

Transcript

Code 53

Building a Diverse Multifamily Supplier Network

Ayris Scales:

When we begin to infuse DEI practices into all of our business operations, we see increased market opportunities. We see an increase and an improvement in our reputation, we see greater brand loyalty.

Alison Johnson:

Welcome back to Code 53, The Apartment Podcast. I'm your host Allison Johnson with NMHC. On this show, we bring you into conversation with apartment industry executives, leading experts in the multi-family sector and a diverse group of practitioners, all to help you learn everything it takes to create communities from business strategy to design to finance and leadership. And today on Code 53, we're exploring the challenges to diversifying supplier networks in the multi-family space. And we're sharing the resources and solutions that are coming online to help you address those challenges. How can a DEI business strategy be implemented in all aspects of business? And what are the benefits of pursuing a diverse supplier network? Coming up, Betsy Feigin Befus with NMHC, Ayris Scales with Nareit and Jeff Brodsky with Related Companies on the advantage of diversity.

announcer:

The Code 53 podcast is brought to you by NMHC, the National Multi-Family Housing Council, the place where the leaders of the apartment industry come together to guide their future success. From owners to managers and developers, NMHC's members create thriving communities by providing apartment homes for 40 million people contributing \$3.4 trillion annually to our nation's economy.

Alison Johnson:

If you speak to the business leaders who work on the issues of diversity, equity, and inclusion, you quickly come to understand that DEI isn't a problem to solve, but rather a way of solving problems. In February, NMHC launched a supplier diversity initiative in conjunction with an Alliance of National Trade Associations to help members expand their spending on minority and women owned business enterprises. This includes contractors, consultants, joint venture partners, vendors, and more. The Commercial Real Estate Diverse Supplier Consortium, or CREDS, is a first of its kind partnership and continues NMHC'S longstanding commitment to enhancing diversity, equity, and inclusion in the industry. Information about the Alliance and supplier gateway will be linked in the show notes. Joining us now to help explain the program and how your organization can benefit our three amazing leaders in the multi-family sector. We have Betsy Feigin Befus, senior Vice President, General Counsel, and Strategic Initiatives at NMHC. Ayris Scales, senior Vice President of Social Responsibility and Global Initiatives at Nareit. And Jeff Brodsky, vice Chair at Related Companies. Everyone, welcome to Code 53, The Apartment Podcast.

Jeff Brodsky:

Hey Alison.

Betsy Feigin Befus:

Thank you.

Ayris Scales:

Thanks for having us.

Alison Johnson:

Betsy. I'd like to start with you if I can, what does it mean to characterize DEI as a business strategy and what does that look like as a must have approach?

Betsy Feigin Befus:

Well, oftentimes DEI is characterized as an initiative or an effort, and although DEI is certainly a robust body of work, I try to encourage business leaders to view DEI as a strategy, as you mentioned, that is helpful in achieving business goals and to address challenges. So for example, a company with challenges in terms of retaining analysts or developing high performers to rise to the leadership level might consider applying DEI informed practices to solve for those talent management issues. Although perhaps the most obvious though, talent management is only one prong of a comprehensive DEI business strategy and a DEI strategy can be applied throughout functional areas of a business like procurement, which is central to the main topic of our discussion today. And if a company is not applying DEI principles to help solve problems, they're really leaving a lot on the table these days.

Alison Johnson:

Thank you for that context, Betsy. So tell us a little bit more about CREDS. How does the alliance demonstrate the ways that a DEI business strategy can be implemented in all aspects of business as you've just described?

Betsy Feigin Befus:

So the Commercial Real Estate Diverse Suppliers Consortium or CREDS is an alliance of National Trade Associations who have joined together to help our members expand their spending with minority and women owned business enterprises, MWBEs, and at the same time, CREDS has committed to using our alliance to connect diverse sellers, so to speak, contractors, suppliers, consultants, JV partners, and more with organizations that can hire them. So at this point, the CREDS Consortium includes CREW Network, ICSC, MBA, NAIOP, Nareit, NMHC and RER. Together we're taking steps in a way that we just couldn't do on our own even though we each had the goal. CREDS has engaged Supplier Gateway, which is a minority on supplier management software platform. They're founded in 1997 and they've got tons of very impressive clients who use their platform and we've engaged with them for a two-year pilot. So we hope that the program will not only meet the industry's needs when it comes to bringing together more buyers with more sellers, but really importantly, we want to gain data on the industry's progress in diversifying.

Alison Johnson:

So Jeff, I'd like to touch upon your perspective here with this conversation about procurement and diversifying a lot of functional areas within the organization. You're vice-chair at Related Companies, and as the corporate head of a real estate organization, you have an important leadership perspective on these initiatives in the workplace. Tell us some of the challenges you've encountered when trying to

discover how well related companies supported diverse contracting and hiring opportunities for underrepresented groups.

