

EP 3_ASHON NESBITT

Stuart Yasgur: Hi, I'm Stuart Yasgur and welcome to Economic Architecture. I am the founder here at Economic Architecture, which is a nonprofit organization that partners with others to address problems of historic proportions that are fundamentally the result of how we've all collectively designed and built our markets.

Ashon Nesbitt: We can start doing things a certain way now, and do that everywhere, we can really get out ahead of an issue. We can't avoid it, but we can be prepared for it.

Stuart Yasgur: This week I really enjoyed having the opportunity to speak with Ashon Nesbitt, the CEO of the Florida Housing Coalition. They work to expand and professionalize community land trusts throughout the state and create expertise in urban planning and real estate.

Ashon's work is fascinating. He and his colleagues are working with community land trusts, we call them CLTs for short. CLTs are a structural innovation that's increasingly being used in communities across the country. And one of the things that's so interesting about CLTs. Is that they have the potential to offer permanently affordable housing.

How do they do it? Well, they separate ownership of the home from ownership of the land underneath the home. And that helps because land is a scarce resource. And in the normal course of events, appreciation of the price of the land drives up the price of the home. But in a CLT, the land never gets sold. Ownership of the land stays with the community land trust.

So when a homeowner buys a home. They buy it without having to buy the land underneath it. So that makes purchasing the home much cheaper. In return, they agree on limits to how much the price of the home can appreciate. So homeowners have an opportunity to buy a home, own it, live in it, pass it on to their children, sell it when they decide to sell it.

But there are limitations to the appreciation of the price of the home. And so the home remains permanently affordable in that community. One of the things to listen for in this conversation is when, as Sean talks about the certification of Community Land Trusts, community land trusts, even though they've been around for a while, they're still relatively new, and that means that there's a learning curve for all the other types of organizations that are needed to create CLTs at scale.

For example, as communities across the country are starting to adopt community land trusts, the banks and lenders are trying to figure out how they finance them right now. A lot of them are doing it in largely one-off transactions. So, one of the things that Han and his colleagues have done is create standards and a certification for financing of community land trusts.

And that essentially tells banks across the country that if these opportunities meet certain kinds of criteria, the mortgages that they offer, those community land trusts can plug into the whole rest of the financial system.

Nesbitt: I'm from Florida, born and raised, and so, just living in, in a state like this is, is very beautiful. Um, but you know, we, every place has its, its problems or its issues and so, um, you know, hurricanes and just kind of the extreme weather, it's just, just a part of life here in Florida. But of course, you know, being here, always looking for, you know, solutions or, ways that we can, we can deal with, with the things that, you know, we just. We take with the good, with the bad sometimes.

I grew up in a household that did housing, so I just kind of naturally got into it. And so, how can we, build, you know, a strong housing stock here in Florida, it's just really important, uh, to, to ongoing affordability and continuing to, you know, as we grow as a state, we just have to, address that issue.

Yasgur: Exciting to be able to, to do something about it and you're actually can, so you're located right now in Tallahassee, right?

Nesbitt: Yes, I'm in Tallahassee.

Yasgur: And so kind of what are some of the housing challenges that people are facing in Tallahassee?

Nesbitt: Yeah, Tallahassee and just Florida overall, we're growing as a state still. As a state, I think it's always been our history that, our housing market is driven by other housing markets. Um, because we're, a place where people migrate to mostly.

And so, once again, you know, coming out of the pandemic, as folks started to look up for other places to move because they could, Florida became one of those places and we've always relatively affordable, housing market compared to other places. Um, so if you're moving here with a, you know, a high paying job and a lot of equity in your house, from a higher price market, it's very easy to come to Florida and get something very nice in a nice location. At the same time, we've always had a pretty lower income workforce, just by virtue of the types of jobs that are here.

So most of the jobs that developed are, you know, jobs that support, the lifestyle that people want to live. So, retail, medical, and of course those folks have family. So you have teachers. All of that. So, you know, everything's kind of a, a support to this higher, lifestyle.

So we've got the pressure from the outside and then you've got kind of a lower income workforce that's trying to afford, and so those two really don't mix very well. We've kind of been kind of going in a certain direction and now we've kind of hit an inflection point here in our state.

