Lew Horne:

This is a disaster of epic proportions. I mean, when you see what's happened in these communities, there is no way to be trained for this or to prepared for this.

David Waite:

Lew stepped into this void and he said, "We haven't been hired by the city or the county, but they are going to be our client. We know they're going to be our client. If we do what we promise to do and we have the robust deliverable that we believe we can put together and we deliver it as sort of the extended staff of the city and the county, we are confident that they will not only review it, but they will embrace the recommendations."

Matt Slepin:

Hi, this is Matt Slepin and welcome to Leading Voices in Real Estate. Today's episode, part of our annual summer series on real estate and climate change is a conversation now seven months in on the January fire disaster in Los Angeles. I speak with Lew Horne, the president for advisory services for CBRE Greater Los Angeles, Orange County in the Inland Empire region, and the current chair of the Los Angeles ULI Council. And David Waite, an attorney with Cox, Castle, a leading California real estate law firm. Lew was the instigator of all this, and David was an important collaborator on the rebuild advisory committee that brought together 100 leading experts to analyze and make actionable recommendations after the devastating fires last January. Their work was sponsored by ULI, the UCLA Ziman Center for Real Estate and the USC Lusk Center for Real Estate.

Their report entitled Project Recovery, Rebuilding Los Angeles After the January 2025 Wildfires is a comprehensive report and broke the work into eight key recovery challenges and set a roadmap for much of the work going forward. Importantly, the group has worked with local officials in many of their recommendations, including an innovative builders alliance is in the process of getting started for the rebuild effort. We only covered the surface of the report in our conversation. So, for more information, go to the ULI website and download the project recovery report. I'll create a link in the show notes. Importantly, I believe that this group created a blueprint that ULI and our industry can bring to future disasters, which we know are increasing in frequency. Our industry has an important role to play in these recoveries, and I love both the playbook and the credibility and trust that a sponsor like ULI can bring to the table. Right after I started Leading Voices with ULI back in 2017, the Tubbs Fire literally pickled the backside of my home in Sonoma.

I've been waiting on a very personal note since then to do a podcast on these fires and disasters ever since. But I've wanted to be able to use the conversation to generalize beyond a specific disaster to these events as an ongoing challenge and our industry's role in setting the bar to recoveries that are build back better. This is really a two-part conversation with this conversation about the LA fires, and importantly, the industry role coordinate by ULI. And the next podcast will be an interview with Pete Gaynor, a former head of FEMA and the new CEO of an organization called Bright Harbor. Stay tuned for that episode. And to make the two-part really three, we'll have an additional conversation with a prior Leading Voices guest, Robin Hughes who lost her home in Altadena on rebuilding their, and again, in future disasters with equity for all residents, including lower income families who've lost their homes and not losing affordable housing stock.

These are rich topics for our industry's involvement, and I appreciate the contribution of people like Lew and David and organizations like ULI, USC and UCLA, and they encourage the ongoing conversation to think about the role of our industry in these important moments and encourage you to think about your role and career in the industry and how you and your company could beat participants as our industry helps strengthen our communities. I hope that you're enjoying the show. Please follow the show in your podcast app so the next episode will automatically deliver. Please check out the archive and do share the show with your friends and colleagues. Feel free to get in touch with guest ideas or importantly if ZRG can be helpful to your business in recruiting, talent management or consulting on the people side of your business. My email is mslepin@zrgpartners.com. Thank you to Lew and David for joining us on the show and for their contributions in Los Angeles. I hope that you enjoy the conversation.

So, Lew Horne and David Waite, welcome to Leading Voices in Real Estate. The three of us are dialing from different corners of the country. I'm at my home office in Glen Ellen in Sonoma County where the fire came literally to my back door in 2017, and at the moment, we have guys buzz sawing some of my trees because we're constantly cutting back thinking about fires. So, fires on my mind. Lew, you're in Los Angeles, David, you're on Cape Cod, a place I love. So, thank you all for doing this. Our discussion topic today is the LA fires. The two of you are leaders on the ULI advisory service panel that created one of the deepest reports I've read from ULI, but a group that as we will discuss remains deeply engaged in what happens to the fires and the recovery itself, not just a panel report.

And also, our next guest on Leading Voices is with Pete Gaynor, a former head of FEMA to take up several levels of conversation. So, I want to generalize this from LA to how we're prepared for the next disaster, which has already happened in Texas just recently, and that's what's in the news today and thinking about preparedness and what the role of our industry is in these recoveries. So, that's the topic today. We have a ton to talk about. We're going to have to go over the top of it pretty generally because there's too many rabbit holes to talk through if we dive into all of them. And so, first, let's have each of you introduce yourself. Lew, why don't you go first?

Lew Horne:

My name is Lew Horne, Matt. I'm the president of CBRE for the Greater Los Angeles, Orange County in the Inland Empire region for the company, and I run a group called A&T, which is Advisory and Transactions for CBRE. I'm also the incoming... Actually now I'm the current chair of ULI for the Los Angeles District Council.

Matt Slepin:

Wonderful, thank you. And talking about CBRE with the last podcast on Leading Voices is a rebroadcast of my discussions several years ago with Brett White who really talks about how CBRE and then Cushman built this global services platform that never existed 20 years ago.

Lew Horne:

I used to work directly for Brett for a lot of years, and Brett's a good man.

Matt Slepin:

David?

David Waite:

Good afternoon, Matt. It's great to be with you and with Lew this afternoon, and thank you for inviting me to join the conversation. So, I am a partner at Cox, Castle & Nicholson, which is a West Coast law firm based in Century City with offices in San Francisco and Orange County. My particular practice focus is land use and regulatory practice. I do all manner of administrative compliance for our clients, helping them navigate the sometimes labyrinth of the regulatory approval process. I also do a lot of litigation involving land use approvals for my clients where we've obtained approvals from a regulatory agency and then they're subject to a challenge. So, the topic today is near and dear to my heart in terms of how we are going to rebuild with efficiency, as Lew likes to say, often building back better and more quickly and more economically.

Matt Slepin:

Build back better, more quickly and more economically. That is a challenge. So, one of the things that drives me nuts in our culture is that we have headlines of a disaster. We love to talk about disasters. The headlines last for a few weeks, and then it seems as though the disaster disappears, even though it takes years for the recovery in each of those disasters. And maybe the place to start is a little bit of a headline back for our audience on where are we at with the fires that were eight months ago? Why don't you guys just talk about where this stands now, and then we'll put the ULI panel in the efforts of the industry into the context of that?

David Waite:

Yeah, just as a reminder because I think you're right, Matt, we do tend to forget. The fires were on January 7th of 2025 earlier this year. We're well over six months into the fire, but we have to remember 12,000 homes were destroyed in this fire. Some 16,000 structures were destroyed. Nearly 24 million square feet of built structures were destroyed, over 40,000 acres. And this is between Palisades, Malibu and the Altadena community. And by the way, let's not forget, 29 lives were also lost in these fires. So, this was a devastating event by any measure in terms of its scope and its scale. And now, we are kind of past the immediacy of folks finding shelter and getting back to some semblance of whatever the new normal is, and now we're in the rebuild process. So, we've sort of transitioned from that initial emergency response to now rebuilding. And you're right, I think now we're kind of in what I call the minutiae and the granularity of how we're rebuilding. And we can't lose sight of the fact though that about seven months ago, it was still an extremely devastating event and remains so.

Matt Slepin:

Yeah. And when you say 12,000 homes, 29 lives lost, any sense of the population?