Jeff Brodsky:

Yeah, thank you Alison, and I appreciate the chance to participate. The first is an awful lot of what had historically been framed as supplier diverse tracking or numerical references in real estate is an asset by asset conversation first before it's a rolled up conversation. And so the typical scenario, historically, and certainly this is before the murder of George Floyd, has been some public or lender stakeholder, has asked us to spend a certain percentage of the development costs on or with certified diverse suppliers. And so we would go and look on the list that they would give us and find someone that we could work with and spend under a guidance that was a best efforts typically metric. We would keep track of how much we had spent and satisfy the requirement. That was a third party applied pressure, but it was not a corporate wide initiative. It was not consistently applied and it was incredibly frankly unsuccessful. It's been something that's been tried for 40 or 50 years.

In part, the system like so many that are under pressure during the COVID period and certainly since George Floyd event, has been shown to be inadequate. And so there are organizations like ourselves who as an aggregate would not be able to tell you how much of our spend, which is material as a national developer was with certified firms. There are, among other things, every community has their own list of certified firms. They have their own requirements for certifying the firms. Some of the time they have to be a certain size or lower, smaller. In other cases, they have to be a certain size and bigger. In other cases, you have to prove your race and you have to prove your ownership and you have to prove who owns the truck. And ultimately all of that becomes a tremendous burden for a small business.

And I've heard it from our partners [inaudible 00:08:32] described as a tax, right? You take a small business and you say, "Prove that you're certified so you can get on this list so you can get work." Well, the white male own firm doesn't have to be spending all that money with their lawyer and their accountant to prove who they are. And so it was a broken system that was not scalable. No one could prove the impact. And so the initiatives such as the Supplier Gateway initiative and CREDS that has been put together by our partners here with Nareit and NMHC are an attempt to get a series of best practices together that will allow for proof of impact and will allow, especially firms that do not have a practice, to take advantage of best practice scenario and a cost-effective tool to get us to the next level.

Alison Johnson:

Thank you for that context, Jeff. It's very important. I'd like to talk with Ayris a little bit about this challenging and fragmented nature or system for procurement. You are at Nareit and working in that organization's ESG initiative, and you are responsible for establishing strategies that fortify a Nareit member's own internal diversity, equity and inclusion initiatives. As Jeff just described, it's very fragmented and difficult to identify just a baseline of what the spend is for DEI efforts particularly in procurement. So for a firm leader that's out there that wants to pursue a diversity initiative in their own organization but are concerned that such efforts might be too unsustainable, how do you explain the return on investment that comes from improving their oversight and economic inclusion and entrepreneurial opportunities for women and minority owned businesses?

Ayris Scales:

Yeah, that's like the million-dollar question, and I always lead with you're not alone. I think so often in this space, particularly when we start talking about DEI initiatives and ESG, we go back to how do we

quantify, how do we qualify, how are we capturing data? How are we standardizing and reporting out? And it's still emerging. It really is. And I think to Jeff's point, what it looks like for your company may be different for another company, and that's okay. I also try to really encourage leaders not to feel any kind of way based on what has not been done, let's focus on what we've committed to doing and let's be clear and transparent and consistent and kind of communicating and messaging that to our stakeholders. I think not responding and not because of George Floyd, but because it really is a great business case and it makes a great business sense that not responding is where we run into issues around sustainability and long-term revenue.

We have stakeholders, we have external clients and customers, investors who have an evolving set of expectations. And so we really have a responsibility to make sure that we are honoring and responding to that so that we aren't being hit on the backside. The other piece with that too is that I feel wholeheartedly, and we've seen that data has shown that when we begin to infuse DEI practices into all of our business operations, we see increased market opportunities. We see an increase and an improvement in our reputation, we see greater brand loyalty. We all have a responsibility, and I don't want it to feel like a burden, but we have a responsibility when we're in the position to help drive economic inclusion and prosperity that we should really take advantage of that. And not taking advantage of that is really sending a message that we think that belongs to a selected few.

And we understand that that is no longer the case. So we have to show up differently and we have to have different expectations internally the same way those do externally. And so there's just a couple things that I would lay out with regards to how to create something that's sustainable. So first and foremost, always encourage us not to just jump out there. Let's have a clear course of action. Let's take time to feel comfortable and come to an agreement around what it is exactly that we're trying to do and how we're going to get there. And then as a leader, it's our responsibility to make sure that we're allocating the resources, that we are empowering our teams, that we're empowering our staff with the ability to actually execute, right? It's nothing worse than having a grandiose plan and then there's no resources and there's no vision or support to get to execution.

The other thing is we are struggling with what common metrics and denominators look like. Okay, create your own, right? Set yours and what are yours going to be? Because that might be the thing that somebody else in the industry looks at and goes, "Wow, well, let's model what so-and-so is doing." And we start to create that uniformity and now we have data that we can start to show as an aggregate. And then the last thing that I would say is that it's not just about having the buy-in and support from our CEO and our leadership. It is equally important to make sure that we get that buy-in support from those who are going to be on the ground and on the front lines with execution.

And that's why it's so important to have this clear course of action for them to be able to give them some metrics and goals that they're working towards so that they can feel comfortable with what they have to do. And then also making sure that we are communicating that transparency and making them feel riled up. This is hard work. This is addressing systemic issues, and it means that we have to be bold and show up boldly.