Yasgur: Right, right. And an inflection point because it's getting so unaffordable for people who have lived their whole lives in Florida and are earning their incomes solely in Florida.

Right, right. Like other places, it's, it's hitting the. The higher incomes that had never hit before. And so, now we, we've got that going on, right.

And income. Right. The income inequality is really exacerbating that mm-hmm. Kind of affordability crisis.

So then you've started to move towards CLTs and, and kind of using CLTs, uh, community Land Trust as a model to make sure that there's permanent affordability.

That's right. And so, you know, we we're continuing to produce units, um, you know, units that are affordable. But you know, those units typically have, if it's subsidized, you know, there's an ending point to that. And so, it's taking more and more, um, subsidy to produce affordable units and, you know, that's, significant amount of, public investment into that.

And we don't want to lose that on the backend. And so, permanent affordability, you know, as a concept. It is taking off here in our state and I'm sure other places around the country, we want when we produce something to know that it is a permanent asset for our communities.

And so the community land trust model, involves, you know, permanently removing, you know, that land from the speculative market, through legal aspects of a ground lease and a, and a nonprofit entity, or sometimes a governmental entity that owns that property or that land underneath those structures.

So those structures themselves and when they, um, eventually become obsolete, you still have that land as an asset. That will always be used for, housing that's affordable, particularly for our lower income workforce and, uh, other vulnerable populations.

Nesbitt: Right. And so by moving towards the CLT, whereas before the public investment in affordable housing, the public is investing a lot to make, provide affordable housing. But then when, uh, when that subsidy kind of, it ages out that mm-hmm. The public is not left with anything. That housing starts to go back to the kind of market rates. There's no longer affordable housing being provided, but by moving to a CLT Community Land Trust, you're able to make sure that the land, by removing it from the speculative market, is always dedicated to the purpose of providing people with affordable housing kind of going forward.

Yasgur: Absolutely. Yeah. Yeah, that's fantastic. I think it takes a little while for people to get their heads around CLTs. Mm-hmm. Community land trusts. 'cause they're, they look different, but they make a tremendous amount of sense.

Nesbitt: Yeah. It's still, even though it is growing in popularity. There are definitely still, you know, some barriers. In addition to the, the usual things, you know, the ability to acquire land, which we are tackling and a lot of community land trusts have good relationships with.

Uh, local governments or they themselves were started by local governments. So that kind of disposing of the land for housing through the CLT, definitely something that we're working on big time in Florida. The financing, this has been kind of a long time. To getting more particularly on the home ownership side.

In the past, you know, there was quite a bit of a variety of programs that were out there. There wasn't kind of a, a mandatory standard in terms of. Legal documents. Now there were definitely standards that have been promoted, with now Grounded Solutions Network.

That's kind of where, where all of this started and then, kind of getting to a point where,

Ashon Nesbitt: you know, in order for this to really scale. Or in order for it to be replicable in a way that will make a difference across, you know, many different geographies. There's got to be certain things that are standard.

Everyone kind of has to use the same ground lease, you know, basically, everybody, you know, should have, certain things in their operating procedures that they all do similarly. And the reason for that is because when lenders are, are loaning. The CLT itself becomes a, a counterparty to that transaction, because the CLT is the landowner and there's a 99 year lease, and so that CLT is kind of coming alongside the borrower.

In that transaction with the lender. So the lender has to be comfortable with the CLT, that, you know, they have to review their document, their operating procedures, be comfortable that the CLT is going to be around, that the CLT can do what it's supposed to do. Kind of be that fail safe for the borrower.

And, you know, that takes a lot. You know, if you're doing that. A lot of times for a lot of different groups to, right, to make sure that, you know, you're meeting your, your requirements as a lender. And so, that's really been a big part of what we've been doing as an organization is how can we work, with the industry to establish those standard and, promote those across the CLTs in our geography.

Yasgur: Yeah, that's great. I mean, can I, can I play it back? Do you see if I'm tracking with you? Yes.