David Waite:

In terms of the demographic, it's quite varied, Matt. I mean, we have certainly the narrative is that we have a wealthy community in the Palisades, but let's remember the Palisades, there's a lot of folks on fixed income. There's a lot of middle income folks in the Palisades, and then we have the Altadena community, which is definitely more middle-class, a very high percentage of minority homeowners who lived in that community. So, it really spans the gamut. I don't think you can generalize to say it's just one demographic or another. This was a slice of the city and the county of Los Angeles in terms of our demographic, which is a very diverse demographic here in Los Angeles. Certainly the Palisades has in terms of property value, higher property values. But having said that, the actual median income of a lot of folks in the Palisades is no different than those that lived in Altadena. And Lew may have some other thoughts on this because he knows more than-

Lew Horne:

Yeah. And I would just say on numbers, it was a couple of hundred thousand people that have been impacted because remember, it was not just the structures, it was the commercial and the residential, but it was schools, it was parks, it was synagogues, it was churches. It was places where members of the outside community would come in to be with each other and whatnot. So, this has impacted hundreds of thousands of people. I would say that the biggest impact, frankly, I know we're going to go back to how we got here, what we ultimately did through the ULI efforts, but I think where we're at today is so far with the federal government, with the Army Corps of Engineers, progress has been good.

The Army Corps of Engineers moved swiftly into both communities. Well, it's actually there's the big communities, Altadena and Palisades, but there's also, there was Sierra Madre, there was Pasadena, there was Malibu, there was other communities that we lump into those categories. But those are the two main areas. But I would say that the Army Corps of Engineers has done a stellar job in really completing the debris removal, be ahead of schedule. I think we were talking about when we were first engaged with this process towards the end of the year, really in that fourth quarter, if we were lucky if we were moving quickly because we had to consider the logistics of moving all of that debris out of there. And then there wasn't even clarity around how much debris would be removed.

The truth is, the Army Corps of Engineers had committed to three inch removal, which would take away all the toxic they thought, but they actually went even beyond that and went to six inches to make sure that they removed all of the toxic as much as they could. And there's a whole body of work, which we'll get into in a minute to find out whether or not that's even enough. But they're ahead of schedule, and for the most part, they're just buttoning up the final touches. And for those who opted in, they've been able to provide that service. And for the most part, when you're driving through Altadena and Palisades, you're seeing more clear logs now than you are burned out structures.

Matt Slepin:

Well, and so one comment, so that's a six-month process to get to the point of semi-stabilization that you've talked about of just debris removal. And that's what the Army Corps does because then once it's cleared, then you can start building and doing new stuff. And also, one of my best friends lives in the Palisades. Their house was spared virtually every house in their block left or was dead ruined, but they're also people who're displaced because they can't live in their house, they can't be in their neighborhood. So, they're out for two years, just like people whose homes were burned. So, the victimhood is broader than we think it is.

Lew Horne:

Well, let me just touch on, let me step back for a minute and describe what David and I embarked upon right after the fires, which were nine different lanes that we focused on, which I think then we'll be able to finish up by describing which ones we believe are relevant today and critical today. Would that be all right with you?

Matt Slepin:

Yeah. And the nine lanes are within the ULI effort, is that correct?

Lew Horne:

Yes.

Matt Slepin:

So, talk just for a moment about the pathway within ULI and using ULI to do this, and for our listeners, I've mentioned this before, but my daughter Callie worked on the advisory service team in DC for two years and loved it, worked many panels, not this one of course, but anyhow, so advisory service panels a really important part of what our industry does?

Lew Horne:

This wasn't really a TAP or it wasn't an advisory service panel. I think this was a reaction by ULI leadership locally to play a role, a civic role in helping our elected officials make better decisions based on the subject matter expertise of the private practice. As you know, the Southern California marketplace in these communities houses some of the most influential and informed real estate professionals on the planet.

Matt Slepin:

Yeah.

Lew Horne:

So, what David and I, and several others did was we actually organized a group of private practitioners that were in the legal business, in the finance business, in the development business, in the real estate insurance business, and we organized these nine different lanes, and then we focused on going one inch wide and a mile deep on those lanes so that we could provide data and research and information to two groups basically. The County of Los Angeles, which is overseeing the Altadena process and the City of Los Angeles, which is overseeing the Palisades process. Two totally different infrastructures or totally different organizations, both with similar needs though and we essentially got a small group at ULI together, we organized these lanes. I'll rattle them off right now, I think it's helpful.

Matt Slepin:

Yeah.

Lew Horne:

And then we went deep with taking team leaders. David played a key role in a very important initiative that he's going to describe here in a minute, but each one, we had some of the best leaders in the industry go deep on these roles and provide real relevant expertise and experience to our elected officials. So, the first thing we did is we identified case studies, much like what you described with your home in Sonoma, and that's actually an area that we believe looking back has gone well, but we identified the best practices and the worst practices of California fire recovery and also other disaster recovery across the country.

We also had a data mapping team that was really real time taking information and creating data maps so that we could assess the damage and look at it relative to market value, compare that also to assessed value. We have a team that was led by one of David's colleagues on HAZMAT. Was the six inches going to be enough? What did the banks need in order to feel comfortable? What did the long-term owners need to feel comfortable and what did we need to do in order to provide a safe environment? There's a very important initiative called permitting and self-certification. I'm going to let David go deep on that. That's going to have an impact not just in the fire recovery, but also in the, I think long-term building in Los Angeles County and the city.

We went down supply chain, we went deep in insurance. We went deep in the rebuilding effort vertically and horizontally. We went deep in the finance area, and then we went deep into the energy and water area, which we identified. I think that what's happening though right now is that post that study, the 175-page document with the appendix that you're reading that was downloaded, I think well over 10,000 times, and we basically presented it to the city, we presented to the county, the mayor and the supervisor, and then we released it to the public so other people could use it to try to improve it. And then some of it, there's probably four areas that have really come out of that report that was now ongoing. And the first one is this whole idea around permit and self-certification. David, let me bow to you to maybe describe what you did there and what you believe the impact will be on the recovery and then also long-term.

David Waite:

Yeah. So, Matt, as I mentioned earlier in my remarks, one of the things that we really thought was exceedingly important was this concept of time. How long does it take to re-permit for the rebuilt effort? In the city and the county of Los Angeles, historically, it has taken over a year to permit a new home, and that is a function of a layer of bureaucratic process that we have in the City and the County of Los Angeles. We have very stringent environmental regulations. We have very sometimes difficult and onerous code requirements that have to be adhered to. And the process ends up taking a long time. And what we decided was we needed to figure out a way to build off the governor's executive order, which very shortly after the fires, Governor Newsom said, "I want to see rebuilds happen in 30 days or less." Similarly, Mayor Bass said that she wants to see rebuilds happen in 30 days or less.

So, we really took that as a cue for how we were going to divide a program to permit new construction of single family homes, accessory dwelling units, small commercial structures, small mixed-use and small multifamily, and do that in a very quick and expeditious way. We went around the country, we researched other jurisdictions. We said, "What works in other jurisdictions to shorten these timeframes?" We looked at places like New York City, we looked at Chicago, we looked at Phoenix, we looked at the County of San Diego. We looked at some small cities in Los Angeles County, and we came up with a program of what's called professional self-certification, whereby licensed architects professionally self-certify the plans and specifications as being compliant with all applicable building codes and building requirements. That shortens the plan check process from what I said was historically over a year.

In the City of Los Angeles, there are 13 different departments that the plans have to go through. That's one of the reasons why it takes so long. And we shorten that process down to 30 days or less because we really truncate the plan check process through professional self-certification. I will tell you that we are really happy that both the city and the county embraced that recommendation. And by the way, the recommendation was very specific in terms of qualifications for architects, minimum years of professional experience, licensing and insurance requirements, training programs, a very sort of robust system for accountability. So, we laid all that out and we used, again programs that are working throughout the rest of the country. In the chief recovery officer's final report that was issued shortly after his 90-day term, he said, "This is the playbook for how to move forward." And professional self-certification was one component of that.