Jeff Brodsky:

Ayris, I love your comments. We talk about ourselves in this industry as community builders. This is the real estate industry, and there's not a lot of community building. If you're just building bricks and sticks, you have to be building people's wealth. Let's be very frank. And we believe that this is entirely consistent with our organizational commitment to be true community builders. So to build the capabilities of those organizations that are local, to build the skills of the employees who are local, and ultimately to be generating not just jobs, but actually creating contracts for significant value portions of

our development costs in those communities. Now, that is where we're talking about wealth building as an high impact effort. That is consistent with our brand, that is consistent with what the real estate industry should be doing.

That is why we do what we're doing to, again, to build on Ayris's comment, I am blessed to have a CEO who believes passionately in this and immediately said, "Can't just talk about it. How are we going to measure it? How are we going to keep people accountable? What's our data set?" So we see what Supplier Gateway can be for folks who haven't perhaps taken any organized steps yet because they didn't know where to start. This is a wonderful place to start. We are very fortunate. I am very fortunate that my CEO gave us the ability to spend money in our technology platform to be able to capture this information, to cross reference data sets, cross reference our accounting spend, and that we can report very easily what our gross certified spend has been over five years trended by division, by geography, by group.

And so that is the kind of support you want from the CEO, which then leads to transparency and people can be held accountable for results. And by the way, results are often very much motivated by competition. And we love that internal competition. And one division head looks at another and says, "Well, I didn't think we could get to that number, but it seems that you already did. So apparently we can." And so that's how we're trying to move it consistent with the basic premise that obviously that would work.

Alison Johnson:

Thanks for that example. I was definitely going to ask you as the company, the so-and-so that Ayris had said could be a good model. I think you just described exactly what our listeners were hoping to hear. With that then Betsy, Ayris, with the success of Supplier Gateway still to be determined but underway, what's next for CREDS?

Betsy Feigin Befus:

Well, Ayris and Jeff really teed up what's next and what's essential. So what needs to happen is we need to make deals. So that means that we need to have more companies like Related all across commercial real estate across the industry sectors, be willing to take a chance and participate in the supplier gateway pilot that CREDS has created. And Jeff, you highlighted this, you're spot on. Every company is different. Every company's progress from defining the opportunity to identifying challenges to creating the plan and diving in is different, but I think that the supplier gateway platform does offer value for most firms in the sense that it really is a management tool for sourcing potential sellers. And I'm using seller in a very generic, inclusive way. So we need more buyers in the room, so to speak, and we need more sellers.

And that's something Jeff has really highlighted, not just during this conversation, but our work together overall, we need as an industry to invest in minority and women-owned businesses so that they are prepared for bidding on contracts and scaling and being successful for that wealth building, for being an essential piece of satisfying real estate company's goals. So we need to make that investment on both sides. We need to encourage our members and others in the commercial real estate industry to join in our effort, and we need to invest in those diverse suppliers by recruiting them and beyond the platform. We need to do what it takes to prepare them for these roles that we hope they can take on. And the measurement piece is cool. It's important and it's essential. And we can't make that data progress if we don't have the inputs in the platform. So that's another cool thing about the platform is that it not only has the capability of assisting buyers real estate companies with benchmarking their own progress, but as a possibility for benchmarking the progress of the entire industry as a whole.

Alison Johnson:

Ayris, any thoughts on what's next for CRES from your perspective?

Ayris Scales:

No, I mean, Betsy summarized it very well, and I would be remiss if I didn't say we want to model what I just kind of preached with regards to making sure that we as a consortium continue to basically check in with each other. The goals that we had to get to launch, the goals that we have now that we're in execution, the goals that we have as we move forward, I think is really great that we've made a commitment to continuously, one, we meet on a regular basis, but also taking some time to just kind of decompress and even have our own kind of planning purposes and create our own set of measurable outcomes.

And as I think about this in the big of the big is how awesome will it be because we are going to do this, that we are creating a template in a model that can be a best practice that other industries can apply. So I would love to see something like this form in the healthcare industry or to see something like this form in retail where we have other associations that are coming together and making this commitment, leveraging Supplier Gateway and leveraging these amazing minority and women owned businesses who are there. And now we really start to create that generational wealth across multiple industries. That's the goal.

Jeff Brodsky:

Yep. That's all there is to it.

Ayris Scales:

That's all there is to it. We'll do that [inaudible 00:20:55] year.

Alison Johnson:

Exactly.

Jeff Brodsky:

We're done. That's it.

Alison Johnson:

Well, on that note, I think we are, I think we have a lot more good news to look forward to, not only from CREDS but from the sector itself on its attempt to address this systemic issue and to create opportunities for all. So thank you Betsy Feigin Befus with NMHC. Thank you Ayris Scales with Nareit. And thank you Jeff Brodsky with Related Companies. We appreciate you being our guest on Code 53, The Apartment Podcast. And then thanks to everyone downloading and sharing the show, subscribe and meet us right back here for another new episode of Code 53.