

Episode 59

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home building, housing crisis, Monticello Homes, new construction, Logan County, shovel-ready lots, land development, zoning and platting, housing affordability, Bellefontaine, real estate sales, community building, spec homes, small town growth, builder economics

SPEAKERS

Jason Duff, Doug Fosnaugh, Lauren Newsom, Ethan DeLeon

D

Doug Fosnaugh 00:00

As a builder, I could easily drive down my costs further, drive down that price, sell you this house quicker, and then you're not going to be happy. You're not going to—

J

Jason Duff 00:08

yeah.

D

Doug Fosnaugh 00:08

So it is a delicate balance because you don't want to strip too much out of the home because you really want people to really enjoy living in the home, but you don't want to put too much in because then you price too many people out.

E

Ethan DeLeon 00:22

Welcome to the Small Nation Podcast, brought to you by CoverLink Insurance, where people are more important than policies. On this show, we unpack lessons from entrepreneurs, break down development strategies, and do deep dives on small town success. Our goal is to provide value to our listeners by hosting conversations that teach, inform, and inspire. Hey everyone, my name is Ethan DeLeon, and I'm here at the new studio in the Opera Suites by Build with the founder and CEO of Small Nation, Jason Duff. Today we're excited to host two members from the Monticello— Monticello Homes team. We have the president and owner of Monticello Homes, Doug Fosnaugh and sales manager Lauren Newsom joining us. Welcome, guys.

J**Jason Duff** 01:02

Thanks, Ethan. Guys, welcome to the show. So I, a few weeks ago, had the pleasure to connect with both of them. We grabbed coffee, and I had heard about their company over the last few years. And you pop through and you scroll through your Facebook page, I saw these beautiful new homes being built here in Logan County. Now, the thing about Logan County is that we've not seen a lot of new construction in a very, very long time. So like, I was like, there's no way a home this nice at that price could be built in Logan County. And so when we got introduced, we really hit it off because I was really fascinated to enter— to want to understand. Right now, as people are talking about, about everywhere you go, this housing crisis. Yeah, just not enough homes for the people. And then there's also issues right now with housing mobility, finding places that are affordable. So in this segment today, I think what I'm really excited to learn more is number one, how they got started. Yeah. And then more deeply, like how they're contributing and investing in and working on a really critical issue in a lot of the towns and communities that we talk with. Yeah, and just understanding the industry, right? You guys are our first home builders on the podcast. So we're going to kind of dive into some of the basics, take it all the way back anyone who's kind of interested in the space. But Doug, why don't you tell me a little bit about your story and how you got into this business to begin with?

D**Doug Fosnaugh** 02:28

It's a little bit of a windy, curving road into home building. Um, it started back in the 2000s. I graduated with an MBA in accounting. I parlayed that into a career as a mortgage banker in the early 2000s. So I got to ride the wave of the refi boom, the first refi boom. And, uh, I was making good money, but I wasn't really satisfied. You know, I'm sure a lot of entrepreneurs have been there. You get to a point to where you're your heart's just not in it. And I fell in love with the DIY. It started popping on TV and got the Property Brothers.

J**Jason Duff** 02:59

So was this like HGTV?

D**Doug Fosnaugh** 03:01

It was probably— do you remember Ty, the guy with the shirt off always flipping it?

J**Jason Duff** 03:05

Yeah, the ladies fainting over this guy that's looking good but then also building houses.

D**Doug Fosnaugh** 03:10

So everybody loves Ty. I want to be Ty.

J**Jason Duff** 03:12

That was your role model, huh? So let me ask you, do you feel like you made it there?

D**Doug Fosnaugh** 03:17

Oh, six-pack could do some work. That's cool.

J**Jason Duff** 03:21

But watching those shows, it really is a lead-in for a lot of people because it catches your attention. You start to see, you know, different project types, and whether it's renovation, um, or a flip, uh, or, you know, helping people create their perfect dream space. Like, what about it for you, you know, besides Ty, like, what maybe inspired some ideas for you?

D**Doug Fosnaugh** 03:45

You know, it was just an avenue for me. Like, I'm always results-driven. And I like to be seeing, seeing tangible results. So taking something from nothing to something beautiful, or from a level piece of land with, you know, dirt and grass to, you know, 3 or 4 months later, you've got a 2-story beautiful home. Like, I just get so much fulfillment out of that.

J**Jason Duff** 04:06

So, well, and probably with your background, understanding the finance piece gave you some critical skills to understand the industry too.

D**Doug Fosnaugh** 04:15

Yeah, I think it was a nice synergy for sure. It's— you kind of see how the sausage is made. That's the real business, is the money and the documentation and paperwork. What you see on the street, that's just the fruit of a lot of labor that goes in before we ever break ground.

J**Jason Duff** 04:34

Yeah. And Monticello, that's a— you say that name 4 times fast. That's why I stumbled over it.

D**Doug Fosnaugh** 04:42

Monticello, I hear a lot.

J**Jason Duff** 04:43

Monticello.

D**Doug Fosnaugh** 04:43

I kind of like that. We might need to play with that. Just sell homes, Monticello.

J**Jason Duff** 04:47

Ooh, there's some marketing. I think Lauren's ears are perking up with that. I like that idea. But that's Thomas Jefferson's, uh, original home, right? So, so what's, what's the story behind the name on that?

D**Doug Fosnaugh** 04:57

Um, that was actually my, my original partner, the founding member of Monticello Homes. I believe Lauren's actually related to him, so it was their, uh, place they got engaged, I believe. Yeah, him and his wife.

L**Lauren Newsom** 05:10

Yeah, he went to University of Virginia and so had ties there. Gotcha.

J**Jason Duff** 05:15

So there's a personal connection there. I was just curious. But home building, can you kind of explain, you know, like I said, you were, you're the first one to kind of like represent the space on the podcast. So can you kind of just explain the business model and like how all of that works?

D**Doug Fosnaugh** 05:30

The business model, you just have to, I'd say you grab your seat tight and it's so easy.