Mayor Bass in Executive Order six, which was adopted about three months ago, adopted a pilot program for professional self-certification. And the county very shortly thereafter followed suit and also adopted a pilot program for professional self-certification. So, we now have a system, Matt where licensed architects can start to use the professional self-certification to shorten the time frames. And we believe that this is going to be a model for re-permitting certain types of structures. Again, we were very specific about the eligibility, what types of structures are eligible for professional self-certification. We actually carved out some exceptions for complex structural elements, hillside properties and the like. So, there are certain projects that won't be eligible for professional self-certification, but we believe that the large bulk of single-family residential structures, particularly on flat lots can and should qualify for professional self-certification. So, that program is being implemented as we speak.

Lew Horne:

David, also, please highlight how you've incorporated AI and also how we've used the Steadfast team in cooperation with what we've done at ULI on both AI programs.

David Waite:

So, what we have found, Matt is that there are new emerging AI tools that the architects and engineers and other design professionals can use to essentially put the plans into an AI model. That AI model will plan-check the plans in real time, like instantaneously. For example, there's a zoning code clearance model that you can put the plans into, and in a matter of seconds, it will tell you whether the project complies with height requirements, with setback requirements. And if you need to go in and manipulate the plan immediately, you can do so in real time and actually change the plan to comply with the zoning clearance that's required. There's a more robust program that exists that actually puts the program through all manner of mechanical, electrical and plumbing code compliance. And again, it spits out whether you're in compliance or you're not in compliance in a matter of seconds.

So, these new emerging AI tools, we think hold the promise for shortening the time frames, allowing the professional self-certification to move forward quickly and rapidly. The city and the county are both experimenting with these types of AI models and allowing the architects to use them, and they're obviously being refined and updated as time goes on, but we believe there's a lot of promise with the AI tools to complement the professional self-certification.

Matt Slepin:

Which could be adopted nationally or by multiple jurisdictions if you load in the right rules, then this could be applicable anywhere.

David Waite:

Correct, Matt. And not just as part of disaster recovery, but actually as part of rebuilding writ large. Yes.

Lew Horne:

And coincidentally, Matt, this has being used on a regular basis throughout Australia. Both of the programs that we've identified as being really world-class are both companies out of Australia.

Matt Slepin:

And you said Steadfast is?

David Waite:

Steadfast is the group that Rick Caruso founded, which is really focused on the redevelopment of the Palisades community, but Steadfast actually identified and has been researching one particular AI model that has proven to be very successful.

Matt Slepin:

One comment from another Sonoma horror story is we have a bridge on our property that we share with eight other families. We've been five years in planning and permitting to build a bridge that is essential if we have another fire for us to have access to our community and it not falling down in an earthquake, which we also happen to get five years with eight different agencies, and there's no urgency and we're not professionals. So, there's more horror stories than more success stories.

Lew Horne:

I would love to tell you that we really pointed out to the Northern California fires really... What was the community, David, the one that was really the one that we looked to as so favorable?

David Waite:

Yeah. So, after the Santa Rosa fire, the so-called Tubbs Fire, there was a community called Coffey Park. Coffey Park was largely rebuilt and homeowners were moving back within a three-year timeframe, and that was mostly because of an expedited permitting program. So, Coffey Park is, and that was by the way, about 1,200 homes, so smaller in scale to what we're dealing with in the Palisades, but still a very, very significant success story in terms of reaching a three-year mark.

Lew Horne:

And Matt, we identified these different case studies. The case study that would be the antithesis of that was the Paradise Fire. And the Paradise Fire was 18,000 homes seven years ago. And there's only been about even fewer than 4,000 homes rebuilt. So, we worked with a lawyer, we also worked with ULI and help build these case studies. A lot of the outcomes of those case studies are in the body of the report that we submitted. We didn't put the entire case studies in. We were just looking for some of the best practices and some of the worst practices. But Coffey Park was a success and Paradise, we would say there was real challenges there that we hoped to learn from.

Matt Slepin:

So, you all came together as leaders in Los Angeles and under the rubric of ULI or whatever, this made that happen, how did you know that the government, if that's right, if your two audiences would listen? Did they give you the lane to run into or did we just take it and we did a good job, so therefore it's been used?

David Waite:

This is where I have to give credit to Lew. Lew stepped into this void and he said, "We haven't been hired by the city or the county, but they are going to be our client. We know they're going to be our client. If we do what we promise to do and we have the robust deliverable that we believe we can put together and we deliver it as sort of the extended staff of the city and the county, we are confident that they will not only review it, but they'll embrace the recommendations." So, we didn't have a client going into this Matt, but Lew said, "We're going to treat the city and the county as our client, as if we were engaged by them." And that's exactly what we did.

Lew Horne:

And Matt, I would just add to that. Thank you, David for that. But I would just add, it was kind of a case of empathy. These elected officials, nobody was trained to do this job. I mean, this is a disaster of epic proportions. I mean, when you see what's happened in these communities, there is no way to be trained for this or to prepared for this. And so we thought a couple of things. It was a UCLA conference that we had gone on to that gathered at the Ziman Center with USC, UCLA and there was about, I want to say what David, maybe 60 or 70 real estate professionals there.

David Waite:

Yeah, about 60.

Lew Horne:

We also have a constituency of around 2,000 real estate professionals in our district council. We just identified leaders and then we said, "We're going to go deep and assume that you are working for the city and the county. What would you need in order to make informed decisions? What would you need on how to finance the infrastructure? What would you need in order to help reduce that gap from this massive $1,000, $1,500 a foot gap down to something that's affordable and probably more in line with what that residence insurance policy is? What would you do to try to..." So, we just thought, "Okay, if it were us, what would you do?" And I got to tell you, I was blown away at the LA community, the real estate community and the legal community. David, I'm sure will agree with this. Our people, we were getting together twice a week. Committees were branching off. They were going deep within their committee expertise. We then got a grant from ULI to actually help tie it all together. But the actual content, if you look at that report is exceptional.

And ULI nationalists basically said, "This will be a blueprint going forward on future disasters." Because it really was the story of this real estate community coming together and building a document that was a bit selfless. We presented it to the state. We presented it to the county, we got great feedback from them, we presented it to their staff, and then we released it to the other seven or eight different organizations that had lanes that they were focused on in recovery, relief, in philanthropy and other areas. And then we released it to the public and said, "If you can find a way to make this better, have at it." And so, it was really, I think an exercise... By the way, we did it all pro bono. So, I don't know what that report was worth, but yeah. David, how much time did you spend? You were full time on this thing. David, I think represents some of the other great leaders that were in these work streams.

David Waite:

Yeah, and Matt, I'll just simply add, the thing that I think the lesson for me in watching this all come together was the structure that we put to this work product. And again, I have to credit Lew on this because Lew said, "Look, there's so many people that want to help. There's so much great intellectual capacity. There are so many wonderful ideas." But everybody, it was kind of whirling dervishes, right? How do we put a structure to this where we can put people in the right place to apply their trick, their craft, and then make recommendations? He also put a very specific time requirement on us. He said, "You got four weeks. You got four weeks to do your research, make your recommendations and issue your written report." That became part of the larger report.

So, each team identified a series of experts. We had a leader, and we each had maybe between four and maybe eight or 10, not a huge number, but just the right number of folks within each of the swimlanes or the work streams as Lew liked to call them. And then we drilled down deep and we made our recommendations and we put them in writing and we did it. That structure, I think is really in my mind what became very successful and what's so replicable about what we did in terms of what can happen in the future with other circumstances like this.

