Matt Slepin:

There's a huge and growing percentage of the population in this country who is cost burdened, which is defined as paying more than 30% of their income towards rent and increasingly and unfortunately, that number has been climbing to 40 and 50% in certain places which is clearly unsustainable.

Hi, this is Matt Slepin and welcome to Leading Voices in Real Estate. Today's episode recorded initially on November 11th is a conversation that I've been looking forward to having for a long time with Jordan Moss, the founder and CEO of Catalyst Housing Group.

As we'll discuss on the show, Jordan innovated a new structure through which he has built a 6,000 unit $3.5 billion portfolio in a few short years to create housing with long term affordability for our essential workers like teachers and first responders, a group that's often been called the missing middle, who in places like California, and indeed most places around the country, have been totally priced out of their local housing markets. Jordan will discuss his model, a structure through which an existing market rate asset is purchased in this highly competitive marketplace for a special purpose government entity also called a Joint Powers Authority that creates long term affordability for this missing middle economic group.

New approaches do not come without some level of controversy and the need for evolution and fine-tuning. Jordan's model, which has now also been adopted by other groups, has experienced its fair share of critique, which we discuss in our conversation. Jordan is working on version 2.0 of this existing property acquisition model, and also on 3.0 on how to also build new workforce housing, which has been an elusive goal, but what's really needed to address the real crisis of the housing shortage.

This episode complements our many conversations on affordable housing, most of which has focused on the low income subsidized housing business while this conversation with Jordan talks about that missing middle. And on that note, this episode is being co-sponsored by the National Housing & Rehabilitation Association, a group that I've worked with, kind of, forever and pleased for them to collaborate in amplifying our ongoing conversations around affordable housing, which will continue to be a central discussion topic on Leading Voices.

One of the pleasures of being in the recruiting business for us at Terra Search Partners is to know talented people over the years as they build their careers. And then leapfrog like Jordan into building a company. Jordan is one of those not so many people who you would bet on almost whatever they do. So not a surprise to me that he's having such success that frankly feels like it's just getting started. As always, I hope that you're enjoying Leading Voices. Please share this or your favorite episode with a friend and remember to follow us and rate us on your podcast app of choice. If you have comments or suggestions on the show, please email me at matt@terrasearchpartners. And finally, oops, there's a reindeer at my dog door. Best wishes to you and your families for the holidays. Well deserved this year for sure.

Jordan Moss, welcome to Leading Voices in Real Estate.

Jordan Moss:

Thanks for having me. It's great to be here.

Matt Slepin:

Yeah. We've been talking about this for a year or so now and it's really interesting because each time we procrastinate, you've done about three more things in your business, so it keeps taking more and more form, you do another deal, you add another vertical to the work and so I think we're going to have a lot to talk about today.

Jordan Moss:

Great. Yeah, we try to keep the momentum.

Matt Slepin:

Absolutely. So Jordan, start with a quick summary of Catalyst Housing. What is your business, what is it? Give our kind of listeners a Readers Digest and then we'll kind of drill in on stuff.

Jordan Moss:

Yeah, happy to. So I started Catalyst in 2015. I would say generally from a treetops view, we're in the affordable housing industry. We're in a niche that we call essential housing, a term that we coined. We like to say that Catalyst lives at the intersection of investment, innovation and impact and we have a whole bunch of things going as you referenced in each of those verticals. But our core business today can be described as acquiring existing market rate multifamily rental communities and converting them to income and rent restricted communities for middle income households, the essential workforce. Nurses, teachers, first responders. There's a whole host of people in California who generally earn too much to qualify for more traditional capital A affordable housing, but not enough to live directly within the communities that they serve and that's the space that we're looking to address at scale.

Matt Slepin:

And so far it's all acquisitions of existing properties?

Jordan Moss:

Thus far, it has all been acquisitions. We've bought 14 assets over the last call it two and a half years, over 4,000 units, a couple billion dollars of transactions. We've got another 2,000 units and a billion behind that in escrow today, so a fairly robust pipeline behind that. It's all been acquisitions. We really created this vertical and this exact thing had never before been done. We knew that the bond market to whom we sell the financing that backs these projects would look at this maybe a little differently than they have historically at multifamily financing and so we thought that rather than adding the additional risk of new construction, we would go out and acquire existing assets.

We're highly focused on pivoting to a development model because as good as we feel today about having created a bunch of affordable housing through the conversion of again existing market rate assets to rent-restricted affordable assets, ultimately we think we have a supply and demand issue in this country when it comes to housing, that the answer to the housing crisis is going to be more housing and a lot more housing, and so I think if we really want to feel good about the impact that we're having in that space, we're going to have to be net developers of housing, right? Adding net new product as opposed to just converting existing stock.

Matt Slepin:

Right, makes total sense, and would you wind up developing and not acquiring or would you wind up doing both?

Jordan Moss:

Both.

Matt Slepin:

And what everyone tells me about the kinds of properties that you're acquiring is that it is the most competitive, brutal market in the world and it's hard to get deals, but you're able to do it and make economic sense, we're going to talk about your structure in a second, but you're winning the auctions.

Jordan Moss:

We're winning some of the auctions. I would say we were having an easier time winning the auctions a year ago than we are today. It's definitely a brutal, competitive space. I would say if you back up and think generally about the yield-starved environment that we live in globally and you think about where real interest rates have been and what your options are if you're looking at the alternative investment universe, multifamily continues to be one of the belles of the ball, but it's hard to argue with multifamily, it's hard to argue with the dynamics longterm of the California rental market when you look at that supply, demand and balance and you look at just the pressures on existing stock and where things are headed. And so it continues to be competitive. I would say, again in the last year, we've really seen cap rates adjust. There was a lot of capital that was on the sidelines post-COVID, monitoring the situation and figuring out sort of when they thought it would be okay to jump back in. A lot of that capital has jumped back in at scale and it's definitely a lot more competitive today on the buy side.

Matt Slepin:

And what I hear listening to Peter Linneman recently on Willy Walker's podcast is cap rates keep going down. Of course one point or basis point of cap rate, that's a high percentage now, so it's still happening, they're still tightening.

Jordan Moss:

Definitely. The craziest thing is if you look outside of California as you well and you look at Boise, Idaho for example and what multifamily trade is out there, I think most people would be shocked who aren't actively chasing those assets but there's no great deal anywhere. At the moment that you're buying something, you never feel like, "Hey, this is an unbelievable deal. I'm stealing this piece of real estate." Maybe in hindsight after a few years of growth you feel a lot better about it but it's tough everywhere today.

Matt Slepin:

Yeah, and today's ... Look, it's always been this way. I've been in this business for a long time and people never feel good. The highest bidder is always winning and they're going, "Oh boy, that hurt a little bit," even in different markets. And talk about the difference between attainable housing, affordable housing, capital A affordable, small A attainable, what does that man for you just to kind of do definitions for our listeners?

Jordan Moss:

There's a lot of terms out there. Everything starts for me with whether an asset has a recorded regulatory agreement or not, and I think if you want to call something some form of affordable housing, it generally has to have a regulatory agreement that restricts rents and incomes of the occupant and provides longterm affordability. I think some of these other terms, workforce housing is one that gets thrown around a lot. If we're being honest, if you own crappy product in a crappy location, that generally naturally creates crappy rents. It's hard to take claim for being an affordable housing provider. It just so happens that what you own generates rents that are naturally affordable to a certain demographic of people and so we're a lot more focused on longterm affordability, hopefully perpetual affordability, and regulatory agreements that specifically spell out what those terms and conditions are.