J**Jason Duff** 05:38

Everyone makes money in it. It's very easy. Well, the thing that I have learned about real estate and the whole spectrum is the idea of finding property for a lot of people is the first step. And the community itself, there are different highways, different zoning, different demographics. And for the longest time, what I was kind of mentioning, the problem has been is a lot of young people wanted to move to the big cities because that's where all of the amenities, the experiences were. But there is a large group of people that once you decide to have a family, or, or maybe you live in a family home but you want to downsize, it's finding properties that, that are maybe new construction that are better suited and designed for the needs that buyers have today. So, you know, the first step, as I say, is, is finding real estate and being able to develop that real estate. Can you maybe walk us through some of those steps? Like when you, you know, built your first home, some of the things that you need before you can even start to build a property?

D**Doug Fosnaugh** 06:48

So it's a real challenge. And I mean, Monticello, we are a home builder first. We're not developers per se. So we're not looking at raw land. Really what I'm looking for is developed lots. So what that means to me is water, sewer, electric, gas already there. It's ready for me. It's basically what I would call shovel ready, if you've heard that term. Essentially, I can go in, I know that I can put a house on that lot, and I can get all the amenities that house needs to it instantly. I'm not chasing down any one or two pieces. I'm not looking for well and septic. I mean, we can do that, but Monticello has not done that just because it's too much unknown to do it on a spec level. Because when you're, when you're drilling for a well, I mean, it could be \$10,000 or it could be \$100,000. You don't know until you start drilling.

J**Jason Duff** 07:36

And let me just ask, I mean, I'm asking for my own curiosity, is who is responsible for getting utilities out to like just a raw piece of land? Well, like Doug was saying, the, the other kind of piece to the puzzle that's really important is finding a land developer. And that person usually takes a property that is very large. So it could be, you know, 50 acres, 100 acres to hundreds of acres, and decides to engage with engineers to plat it out. And the term of platting it out is really you know, deciding where it's appropriate to run streets, where it's appropriate to design lot specifications. And the, the thing about surveying a property, that's another really important piece, is when you get surveyors out there, they look at topography. So the way that the ground rolls, why that's important is where water is going to drain to. One of the, the real important pieces of advice that my grandfather would always instruct me anytime I was thinking about developing something, he said, always build on the highest point of the property that you can, because it's going to be— there will be that 50-year flood event, there will be that 100-year flood event, and water will go to the lowest point on the property. So once you get the property surveyed, you get it platted out, it's then deciding, you know, what rules are governed by the zoning that exists in the community. And zoning dictates, dictates land use, so what you're allowed to build. There are oftentimes setback requirements that exist with that, and that's what's so unique about being a home builder is that every community you go into, and you kind of see this, it has its own personality. It also has its own rules and processes and requirements. And so some folks may want to move into a community that has a homeowners association that professionally manages that community and sets standards for other homes that exist there. And there's a lot of people probably listening that saying the last place that they would want to live is in a community that has a homeowners association.

D**Doug Fosnaugh** 09:54

Right.

J**Jason Duff** 09:54

And so the thing that we're trying to find to solve the issues around housing development and housing affordability is we need land developers. Oftentimes that starts with looking at how money can be made and invested in that process and the cost. Your question was, I know it was a long-winded response, but how do we get utilities to that site? So, you know, for that, villages and cities and municipalities, they typically have water. So they have their own wells, and that's where you see water towers. And then they have sewer treatment. So they, you know, they provide those kinds of things. But then another real important one that's sometimes a yes and no is natural gas. So if you can have a plotted out development that also has natural gas, that can be a big plus for a home builder to be able to incorporate that into the utility systems of the property as well. So I think those are things that city planners, you know, this is where the government side, the public side, you really need the county or city government to be working together to identify where they want to see growth in the town, and then you need to be working with engineers and, and architects and surveyors to be kind of plotting out that level of development and growth, and particularly planners. You know, there's professional planners that look at, well, this is where it makes sense for these types of developments to happen. And I think the friction points is, and as you can see as I'm talking about all of these different groups of people that had competing interest and ideas about how something should go and will go. And you know how easy it is to get everyone to agree on the same page, right?

D**Doug Fosnaugh** 11:55

Yeah. It's like your comment about HOAs is everybody wants an HOA for their neighbor but not for themselves.

J**Jason Duff** 12:00

Yeah.

D**Doug Fosnaugh** 12:01

Excellent point.

J**Jason Duff** 12:02

Yeah, that's cool. So you specialize in— specialize— you are a home builder, not a home or a developer, right? So, so you— how do you determine where you want to build, what plot of land you're interested in?

D**Doug Fosnaugh** 12:16

And like, talk me through that process and then how you get started? Well, as Jason alluded to, it is so difficult to find lots that are shovel-ready that that's what I'm looking for first. And if I find shovel-ready lots, I should take a step back. So geographically, of course, I'm looking at different areas geographically. Once I've identified an area geographically that I like or looks interesting from a high level, then I can dig a little deeper to find out, is there actually buildable land there? Is there something I can work with You know, not 3 years from now, but 30 days from now, can I get my, you know, get my feet wet in there? Yeah. And then— and how I found Bellefontaine, for instance, was just putting those feelers out, having conversations, networking. It's, you know, just— and being a good steward of, you know, the resources that you're provided. You know, I'm fortunately, you know, not to toot my own horn, but I have a good what am I looking for, a, uh, we want reputation.

J**Jason Duff** 13:17

We want you to brag on this podcast. You deserve to brag.

D**Doug Fosnaugh** 13:19

I'm trying to remain humble, but at the same time, it's one of those things that your reputation always precedes you. Yeah. And so I had a background with a couple larger builders, and I came recently from Fisher Homes. Um, great employer, loved working for them. I just had reached the point where I was ready to go out on my own. Sure. But in doing so, I, I was in charge of basically procuring materials and contractors. So I have a vast network of contractors across from Dayton to the east side of Columbus. And so as I'm having those conversations and eventually, hey, this is what I need, this is what I'm looking for, Jeremy Sloan, Ohio Ready Mix, he says, you know, you should look at Bellefontaine. I'm like, Bellefontaine?

J**Jason Duff** 14:02

Where's Bellefontaine? Bella where? How many times I've heard that, I should get like a dollar every time. Bella where? But I'm from Marion, Ohio.

D**Doug Fosnaugh** 14:10

I can't really say too much, right?