Matt Slepin:

Let's drill into some of this because one of the issues... So, I wrote down a lot of words. I wrote down the word selfless, pro bono, structure, urgency, trust. The word trust is the one I'm going to come back to. There's some self-interest here. There's some parties who will play a role, but if they play a role banded together, maybe there's greater trust around them. Your specialists, it's your community. You're at a moment of emotion and in a moment of wanting to spend a full month to get this done.

And one of the things we saw in Sonoma is we were descended upon by crisis specialists who were like itinerant specialists. We had people who were wiping down the surfaces in our house from smoke damage and who knows where they came from. They camp out somewhere nearby how they live temporarily. And they followed disaster to disaster. And I didn't have a high level of trust and the outcomes, it felt like, "Okay, here come the animals that want to eat the carnage of the leftovers here versus someone who wants to make a plan." So, does our industry have credibility together because we are part of the solution that's going to happen anyhow if we want to at this scale. Comments about that series of questions?

Lew Horne:

Well, I will say this because I remember my brother-in-law had a fire at his home, and I remember when the firemen were there putting out the fire, there must've been 40 or 50 insurance people.

Matt Slepin:

Right.

Lew Horne:

I mean, it was mind-boggling. Or people that would clean the clothes or wipe, like you said. I mean, we stayed away from that. We were going to be technical advisors on specific real estate expertise because we knew that the critical path to recovery would be in the debris removal, the infrastructure rebuild, and then ultimately the delivery of a lot that you could build on. And then the private practice would take over in, and there's a couple of other areas we're going to want to talk about here in a minute, but in the vertical build. The horizontal, all of the debris infrastructure, that's really going to be up to the city and the county. Now we're entering to that phase where we need to start rebuilding. That's more vertical, that's more private. That's where we stayed. We didn't deviate outside of those lines.

David Waite:

Matt, I would answer the trust question in two ways, and Lew, I don't know if you have the same take on this that I have, but the trust question from the standpoint of homeowners, are they going to trust this process that they're both participating in and that they're also watching? So, I'll give you one example. So, on the hazardous waste piece of it, the debris clearance and removal, you've got the first wave, EPA comes in, they remove the household hazardous waste, the batteries, the paint, the used motor oil. And then the second wave is the Corps comes in and they do the debris clearance and they do, as Lew mentioned, the six inches on the top. Once that's done, how is the homeowner going to trust the fact that the site is clean and it's ready for rebuilding? Well, part of our recommendation in our report is that we believe confirmation sampling is really important, right?

We believe that you need to go back and double-check and make sure that there are no heavy metals, that the ash has been removed and the site is safe to be rebuilt. And that was a very clear recommendation in our report. And we are standing by that. And by the way, that's not without some controversy, right? The Corps says, "Hey, we took six inches, we think we got it all. We think we're good to go." We said, "Wait a minute, let's make sure this is too important. And from the standpoint of trust and confidence to homeowners, we need to make sure that we have their back in terms of making sure these sites are safe." So, that was one example. Another example is the flip side of that trust question was how do we know the city and the county are going to trust the recommendations that we largely on the private sector are making relative to rebuild?

But I will tell you, when we came in with these robust set of recommendations and they looked at the experts that were behind this, many of whom the city and the county were accustomed to dealing with, the trust was implicit because we were basically aiding them in providing expertise, and they were extremely open to that. They knew they needed the help, and I think we were able to establish that trust. And it continues today. And I think that's one of the silver linings in all of this is that we have established a kind of... The entitlement world and the permitting world can be a bit of an us and them dynamic between the regulated community and the city and the county. One thing that I think has happened in this disaster is we've established sort of a public-private partnership of working together in a trusted relationship to make sure we get it right and we rebuild correctly and better and more resiliently in the future.

So, I think that there is an element of trust that has been very successful, and my expectation is that that is going to continue as we keep moving forward.

Matt Slepin:

Cool.

Lew Horne:

Let me put a couple of more points on that too. The trust I think is critical, but also the collaboration outside of our lane was critical because in the area of HAZMAT, there was a couple of things. One, there were no standards of what would we be testing for. And there was also a feeling from the Army Corps that hey, anything below six inches was probably there before. And so, if you want to keep searching for something, you might find something, but it had nothing to do with this fire. So, there was that. And then we also, we gathered... We had a group that spoke. It was basically the banks and there's a small group of banks that basically have the majority of mortgages on both these communities. And we went to the banks and said, "Will you require further testing?" And they said, "Absolutely." So, there's this whole dialogue going on right now with, "Okay, at what level of that testing are you going to require?"

And part of this was David's got employees, I've got employees that lost homes. So, they were getting quotes from environmental testing that were all over the board from $3,000 to $10,000 and they didn't know what they were testing for and we were advising them to say, "Well, it is really going to be up to your bank primarily because they're not going to give you a loan until they've got probably a phase two certification." So, a lot of this was really dynamic and happening along the way.

Matt Slepin:

Right. So, one thing is trust about recommendations and other thing is trust about rebuilding. And one of my ways into our conversation was breakfast I had with Adrian Foley from Brookfield about two months ago who said that there's a builders alliance program coming together, and I want to think about what that means and how that works. And again, I think of the word trust. I might trust five and they're going to make money, but maybe they won't make too much money. So, how do you trust long-term self-interest by builders? And you describe Coffey Park here in Sonoma and in Coffey Park, it's a large flat property that might be easy for three builders to go in and build all the homes here. But in my little town of Glen Ellen they were custom homes one by one, not particularly fancy homes, but still they had to be one off, one off, one off. Palisades is hard because of a hill. But can builders get together? Can the builders share porta-potties? Can they share a buying club? What's the benefits of pulling this together all at once by a consortium?

David Waite:

Well, I'll lead off on that and just give you my thoughts in terms of what the goal is. The goal, Matt, is through the builders alliance is to have homeowners have optionality and a lot of optionality because remember, most of the homeowners are underinsured, or let's just say a very significant number are underinsured, which means that they may be taking out another mortgage, a second that would be consolidated, taking on more debt. So, don't assume for a moment that homeowners are going to be comfortable spending $1,000, $1200, $1,500 a foot to rebuild. The sweet spot, I think for most homeowners, both in the Palisades and Altadena is somewhere in the $500 to $800 a foot range.

And in order to achieve that, you've got to have a combination of production home building, semi-custom and custom. And again, if the production home builder can say, "We have..." Say there's three or four or five or six production home builders who become part of the alliance and each of them has eight or 10 different models to choose from, and there was a really interesting charrette about two weeks ago called Architecture 2.0, which had all of these designers come in with all of these different designs that ranged in style and typology and the like, really fascinating to see that work come forward. But the idea is that production home builders will provide lots of different models, lots of different options, and then if you want to do semi-custom, okay, you've got several different semi-custom home builders. And if you want to go full custom, the home builders are also participating in the alliance.

But theoretically, through this entire process, you've got the ability to leverage off of the alliance to create not only supply chain opportunities to shorten timeframes, pre-approved sets of plans that homeowners can select from, staging areas for materials, housing for the labor that's going to be required. Remember, we're talking about 300 permits being issued on a monthly basis for each of the Palisades and Altadena. We're talking about as many as 1,000 to 2,000 homes being constructed simultaneously in each community. This is a massive undertaking when it really starts to ramp up. And the only way I think you're going to get there in terms of both cost and time and efficiency is by utilizing the idea of this combination of production, semi-custom and custom. Lots of optionality, but lots of efficiency in the process.