I would say when you dive into the deeper definition of affordable housing that you're asking about, I generally think of the capital A affordable space as addressing the sub 60% of area median income.

Matt Slepin:

So I want to hear the secret sauce of your business, and you and I first started talking about this six or eight years ago, and you were going to do something innovative in affordable housing and maybe you knew what it was or maybe you didn't know what it was, and you kept turning the worm till you discovered this technique. First, talk about that journey and then we'll get to what the business model is.

Jordan Moss:

Yeah, I'm happy to. So six or eight years ago when you and I were first talking about this, I was in brokerage at the time, a multifamily brokerage. I did a few years at Jones Lang LaSalle, a few years at CBRE, all here in the Bay Area in the multifamily space. I guess what I would say is I had a sneaking suspicion that there were interesting, innovative things that could be done in the affordable housing world. I had a personal interest in focusing on that space, finding an opportunity to do well and do good simultaneously. My whole career has been in the multifamily space, I've been in multifamily for 20+ years now, but the vast majority of that was on the more mainstream market rate, western U.S. institutional multifamily world, sort of doing everything both on the principle side, the brokerage side.

So the answer to your question is I absolutely had no idea what that thing was. That didn't stop me from making the jump, so I left CBRE at the very end of 2014 and started Catalyst essentially kind of January 1 of 2015, and I really spent that first year of 2015 poking around the affordable housing space, trying to meet as many people as I could, learn as much about the business as I could. They say you don't know what you don't know, I definitely ... I guess I thought at the time of affordable housing as just something within the same realm as multifamily housing, that it was related. The same people were involved maybe just doing something slightly different. I learned pretty quickly it's an entirely different industry, different subset of people. But after taking that time to really poke around and try to figure out where to focus, initial focus was on more traditional capital A affordable housing. That was sort of the easy button at the time. I did have some unique capital behind those early deals. We were doing some 80/20 developments in and around Seattle for various reasons and specifically in the senior housing space.

So we built communities that were focused exclusively on seniors, they were 80% market rate, 20% affordable, so mixed income developments financed with tax credits and more traditional private activity bonds. We partnered with Brian Park, who is the most active developer of senior affordable product in the state of Washington and we did a handful of deals with him and they all went really well. I would say the ultimate takeaway for me was I don't personally have the temperament to sit around for years and years and find out if we're going to get an allocation of credits and bonds and put those 20 different pieces together to make that sausage that's needed to survive in the capital A affordable housing world.

And so that really led me down the path of thinking about the opportunity to create a more scalable, programmatic capital structure that allowed us to move at scale, more like a traditional rate group, but also to address a slightly different demographic. I was just increasingly noticing this missing middle problem that we're going to talk about here. In California again, nurses, teachers, first responders, all the folks who really can't find adequate housing anywhere near their place of employment. When you think of the ripple effects of that, they're significant. So it was a two-year journey for me. I pulled a working group together consisting of government officials and bankers, consultants, attorneys, really looking to connect the dots on that structure and ultimately what we're doing today is what came of that, this essential housing model.

The secret sauce that you asked about, I guess to jump into that. It really all hinges on governmental ownership within the State of California. So I guess so far we've talked about market rate ownership, we've talked about nonprofit ownership, that third rail I suppose is governmental ownership and the aha moment was we realized that with governmental ownership of assets in the State of California, we could simultaneously achieve 100% property tax exemption that allows all of those savings, which are significant in California, to be reinvested into incremental affordability, but we could also finance 100% of our costs in the municipal bond market. So we would not be relying upon low income housing tax credits, we would not be applying for traditional private activity bonds, which most affordable housing leverages which are really difficult to come by. That's sort of the crisis within the crisis today in California is that those bond caps are completely tapped out so there really are no resources today. We would not be relying upon Section 8 vouchers or other forms of local subsidy and so we would end up with this very scalable model that also allowed us to address this growing problem that was near and dear to my heart which was this middle income essential workforce.

Matt Slepin:

In that space, are the bond rates lower, a), and you're also not having to pay equity returns to anybody.

Jordan Moss:

Absolutely.

Matt Slepin:

So 100% financing it, what kind of rate and how does that look?

Jordan Moss:

It's 100% financing. Rates obviously bounce around a little bit. When you back up and just think about sort of a blended cost of capital, I think it's fair to say that today, our cost of capital is in kind of the 3 to 3.5% range and to your point about not having any equity, if you think about traditional real estate financing and the need to return 10, 15, 20% to an equity partner -

Matt Slepin:

40 or 50% of the capital stack.

Jordan Moss:

That's right. It's a big, big number, and what that allows us to do is to not only through reducing our cost of capital can we reinvest all of those savings into this creation of affordability, but on a longterm basis, all of the financial upside of these assets is gifted to the underlying municipality. If we were to do this in Petaluma, we would fully amortize these bonds over 30, 35 years from the cash flows of the asset and you would have an asset that was wildly more valuable than when we had bought it decades prior and all of that would be gifted to the city. They could keep the asset, they could sell it, they could do whatever they like with it. They could put new restrictions against it and so our hope when we look back at this down the road is that if you think about the scale at which we're doing this, again we've done a couple billion dollars of this over the past couple of years, and if you fast-forward and think about the rates of appreciation of assets in California over multiple decades, we think when it's all said and done we will have created tens of billions of dollars of public benefit through gifting all of these assets to the underlying jurisdiction, and our hope is that all of that is reinvested into additional forms of affordable housing, that it's the gift that keeps on giving.

Matt Slepin:

How does that model fit into a business for you though because creating housing that's owned by government municipality or municipalities, we'll get into what municipalities do this, and if it's transferable to other jurisdictions or states, that's a different question, but how does Catalyst fit into that business?

Jordan Moss:

It's primarily a fee-based model for us which I'm fine with. When we go out and find assets to acquire and we put those assets in contract and take all of the risk in getting something to a successful closing, that effort and risk is rewarded with an acquisition fee essentially when assets close and then we oversee these assets on behalf of the governmental owners' post close, and so we're building a nice asset management business, but it's basically a fee business.

I do think generally, when you think about the affordable housing crisis in this country and what needs to be done to hack away at that at scale, I do think that the world is increasingly going to look at housing as critical public infrastructure and that the investment models behind that are going to mirror that. So when you think about a more traditional investment structure where you have again the high cost equity that we're talking about and the promoted interest that ultimately accrue to the underlying sponsor, I do think there's going to be more and more ESG focused capital that's really looking to meaningfully hack away at this housing affordability issue and that we're going to see that reflected in structures like ours.

Matt Slepin:

And we'll come back to that one as well, because I'm curious about ESG capital. Wanting to hack away at it or finding an investment model that works for what their return hurdles are, and maybe that's a bond kind of return because they get bond returns on other things, they just don't get that for housing which they're looking for more opportunistic kind of returns.

Jordan Moss:

That's right.

Matt Slepin:

And you get an acquisition fee, you have an asset management fee, you have a property management company at this point.