J**Jason Duff** 14:12

So it's Mount Gilead, right?

D**Doug Fosnaugh** 14:13

His hometown. So, well, I'm from Marion.

J**Jason Duff** 14:15

You're from Marion?

D

Doug Fosnaugh 14:16

From Marion. Got it. So, but another hometown, a small hometown.

L

Lauren Newsom 14:20

Yeah.

D

Doug Fosnaugh 14:20

And so I have a heart for small towns in the same. So I'm like, I know, I'll take a look at it. And so Jeremy, you know, hooked me up with Jeremy Levan, the developer who's developing Spark out here.

J

Jason Duff 14:31

Yeah, he's been on the podcast. He's been a podcast guest as well. And we learned a lot about dirt on that show.

L

Lauren Newsom 14:35

I'm sure you did.

D

Doug Fosnaugh 14:36

Yeah. He moves a lot of dirt.

J

Jason Duff 14:37

He moves a lot of dirt.

D

Doug Fosnaugh 14:38

Yeah.. And so in that process, I was just introduced, you know, one conversation led to another. And this was, you know, over the course of several months, you know, probably 6 months from the time that I actually had the little nugget dropped in my ear, you should look at Bellefontaine before I'm actually talking with people who actually are in Bellefontaine and meeting with Jeremy and kind of doing a site visit and driving downtown, which I was very impressed with downtown. I wasn't expecting it coming from No, not the— not Marion, but they're a few steps behind where Bellefontaine is. And, and as I was going through, I'm like, no, this is someplace where I could see myself living. And then as I'm looking at lot prices, so you should get back into the home building. It all comes down to equations. Can I make money here?

J

Jason Duff 15:21

Yeah. Well, and I want to put a button on the point that you made because a lot of people— and Lauren, I think this is a good place to kind of share from your perspective of being able to sell. The product that you build is you don't really want to invest in a place if you're introduced to it for the first time and you drive through it and if it's run down and there's, you know, empty buildings and no energy, that doesn't really sound like an exciting place to invest.

D**Doug Fosnaugh** 15:49

Right? Right.

J**Jason Duff** 15:50

So like maybe you can set it like when you were driving through, like some of your first impressions. And then as you, you know, the other point that like you dive deeper is how important relationships are as you get to know a community too.

L**Lauren Newsom** 16:03

Yeah, for sure. So Doug does all of these equations on the front end and makes all the decisions and says, this is where we're building. And then he hands it off to me and says, okay, go. Sell this, right? Yeah. And so it's actually pretty fun from my perspective because we have several homes that we're building in Bellefontaine, but we have communities in other areas of central Ohio as well, out in Heath, some in central Columbus. We've been in a lot of different communities over the past several years. And so Part of the fun part that, that I really enjoy is getting to know what makes those communities tick and knowing who is going to be best suited in our mind for those homes. You know, we've certainly had areas in Central Columbus where maybe the schools aren't, aren't the selling point, and so those are a little bit better suited for people that are either moving down and looking for some ranch floor plans or people who are, you know, just getting into the home buying market. And so you have a different different viewpoint. But when we came here to Bellefontaine, you know, having a nice downtown, um, understanding kind of are people commuting here, are people— what are people really looking for in, in this town, um, has been fun. And getting to know those communities, getting to know, you know, the real estate partners that we're going to have, getting to know, um, some of the small businesses that you introduced us to. And I, I've circled back with several of them even today, went and met several new folks in town.

J**Jason Duff** 17:25

And I'll just give you a shout out about that.

D**Doug Fosnaugh** 17:26

Eden House has plants in our—

J**Jason Duff** 17:27

I, I love that. I mean, we have a, a new plant store in our town, and it's really been very popular because they have so many varieties of plants. But like, I just thought that that collaboration— there was a Facebook post that kind of shared, hey, our plants are now displayed in Monticello Homes, and vice versa, like sharing and putting feedback on Eden House as another local business. That's just another neat way to like help everyone win.

L

Lauren Newsom 17:56

Absolutely. Well, and I think that helps so much for, for people that are moving into our homes, whether they're, whether they've, they're from Bellefontaine and they're looking for a new home here, or what happens a lot is we have transplants that, that find us in different ways and really are looking to make these, these communities home but don't know all of the, um, all the cool nuances. And so being able to have that community feel, I think, really helps on our end when people are coming through to an open house They say, oh my gosh, you know, look, this is— these are neat plants. I just stopped by the Chamber of Commerce and got a whole sectional of different activities that go on in town that we're going to display in our, um, in our model home. And so I think that it works really well to network among the businesses and among the community.

J

Jason Duff 18:37

I love that. And I learned early as we were working to develop the upper floors in the downtown, we wanted to recruit and do more residential. And one of the biggest hesitations that people had as they— as I was talking about doing upper floor residential, it's like, no one would ever want to go up those steps. They'd never want to carry their groceries, let alone carry and put any of their furniture up there. And that kind of stuck in my head. And then I met a local couple that had bought our 70-year-old furniture store in town. and they carried beautiful lines of furniture. And I, you know, brought to them the idea as we were finishing these apartments, they would show so much better if we had them staged with furniture. And that was another example where Tangerus Furniture is a local business, staged the loft apartments with beautiful furniture. And when I would walk people through, it was just that, that connection that they could see themselves living there, that, that other finishing element. And not only did we end up over the years or two of doing that, as we were filling our loft apartments, it generated thousands of dollars of new sales for the furniture store. So I think like us thinking about those problems and what people maybe voice, you know, for example, I would never live in such a tiny town, or what, you know, whatever they want to put on that, that actually may be your strength. So tell me, on the selling side then, when you guys, you know, build these homes on this plot of land. I know we talked a little bit about this on our call before, but when the home is done, are you selling directly to consumers? Are you getting in contact with real estate agents, or how does that part work?

L

Lauren Newsom 20:25

We do both. If somebody buys a home, no matter how they want to buy it, we'll say yes.

J

Jason Duff 20:31

Yeah, sure.