Lew Horne:

Let me add to that, David. David's right on. He did a great job of capturing that. We're talking to 20... We've already had conversations with 20 different volume developers that have agreed to pre-determine different homes that they could deliver that are already permitted. What we want to do is also create a portal that will make it easier on the end user so that they can go through and pick and choose. What people don't want in these communities is that to feel like it was one track built by one developer, they want it to feel like it has that patina of the 50 or 80 or 100 years of age that they've lived with. So, by being able to select different homes in a checkerboarded style in different lots, it'll give them that. It'll also give them price points on quality, on speed and all of those things with different developers. So, they can choose the model, the style that they want. And frankly, they all have rights. There's roughly 6,000 owners in each one of these communities that have the right to build whatever they want to build.

But if they can have those pre-approved, if they know that, and by the way, these developers, they're telling us that they can deliver these at price points, it could be closer to $400 a square foot. So, number one, you've got, as David said, the supply chain advantage. We've also met with the CEO of Home Depot. They've agreed to use their purchasing power, their logistics systems, their trucking, their warehousing, all of that in combination with these developers so that we can have a coordinated effort building these communities. And by the way, coordinate the logistics of in and out, particularly of areas like Palisades where the ingress is two or three streets. There's no way that you can have that many homes being built at any given time. So, we believe that the idea of having this one-stop shop, a portal that could help answer questions on insurance issues, on delivery issues, on coordination of logistics and of price points is a big, big... I think self-certification and the alliance, I think are two of the biggest ideas that have come out of the report.

Matt Slepin:

Yeah. And let's drill down a little bit more on the alliance from a couple of standpoints. One of them is you say, "Okay, they're big builders, so they could do it a production scale." But there is a cost savings by being in the alliance through all the infrastructure stuff that we're talking about. Supply chain. Is that like a 10% difference? Any sense of the additional savings?

Lew Horne:

If you were to build a one-off home, as David said, you could be at $700, $800 a foot, but if these guys can deliver something at $400, you have to remember, very few people insured at full replacement, they insured at partial loss, or they did not keep their insurance standard up so that they're way underinsured, number one. Number two, the supply chain with all of those materials that are being acquired is going to take a massive hit, it'll be an increase. And number three, they're facing an interest rate market now, is going to be 2X or 3X over what they probably have. So, the delta between getting back to a normal life with what these people were living in and today is massive. So, we believe that this builders alliance really brings that price point down. It doesn't change their insurance number, it doesn't change their interest rate, but it brings that price point down to a place where they can move back into the communities where they've been raising their families and living.

Matt Slepin:

Quick question, then I want to go into the math about that. The quick question is, can this also apply to fire renovations? So, I have to... And I get a contractor to come in, can I get a contractor that I then trust back to my word that somehow comes through your alliance, so therefore I think they're going to do a good job and they're not going to gouge me?

David Waite:

I don't see any reason why not. If for example, you haven't lost your home, but your home has been severely damaged, you've got smoke damage, you're going to have to take things down to the stud. You're going to be basically rebuilding your house, right? I see no reason why the alliance cannot have a model for that kind of rebuild effort.

Lew Horne:

I will say the biggest holdback though in that area right now, Matt are the insurance policies. Every insurance, whether it could be two insurance policies written by the same company, but written differently. And so, there's tremendous confusion out there right now with what's insured and what's not insured. And there's also a lot of pushback or delays right now that there are happening with the insurance companies. So, these homes that were saved, that doesn't mean that they don't have environmental issues in the insulation behind the driveway or doesn't mean that they need to have a lot of that home actually brought back down to the studs and replaced. I mean, there's so much more than just patch and paint on that. And so, those are details that haven't been completely worked out yet, but right now the biggest issue that we're hearing anyway from the community is the insurance issue.

Matt Slepin:

Yep.

David Waite:

Let me mention one other thing, Matt, before you move to your next topic. And this relates to the alliance. In addition to the cost issue, which is really important is the time issue. As part of the work, we did a survey and what the survey revealed was that we will lose 25% of the homeowners off the top starting day one after the fire. We've lost 25%, so we're down to 75% of the homeowners who are willing to return. What we have found is that of those 75%, they're willing to wait it out for three years. If it becomes more than three years, we lose... What is it, Lew? Another 20% per year?

Lew Horne:

20% a year.

David Waite:

20% a year each year thereafter. So, Matt, think about the math. So, that means we've already lost 25% in year one. In year four we lose another 25%, so we're down to 45%. In year five, we lose another 20%. And you can see how quickly you start to lose an entire community if you can't rebuild within three years. So, the alliance not only is the alliance going to get us to this variation in this idea of optionality for price, but it's also going to get us the speed, it's going to get us the efficiency and the speed. And that's really important because that means that the community can come back and rebuild.

Lew Horne:

And Matt, let me just put one more shout out to the builders' alliance. Adrian Foley really was... The two leaders of that group were Adrian Foley and Gadi Kaufmann.

Matt Slepin:

Both prior guests on the podcast, so.

Lew Horne:

Oh, good. Well, got Gadi was really led us, I mean Adrian of course is the CEO of the Brookfield Homes, which that shows you the caliber of builders that we're talking about here. So, we've got real-time builders with real-time experience. And so, just to give you a status of where that's at, we've identified a leader, which you're excited about. We've identified a process, there's been a business plan put together, and we're currently out talking to philanthropy. We're designing this around being privately funded through philanthropy. We're going to seed it and then ultimately once it's up and running, then it'll be self-funded through the development community.

Matt Slepin:

The builders alliance itself as an entity. Wonderful. Okay. Other questions? You mentioned the delta between someone either has a loan or no loan left, they have insurance in their house, their house was worth X before, but now it's worth whatever the land is and they're deciding whether to stay or not, but what is the hole that they have? So, insurance doesn't cover it, so people have to come out of pocket, they have to get a new loan. The new loan is at a higher interest rate than their old loan. And so for the typical family, what's the math?

Lew Horne:

Let me give you the 100% answer. It depends.

Matt Slepin:

Of course.

Lew Horne:

It just depends. How was the insurance policy? I've talked to some people that have got full replacement value.

Matt Slepin:

Right.

Lew Horne:

They can go up to $2,000 a foot. I've talked to other people where they don't think there's any more than $300,000 or $400,000 a foot. There's some people that own their house without a mortgage. There's some people that have got kids in school that are now in Manhattan Beach. I mean, there's so many variables that go into that conversation that it really isn't in by individual, but some general parameters are that the general population was insured probably around $400 or $500 a foot probably, but that didn't include new soils testing, a new foundation, a brand new swimming pool because all that stuff's got to come out.

Matt Slepin:

But also to a certain point of value too.

Lew Horne:

Yeah. That just construction build on the existing structure. And it was typically... Fires, a lot of insurance policies are designed around partial rebuilds that the whole place doesn't come down. It also didn't... So, there was that, and again, the interest rates, it just depends, but we know one thing for certain that if the first quote from that homeowner is going to be at $800 to $1,000 a foot, when you incorporate those other factors that we mentioned previously, chances are they're not going to have the financial capability to be able to move back into their community.

Matt Slepin:

It's funny because again, I have these friends in the Palisades and whenever I have visited them in the past, I would walk all the way up the hill probably to where the fire started, and in those walks I would see renovations. And when someone renovates, they make it bigger usually and they spend... This is a podcast where a shit ton of money to particularly in the Palisades because it's a very high-end community in those rebuilds. And so, I'm thinking that's what people want to rebuild, but that's different than what someone wants to rebuild after a fire. Two different dynamics. What was the typical renovation versus a post-fire rebuild, they're different dynamics here.