Jordan Moss:

We do not yet have a property management company. It's something we think about, it's something that we look at. We have a lot of influence over the third party proper managers that we retain. Innovation is a big piece of what we focus on and what we do and so we definitely are aggressively directing our third party property managers to sort of do things the way we like them done. But that is not currently a fee string for us.

Matt Slepin:

Okay, and then thinking of the model that you have, what is the longterm tie-in for your business to the property? Who owns it, talk about that, and then can they fire you? What's the deal here? So talk about that.

Jordan Moss:

Sure. So the assets are owned by a joint powers authority, which are governmental entities and the State of California, political subdivisions of the state. In this case, entities that have been solely created for the purpose of furthering middle income housing production. So our initial partner in this space was CalCHA, the California Community Housing Agency. When I mention this working group that we pull together, CalCHA was really borne out of that working group. The work that we did and the findings or the belief that the answer to this problem was in governmental ownership led to the creation of CalCHA. We then immediately began partnering with CalCHA to go make this a reality and prove that this worked. We have since not only closed on a whole bunch of projects with CalCHA but we have closed a couple of assets with CMFA, the California Municipal Finance Authority, who was another joint powers authority in the space. In total there's three joint powers authorities today who are doing this. Each of them work with different project sponsors like Catalyst.

Matt Slepin:

So there's now three of these joint power groups. They were all created to do this business -

Jordan Moss:

That's right.

Matt Slepin:

For this purpose and some of them work with others so there's now competition -

Jordan Moss:

That's right.

Matt Slepin:

Because the intellectual capital is public intellectual capital at this point -

Jordan Moss:

That's right.

Matt Slepin:

So you don't own that sucker.

Jordan Moss:

When you traffic in the public domain, everything is easily accessible.

Matt Slepin:

So how many other people are doing this and how do their business models differ than yours?

Jordan Moss:

So again, there's three different joint powers authorities who are doing this at scale today. Each of them work with anywhere from two to four or five different potential project sponsors. So there's a handful of people who have closed deals at scale. In total, this is more than a five billion dollar market today. A lot of that's been done in this calendar year. We were really the only people doing this for the first couple of years and this year it's really exploded.

Matt Slepin:

Is this something that can be done, has this been done in other states at this point?

Jordan Moss:

This exact thing, we don't believe has been done in other states. We definitely were getting inbound phone calls from other states who are curious and poking around. Every state constitution is a little bit different, so I mentioned earlier on that. So I mentioned earlier on that we were doing some things in Seattle. We poked around in the State of Washington, looking at things like property tax exemptions for example. It's not exactly the same where if a governmental entity owns real estate in the State of Washington, it by right is exempt from 100% of the property taxes, that's different there. There's definitely states that we are focused on that are sort of obvious places for us to expand to over time.

Matt Slepin:

So sounds like it's going to happen elsewhere. Could this happen without the government entity ... Can you still get the tax exemption and the bond authority to do this but for a non-profit? Or as a for-profit?

Jordan Moss:

I know that sounds like an easy question but it's a difficult answer. There's a lot of nuance there. So a couple of answers I would say. It is possible for a non-profit in the State of California to get a property tax exemption, specifically that exemption is only available for households who earn up to 80% of median income, which is the definition of low income households. What's unique about what we're doing is the governmental ownership of these assets enables 100% property tax exemption, regardless of the affordability level of the tenants. We still have a regulatory agreement in place that requires that everybody there is properly vetted and that everybody is a lower or moderate income household, so sub 120% AMI.

Matt Slepin:

So if a government entity owns this, there's no necessary income restrictions to get the tax benefits or the 100% bond financing. You're just putting it on because you should to get those public benefits, but if a government entity owns it and did rich people housing, that would work too under the same model.

Jordan Moss:

There's some nuance to that, but sort of. The tax exemption technically in California in the governmental space is tied to governmental ownership of assets. You asked about bond financing as well, which again we could get sucked into a rabbit hole here of a bunch of nuance as well, but our specific bond financing, governmental revenue bonds that back these assets, require the proof that we are both creating public benefit and that all of that benefit truly lives with the public on a longterm concept. So back to this concept of granting all of the financial upside on a longterm basis to the underlying municipality. It's very clear that a) we are reducing rents day one and creating desperately needed housing for middle income households who otherwise can't find it anywhere near their place of employment, priced out of these markets, and b) that all of that upside is remaining with the public through granting all of the underlying economics to the underlying city.

Matt Slepin:

Okay cool. We're getting too technical through this conversation but to me, hopefully our listeners as well, it's really interesting. A couple more questions on that and then let's make it real with some examples so we understand what this means for the business that you've built. Do the numbers work to bring this down the income scale at all? Could someone 60, 70, 80% of median income afford to live in these properties or ... It sounds like there's some room to move there in that, given how nice the structure is.

Jordan Moss:

Well, at the end of the day, it's all math. We're always looking at additional financial innovations that may drive that cost of capital lower and if that's the case, there's obviously room there to provide housing at lower levels. The tax exemption we talked about, the operating expenses sort of are the operating expenses today. I think we'll talk about our innovation lab a little bit and some of the things we're doing there but we are definitely focused on hacking away at those traditional operating margins as well because that's another place where should you be able to find savings there, they can be reinvested into incremental affordability at the asset level. But we also talked about how competitive the buy side of things is today and so at the end of the day, the types of assets that we chase, large, institutional, market rate, multifamily assets and core California markets are trading at three caps, and our cost of capital is what is what is. There's really only ... Again, it's just math. There's only so much affordability that can be provided.

What I would tell you is our company is heavily focused on the entire affordability spectrum, which we generally reference as ranging from homelessness to home ownership and while we feel really good about what we've done in this middle income space, bridging from 60% to 120% of median income, we're heavily focused on that 0 to 60% space and looking at innovations that allow us to attack that at scale, but we're equally focused on launching people up and out of rental housing altogether and really looking at the racial wealth gap that exists in this country which is really tied to housing policy over time and how to address some of that through either direct home ownership or shared equity models. So again, getting people up and out of the 120% category and out of rental housing altogether and thinking about that home ownership piece.

Matt Slepin:

Okay, so let's make this real on the transactional and a couple weeks ago, Marshall and Julie Boyd Corso were on the podcast sitting right where you're sitting today and they sold you a property. So give us, if you could talk about that one just because it makes it very real, this is a value add company, they bought it, held it for three, four, five years I'm assuming and so make real for our listeners what kind of assets these are.

Jordan Moss:

Sure. No, that was a really fun transaction. Marshall has been a close friend of mine for a long time. So the asset we bought from them is called Breakwater. It's in Huntington Beach, it's 400 units. As you said, they are a value add investor and I think the business plan that they had implemented is similar to what they have done in a lot of places and what a lot of other people look to do. So they had done a lot of the heavy lifting, I know that they talked a lot on that podcast about some of the infrastructure and the things that they do that aren't necessarily revenue generating but they need to be done to take the asset from some substandard level to a much more institutional level from a quality standpoint.

But they had also started to do the interior renovations and the other things that you would do in order to prove out that there is a subset of people willing and able pay higher rents for that higher quality of housing.