L**Lauren Newsom** 20:31

That's great. But we do both. I guess backing up a little bit, so our homes are what we call inventory homes. And so that means in the new building space that we've selected all of the interiors, right? The cabinets have been selected, the paint color, the flooring, all of that has been decided typically before we even list the home or before it's open to be purchased. Yeah. And that's different than a custom build where somebody would come in and, you know, say, I want this color floors to match these color cabinets. Yeah. For a lot of those folks out there buying homes, they really like that. Because it does a couple of things. It makes that decision-making process a lot less overwhelming. Yeah. But it also really shortens the lead time of when they can move in. Yeah. It also helps with the lending options because they can go in and they can buy our home just as if they're buying an existing home. So they don't have to get a variety of types of loans to fund that construction. And so that ease of being able to move in, I think, allows our model to be available to a lot bigger pool of buyers. So Some people do find us directly. We have some marketing. We have obviously our, our social media. A lot of people have started recognizing our name over the past several years because I think it's associated with a higher quality for the price point than potentially existing homes. And so we do have a lot of folks that come directly to us, but I really like to make those, those connections with real estate partners in those communities because they know the the buying population best. Sure, they're on the streets, they're working with clients. And so we— I always welcome that real estate partnership and try and really cultivate that through the real estate networks. I go to a lot of those meetings and, and just try and make a lot of friends.

J**Jason Duff** 22:18

Thanks for sharing that. You mentioned at a lower price point, and I want to kind of get into that for this area. I mean, you, you guys have kind of targeted Central Ohio, right? You said what, within an hour of 270 or something like that? So, you know, Bellefontaine is quite a bit different market than, you know, even somewhere in Columbus. So can you talk us through like how— what intentions? I think I'm going to dive a little deeper in that question. Like, how do you— how do you create an affordable new home today?

D**Doug Fosnaugh** 22:48

Well, that's getting harder and harder to do.

J**Jason Duff** 22:50

It really is.

D**Doug Fosnaugh** 22:51

And affordable has so many different definitions for so many people. But another thing that attracted me about this area when I met with Jeremy and he's walking me through, you know, this is what we have here, this is that. Yeah, downtown's nice. Wow, it's beautiful out here. It's the highest point in Ohio. Oh, by the way, there's a tax abatement. Yeah. So these are things that small towns are doing, at least that I'm aware of, that larger cities aren't doing because maybe they don't have to do it. You might find an inner city Columbus or something like that, infill lot, somewhere people aren't really drawn to go live there, so they're using tax abatements to draw them in. Well, Bellefontaine's doing that out here. So their property taxes, I mean, if you think about compared to what somebody's going to pay in Dublin or Marysville, you know, somewhere on the outskirts of Columbus, I mean, they're going to be saving upwards of what, \$600 a month on property taxes by going this side of Marysville instead of that side of Marysville.

J**Jason Duff** 23:45

Yeah. And so I think that's important to think about, you know, the costs that go into buying and owning a new home is not just the hard cost of the lot and the, the, the structure itself is that, you know, your mortgage costs. So in a higher interest rate environment, it is more expensive to own a home. And even the higher rate interest rates are impacting rental housing. I mean, it's across the board. But you also are typically required or you should be choosing to get some type of property and casualty insurance on your home. So that would be a line item of an expense to protect if your property were to be destroyed by fire or storm or, or other types of damage. And then the big one that you just mentioned is the real estate taxes. And so, you know, for those that might be new, is what traditionally has happened when land developers would plot out a development the cost of the lot, that real estate cost of that tax would begin at the point that it's been platted out and there's a street and water and sewer to it. So you can see why land developers, like, their expenses are already starting before they even have a structure that's built on the house. And that's why, you know, we're all trying to point fingers at why in the last 20 years you look at graphs and I attended a program that was led by John Menchie from the BIA Association, which is kind of the Builders Industry Association, and really for Central Ohio, John and his work represents most land developers and home builders in the Columbus region, and he showed a graph that caught my attention. From 2000 till today, the number of new home development, like, there is this, this cliff And it literally goes down. And then he puts up another slide that shows the Indianapolis market. It also took a dive, but it was more of a slow decline. And we're really trying to all scratch our heads to say what happened in Columbus, Ohio, that we are so behind the demands for new housing. And I think, you know, it's all those pieces like the cost. So today You know, for, for if you're, if you're a policymaker and you're listening, the question is to attract, you know, people like Doug and Lauren, what are you doing to lessen the cost of the burden to develop new land? But then also as they build these structures and put hundreds of thousands of dollars and millions of dollars into capital to building new homes, how can we keep the cost of the real estate taxes low or abate them for a period of years. So when that person— because it not only benefits you at the time that you're owning and developing, that tax abatement for a lot of these programs extends on to your new buyer, right?

D**Doug Fosnaugh** 26:42

Oh, absolutely. That's the attraction here. I mean, there's not a whole lot of property tax on a raw piece of land because the value isn't that great compared to an existing home. But our buyers are going to move into these homes, they're going to get 5 years tax abated. From the get-go. And the way the Bell Fountains program works, if we end up getting occupancy in all 6 that we have currently going within this calendar year, it'll go to 12 years, 100% tax abatement, and that's transferable. Jeez. So you tell me that's not a selling point as an investor, as a builder. Heck, I'm ready to move to Bell Fountain for that.

J**Jason Duff** 27:14

Yeah, yeah, you know, we'd love to have you.

D**Doug Fosnaugh** 27:17

All right, Jason, I'm gonna go back to what you were talking about with policymakers and zoning and engineering requirements. And I think it's important that the policymakers, if they don't understand, then to try and meet with their builders or local builders and try to pick their brains about what each decision they make, how that impacts an individual home on an incremental level. Because on a grand scale, you know, something as simple as all houses will require a stone water table on a 40-foot house. Let's call it \$2,500 in cost. Okay. So by the time that gets to the buyer, let's call it \$4,000 extra price. Now you've got a buyer that qualifies for a \$200,000 or \$300,000 mortgage. Well, you may have just priced that person out because I got to sell that house now at \$305,000, for instance. And so those little incremental additions can easily price somebody out of a home.

J**Jason Duff** 28:15

Well, one that I'm curious about is— I've been hearing a lot about it, I've not yet experienced this, but you guys would know more— is, you know, the growth of electric vehicles is obviously coming, but I'm understanding that in the Ohio Residential Building Code there is new requirements for having plug-in ports and stations in a garage. Is that something that's in the code now? Are you experiencing that, or is coming, or—

D**Doug Fosnaugh** 28:39

Yeah, they're requiring one for each car.