Yasgur: Community land trusts secure land. Either they purchase it or they get it from partnership with local governors, local communities. There's a home on that land. A homeowner purchases goes. Sets out to purchase the home. There's a agreed price. They're going to own the home, but the, the land is actually controlled by the ground lease that's controlled by the nonprofit or community land trust.

To purchase that home, most of the homeowners are obviously going to need a mortgage, in order to get that mortgage from a lender. The lender is providing a mortgage on the home, but because the ground lease is critical. To be able to, for the homeowner to stay there, they, the CLT itself becomes a third party essentially to the mortgage.

Nesbitt: Yep. Right.

Yasgur: Um, and because originally this is, it was such early days, some of these CLTs look different. Like some of them might have very elaborate operating agreements are very simple ones or, you know, all kinds of things. And so, for the lender, when the lender looked at it, these became kind of bespoke.

Kind of loan products that they were making for each individual CLT. But now when we go, when we're doubling the number of CLTs and maybe even growing from there and getting more housing units per CLT you, it becomes really inefficient and it becomes a barrier for lenders to actually put money out the door.

Yasgur: And so, by kinda standardizing what do those loans look like? What are the CLTs, how do they work then in a standardized way? And what are the operating agreements and all that kinda stuff. You really kind of create the possibility for efficiency for lenders to be able to do. Multiple of those kinda loans as opposed to doing this kind of in a one-off kind of way.

Nesbitt: That's exactly right. So, we've got 40 CLTs now. Yeah. Eventually, those will all be producing, you know, a number of units a year. This is a significant amount of business, potentially for lenders. And, to have to, you know, do it kind of on, on an individual basis is, is quite a bit.

Nesbitt: And so, to produce those standards across the board. Fannie and Freddy, worked on this. And, that's been really, I think transformational. For CLTs and has really opened the doors for, just better lending options for buyers that are looking to ask this as a way to get into home ownership.

Yasgur: That's fantastic. And so, Fannie and Freddie are actually kind of looking at these standards and saying, these are the ones we'd recognize. These are the ones we'd kind of accept. Yes.

And that really then opens the door for the secondary market for these loans because if, if Fannie and Freddie would accept it, then lenders can feel more secure that, you know, even if they make these loans, if they originate the loans, they'd be able to sell it into the secondary market, either to Fannie or Freddie or to somebody else who's participating there.

Nesbitt: Yes, absolutely. And we must applaud, both Freddie Mac and Fannie Mae, for really pushing through this, as part of duty to serve. A big part of that, um, is, you know, creating liquidity for, shared equity products. Particularly for community land trusts and, we've, been a, a big part of that working with them to, simplify, that process.

So that it can work, both for the lender. For the borrower because ultimately that's who benefits from this, now that opens up, you know, Fannie and Freddie products, to them, and opens up, you know, many, many more options. And so we're really excited about the future of this.

Yasgur: You know, Fannie and Freddie are so, um, people are so familiar with the names, but they're also big and complicated. Yeah. I don't think people recognize. Just how much innovation has also been coming out in the last few years. To really kind of, move forward in, in interesting, uh, kind of smart and sophisticated ways to, to address different dimensions of the housing crisis.

Yeah. You're, you're, you're right. Most people, they, they hear about Fannie Mae and Freddie Mac, but who Exactly. You know. Are they? They really create this, this platform

for, you know, lenders to offer, affordable financing, for home ownership. And it's important that, this segment of it is not, you know, left out of that.

Right? Absolutely. And then, I think one of the. So already this is, this is huge structural change, right? Like going from bespoke product to creating something that could be standardized and start to kind of go through all the kind of, apparatus, that we need for mortgage products and the possibility of enabling many different lenders to come to the, to it already.

That's a huge. Innovation and change to help usher in. But then you're, you're also seeing,, the effect of, climate and weather and extreme weather and disasters in Florida. Right. We all know about the hurricanes and the impact that hurricanes have on Florida and Florida residents. Can you tell us a little bit about kind of how, how you're thinking about that with CLTs and all the affordable housing that's being created?

Nesbitt: Yeah, this is, something I consider a leading edge issue, when it comes to, just home ownership and mortgage finance. Just generally, the threat of, of hurricanes and, it's interesting living in Florida is we just kind of live, and I know for, for folks outside of Florida, you know, it's, it's terrifying.