I think what's unique about what we do is that we were able to buy that asset, it was a $185 million acquisition. Obviously a perfect fit for a lot of the traditional value add investors out there who are looking for things like this where there's still meat on the bones, somebody has gone out and told the story and they've proved up that across 20% of the units that they were able to do X, Y and Z and get a rent pop for it. We are able to acquire assets like that. We typically are doing as much or more than a traditional value add investor would do from an improvements standpoint, so we're taking the rest in this example, 80% of those units that were not touched, to that same spec or more, in addition to other things across the assets, other improvements we may be making.

At the same time, we are not only not charging those rent premiums, the value add rent premiums, but we're reducing rents across the asset and providing people with a nicer, better place to live at a lower cost. When you look at the subset of assets throughout sort of the essential housing space, everything that's been done, I mention this is a $5 billion market today. If you look at all the assets across California, there's definitely a lot of nicer, newer, some brand new assets that have been acquired. I would say those are great, it's nice to have shiny brochure quality assets. I feel as good or maybe more proud of these assets because these would be the assets that are directly in the targets of more traditional value add investors whose business plans often lead to the displacement of a bunch of people who can't pay as much as the new people coming in can pay post-renovation.

Matt Slepin:

Right, and in a property like that, are you changing the tenancy or when there's a roll, it may be going down in terms of income to some degree?

Jordan Moss:

So we never necessarily know on the way in exactly who lives there day one, and then we definitely have a rent roll that has a bunch of names on it, but depending upon who you buy something from and the demographic studies that they may or may not have done, you can look at leases but oftentimes, you have incomes and household formations when people moved in but it doesn't capture what may have happened in the two, three, four years since they moved in. This would be an asset though, just based on the quality of the asset and the location, where we fully anticipate that a whole bunch of people living there will already qualify within our program and so what you will see is people who were already paying 40%, 50% of their income towards rent, they can remain in the unit they're in but when they come up for renewal and we vet them for the first time from the standpoint of their household size and their household income, they'll receive a rent reduction to get them to 30%, which is a meaningful discount.

Matt Slepin:

In your regulatory agreement, they can't pay more than 30%?

Jordan Moss:

Generally the regulatory agreements in this space are at either 30 or 35%. We have been aggressively moving to 30% which we think should be the standard across the board. That's sort of a traditional affordable housing metric is generally the 30% of your household income is a good place to be so that you're not housing burdened.

Matt Slepin:

Right, and back to one of your early comments, what this is doing and I can see it's half-solving the problem because what it's doing is it's taking units out of the trade world and out of the trade world is stabilizing it for this income strata for a population we really need, so they're not yuppifying in my words every time there's a trade which is a good thing in terms of having stable housing near work for our workforce, but I could also see the frustration of its not creating new housing for that missing middle and no one knows how to build that housing for that missing middle.

Jordan Moss:

It's still tough. People talk about the three Ps sometimes. I would say we're definitely checking the first two boxes of protection and preservation, but production, which is that third P, is definitely the longterm answer and again it's something we're highly focused on.

Matt Slepin:

So talk about the organization you've built, and just once again to put this in perspective, you bought $2 billion in five years?

Jordan Moss:

No, we've bought over a couple billion dollars in the last couple years, in the last two and a half years, yeah.

Matt Slepin:

Okay, and then in the pipeline is how much more?

Jordan Moss:

Over a billion.

Matt Slepin:

Okay, so that's a couple thousand units?

Jordan Moss:

[inaudible 00:31:18] three billion dollar business in three, four years. That's right.

Matt Slepin:

Pretty good.

Jordan Moss:

Yeah.

Matt Slepin:

So what kind of organization do you build to create that kind of infrastructure to make that happen?

Jordan Moss:

We've been growing pretty rapidly. It seems like not that long ago that it was just me and then we hired our first person, Will Silverstone, who joined us as an analyst and really helped with a lot of the modeling and actually doing everything early days but there's 13 of us now, so we've really been growing through COVID I would say. It's interesting, I would say a common theme in talking to people about growing their businesses is that it's just really hard to hire people and I would say, I'm knocking on wood as I'm saying this, but I would say we continue to have a really easy time finding amazing people that I think appreciate the opportunity to join a small and growing and innovative company that allows them to take all of their skill sets and relationships in the space and knowledge and apply it within the multifamily industry but in a unique way that truly allows them to make a difference. Everybody on our team is highly focused and excited about the mission, and again, we just continue to find really great people.

Matt Slepin:

I don't like that at all whatsoever as a recruiter who's a good friend of yours -

Jordan Moss:

That's right.

Matt Slepin:

And has not gotten gig a from you, so you don't need me.

Jordan Moss:

I think we will soon actually.

Matt Slepin:

Okay, cool. Can't wait.

Jordan Moss:

Yeah.

Matt Slepin:

But what's interesting about that is something I believe firmly is when an organization has values and mission, then people ... And they still get paid, we talk about that, but then people want to be there.

Jordan Moss:

That's right.

Matt Slepin:

And that combination, and so talk about kind of values, mission and talk also about innovation because that's a meaningful part of your doing this, which doesn't need to be there. This is you pushing innovation into this ... Now the business model is innovative, but bringing innovative technologies to this is an added bonus and benefit and factor of excitement.

Jordan Moss:

Yeah. I guess it doesn't need to be there. I guess the impact piece doesn't need to be there either. I mean I think there's a lot of people who traffic in affordable housing circles who aren't necessarily impact-focused, they just see an interesting -

Matt Slepin:

Was it an impact in and of itself or do you additional impact -

Jordan Moss:

Additional impact.

Matt Slepin:

Okay, so talk about innovation and impact.

Jordan Moss:

Yeah, I guess what I would say is those three pillars, investment, innovation and impact I think are really reflections of my interest for better or worse. I guess that's the benefit of starting your own company is you can kind of focus on anything you want to focus on, and so in the innovation space specifically, I have been an investor, and advisor in the proptech space since before proptech was a word, but this intersection of technology and real estate, obviously being here in the Bay Area, we see a lot of this stuff early, and so for more than a decade, I've just been really interested in that space. Following it pretty closely, and then a big move for us was hiring Stephanie Fuhrman who you know, who most recently was Greystar's head of global innovation.

Definitely a known entity in the proptech space, and with Steph coming aboard and then more recently T.C. Ostrander who some Bay Area-based folks who listen to your podcast may recognize that name. T.C. was the Stanford quarterback, he played shortly in the NFL. He was Drew Brees' backup, I always ask him why he couldn't beat Drew out, I don't know what was off about his game, but T.C. joined us recently to really sit on top of what we call the Catalyst Innovation Lab which is really formalizing I would say our efforts in that proptech space, which has been more casual and more informal historically, but generally what we're doing there, I'll just read this directly from our website, but the Catalyst Innovation Lab is focused on incubating, piloting and scaling innovative solutions tools and partnerships to drive operating margins, building efficiencies and portfolio sustainability throughout the multifamily sector. We advise, invest and raise capital for proptech entrepreneurs whose visions, missions and cultures directly align with ours.

So sorry for the commercial but that's straight from our website, that's exactly where we're focused. We think that innovation ... In multiple ways, I would say on the financial side of things which we've talked a lot about already which has really unlocked this whole essential housing model but innovation in its more common definition is really what's going to allow us at the asset level from an operating perspective to find incremental margins that we can reinvest into incremental affordability so that you sort of need to be doing all of these things at once if you truly want to move the needle longterm on housing affordability.