J**Jason Duff** 28:42

It's just something new that we don't typically think about. And yeah, yeah, I guess that's where— that's that perfect example where, well, we're trying to design the code that's preparing people for the future, and this should be a good thing, but the unintended consequences— that is another one of those examples of you want something that's affordable. Well, that just added probably thousands to the price.

D**Doug Fosnaugh** 29:04

I mean, it's, it's not only that, but it all just adds up. And I think that it's easy to write it on a piece of paper, but if you don't understand the real impact that has to Joe or Mary home buyer, you just aren't getting it. And that's who you're serving as a community servant. You know, that's your target. So yeah, everybody wants a beautiful community, but I believe that beautiful communities can be created on a budget if you're smart about planning it. You know, going back to Ty Pennington, right? You know, \$1,000 budget and you can basically redo a couple of rooms in the house.

J**Jason Duff** 29:37

But he makes it look really easy for that. You know, that's the thing about these shows.

D**Doug Fosnaugh** 29:43

I love that.

J**Jason Duff** 29:44

Oh, how much was that budget? And then I go back to like what things actually really cost me. It's like, I think that's TV. But you're right. I mean, that, that's, that, that is in essence, in principle, what we're trying to solve.

D**Doug Fosnaugh** 29:55

So let me, a good comparison here. So as I mentioned, you know, we have a Dayton operation. I may not have mentioned it, but so we have a Dayton operation. We have a Columbus operation. Now, in all reality, our Dayton operation is dwindling while our Columbus operation is expanding. A lot of that is driven from a lot availability. Dayton has not done a great job of pre-planning build-ready lots. They're way behind the 8-ball and time— and as far as that goes. But also, they are so stuck on requirements in a lot of these little municipalities on what they require. They want brick wrap, you know, brick is not cheap.

J**Jason Duff** 30:34

Finding masons is not easy.

D**Doug Fosnaugh** 30:36

Brick is actually the most expensive exterior you can put on a home. And some of these communities are requiring it. Some are requiring it all four sides of the house. Geez.

J**Jason Duff** 30:44

So I'm just for aesthetics or what?

D**Doug Fosnaugh** 30:47

Yeah. So, so what you find is you find— and I build a lot of what I call infill lots or orphan lots. And so we're as a builder, I'm looking for you know, Fisher Homes or MI or Pulte was in this community. They pulled out, they left 4 or 5 lots that they didn't sell, you know, maybe it was 5 years ago, 10 years, 30 years ago. And I'll go in and I'll do my due diligence. We can get into that if you'd like. But basically I go in and make sure that it's viable, buildable lot, and then I start plugging away. All right, so what's the true cost of building this community? And I'll get into this community, it's an older community, right? So I may have 20-year-old homes all around me. So I'm going to go in here, I'm going to put a new home beside all these, you know, worn-down homes. Some of them are still beautiful, some of them clearly not. And I'm going to go in and they have architectural requirements, right? So they're going to require you have to have, you know, like I mentioned, 4 sides brick. You've got to have cement siding. You can't have aluminum or vinyl soffits. Got to have, um, architectural shingles. Some, some of these communities are as far as they require certain types of windows. So, you know, I can't just use a single hung window. I've got to go in there with, you know, some casement windows, which are going to double or triple the cost of my window install. So you start cranking the numbers, and I can literally give you several examples recently where by the time I factor my costs It would cost me more money to build the house in the community to their requirements than I could sell the house for in today's market. Yeah. So as a builder, why would I ever do that?

J**Jason Duff** 32:26

Right. And that is what we're trying to solve for. And I think you start to hear that the more regulations and the more requirements, you know, that, that definition of affordable home is just not possible. But like, maybe can you speak from the sales side? And, you know, I know, Lauren, you're interacting a lot more with the prospects. What are the kinds of things that buyers that you're meeting with really care about today? And how are you kind of with the development side of the homes that you're building, working to take that feedback into consideration? All right. At this time, we're going to take a quick break to hear a word from our sponsors. Come check out 600 Downtown Pizzeria in downtown Bellefontaine, where they cherish the art of making the most authentic, unique, and delicious world-famous and award-winning pizzas. Their team hand spins each pizza the old-fashioned way and only uses the freshest of ingredients. Come see why they were featured on the Food Network. If you are looking for a dynamic workspace in the heart of Bellefontaine, look no further. Build Coworking Space is your destination for creativity and collaboration. With state-of-the-art facilities and a thriving community, this is where innovation happens. Join them today for as low as \$99 a month and build your success at Build Coworking Space.

L

Lauren Newsom 33:40

Yeah, I think one of the things that we do well in our floor plans is really looking at what things like what would we want in a home, what make it— what, what are things that make this livable. And on those things, we may spend a little bit more, but the payoff or the enjoyment factor for the folks that are moving in is quite high. And several examples of that includes just, um, you know, our open floor plan and the arrangement of how we we place our bedrooms versus the kitchen versus the living room. One of the things on our floor plan called the Cloverly that immediately people just go gaga over is the second floor laundry and a large laundry room. That's a floor plan that has 4 bedrooms upstairs, 2.5 baths. It's one of our larger square footages, and it's perfect for families or, or for people that are planning on having families. And so having that big space upstairs for the laundry room is huge. Larger closets, walk-in closets are a big thing. Having storage space in our homes that have basements, we always include bathroom rough-ins in the basement in anticipation that they're probably going to want to finish the basement at some point. We don't finish those basements, but if you know that they're going to do that, you know, if they're planning on living there 5, 10, 15 years, then you already have those bathroom rough-ins so they can add that bathroom when they're ready to. We do things like concrete driveways and sidewalks, which is huge. That's not going to be something that—

J

Jason Duff 35:03

thank you for that, by the way. I grew up in a concrete family, so we love concrete.

