to behave in ways that are constructive and productive and you can't be quiet as a business leader anymore on these things.

Sarah Rosen Wartell 27:44

Business has an important role to play not only in where the political support goes, but in the holding public officials and media players accountable and it's not just the actions to call people to arms, but it's the enablers who have perpetuated lies. And I think this is going to be a very difficult period, for the reasons Matt suggests for the business community, but we need counterbalancing forces. The Edelman public trust survey just came out and I'm told this is a big difference from only a few years ago, that more people trust employers than they do for reliable information, than they do almost any other source of information society. And we have had some patently, obviously false things being repeated in places you couldn't once imagine and there needs to be accountability for that.

JB Holston 28:35

Thank you for raising that and also for talking it through it is critical. It's not going away anytime soon. Now you get to ask the other one question. It can be about absolutely anything. So Matt, I'm going to ask you to go first, because I can tell Sarah is really thinking about this one.

Matt Kelly 28:51

One of the things that I have been very concerned about is the looming eviction crisis in the country. I know what we're doing as a region, or at least I know what, what DC and Virginia are doing, Maryland's a little farther behind, but I'm interested to know what Urban's role will be in advocating for a smart way through those woods because I think that has the potential to unravel decades of economic progress and it'll take us decades to get it back if we don't deal with it properly. So, I'm curious how Urban is trying to be positioned within that context.

Sarah Rosen Wartell 29:52

I'm particularly concerned about the impact on small and mid-sized property owners, ironically, who seem to have been the ones who've been most forbearing in reorganizing rents we've seen so far, many, that's to the extent that that is another aspect of wealth of minority entrepreneurs who own properties in their neighborhoods. One of the things we found is that generally people very much in government worried about Gotcha, so they put a lot of restrictions in to make sure people are eligible. That is a huge slowdown of the ability to get assistance to people, especially during this crisis, so we have dollars sitting in some places unused. I think beyond that, though, \$25 billion, and the likely duration of this pandemic don't match and we want to make sure that the data, the evidence we have in real time about the scope of the problem, our

ability to convene, and collaborate with local actors informs their decision making on that.

JB Holston 30:49

That's great, Sarah, a question for Matt?

Sarah Rosen Wartell 30:51

I was going to ask a little bit of sort of a personal question to you about leading a company over the last year, leading a company through COVID, leading a company through the country's racial reckoning, looking at the imperative you have to keep business afloat and yet also to think about whether we need to do things differently. You know, I run a 600-person operation, you run a much larger at scale institution and I benefit a lot from hearing from leaders about how you motivate people who are dealing with great stress, from all of the issues we've talked about here today, and how you kind of keep your eye on the needs of your fiduciary duties to the company that you lead.

Matt Kelly 31:35

I didn't really consider myself to be a kind of a cheerleader prior to this, I've always kind of adopted a lead by example, but you can't do that at a time like this and you have to be more intentional about being visible. Prior to pandemic, I never have meetings in my office, I never wanted to be the, you know, sort of come to me, type leader. So, I only meet with people in their offices. But in this context, I record a weekly video message that I send around to our team. Probably 50% of these messages have nothing to do with real estate, they have to do with addressing the issues that are I know are on people's minds. And two things have surprised me. One has been I don't think of myself as being special. I don't think of myself as having anything special to say, quite honestly, but I have been surprised by how much people hunger for that communication. People have said, you know, they look forward to it every week and I'm thinking that's a lot of pressure because I don't think of it as being anything earth shattering. And it's, you know, it's really not, but it's just me sharing what I think. The other thing is, I've been struck by the power of just stating the obvious, and just articulating what, you know, somebody else is feeling, whether it be the pandemic and being you know, worried about your health or worried about the health of others. We've buried three members of our team during the last year. And none of this is real estate related and has nothing to do with, you know, our earnings per share or any of that stuff. But it does have to do with our team and wanting people to know that their leader cares about the same things they do and is in fact, experiencing a lot of the same things that they are. So, I guess it's indirectly a way of leading by example, that has been eye



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opening for me. It has also pushed me into areas that I had previously never really had to go. It's also made me, I thought I was visible before, but I'm a lot more visible now. Even though it's only in 2D.

JB Holston 34:35

Matt, thanks so much for sharing that. It's been a tough year for everyone and it's taught us all a lot about what it means to be a leader and empathetic and human at the same time. Thank you very much both of you for the time for the thoughtful content has been terrific and also just thank you for your commitment to the work that you do.

Sarah Rosen Wartell 34:53

Huge pleasure. Thank you.

Matt Kelly 34:55

Thanks for having us. Stay well.

JB Holston 34:57

Thank you for listening to Capital Region Catalyze. Tune in next month, where I'll have Russ Ramsey, co-founder of the partnership in conversation with Tony Lewis, regional VP of Verizon and chair of KIPP DC, with Katherine Bradley, founder and chair of City Bridge Education. If you liked what you heard here, tell your friends. Be sure to check out our weekly interview series called Fresh Take where we talk one on one with thought leaders from across the region. For more information on the podcast and what we do, follow us on Twitter and Instagram or visit greaterwashingtonpartnership.com Thanks for joining us.