David Waite:

Yeah. And I think the way the regulation has been set up by the governor and the city and the county is you get to rebuild to 110% so-called like-for-like, and you'll be fast-tracked if you rebuild like-for-like. If you're doing something else and you're substantially exceeding that 110%, you may not be fast-tracked. Now, you might still be fast-tracked because we believe so long as you're zoning consistent and you're complying with all the zoning standards, you're not seeking any discretionary approvals, you're still ministerial, you should be able to rebuild even greater square footage. And so, the idea is if you're taking on additional debt, most homeowners are probably going to want to rebuild more square footage. That just is logical. But many will rebuild like-for-like too because that's all the financial resource that they have available to them.

Lew Horne:

Okay. David, talk about Hillside.

David Waite:

I'm sorry, Lew. The hillside?

Lew Horne:

Yeah. Talk about hillside. I mean, the big difference between the flat lot and the hillside lot.

Matt Slepin:

Huge.

David Waite:

It's a very significant difference. The hillside redevelopment, much more complicated foundational elements. You've got a hillside ordinance that you have to deal with in terms of requirements under the hillside ordinance, much more challenging than the flat lots. Flat lots are much easier, but I think the hillsides are going to be more challenging.

Matt Slepin:

Which applies to Palisades particularly. Okay. Different subjects. Lew, you've mentioned several times the terms build back better. Something I love and something I always think of in these disasters, and if the marginal cost to build back better is 10%, 20%, but it's going to build it back better either for equity, social justice reasons or for environmental reasons, I want to make sure that gets covered so we don't build back dumber, which we have done too often. That's point number one. Point number two, really interesting study done by the RAND Corporation, cited by Ezra Klein and it talked about the cost to building in California. And the cost of building in California versus Texas I think is 2.5% for a single-family home and 4.2 times multiple for low-income housing. So, how do we ease the curve on that cost differential here to other communities, say Texas, and how do we build back better all at the same time? And we've used a lot of numbers here and ways to create efficiency and timing and permitting and all of those add in, but just kind of conceptually talk about that.

Lew Horne:

Well, if you put a value to time, I think David's really made a big adjustment in reducing that permitting process from a year or 18 months down to 30 days or 45 days. I mean, that time element is a massive cost because it's a massive cost in the alternative living space where you're at and just the time value of money. So, that makes a big difference. We didn't get into a lot of the social equity. It wasn't our place. What we really focused on was just how do we deliver construction pricing and how do we deliver speed? Because you have to remember, each one of these people, they own their own lot and they need to fall within the building code, but they want to build back. And chances are they want what we wanted to do with our insurance group, our insurance work group, is also put together options around how do you harden a property and what are the costs associated with properly venting or not venting or proper setbacks?

If you do too much of that, you can't build back the house at all. This fire was a fire which went house to house to house. It didn't go tree to house. And so, a lot of... But if you restrict those setbacks too extreme, you're just not going to be able to build anywhere close to the house you had on there. So, there is this ebb and flow of conversation that's happening. We've also felt that if we could create a matrix of what would help harden that house for future fire resistance, maybe that impacts ultimately your insurance rates. And we've got groups that are looking at that right now.

So, again, we didn't get into the social justice part or affordable housing. We think that any kind of changes in zoning right now would be inappropriate. I think we think that the people getting back into their homes and at least working within the existing zoning envelope is the right thing to do.

David Waite:

Yeah. I'll weigh in a little bit on this, Matt, and I agree with Lew. I think we've tried to take a very practical approach to the rebuild effort and do so in a way that maximizes efficiency, shortens time frames, and we don't get into a situation where the build back better becomes a series of burdensome regulations. I loved your question starting off with Ezra Klein. Klein in his book, Abundance, he basically, his thesis is that scarcity is a choice we make. We make a choice to have a scarce regulatory environment that creates impediments for rebuilding. And California is kind of the best example of how we have been hampered by regulation in terms of our ability to build housing on a significant and important scale.

We have some really interesting things going on, I think in the country writ large. We have the United States Supreme Court, Justice Kavanaugh, and the Seven Counties decision arguing that the NEPA statute, which is the federal analog to the California Environmental Quality Act has essentially run amok. And you've got way too much going on with courts and not yoking themselves to the appropriate deferential standard of review. And now here on the heels of this conversation, we have Governor Newsom adopting less than... Well, about a week and a half ago, AB 130 and SB 131, two very promising bills, which will essentially make ministerial infill housing construction. So, we have some really interesting, what I would call resets going on in terms of the regulatory environment, all encouraging the development of housing.

And it's against that backdrop that we're now looking at this... Lew and I are looking at this and saying, "How as part of the rebuild in the aftermath of the fires can we leverage off of what I think are some really important policy shifts that are happening not only nationally, but in the State of California that have recognized that we have a regulatory regime which has hampered the ability to build housing at a scale in this country that we need to be rebuilding at?" And so, in my mind, this idea of professional self-certification, shortening the timeframes, it aligns with the governor's directive in terms of building more housing under 130. It aligns with the United States Supreme Court's directives that we have hampered the ability to do really audacious projects in the United States.

And we really have to start to look more thoughtfully at this idea of scarcity and the regulatory environment that's creating lots of challenges to being able to rebuild. And so, I think that there is a bit of a reset that's starting to happen, and I think that we're figuring out how we enhance the rebuild effort as part of the fires that is dovetailing off of those larger macro trends that are going on in the country.

Matt Slepin:

It really well-said, and it's interesting because I think of the rules as good ideas run amok. Every one of the ideas is really good, and I'm like a good idea person. I love them all, but if you put them all together, you can't do anything. And then the other is everyone's scared of mistrust back to my word. Because if you have one builder who rips you off on this entire alliance, does that kill the alliance? No, you can't let one bad actor set the rules for the rest of us because our lane needs to be broad enough to be able to be efficient and effective in our work.

Lew Horne:

And Matt, I think you use your metric, affordable housing is 4X what it is in other states. Normal housing is 2.5X what it is in the State of Texas. I mean, at some point we've got to stop. We've got to stop this. It also shouldn't be lost on anybody that in Palisades in 1950 to 1959, there were 2,000 homes built at production level. In 1970 to 1979, there were 2,000 homes built at production level. So, these were production homes, and now over time, they've patina, they've added on, there's been new landscaping, all of that stuff. But at the end of the day, these were homes that were delivered at price points that were more affordable. And what we've, just to your point, we've good idea'd ourselves to death here.

Matt Slepin:

Good idea'd ourselves-

David Waite:

Yeah. And resiliency doesn't have to be cost-prohibitive, better roofing materials, making sure that the soffits are sealed, making sure that there's defensible space. Oh, and by the way, making sure that the wildfire area is properly managed using sensor technology so that when fires do break out, making sure we have the adequate infrastructure so that firemen don't run out of water when they go to the hydrant and they make sure that there's water there to put out a fire and making sure that our reservoir system is robust and is available when we have fires. Resiliency is a holistic conversation. It's not just about making buildings more expensive to rebuild. That's part of it. Building materials are definitely part of the conversation, but it's a whole bigger conversation that relates also to infrastructure and the ability to actually put out fires when they happen.

Matt Slepin:

Let's pick on the resiliency for a minute and the infrastructure, and then we're going to move on in our topics here. But on the resiliency thing, as I think of a neighborhood and I think of a fire hydrant, those fire hydrants are made to put out a house fire that happened because someone left the stove on, right? It wasn't made to when a fire goes through the entire neighborhood to stop that, we weren't built to do that thing. And maybe you can't be built to do that thing. So, therefore, an early warning system, which failed in Texas last week-

David Waite:

Correct.