L

Lauren Newsom 35:07

Yeah, but it's not going to have to be replaced, right? Um, little things like soft-close drawers on your kitchen cabinets, you know, that doesn't seem like a big thing, and you might not even notice it if you're walking through the home, but it's a big deal when, you know, you've got a toddler that slams the door and slams their finger in it. Um, we do other small details that just make the home look, look really good. Like, we do textured tree bark ceilings which does cost a little bit more, but I think it, it gives that wow factor that it doesn't cost that much more. We do—

D

Doug Fosnaugh 35:42

it doesn't look like everybody else's.

L

Lauren Newsom 35:44

Yes. Um, we do hard flooring in areas where it matters, right? So area on the first floor, we do LVP flooring so that it has water resistance, knowing that people probably will have a pet at some point.

J

Jason Duff 35:58

Um, and I think actually people care more about their pets than people today.

L**Lauren Newsom** 36:02

So yeah. So there are several other things too that aren't coming straight to mind. But I think areas like that that make the home more livable and welcoming. We have a pantry in every one of our floor plans. We have a linen closet upstairs as well as a coat closet when you walk in. These things that when I'm looking at a house to buy for myself, I want to know where the stuff is going to be hidden. Yeah. So I can still live in it.

D**Doug Fosnaugh** 36:29

Right.

L**Lauren Newsom** 36:29

Oh.

J**Jason Duff** 36:30

But still live in it, right?

D**Doug Fosnaugh** 36:31

Yeah. What we want is we want the person to live in that house for 5 years, and when they're ready to move, we want them looking for us again. Yeah. And if they can remember, they thought about the details, I can trust them as a builder to put in the house what I want in my house and deliver it at a price that I can afford, then they're going to look for us. Yeah. Now you don't want to, you know, I could easily sell these homes and hide the fact that they don't have pantries because you're not going to miss your pantry until you need your pantry.

L**Lauren Newsom** 36:57

Yeah.

D**Doug Fosnaugh** 36:58

Yeah. You're not going to miss your huge laundry room until you're doing laundry and you need more room in your laundry room. And so So that's what— as a builder, I could easily drive down my costs further, drive down that price, sell you this house quicker, and then you're not going to be happy. You're not going to— yeah. So it is a delicate balance because you don't want to strip too much out of the home because you really want people to really enjoy living in the home, but you don't want to put too much in because then you price too many people out. And so as a builder, our primary prerogative is to deliver an overwhelming value, and we want to be competitive with existing homes. So I want the Bellefontaine shopper, the Columbus shopper, wherever they are, I want that person who's shopping for a new home and they're looking at existing homes on the market, homes that have been around, maybe built 20, 30, 50 years ago, and they're comparing that home to our home. I want them to be able to have a very close comparison. Yeah, we're not going to be the same price.

J

Jason Duff 37:53

Sure.

D

Doug Fosnaugh 37:53

But they're going to say, hey, I could have this 30-year-old home, your 30-year-old home, that needs an update— bathroom, kitchen, carpet, paint— or I can have this brand new home that needs absolutely nothing because we've dotted all the i's, crossed the t's, granite tops. Lauren just went through the laundry list of things that we look out for, and it's only going to cost you another \$150 a month. Yeah, you know, and those are important, like, personal financial decisions to make.

J

Jason Duff 38:19

And, you know, I, I— if you can kind of walk us through— so we, we talked about the benefit of buying new— a new home is the, the perk that particularly exists here in the city of Bell Fountain. And other communities are looking at this too, is locking in the, the low cost to no cost for your real estate taxes. Um, so that, that abatement piece. But, you know, purchase price for some of your homes, can you give us a range of what those look like?

D

Doug Fosnaugh 38:47

Yeah, so we have anywhere from \$250,000 to I think the highest right now is about \$500,000. Our target, if I can stay in that \$350,000 or under, that's really the sweet spot. It's a little harder to do, um, it depends on the neighborhood. The neighborhood we have out here in Bellefontaine, it's a little more upscale. We did have to kind of tweak things a little bit, so we're closer to that \$350,000 to \$400,000 mark. But \$400,000 and over, it just gets more unreachable really fast for a lot of buyers. And so your affordability comment. This is how local municipalities can really help spur builders, is with things like tax abatement, things that they can control. Because as interest rates are going out of control, you know, it gets harder to sell houses because the affordability is just not there. Rents are going up. As long as rents are going up, home prices are not coming down. So as that equation continues to climb, you just price and price, price more and more people out of homes. So those programs are critical, and I think that even the bigger municipalities are going to have to jump on board with that, at least in the near term. Maybe it's a 5-year, maybe it's a 10-year, but something to take the ease or ease that burden of the higher interest rates for these people as inflation is out of control. And I keep hearing the comment, you know, I want to wait, you know, I want to see when rates come down. Um, my superintendent today, Alejandro, he actually showed me a quote I can't remember verbatim, but basically it was like 1973. You know, there's a, there's a homebuyer, right? He's probably 22 years old. He wants to buy a house. Rates are starting to go up. They're 7.5% or 8%. It would have been 1993 before rates came down for him to buy a home. Wait, and home prices had quadrupled in that time. We're in the exact same scenario right now where they're not going down. Rates are not coming down, at least not to the point that we're going to make it. Dramatic impact on your monthly payment. Mm-hmm. Home prices are going up. Home values are going to continue to increase, right? Right. But barring any unforeseen circumstances, there's just a shortage of inventory and overwhelming demand for the supply. The economics tells you prices probably aren't coming down anytime soon. Inflation is driving up cost of materials, so it's not getting any cheaper to build the house, right? So it's not only costing more to build the house, I've got to charge more for it and the interest rates are going up. That's not slowing down. So that's my— that's my— as a homebuilder. Yeah, I know.