Matt Slepin:

It's interesting. So two comments. One, is this only associated with your properties, or are your properties a lab in which you can use these products? And the second thing is if people squeeze incremental value, normally that goes to the bottom line, not to reducing rents.

Jordan Moss:

That's right. That's right.

Matt Slepin:

So kind of talk about both of those things.

Jordan Moss:

Yeah, so we definitely have a much wider view than just our own assets. I would say we can eat our own cooking if you will and so we can be a bit of a lab or guinea pigs for some of the products that we're investing in or testing out or piloting and that's usually of huge interest to the entrepreneurs that we work with, the young companies who really need that proof of concept. We're typically investing in pretty early stage stuff, where we're fairly hands-on with those founders and so we're thinking a lot about their product roadmap and their pricing and as we're piloting, we're giving them constant feedback as to how things are working that's sort of altering the vision of where they're headed and what they do going forward.

So that's our big focus there but we would not be making investments off of our balance sheet into these companies in the same capacity if it was solely for our own ... To use at our own assets. These are definitely investments that we think ... In companies that we think are going to scale across the entire multifamily industry, and oftentimes beyond throughout commercial real estate and beyond.

Matt Slepin:

Mm-hmm (affirmative). It's interesting. I may be wrong about this, but I'm pretty sure in general the capital A affordable housing industry are laggards in terms of adoption of technology and one of my theses about this is that the REITs and Greystars of the world have innovated and creating operating problems that of scale have totally changed the apartment business over the past 20 years and I've made the assumption that the capital A affordable business is five or ten years behind the adoption of those things and that a regulatory agreement in a tax credit regime allows them not to really either squeeze those profit margins or squeeze affordability further because the regulatory agreement allows them to operate outside the private market. You stand in between that, and you want to do innovation.

Jordan Moss:

Sure. I think it really depends. When I think about what you just said, there's definitely people in the capital A affordable housing space who are looking at innovation. Jonathan Rose jumps out to me -

Matt Slepin:

Yeah, of course.

Jordan Moss:

For example, so ... Hugely successful, I think he just won some huge lifetime achievement award from ULI or something but obviously a household name in the space, super focused on sustainability, definitely focused on innovation, and I would say ... You mentioned Greystar, you talked about some of the REITs, UDR, AvalonBay. Some of these folks have been hugely focused on innovation, put a lot of money behind it. Either internally or with other VCs in the space, but there are plenty of traditional for-profit housing developers and owners who are clueless when it comes to innovation as well, or they just don't believe it, they're old school. I think it has a lot more to do with the culture of an organization, and the willingness of that organization to reinvest in these things. It's sort of easier to not do these things, right? It's easier to just hire a traditional third party property manager and let them do what they do and the P&L looks the way everyone else's looks and you don't have to take any corporate profits and reinvest them into innovation. So I think a lot of people look at that from a corporate balance sheet standpoint and just think that's not the best place for me to play or the best spot for me to be parking capital.

Matt Slepin:

Sometimes it's better to be a new company and starting from scratch because then you might as well bring innovation to it. Although half the people say, "No, I just need the assets, so let me get there the quickest, easiest way I can to get to some scale, then I'm going to go figure out innovation." But you brought it from the beginning.

Jordan Moss:

Absolutely. I think there's two things [inaudible 00:39:49] ... Again, this is just something that I personally am super interested in, I've been investing in companies like this for a really long time, I'm hugely interested in tech and a lot of the podcasts that I listen to are sort of more tech-related podcasts than real estate related podcasts. But I think the other thing is very true that the tech debt that exists in a company that has been around for a long time where somebody made a bet at a certain point in time on a system, a certain architecture, they have gotten to the point where that cannot be easily ripped out. We actually see this a lot on the property management side of things as well whether it's Yardi or RealPage. A lot of times there's a commitment made to a specific group and it is not easy to rip that Band-Aid, and when you look at the large players in the space and how long they've been doing what they're doing, that's definitely part of the problem.

Matt Slepin:

Yeah, it's hard. It's hard. Well it's interesting that the podcast that will be released next week, yours is released in a couple weeks, is with David Stanford from Real Foundations and that was the subject of the conversation, because he's really at the forefront of implementing those kinds of strategies in real estate companies. So fascinating, fascinating business.

So a couple more questions and then I want to talk about you and how the heck you got here. But you've referred to development. What stands between the industry or you jumping into creating new housing for people at this income strata? Do the numbers pencil? How do we get it there?

Jordan Moss:

The numbers are tough. I think every developer in California specifically, probably across the country would tell you that the numbers are really tough today when it comes to new construction. Hard cost numbers are pretty crazy. One thing that stands between us and our current structure and doing this at scale are labor requirements that kick in when you build new housing with tax-exempt bonds, like we would be doing. The labor premium associated with paying union or prevailing wages can be a big, big number, and when you look at how thin the margins are on a lot of housing developments today in general, there's really not the space to simultaneously pay 20, 30, 40% more for labor than you otherwise would, but also reduce rents 10, 20, 30% below what you would be charging in a market rate environment.

That said, we are definitely focused on the new construction side of things. We hope to have our first asset under construction next year in 2022, and we think that this is where this space will go and that the underlying bondholders as well are getting more and more comfortable with the construction risks that exist there. Again, when we first did this, we wanted to go prove at scale that this worked with the existing cash flowing assets where there wasn't that additional risk of new construction, and now that that's been done at scale, both directly by us and indirectly by others to the tune of 5+ billion dollars, we think we can definitely start to pivot into that new construction space.

Matt Slepin:

And you're throwing the same model of structure with government entities against the new construction space.

Jordan Moss:

Partly. We also are working on sort of a Version 2.0 of what we've been doing that we think will potentially power that and make it even more efficient.

Matt Slepin:

And that's outside of the government-owned entity space.

Jordan Moss:

That's right. We've been looking at partnering with institutional capital back to this concept of sort of global capital flows and the need for ESG style investing, better to be lucky than good, but we find ourselves in this space today where we have a lot of momentum and we've built an interesting brand and we definitely live at this intersection of these capital flows and affordable housing as you know is one of the easiest and most scalable ways to address people's ESG needs and concerns and so we have a lot of those conversations and we think that's a big part of what 2.0 looks like.

Matt Slepin:

And how in 2.0 does an institutional investor with ESG goals find the returns that they need? How do you structure those returns without tax-exempt bonds or 100% financing or not 100% financing, but in that kind of capital stack, and do they rethink what that investment looks like? Is the hold period forever and therefore it's a bond? Just talk a little bit about that?

Jordan Moss:

Yeah, I think it's two things. I mean on one hand I think back to this concept of viewing housing, affordable housing specifically as critical public infrastructure that we need as a whole to address, otherwise we just won't have fully functioning communities in California and beyond. I do believe that people are moving closer and closer to more bond-like returns, and willing to rethink the return that's required for that type of investment. I would just say generally that there are other innovative structures that hinge upon ownership and financing innovations that we've been working on that we think unlock similar and even more powerful creation of affordable housing.