Matt Slepin:

... is the answer to some of this because you just can't fight some kinds of fires, I guess. I'm scared of that.

David Waite:

Well, we had embers that traveled two miles in this windstorm, right? So, it's not about just the interface between the wildland zone and residential structures. Yes, it's about building materials, but it's really about making sure that when a fire does break out, you've got really rapid response and you've got resource to put on that fire immediately. And the sensor technology that's happening now is amazing. I'm going to go back to Lew and I, our mantra on AI and technology and how technology will set us free in some of these areas. I believe the same is true in terms of the wildfire zone. If we have adequate sensors that detect fires immediately upon ignition, we can get resource to that fire immediately, it makes everything else that much easier to manage. And so, that's a big piece of the puzzle, which is making sure that wind fires happen, we've got resource on them immediately in real time.

Lew Horne:

And Matt, there's also, we need to take a really hard look proactively at our existing infrastructure. There's been a lot of attention to underground power lines, and that's appropriate. I think that it makes a more beautiful community. I think there's efficiencies to that, but there's also, we've got to take a hard look at the water systems in these communities. Those pipes are 89 years old, so at some point are we going to replace a portion of them and have the new pipe go into the old pipe? I mean, we've got to take a broader look, not just in these communities, but in most of our communities, to take a look at this aging infrastructure and proactively do things around that that are going to make, whether it's fire suppression or whether it's just straight up utility more efficient because that stuff doesn't last forever. By the way, it's not cheap to put it. It's-

Matt Slepin:

Really expensive and we're scared to spend money on infrastructure. That might be a conversation with Pete on our next podcast when we're talking about preventing these things and being ready for these things, so the first side of it. Some more questions because we need to wrap up. We talked about the nine lanes and we've talked about a couple of them in some depth. Talk about where we stand now, what the different efforts are that are going on. You talk about Steadfast, there's a czar, is there a czar for the city? How's government reacting and how is all of this coordinating to your eyes in Los Angeles in these communities?

Lew Horne:

Well, first of all, I think there's about eight different groups that are active. Some of those have become a lot less active. Some of those are focused on philanthropy. Steadfast is really focused on raising money. They've raised money for the fire department. They've raised money for the park. They've raised money for schools. They're raising money for some of the retail infrastructure. We're staying in our lane right now. I think the big... Help me, Dave, you see, we're really working with... We're continuing with self-certification. We're continuing and we want to see through the builders alliance, we've also have an insurance vertical that we haven't talked about where we have actually members of our insurance team that are creating insurance product actually that will help on the construction phase and then ultimately the takeout phase on insurance.

And we're also helping deliver optionality to the city and the county on bond infrastructure so that we can give them the types of instruments with or without the federal government's help. I mean, I think right now with all the issues with California and Los Angeles in particular is having with the federal government, we're just really concerned that we may not get much help there. So, where are those costs? Who's bearing the cost of that infrastructure in a lot of that rebuild?

Matt Slepin:

And the bonding is the infrastructure, not individual homes?

Lew Horne:

It's huge and we need the help, but with all the uncertainty around the federal government and what's happening there, I think there's a lot of open questions there still to see if we're going to really even get much help. We don't know. I don't think anybody knows. Dave, do you know anything on that?

David Waite:

No, I think, Matt, it's still very dynamic. I think there's still a lot of analysis that is ongoing. I mean, the infrastructure piece of it in my mind is still a leading edge issue, really understanding, as Lew mentioned. What about the water and the sewer systems? How much of that was damaged and to what extent? What can be repaired? What needs to be replaced? We don't know the answer to that. We want to underground the utilities. We think that that makes a ton of sense. There's no reason not to do it. This is the time to do it. What's the cost and how do you pay for it? We believe that tax increment financing or TIFs provides at least one pretty viable solution, which is essentially you're taking now the reassessed value of the land based upon the post-fire condition, and you're looking at what it's going to be worth once it's rebuilt and that increment becomes a bonding increment that you can use to fund infrastructure.

We hope and expect that the city will be looking closely at that as an option, as part of the infrastructure rebuild. We think that that's very promising, but it may not get us all the way there. There may still need to be other sources of funding through other bonding mechanisms to ensure that the infrastructure is properly rebuilt and replaced, but that's going on in real time as well. So, it still is very dynamic. We remain fully engaged in all the nine different work streams. Some are moving forward more rapidly. I think we're going to start to see this summer, a lot of new homes starting. I think we're going to start to see later this month, August, September, you're going to start to see a lot more activity in terms of rebuild, but then there's going to be some things that are going to be catching up in terms of infrastructure. In an ideal world, all that infrastructure would go in now before you'd be doing rebuild, but it's not going to necessarily happen in that sequential time frame.

Lew Horne:

I would also say, I know it's Steadfast with what Rick's doing. He's trying to rebuild the center of town quicker, and he's actually working with tenants that normally in a situation like this wouldn't renew or wouldn't lease a part of those properties. But he's saying, "Hey, be a part of the solution. We need to create a center again. We need people coming back so that it gives hope that there's progress being made. So, let's rebuild the parks, let's rebuild the schools. Let's rebuild the churches, the synagogues first to try to bring people back." There's going to be construction going on, a lot of construction for the next three years, probably over the next five, seven years. You're living through it, Matt. I mean, you're going to see construction going on for quite some time, but it's important to get the community back together.

By the way, there's also another shout out. It's amazing to me, I've got a friend that lives in Marina del Rey. There are 500 residents from Palisades that are now living in the Marina del Rey, and he organizes this Duffy. He takes this Duffy out with people that don't know each other, but there's this community that wants to stay together because ultimately they want to move back together. And so, you see this happening in Brentwood, in Marina del Rey, a big group in Manhattan Beach. So, there's a community that really wants to get back to what they perceive as normal.

David Waite:

There's a terrific story, Matt. I don't know if you've heard about the story of the relocation of the Palisades High School to the Santa Monica Sears building. Really an amazing story. Gensler led the effort to basically convert an old Sears building in Santa Monica into a high school, and they did it in 60 days-

Lew Horne:

In the City of Santa Monica, right?

David Waite:

Yeah.

Matt Slepin:

Which couldn't do anything.

David Waite:

I think these are the success stories that need to be told because that happened so quickly. And again, the community of high school students was able to stay together. They were able to go into a new high school together. So, that community is still very much in contact with each other. It's just a wonderful story.

Matt Slepin:

I'm thinking of those high school students who've had the double whammy of COVID and then the fire. And if you had two times when they don't have their friends nearby, they're going to be in trouble as adults. That is really tough. Question from something that was from before. Because you talked about the percentage of people who don't return over time, and I'm going to mash that up with one question, then we're going to do a wrap-up. But the question is, these communities may not be repopulated by the original residents, but they will be repopulated. Some communities get not repopulated, but these are attractive places to live. That's comment number one. Comment number two, there was an article in the journal about two weeks ago, and the article was about back to the equity question, but was about the people who return to these communities. And I think they looked at Paradise and they looked at a couple of others, and it's usually income levels like 20%, 30% higher than the average income levels previously. And maybe aging gets even higher because people can afford to move there, whatever.

Any thoughts to, if you start to have the drop-off on people who choose not to come home, the Palisades, each of these communities will become new places, they still will.

David Waite:

I mean, I have no doubt in my mind that the Palisades is going to rebuild. It is going to recover. I have the same view with respect to the Altadena community as well. But I do think, Matt, in terms of the composition of those who come back, there is likely going to be a significant number of new homeowners who are going to be buying and new families who are going to be coming in. And again, it's going to be this function of time, right? You've got time on the X-axis and you've got costs on the Y-axis, and you figure out, "Well, what percentage is likely going to end up coming back?" You may lose 50%, you might lose half, you might lose more. But I still think that there's going to be a very significant number of folks who will come back, who will persevere and get through it.