J**Jason Duff** 41:13

Yeah. I mean, and I think the math of that, your thesis of how you shared that, there's a lot of logic and it makes sense. Yeah. And I think a lot of people are looking at this and saying, you know, the best way to strengthen our economy and our country is we've got to help the middle class, you know, be able to afford and own the American dream, which is own their own home. And, you know, in the flip side of that, what that impacts in the housing continuity with higher interest rates— and this was, came out a number in the presentation that John Menzi was sharing— is that this idea of mobility. So you might have someone that has— and he asked a question in the audience I thought was really interesting. He said, he started and said, anyone in the room, if you have a a mortgage that is under 5%? Raise your hand. So a few hands went up, or I'm sorry, a lot of hands went up. But then he started kind of working down like 4%, 3%, 2%. By the time we're done, like majority of the room was 5% or less. Is it— how many of you are planning to sell your house and move into a 7+ percent mortgage? And no one was raising their hand to do that. So this idea that— that maybe there's this couple that are now empty nesters that has a 4-bedroom home that really don't want to stay in a 4-bedroom home, but their interest rate is so low, or they're, they're in cash because they've paid off their mortgage, they, they don't have options to move somewhere else. So we— your piece of being a new construction home builder is one of, of many in the continuity of everyone working on this housing crisis, but I think, you know, a lot of the nuggets that, that you shared are something that hopefully the, the mayors and the county commissioners and, and other investors that are listening can, can take away for their own towns. Anything else that kind of pops up with that in terms of advice?

D**Doug Fosnaugh** 43:08

I think you just made a great comment on the sense that new build— I mean, I think that growing up I always had the— I guess my paradigm was that new builds were for rich people. You know, that was just kind of how it was. If you— when you walked into a new build and you smelled the fresh paint and you smelled the brand new carpet and the air conditioning— I mean, I didn't have air conditioning, central air in my house growing up, so that was just a luxury. And that was just the rich people got new houses. That's not necessarily the case, and we're trying to change that scenario. Um, but to your point, not everybody can afford a brand new house. But if those people who are living in homes don't have a place to go to buy a new home, that existing home that that other person can now afford never becomes available. And so the new build construction is critical. And it's not just for rich people. People maybe have to work up in some cases to be able to afford or move up into a new home, but they're vacating a space that is needed by somebody else. They never vacate it. You're leaving that person high and dry paying astronomically rents.

J**Jason Duff** 44:12

Yeah. So someone comes and they want to, to buy a house, and I think so maybe a question for both of you in terms of the background with the work you've done in finance is you have someone that comes through, and let's just say that they're a couple and they've got— they both are employed. Um, what are the, the things that you need to help them get set up to walk them through the sale?

D**Doug Fosnaugh** 44:36

Lauren, go ahead.

L**Lauren Newsom** 44:39

Um, so I guess the first thing would be to make sure that the floor plan meets their need. And so I usually try to really understand, you know, what exactly are you looking for. Another critical piece is what's your timeline. You know, some people are really kind of on the front end of that and they're looking to buy in a year or two, so kind of giving them the tools so that they can be ready to buy in a year or two. Some people want to move in next week, and the nice thing I think about our homes here in Bellefontaine is we have a variety of those time frames that we can answer, right? We can help somebody that wants to move in a year and a half. We can help somebody that wants to move next week. We've got homes in all different, uh, phases. And then the other thing is just affordability. And to Doug's point, um, you know, whether this is a home is for a rich person or somebody that's, that's might not consider themselves in that light, we have some different financial packages working with our preferred lenders that can really help them to have a reduced mortgage rate. We have a couple different buy-down options that are available, and so plugging them in with a lender that might be able to work with their credit if that's strained or give them options. I've been really proud of the partners that we've worked with because they've been able to get several of our clients into homes who didn't even have that belief that they could ever own a home, let alone—

D**Doug Fosnaugh** 46:00

We can give a shout-out to Adam, I think, right? Yeah.

L**Lauren Newsom** 46:02

Yeah, we work with Adam Casper at Bank of England, and he just just does a lot of really creative work with, um, with our homebuyers. And so that's exciting. The other thing that homeowners are able to get is they're able to get a warranty and that peace of mind. A lot of people who come to us that are first-time homeowners don't know what it's like to have to maintain an HVAC system, or, you know, what's it look like for shingles to be good, and all of these things. So we do a whole orientation process with them to really show them the nuts and the bolts of the home. But then we also have an entire year where if something needs adjusted, which it will, I mean, a home is a big purchase. Guaranteed. Yeah. That we're there to help them with that. I also like our structure at Monticello because we're a smaller team. Through the process, they're probably going to get to know all of us. There's 5 of us. You really have that responsibility to the homebuyer to help them out if there is an issue. Whether they're communicating with Doug or with me or with our superintendents, I think that people like the fact it gives them comfort that they know Okay, I don't have to go through a, you know, call center and get these questions answered. I can call Lauren's cell phone.

J**Jason Duff** 47:10

That's great. Yeah, that's really cool. I want to kind of move us into a show segment here. I want to do a real estate deep dive, dive into the deep end. And typically we've done this with, you know, real estate investors or people with rentals, but this is kind of a unique opportunity. So I kind of wanted to hear from you, your very first, you know, get super practical with it experience with building a home to sell. How did that go for you? And, you know, just getting into that for the very first, like, you know, think for the listener who may be interested in this but has no idea where to start.

D**Doug Fosnaugh** 47:44

That's, uh, I could go so many ways with that. So when I think of the first home that I built to sell, you know, I naturally think to my early days with Ryan Homes as a superintendent. I mean, that was really my first go at building a home from the ground up. But I think that as far as juicy stories, it's probably not going to do it for you. So I'll give you some practicality. So not everybody can relate to building homes on scale. You know, we're going to build close to 50 homes next year. That sounds like a lot. It is a lot. It feels like— it sounds like a lot to me. It probably sounds like a whole bunch to somebody who's not familiar with the industry, but I built over 100 houses at Ryan Homes as a superintendent before I decided that I was going to build my own personal home. And I went out and, you know, I, I had to walk that out. And being a superintendent for a home builder, you're exposed to the nuts and bolts of how to actually build a house. You know, start with dig the hole, pour the foundation, sticks and bricks, you know, that whole thing. You don't get to see the back end. You don't get to see all the real work that I alluded to earlier, all the prep work that actually goes into making the home actually come out of the ground. That's — I hate to say that's the easy part because it's challenging. It's very challenging, but that's the easy part. The work really happens before that, that whole process. So with my whole heart, I would say building my first home for myself while working a full-time job running, you know, 14, 15 houses at a time as a superintendent, working dark to dark. Yeah, going home. So my first house, that's it. So I am working dark to dark as a superintendent, crushing it. I love it, building houses. I would go home, I would — so I'd grab dinner with my wife, maybe say hi to the kids, and then I would— or my daughter at the time— and then I would stop at the UDF, grab an energy drink, head out to the house about 7 PM. I'd work at the house from about 7 PM to about 2 AM. Wow. Go back to work the next morning, you know, 6 to 6, 6 to 5. Jeez.