Matt Slepin:
I'm interjecting here with some additional thoughts that Jordan and I recorded in a conversation we had after our initial interview, differing approaches to affordable housing could be a contentious subject, and we wanted to explore some of the hard, necessary questions with the nuance they deserve…

So Jordan new approaches like this do not come without both critics and the need for both fine tuning and evolution. Let me mash up a couple of the critical comments that I've heard out there. One, this is a very costly approach in terms of forgiven tax revenue and high transaction fees to the public benefit to the missing middle is just not efficient enough or well enough targeted and maybe three developers are just making money there. Maybe shouldn't be supposed to make money on, on business like this. Kind of comments to both how this is gonna evolve and how you're answering any of those questions?

Jordan Moss:

Yeah. I'm happy to, um, as we've touched on throughout the conversation, the model is, is fairly revolutionary. You know, there has been no subsidy, no motivation, no program for the production of middle income housing which is why the tax credit model doesn't work within this space, the market rate model hasn't addressed this space, and anytime you're doing something new, I think the first iteration of that product may not be perfect. And I think we're the first to say that it's not perfect. We're always looking for areas of improvement. I would push back a little bit against a couple of the things that you said. I think the first thing you said was that the model is overly costly or maybe the cost of producing middle income housing is too high within this model.

The proper way to compare this I think would be to a more traditional low income housing tax credit financing and this capital stack that we employ is actually pretty surprisingly efficient. I mean, there's, there's you look at the sources of uses, you know, our source is tax exempt, bond financing. It's often the case in traditional Litech deals that you have, you know, 10, 20 sources of capital. You have really small grants and loans and soft dollars at a city county state level. You have federal funding, private funding that sometimes comes into those. We don't have any of those things. And generally in those traditional lie tech deals, each one of those sources of the funding comes with its own legal docs, additional lawyer fees, et cetera. I think that, you know, first of all, our transaction sizes are large. So you have to take that into context as well. I think our average transaction size to date has been between 150 and 200 million dollars. And so we're talking about large dollars to begin with, but in no way do we think that when you look at the total capitalization on one of these transactions that the fees tied to the bankers or the attorneys or the consultants is in any way wildly different from any traditional affordable housing development. The other thing I would push it back against is when you look at the cost of producing capital, a affordable housing today, if you just think about a city subsidy dollars that are generally required on top of whatever allocation of tax credits and private activity bonds, a developer may be awarded, it's not uncommon around the bay area for cities to contribute anywhere from $50,000 to $250,000 per unit, an additional subsidy on top of that. I think anyone who follows the housing space closely is aware of the articles that have been written about San Francisco, for example, that it costs over a million dollars a unit to produce…

And so if you think about the, our, our total all in cost, which is clearly significantly below that to take relatively, you know, new quality in most cases, high end housing that's market rate, and immediately convert it to rent restricted housing for middle income households, you know, it's very efficient, it's quick. And it's actually done at an all in much lower basis than what we typically see in the Litech space.

Matt Slepin:

What about requirements for income targeting and the depth and like that?

Jordan Moss:

So on the income side, our typical program is that we will take a hundred percent market rate asset and we will convert it into equal thirds of low median and moderate income housing. So 80% AMI, a hundred percent AMI, 120% AMI. And I would love to tell you that that's scientific and based in a bunch of data that we pulled over a long period of time, the reality was when we dreamed this up, I remember sitting in ORs conference room in San Francisco and we said, Hey, how, how about an equitable distribution of low median and moderate income housing? That sounds fair. And so that's really how we landed on the model. That said we are always highly focused on making sure that all of our rents are below market from day one. And so you think about us coming into one of those transactions and reducing a hundred percent of the rent significantly below market from day one and putting a cap in place that rents can only grow at 4% going forward in the middle of these skyrocketing rents that we're seeing. The rents that we provide should be further and further below market over time as we get deeper and yeah, over time, because again, the market is gonna what it does and we've all seen what the long term effects of that are in California. And our rents are gonna be artificially capped at no more than 4%.

Matt Slepin:

And do you think this model will be regulated as the, maybe not the right word, but will this evolve over time, both for you and for the others who are doing the joint powers authority kind of business?

Jordan Moss:

I think it probably will. And I think there's ways that that could be effective. I think some coordination would actually be helpful. I would tell you that there are a few people in this space that know what they're doing, I'll say. And I think have a history and well, definitely in housing, but maybe in affordable housing. And they understand every aspect of this, how the bond market functions and how you underwrite real estate. But there's a lot of other people out there who have heard of this, they're interested, running around, they're calling brokers, they're trying to tie up deals. And the reality is they don't even have a joint powers authority behind them and they don't understand the involvement at the local level, et cetera. And I think if there were a more coordinated effort between the joint powers authorities that are in this space, as well as the project administrators is like catalyst that those JPS choose to work with. There could be really a simplification of, you know, what the fees are, what the program looks like, how rents are calculated, et cetera. So that it's just, you know, straight across the board, everybody's using the same math.

Matt Slepin:

Yeah, simplification and consistency. And the other thing that just doesn't do, and this is your opening comment to this hard question is it does not create any workforce housing. So this is preserving housing for the workforce over time, but it still doesn't get to that creation issue, which tax credit tends to do, cuz most of it's new construction.

Jordan Moss:

No, that's exactly right. I mean, as good as we feel about what we've done, we really do feel like this is the first step. Uh, we clearly have a supply demand imbalance in this state and across the country. It's not overly complicated. This is econ 1 0 1. If we could snap our fingers and create thousands or hundreds of thousands or millions of units across the country of more housing rents would go down, right? We'd have an abundance of housing, which is why it's always a head scratcher to see legislation in places like San Francisco, where they want to put a moratorium on growth, thinking that that's going to keep all of the evil market rate developers out and somehow help the people who need affordable housing. But that's definitely a future version of this program. I think when we looked at this and this had never been done before, we wanted to go out and prove at scale that this work that we could get these projects financed in the municipal bond market that we can reduce rents, create public benefit for the underlying jurisdictions before we added construction or development risk on top of that. And now that we've created, what's more than a $5 billion market of these conversions, it's definitely the time to start a thing and thinking about production because that is the ultimate answer in California.

Matt Slepin:

I hope that deep dive gives you an idea of the potential for change and growth as we both see in this important sector of housing. While I usually don't bring two interviews together in one episode on the podcast, Jordan and I both felt this additional conversation we had was a critical part of the message we wanted to get across.

I'm going to jump back to the initial conversation we were in, and ask Jordan to share just how he got to where he is today…

Okay, so now let's talk about you and how did you get here? You're from the Bay Area? What's your family background and just a little bit about that to give why this became the business you wanted to get into.

Jordan Moss:

Yeah, happy to.

Matt Slepin:

And one other question about that. It's not just the business you wanted to get into but the way you wanted to get into it with this innovation side alongside the investment and affordability side.

Jordan Moss:

Sure. Happy to. Yeah, I grew up here in the Bay Area, Marin County specifically. I went to UC Davis for college, played basketball there. Was lucky enough to play basketball post UC Davis in France for a short period of time which was a lot of fun, but I would say really to answer your question of how I got here and I guess I interpret that partially as like what turned on the light bulb or the interest in real estate or multifamily specifically, and back to when I was at UC Davis, they had a couple courses at the time in real estate economics, and the professor, a guy named Lawrence Shepard who had been involved with the university for a long, long time, was a partner in a group called Tandem that owned most of the student housing in Davis. If you talk to anybody that went to Davis in the past, I don't know, 30 years, or at some point in time, they lived in a Tandem property. Everybody recognizes that name.