It's a part of life here. Um, but we do know that, just because of the increased frequency of these weather events, it really is becoming a, part of the, the choice, part of the calculus, if you will, of, choosing where one lives. As part of that thought process, you know, am I living in a high risk area or not, or choosing to, so much so that it's now on Zillow, you start to see, see those, those risk factors.

And so we know that, you know, at some point it, it's really going to become a factor, in mortgage finance. So we're trying to get out ahead of that. , To make sure you know that, the mortgage is gonna follow insurance.

And if people can't get financing to purchase in certain areas, that definitely going to depress property values in those areas. We know that, across certain communities. That additional, issue, you know, could really further, depressed property values that have already been, devalued in some ways, just because of who lives there.

And so, we wanna address that. We know that if we can build, in a resilient way that will help those communities to hold value, in a number of ways. It becomes just a much more attractive product. And also, that's on the front end behind a, a disaster. You know, they're able to withstand or much more quickly recover. Because of the way things were built in the first place.

If we can start doing things a certain way now, and do that everywhere, we can really get out ahead of an issue. We can't avoid it, but we can definitely be prepared for it.

Yasgur: Right. Given that these extreme weather events are kind of increasing in frequency and, and magnitude, you know, if we're thinking about, smart approaches to providing

affordable, permanently affordable housing, can we also make that housing resilient, in the face of these weather events?

Right. I mean if you're thinking about a CLT property, that's 99 years, it's per perpetuity. Thinking about that structure being a permanent asset, for the community, um, and then, you know, bringing it down to particular homeowner, is behooves us to build it to the highest standard possible.

At the front end so that, that it really does stand there as that asset. And it, and this is, is that possibly e possible economically? Because of course, like on one hand, like it, you know, creating affordable housing, we need it to be, you know, we're very. Cost conscious, and I guess there might be a, a, a difference between, you know, how cost conscious are people on day one versus kind of total life of the structure.

Yasgur: Kind of how do we get the most value in cost saving. But can you talk about a little bit, how feasible it is from a cost perspective?

Nesbitt: Yeah, so that, you know, gets to, another, one of the things that, can become a, a challenge is the cost of, of building, you know, to a higher standard. We know insurance, and I'm getting technical. Sometimes it's based off of replacement costs. That can, you know, raise the cost, the operating cost for the homeowner, because there's, the structure just costs more, and so, hey, even though it costs more, you know, there's less risk, you know, how can we get credit for that and balance that out?

Right? Right. So, you know, there's, there's the actual cost and the kind of the, the downstream, other things that happen because of, the higher cost. And then, you know, how to, mitigates. Lower costs of capital. Is it, savings on insurance. And those things might not exist now, but hopefully we can justify those things existing.

Yeah, absolutely. Because as you describe it, people may not realize there's actually a bit of a perverse incentive right now built into it. Because if the cost of your monthly insurance is sometimes based on the replacement cost of your building.

That means that if you spend more money to make your home more resilient, your monthly payments on insurance may actually go up. Because if they have to replace that building, it would cost more. But of course, because it's a more resilient building, in theory, the replacements would come less frequently. And so there's a lower risk for each of those events to occur.

And, you know, maybe this is part of the frontier of where we need this conversation to go is, you know, can we see enough savings from the risk reduction to help actually pay for kind of part of the resilience, uh, increase in resilience as well.

Yeah, I think there's some places where that is starting to happen. The insurance industry, um, and we need to bring it to Florida, but in, in other states, have been able to justify, you know, lower insurance costs by building to certain standards. We have a very strong building code here in Florida.

Which, you know, already exceeds that of many other states. Um, and so, you know, through this we're encouraging folks to go above the code. The code that's really supposed to just be the minimum, right? Um, right. Yeah. And so going up and, you know, above the code, to meet, standard that the insurance industry has, put out in other places and hopefully. In certain markets, we can definitely start to see a insurance savings for meeting those standards.

Yasgur: Where do you think the biggest areas of opportunity are kind of looking ahead?

Nesbitt: You know, looking at what we're trying to accomplish here, I think it hits on a lot of different areas I think of, of opportunity. The growth in the permanent affordability movement and this adds to it, and has potential to make it, you know, that much more attractive.