J**Jason Duff** 49:58

I did that for grinding it out, right?

D**Doug Fosnaugh** 49:59

It's just a grind. And the thing I would tell somebody who's going to venture down that, it'll be the most rewarding thing that you've ever done in your life. It'll also be the hardest thing you've probably ever done in your life. Because building one house for myself, handling every aspect of it, was equivalent to running 14 houses for a builder who had the systems in place, did all the paperwork for me. Yeah, you know, and just told me that, hey, this is the lot you're building, here's your blueprints, go.

J**Jason Duff** 50:25

A little bit different there.

D**Doug Fosnaugh** 50:26

So when you have to actually navigate— and so to parlay that into Monticello Homes, well, that's been an experience that I'm still learning because I take that, that building my own home mentality, but now I am doing it times 50. How do I do that? And how do I create those systems to make that work? And that's really the challenge that we're up against now is, you know, making sure that I'm delegating where I need to delegate and make sure that just because I can do it doesn't mean I should be doing it. Right. And because somebody else maybe can't do it as well as me, I need to let them fail. Because if they never fail, they'll never figure it out. And that's the only way you learn homebuilding. That's the only way you learn a lot of things. But for sure, homebuilding.

J**Jason Duff** 51:05

Yeah, that's awesome. I think that was exactly— that was perfect for that show segment. So thanks for sharing that. I want to kind of close this out here with a few closing questions, and I'd like maybe both of you to answer this, but what is one professional development resource that was impactful for you along your professional journey? So I don't care who goes first, but it could be a book, a podcast, you know, a leader or mentor in your life.

L**Lauren Newsom** 51:30

A book that's come to mind recently If you've ever read The Greatest Salesman in the World by Og Mandino, and it's a quite, it's quite a short book, but it gives you the scrolls of success in sales, which translate quite well to the scrolls of success in life. And, and so that's a, that's a big one for me.

J**Jason Duff** 51:50

Yeah. Thanks. Appreciate you sharing that.

D**Doug Fosnaugh** 51:52

A little bit of a nugget. So I'm a spiritual guy. I would lead people towards Pastor Qasim. He writes a series of books on financial freedom. Check it out. It's got all the nuggets. They're spiritual principles that will guide you to success. And whether you're a believer or not— I am— the, the laws work for everybody. And it's like gravity. So given it shall be given unto you. We talked about it earlier, being generous, you know, help, help Eden House. They help us. We scratch each other's back. It's great. Yeah, right. So it's all about, at the end of the day, it's just how can I help serve somebody else? And it always comes back to you. But in terms of, I mean, resources, I'm always listening to podcasts, reading, whatnot. I think that I go back to my mentor. I bring him up a lot just because early on when I was a home builder working for another superintendent, wanting to become a home builder and go out on my own and do the entrepreneurial thing, it took, you know, there's 2 or 3 years of runway there to get the guts— yeah, to make the first move and leave my, you know, my 9-to-5 behind. So yeah, there's a lot of baby steps involved. You don't just leave your job and go build your first house, you know. So there was a lot of bumps and bruises along the way. But one thing that he gave me, big takeaway, was just reframe your brain, like the paradigm you view the world is— when you're presented with— most people see challenges as such challenges as opposed to opportunities. But he said approach everything is first, yes, how can I? So with whatever it is, somebody brings you an opportunity, you know, hey Doug, I've got a 50-lot community over here, I need you to take down every lot on day one, I've got to come up with \$5 million, right? So my first reaction, right, to that is no way. Yeah, I don't have that kind of money, there's no way, off time. Like, how would I? I got this on my plate. He said, step back. First, and it's maybe not yes, but it's like maybe, or yes, how can you be open to it? Yeah, be open to it. So just a mindset, so you're open to it. And then once you've trained your mind to think yes, how can I— your mind is very powerful— you will figure out how I can, or you'll work yourself down you'll think through every equation and you may end up at no. Yeah, but if you start at no, you never do anything. You're still working at 9 to 5 in 50 years.

L**Lauren Newsom** 54:21

Yeah.

J**Jason Duff** 54:22

Yeah, that is so— that's so wise. And I think that it's a great way to kind of tie up this segment because right now, as you turn on the news and every headline is about the crises that we have around the world and in our society. But I think for the two of you, like, you focused on this housing industry, and, and this is your business, and this is your craft, and this is what you're passionate about. And as much— there is all the negative, but there's tremendous opportunity. And, uh, I'm just excited to continue to watch you guys be successful. I'm so happy that you've chosen to invest and build new homes in a place like Bellefontaine and, and around the Columbus region and beyond. Uh, but, uh, I, I just I think, uh, there's a lot of nuggets in here for those that are listening to how to get in the mind of the people that are like you, because we want— we need to— we need to replicate more of you and more examples of how this financially works and how people want to go into this industry and, and, and double down on it. So thanks for being on the, on the show today, and just excited to, to spend more time with you and appreciate just a the shout out for the people that you mentioned and, and also doing business with so many great, um, local, uh, vendors and businesses in the community.

D**Doug Fosnaugh** 55:45

Yeah, thanks for having us.

J**Jason Duff** 55:47

Great. Last question is, where can people find you? What, your website or your social media?

D**Doug Fosnaugh** 55:52

Yeah, so you can find us at, uh, thinkmonticello.com, and you can also find us— that's the website. Um, Instagram is Think— or excuse me, Think Monticello. And then on Facebook at Monticello Homes. Awesome.

J**Jason Duff** 56:06

Great. Thank you.

E**Ethan DeLeon** 56:07

Thanks for tuning in on this episode of the Small Nation podcast. We hope that conversation proved valuable to you. And if you enjoyed it, be sure to share the episode and follow the show on Spotify, Apple Podcasts, or your favorite podcasting platform. You can also subscribe to the Small Nation YouTube channel if you prefer to watch your episodes. Follow Small Nation on social media and we'll see you in the next episode.