And so Professor Shepard taught this course for a long, long time. I took his course. Immediately just became sort of fascinated with this concept of owning rental housing and this guy in general. I actually ended up becoming a TA of his after I took his course. I would say got me interested. Another just sort of chance happening, I was back home in that short period of time between graduating and leaving for France and you probably know this Gold's Gym that used to exist right off of that exit in Corte Madera.

Matt Slepin:

Yeah.

Jordan Moss:

And I was working out there and this crazy guy was next to me, working out like a madman with his trainer, had kind of the surfer do, and I had my practice jersey on and he was a big basketball nut, so he started asking me all about basketball and pretty quickly, you can tell with some people that they're interesting people into interesting stuff. There was something that intrigued me about this guy after a short conversation, so I actually followed him out to his car when he was leaving and it turned out to be Greg Fowler and so -

Matt Slepin:

He still looks like a surfer dude.

Jordan Moss:

He does. He does. He's aged well. Well he is a surfer dude so that makes sense. That makes sense.

Matt Slepin:

I guess that's why.

Jordan Moss:

And he lives in Santa Barbara. When I went to France, I kept in touch with Greg, and when I decided that one year was enough for me playing pro basketball in Europe, and I was ready to get into the real world, I reached out to Greg. He was partners at the time with Darla Flanagan, this was back in the Fowler Flanagan days, and I think he told Darla, "Hey, we're hiring this kid. I don't know what he's going to do but figure it out." Darla sort of ran the day to day and Greg was more of the deal guy, and so they gave me a job and I started at Fowler Flanagan who was a large, large private owner of apartments across the country, and it was amazing. I just got thrown in. I mean it's unusual to be able to join a deal shop like that that churns through so many opportunities every single year, and I was an analyst for six months, and then they gave me an acquisitions territory and basically said, "Beat it. Go figure it out."

At the time I was ... I got the places nobody else wanted to go, right? So I was going to Albuquerque and Kansas City and Colorado Springs and all sorts of stuff and talking to brokers and looking for deals, had no idea what I was doing but that was my foray into multifamily.

Matt Slepin:

I bet you were a natural at that, and they're also shoveling the business in. This was like a shovel company.

Jordan Moss:

Absolutely. Absolutely.

Matt Slepin:

Kind of load it up and do it because we know we're going to make money.

Jordan Moss:

That's right.

Matt Slepin:

So great place to come from. Just go back for a few minutes, anything about basketball and I think your parents, maybe you had foster kids in your house or something.

Jordan Moss:

We did. We did.

Matt Slepin:

So maybe that has something to do with your values. Just talk about that a little bit.

Jordan Moss:

It could. Yeah, I mean I grew up in Southern Marin. I think most people think of Southern Marin in one way for people who know Marin, it's a pretty homogenous place by and large. There happens to be a community in Southern Marin called Marin City, which looks very different than the rest of Marin as you know as a long time Marin resident, and that the a school district I grew up. I grew up in the Sausalito Marin City School District, and so my classes and the composition of my school early on looked a lot different than a lot of Marin. My parents did become foster parents, I had two black foster brothers growing up. My parents were not looking to become foster parents, I would say it just occurred naturally. Our first foster brother was a good friend of my brother's, it was one of those things where maybe he started coming over after school and then it became a weekend and then it was kind of full-time and ultimately parents fully gave up control of him, was legally adopted by my family and grew up with us, and then sort of happened again with one of my friends.

So definitely impressive as a parent now to three, soon to be four kids myself, the thought of opening up your house and your life and everything in that way is super impressive as I think back at what my parents took on. I don't think I necessarily realized at the time how big that was. I mean for me it was kind of like having more friends around all the time, so it was great and people to share clothes with and hang out with and play sports with. But absolutely if I think about our focus on impact and this concept of this company really being a reflection of my values and what's important to me and what drove me from the market rate side of the business to the affordable side of the business and this focus on impact and this desire again to move further and further down that affordability spectrum and start looking at homelessness and sub 60% AMI housing et cetera, I definitely think that had a big part of it.

Matt Slepin:

Yeah, I bet it did. And it's funny, this is an overused word. Authentic is used like all the time. [inaudible 00:50:50] are authentic. But authenticity around the values and the business model that you created is uniquely you.

Jordan Moss:

I think so. Yeah. It's maybe hard to say that about yourself but I absolutely believe so, and I would also say, I'm super proud of our advisory board. If you look at the advisory board that we've assembled, there's a whole bunch of people on there doing super interesting things that are all very authentic people themselves. We went out and really handpicked all of these people as we looked at that spectrum of housing affordability and people that we could leverage in various ways and hopefully who also benefit through the things that we're doing and connectivity with one another, but my hope and thought is that all of those people are very comfortable associating themselves and their names and their companies with us because of that authenticity as well, that that really resonates with them.

Matt Slepin:

It's interesting, looking at your advisory board over the years as you've done this. Some of the members work for ... Like Linda Mandolini works for a non-profit, she runs a non-profit, [inaudible 00:51:47]. And one might think that what you're creating is displacing the ideas that she has lived for and done in her business all along, so therefore having someone like that inside the tent probably challenges both you and challenges her in the long run since she's still there.

Jordan Moss:

Yeah, I think there's an easy answer for a lot of people in the capital A affordable space which is anybody else doing anything in the affordable housing world is a risk to them. We see that a lot of times. Even if it is a for profit group doing tax credit or Section 8 housing, they don't like that or anybody doing market rate housing, everything should be affordable housing. Linda as you know is one of the smartest and most thoughtful and most vocal I would say housing advocates out there. Not just in California or the Bay Area but really nationally.

Matt Slepin:

Nationally. Yep.

Jordan Moss:

Super involved in policy, et cetera. And it didn't take long. And she also realizes that what we're doing is creating a super important piece of the housing ladder. Her company is focused on addressing people again who earn generally between 0 and 60% of median income, but oftentimes, if you think of somebody who's right on the cusp of that 60% and a household receives an increase in their pay that would sort of tip them up and out of that low income housing tax credit bucket into the main streets of market rate housing, that jump between LIHTC housing or capital A affordable housing and market rate housing is massive. I mean it's just too big for most people to figure out how to make that work, and so she realizes that we're filling that gap and providing that latter and that it's definitely needed in the overall spectrum.

Matt Slepin:

It's interesting, knowing all the companies at play in this space, the concept of missing middle is a deeper concept than the individuals who are in the middle missing middle but it's also the providers have a missing middle as well because the capital A affordable housing companies have trouble moving up the income stream. The business model that they have is so big and time intensive for them.

Jordan Moss:

There are actually some structural problems or structural components of being a 501(c)(3) in the housing space that require you to only address housing at certain income levels. So even if one of these companies woke up and said, "Hey, we want to change our business and attack nothing but the missing middle," they would not necessarily be able to do so legally without sort of violating their (c)(3) charter, and then on the other end of the spectrum, I think a lot of this, when you get into tax credits and bond financing and the regulatory agreements, there is a market rate folks who just don't even want to think about it. They're very good at what they do, so they kind of say, "Why bother?"

Matt Slepin:

Yeah, probably true. And we didn't yet talk about the essential housing fund which is part of your business. Let's talk about that and then we're going to have to wrap up.