Will the cost be a barrier? I don't know. I don't know the answer to that. The rebuild is going to be costly. There's no question about it. Is that going to force some homeowners out? Yes, I have no doubt that it will. Will it force a significant number out? Perhaps, but I think it remains to be seen. And again, probably one of the things the survey revealed, there's not a lot of variation between Altadena and the

Palisades. There's a little bit maybe 5% to 10% in terms of the margin, but what's interesting is in some ways, the Altadena community was more patient than the Palisades community, willing to wait a little bit longer to come back. So, that was interesting to me in terms of the likelihood of return for those homeowners. Palisades residents, maybe a percentage of those have more optionality if they don't want to persevere.

Lew Horne:

These communities 10 years from now, everybody's going to wish that they moved into these communities. I mean, Palisades is probably some of the best real estate in the country, not the world relative to its location in that community. I think Altadena, we have a massive housing shortage in our community, and what we're also seeing is existing residents that are buying two lots, there's an opportunity to maybe do something a little different there. So, to David's point, it's going to get rebuilt. It is just a question of you may not have the same neighbor.

Matt Slepin:

Okay. Last question on this topic, and then a wrap-up question. Let's think about the lessons you've learned here and what we created in Los Angeles as an industry, call us an industry, call it ULI, whatever the right words are for that. But I want this to be a resource long term so that in the next one of these things, we have a playbook and we have people who've been through the playbook who go to a community who's saying, "Gosh, what do I do? And who do I trust?" "Hey, trust us." And the real estate industry, which is what our podcast is about, we are trustworthy, I think in this regard. We've talked about the word trust too many times here, but any comments on how we make this resource permanent and replicable?

David Waite:

My take on it, Matt, is this is about leadership and relationships. Lew jumped into the fall on this. He's not even our... He just became the chair of ULI on July 1. He jumped into this headlong on January 8th and said, "We have to do something and we have to coalesce our resources with ULI and partner with UCLA and USC to bring the best minds, the best talent, the best resource." He made the calls and the outreach that he needed to make to those that he trusted and respected, and he put together a phenomenal team. So, I think it was in my mind, what is replicable and the lesson here was about leadership or the relationships. And then again, structure. Lew put an amazing structure in place that I think was the answer to the question, and that has proven to be very successful.

Lew Horne:

Thank you, David. But I would also say that the best thing I did was help select the leaders, and along with Clare De Briere and others at ULI, and you get a leader like David that go so deep. And when that product gets presented to the city, to the mayor, to the city council person, to the supervisor, it's real work. I mean, it's been thought out. It's not just an academic exercise. It's based on practical applications based on personal experience, based on incredible IQ, it's really, really good work. So, to answer your question about future recovery efforts, I think this is the playbook. I think we created the playbook. The other thing that I would say is that, and ULI has recognized this, this was not something that we were modeling after. This was something that we created, and it was really based on a genuine interest in helping the community. And I would say that, I used the word earlier, but I would just say that there was a very selfless position that each of these leaders and each of these committee members took in building out this organization and this work product.

Matt Slepin:

One thing I would like to see, and this is a challenge to our listeners in our industry, is to have ULI or some like organization, but I'll keep going with ULI to endow a permanent role of someone who's sitting there waiting and collecting these best practices, collecting horror stories, which are just as important as best practices ready to bring them to the next disaster, to bring together a group like you have done because you kind of invented the wheel and let's bring the wheel to the next disaster.

Lew Horne:

But David, let me put a point on that. I mean, we did go to ULI. They did have the case studies. We didn't create them. They had them.

Matt Slepin:

That's part of it.

Lew Horne:

So, that endowment has already occurred. And I think what we need to do is a better job of really exposing the resources and the value proposition of ULI. I mean, ULI is an extraordinary organization. David is the one that really recruited me into this and told me it would just take a little bit of time. We joke about that all the time, but it really is an extraordinary organization with incredible resources and a deep history in these communities all over the country. So, I think there's not a ULI leader that in any of our urban or suburban communities that hasn't downloaded this report and looked at, unfortunately, there will be future disasters. And so, it's not the full playbook, but it is a fast start-

Matt Slepin:

And the playbook's going to be different every time. But again, you've done an extraordinary job here, and I want to thank you guys for that. Last question on Leading Voices is always, this is off our topic, but it's always the last question is advice to a young person coming into the real estate industry. And I will start with you, David.

David Waite:

Well, I would echo what I think I just said about relationships and leadership. I believe that for young people, surrounding yourself with leaders who are industry-respected folks who you can learn from on a consistent and regular basis is really, really important. And then the relationships you're establishing along the way are going to be career-long relationships. I will also say that an organization like ULI is a great place to foster that opportunity for both exposure to leadership and exposure to relationships. So, for young people, if you're not a member of the Young Leaders Group and other organizations have similar groups like NAIOP has a young leaders organization, I strongly encourage you to get involved and not just be a spectator, really get involved in the work product where you're actually engaged in a particular activity and a discipline, and you're using your skill set, obviously in a volunteer way, but you're meeting a ton of people. You're exposing yourself, you're building friendships, you're building relationships, and they will last for a full career.

Certainly for me, that has been the case. I mean, I joined ULI 35 years ago, and it has given back to me more than I could ever have expected in terms of what I've put in. So, that is my recommendation is get involved and stay active.

Lew Horne:

And I would say through ULI, David, you are known to be just an exceptional leader in the entire LA community. People trust David. They've seen him do selfless work. He's been an incredible advocate for the community and a great civically engaged leader in our industry. So, I would say my comment would be don't wait to be asked. I mean, we all kind of have a sense or an empathy towards somebody's position and whether it's you're working with a client or whether you're working in a civic exercise like what we did, you pretty much kind of know what would be important and what wouldn't be. Because what David and I saw at first was so many people wanting to help, but going in so many different directions that what we thought was okay, "If I was in that corner office needing to make decisions, I would want clarity in certain lanes that I know I've got to address in this triage of activity that's happening right now." And so many times it's hard to find that signal through all the noise and confusion.

So, really drill down. Don't wait to be asked and don't need to feel like you know all the answers. I'll quote the great Henry Ford who said, "If I would've asked my customer what they needed, they would've said, 'Build a faster horse.'" The truth is, you can kind of figure out what these communities need based on the circumstances of others in the history of some of those case studies, and also just what would you do if it were you? So.

Matt Slepin:

Well, you guys poured your hearts into this and your leadership and your careers into this, and the story's not finished yet. So, there's a long way to go. But thank you for the work you've done right here.

Lew Horne:

Well, and we appreciate the service that you provide to our real estate community and to the young people out there who are emerging leaders. So, thank you, Matt.

Matt Slepin:

You guys are great.

David Waite:

Thank you, Matt.

Matt Slepin:

This was really cool, guys. It's been really good, so thank you both.

I hope that you enjoyed today's episode. Please remember, if you're enjoying Leading Voices to share an episode with a friend or get them to subscribe if they're podcast-wary and not sure how to find and subscribe on their phone, go ahead and take their phone in your hand and subscribe for them and add another few of your favorite podcasts to their list to get them started. They'll thank you for it. You can also find episodes of the show on our website, which you could find at zrgpartners.com/leadingvoices. And if you have comments or discussion about this episode or Leading Voices in general, if you're seeking help in real estate human capital solutions, recruiting or consulting especially, please contact me at mslepin@zrgpartners.com. Thanks for being a listener to Leading Voices.