The fact that, we're building to a high standard, we really want community land trusts as nonprofits, to be, you know, premier developers, and their community. I think that's just important to the image of the movement.

This issue of, of risk. That's really part of the, the CLP, is reducing, you know, risk, reducing risk, to the homeowner. You know, gives them stability. For their life. But also to those that are providing financing. It provides, a low risk product, a low risk bar, a low risk situation.

It benefits community by crime stability. And so, kind of looking at all of the ways through this model that, we can create a much lower risk of a profile. Both of a borrower and of a community. And if this can be done on a larger scale, it could be revolutionary.

There's lots of, pieces to this. It touches design, you know, it touches, risk management, touches, you know, land use and zoning finance and, it's something that, you know, I just think about generally when it comes to housing.

We tend to just focus on the policy or just on the financing piece. But if you think about it, all of these folks, or all of these, you know, disciplines and industry, you know, touch any one house, that exists. And I think, you know, being able to bring all of that to the table and all of those people to the table at one time.

Kind of answers your earlier question is also an opportunity, you know, for, for collaboration. And just listening to what we're trying to accomplish here and, all the things that need to happen for this to really have the impact that it, we hope that it has, what we would just really love to have, and just to hear folks from different perspectives, you know, weigh in on, on what this is from wherever you sit. That's great.

Well, Ashon, thank you so much for joining today and kind of sharing a little bit about the work that you're doing, so thanks so much for, for taking the time. Really appreciate it.

Nesbitt: Thank you, Stuart. Take care.

Stuart Yasgur: In working with community land trusts, one of the things that Ashon recognized is that, permanently affordable housing also needs to be resilient in the face of

increased extreme weather events. And there's a real moment of opportunity as we're building these community land trusts to build in that kind of resiliency from the outset.

I think it's really important to talk about CLTs now because nationally we are experiencing. A crisis when it comes to the affordability of home ownership, and CLTs, because of their model, they actually change the structure of ownership itself. And because of that, wherever CLT is kind of put into place. You have access to potentially permanently affordable home ownership.

It doesn't require constant expenditure, constant, subsidy. This model perpetuates itself through the marketplace. The issue is instead is that we really have to focus on helping the market recognize the promise of CLTs and the potential they can create for new kind of revenue streams for complimentary businesses.

Community land trusts are particularly important for a few reasons. One is, people who are entering the housing market. Prices are so exorbitant it's hard for people. Even if you can make your monthly payments, it's hard for people to save up for a down payment. It's very hard for people to get on this kind of home ownership ladder.

Second, there are a lot of communities that have long history and really important aspects of those communities that are under threat, from rising home prices, have been increasingly getting displaced. So we see that in cities like Washington, dc We see it in la, we see it in Houston, Texas.

We see it in Florida. We stayed in Massachusetts. A lot of these communities that have done everything right have worked hard to create, a place that is really valuable to live, are unfortunately coming under pressure one of the things that community land trusts do by capping the, the appreciation of those homes is help make communities resilient in the face of pressures for displacement and gentrification.

There are people who have pointed out reservations about community land trusts, and they say, well, you know, like that that price appreciation is important for people, for families to be able to build wealth. And they do have a point there. But I, I think the point is often overemphasized and, and this is why there are two reasons.

I think first of all, when homes are affordable, a smaller portion of your monthly cash flow goes to paying for your housing. So think about it. If you're a homeowner and instead of paying 40% of your, kind of income for housing, you pay 20% of it, your income for housing, well, you have another 20% of your income to put into other wealth building assets.

The other thing that I think people don't really appreciate about how Community Land trusts or CLTs can help people build wealth through home ownership is that owning A CLT home is often that homeowner's first home. Because the housing costs associated with buying a CLT home are less, it provides an opportunity for people to save more of their income and build their wealth.

Then they can use the wealth that they've saved to purchase a home that may not be in a CLT. It might be a traditional home where you own the home and the land underneath it. And what we kind of technically call fee simple ownership. So CLTs can really be a step in the home ownership journey.

I'm Stuart Yasgur. This is Economic Architecture, the podcast.

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