Jordan Moss:

No worries. So the essential housing fund is ... Technically it's its own entity, it's a 501(c)(3). I would say it was born out of necessity, to come back to Marin County where I grew up, and the city of Larkspur specifically where I live today and where we were lucky enough to buy a large asset that we have now transitioned to essential housing, we started doing the math early on and we realized that in Marin County, where you have some of the highest median incomes in the country at the "low income level" which is defined as 80% of median income, if you look at a single person, let's say a young teacher who's in the Larkspur Corte Madera School District, which is near and dear to my heart because my kids go to school there. If you have one of these single young teachers making $50,000.00 a year, you would be asking them to pay two-thirds of their salary towards rent at a low-income, subsidized asset in Marin County, and that math obviously just doesn't work, right?

So we were looking at that picture and we saw an opportunity to take some of Catalyst's corporate profits and reinvest them into almost ... I would almost say a privatized Section 8 type program, where we are further subsidizing rents for public school teachers that are assets and so teachers who apply and are accepted into this program end up paying 35% of their actual take home pay, whatever that may be, and the essential housing fund makes up the difference.

So that's really how the essential housing fund got its start. We're now running that program both at this Larkspur community called Serenity at Larkspur. We're also running it at Summit at Sausalito which is in Marin City to bring that full circle and directly up the hill from the Marin City campus of the Sausalito Marin City School District, so it's been very fun working with them and creating this program, but we're now seeing a host of other things that we are doing and plan to do with the non-profit that live in a 501(c)(3) world more efficiently than they do in a typical for-profit world and I would just mention one of those things that I'm super proud of, you've had Cedric Bobo on your podcast before. Cedric runs Project Destined, they're doing some amazing things, introducing underrepresented youth to the world of commercial real estate. Cedric is also a member of our advisory board and someone that we learn a lot from and hope to collaborate with in various ways and to connect with other members of the advisory board.

But post George Floyd's murder, when you and I had a lot of conversations at that time, I think all of us were doing a lot of thinking and soul searching and working through appropriate responses, tangible things that could be done, I reached out to UC Davis at that time in hopes of creating a program at UC Davis specifically focused on black student athletes and introducing them to the world of commercial real estate. And really quickly, with Cedric and with the university, we were able to put this together and so through Project Destined, there is now a team catalyst that competes comprised almost exclusively of black student athletes from UC Davis, introduces them to the world of commercial real estate, gives them the opportunity to compete in this digital world against other universities across the country. Last year was the first time we ran the program. The star of our team was a young guy named Darius Livingston who was a football player at UC Davis and he was great, the team did really well, Darius graduated when the program was over and we hired him. He now works for us as an analyst which has been great to see that go full circle.

Matt Slepin:

Full circle. That's great.

Jordan Moss:

We're now running that program for the second time and we have endowed this at Davis perpetually, and we'll do that through the non-profit. And so we're finding ways like that to really give back and to address things that are important to us and our mission and who we are but again don't fit naturally or necessarily within sort of the core day to day functions of Catalyst but fit much better in the essential housing fund on the non-profit side of things.

Matt Slepin:

Well I think one of the issues that housing has again supplied because I think, maybe of the people below 80% of median, I have no statistics on this, but I think capital A affordable housing serves a quarter, a third of that overall market.

Jordan Moss:

That may be right.

Matt Slepin:

And the rest are just out there in the private market struggling. There's no income restrictions in the private market, as I guess there shouldn't be, but people can't afford to live.

Jordan Moss:

That's right.

Matt Slepin:

[inaudible 00:59:12]

Jordan Moss:

I think that there's a huge and growing percentage of the population in this country who is cost-burdened, which is defined as paying more than 30% of their income towards rent, and increasingly, and unfortunately, that number has been climbing to 40 and 50% in certain places which is clearly unsustainable.

Matt Slepin:

Particularly our state.

Jordan Moss:

That's right.

Matt Slepin:

Becomes unsustainable. Okay, last question on Leading Voices is always your advice for a young person getting into the real estate business.

Jordan Moss:

Sure. I think there's two things here. One thing I always tell young people, and luckily I'm now interacting with young people all the time through this Davis program and other things, but one thing is always to focus on your personal brand. I think it's easy when you're young, if you get hired by a big company and a big brand, a household name, to be really excited about that brand and being sort of a cog in that wheel if you will. But real estate as you know is a relationship business. That sort of is your business within the real estate business, right? And I think it's hugely important for young people to think about their longterm career path and their personal brand building and the name on the back of the jersey if you will, not just the name on the front of the jersey, and to really invest in those relationships and arm themselves with a skillset and relationship base that's going to enable them to do anything as their career develops.

And then the second thing I would say is to try to find your way into a shop that is just churning through deals on a very regular basis. Again, I fell into that luckily with Fowler, we talked about that. You just need those reps. I mean there is no replacing the reps. I know the Malcolm Gladwell 10,000 hours things is a little cliched at this point, but there's some truth to it as well. You just can't get there unless you spend the time, unless you get the reps, and so if you're at a small shop that does a deal a year, you're not underwriting much, you're not seeing many assets, you just can't get there. So I think whether it's on the principle side, the brokerage side, the financing side, any way that you can get behind as many transactions as possible and as short a period of time as possible. That's always a recommendation that I make.

Matt Slepin:

That's wonderful. Let me go back at both of those. First one, on the personal brand, I think an important concept is the concept of and instead of the concept of or. Meaning you should have your personal brand and you should be a great team player. Really important. People have trouble kind of having an and because they want to say, "Well I'm just going to build my personal brand." But it really totally has to be both.

Jordan Moss:

Absolutely. No, you can definitely be committed to serving the company that you work for and being as great as you could possibly be at that job, while also focused on what the rest of your career may look like and making sure that you build that base and you have those relationships and you open yourself up to as many future possibilities as possible.

Matt Slepin:

Totally true, and then the second thing on what you said, because it totally resonates for me, is whether you're in the transaction side of the business or the asset management or the property management business, doing those reps really matters, and so building your resume every day, doing freaking great at your job, and piling in the experiences, particularly at a young age in whatever function of real estate business pays off dividends, a lot of people say, "Well I'm going to look for a new job, so it's all about the looking." Well while you're looking, pile on those reps [inaudible 01:02:26] tremendous work and learn as much as you possibly can and if your learning curve slows at a place, then it's time to move on.

Jordan Moss:

That's right.

Matt Slepin:

It's not just money.

Jordan Moss:

I would agree.

Matt Slepin:

Totally true. Jordan, thank you very much.

Jordan Moss:

Thanks for having me.

Matt Slepin:

Loved the conversation, you're doing great work, and I can't wait to have you back to hear about these other innovations that are coming.

Jordan Moss:

I'm looking forward to it.

Matt Slepin:

Thank you.

Jordan Moss:

Thanks Matt.

Matt Slepin:

Thank you for listening in to Leading Voices, and I hope that you enjoyed today's episode. I have a request, if you enjoyed the episode and found it to be valuable, please share it with a friend or two. If they're podcast wary, take their smartphone in your hand and subscribe for them and teach them to listen. You'll change their life. Seriously, thanks for listening and keep in touch. You know you could reach me at matt@terrasearchpartners.com. See you next time.