

EPISODE 543

[00:00:00] ANNOUNCER: Welcome to The Real Estate Syndication Show. Whether you are a seasoned investor or building a new real estate business, this is the show for you. Whitney Sewell talks to top experts in the business. Our goal is to help you master real estate syndication.

And now your host, Whitney Sewell.

[INTERVIEW]

[0:00:24.1] WS: This is your daily Real Estate Syndication show. I'm your host Whitney Sewell. Today, our guest is Fabiola Fleuranvil. Thanks for being on the show, Fabiola.

[0:00:33.7] FF: Hey, Whitney. Thanks for having me.

[0:00:34.6] WS: Yeah, pleasure to meet you. A little about Fabiola. As a serial entrepreneur, she lives in between two worlds. One as CEO of Blueprint Creative Group, a marketing agency serving government and corporate clients and the other as a real estate developer.

Started her real estate investing career in 2003 when she purchased her first few investment properties in Atlanta. Recently acquired. 138-unit, former senior housing building in Detroit and will be redeveloping the distressed property as a mixed income affordable assisted living facility with some independent living and memory care units. The project estimated at about 13 million dollars is the first of its kind in the Detroit metro and will fill market demand for affordable senior housing.

And by the way, she's in Florida. She's not in Detroit while she's doing this.

Fabiola, thank you again for your time, looking forward to just hearing how you're doing that managing all this and why this property in Detroit. But give the listeners a little more about yourself and let's jump in.

[0:01:39.5] FF: Yeah, thanks for having me, as you mentioned, I toggle back and forth between my creative brain and my analytical brain so they both kind of got started at the same time. I started my marketing agency at the same time that I purchased my first investment property in Atlanta.

By trade, marketing was second nature to me but also, I'm a numbers person, I'm a life-long entrepreneur. Always been an entrepreneur. Never went into corporate America even with an MBA. Real estate also became natural for me. I did both of them at the same time so I've always learned how to toggle and sometimes they both work well together and sometimes I lived them differently and independently. The marketing piece, you know, that's clear cut.

So, I served the government in corporate sectors. The real estate side. I've seen my career transition from just investing in single-family, the typical startup, fix and flips, particularly during that sweet time in the mid 2000s when everyone was you know, enjoying the success in that. And I was fairly young, I was in my very early 20s when I first purchased my first few properties. I actually, I came out of grad school and within six months of graduating, I purchased a first investment.

Then like everyone else, the market happens and being, very youthful during that time period, you have an opportunity to bounce back so I made money and I lost some money like a lot of other people. But it was easy for me to do so because I knew one, I was far from 30 so I had a good opportunity to bounce back, but two, having that first bit of success at an early age, just gave me a certain level of confidence that when I jump back in, there will be nothing to be afraid of. The market crashing in '08 never really bothered me like it bothered others who had been in the business for 10, 20, 30 years and lost a lot more than I did.

During that time, it gave me time to just rework my strategy. During that time it gave me time to just rework my strategy, be a bit more prudent about money and investing to where I jump right back in, more so focused now in Florida because at that point I moved back home. Just after doing single-family, what was the straw for me was after doing a headache rehab on a single-family project and I was like, "Okay, I can no longer do single family. If I'm going to put this much energy and have this much of a headache on a project, I need scale.

Immediately for me, the shift was I need to go into multifamily. From entry perspective it makes sense but also from a resource perspective. When you talk about economies of scale, it just made a lot more sense for me.

This property that I purchased in Detroit, this one is actually a recent acquisition. It's an all cash acquisition of 138-unit building. And why Detroit? Especially when a lot of people try to shy away from Detroit. It still has its issues but it's a comeback story and I love a great comeback story. As an entrepreneur, I thrive in solving problems. I thrive in hard to deal with situations so where others run, I tend to try to figure out what is it that they're missing, that I think happen to in Detroit for me is that market. I see a lot of opportunity in Detroit, I was the everyone knows that the downtown and mid-town quarter is completely revitalized.

Which means that naturally, all of that is going to start to push north, right? For me, it being a largely black city for me, making sure that gentrification also has some level inclusion as well because it was about preservation, in addition to evolution and that's how I see the whole gentrification phenomenon. Being able to tap into that.

I went to Detroit really just off of one-person connection. I had an alumni college alumni friend and said, "Look, my cousin is a developer, I'll connect you to him and you'll know everyone that you need to know through him." That's literally how it happens.

And Detroit obviously has a lot of Southern roots. So, I got a Southern hospitality from Detroiters. They welcome me. A lot of times especially being in Miami where you come into a competitive market like this, you got to find your own way because it's dog eat dog. But Detroit is a very welcoming city. Obviously, they need developers to come in. There's a lot of opportunities so everyone was very open about connecting me to who I need to connect to.

Being a new comer, I never felt isolated or felt like I was coming into new territory and we'd have to deal with those challenges. Sometimes when you come into a new market, there are some challenges that you have to – Detroit never gave me that.

I welcome that opportunity, especially me coming from a large city like Miami.

[0:06:16.5] WS: Had you done senior housing before or –

[0:06:18.8] FF: This is the first one. I mentioned I'm an entrepreneur. I figured I have to solve problems. This building was actually former senior housing building. It was owned by a church. It fell into the same distress story that's other Detroit properties and it had been vacant for about eight to 10 years. I knew that at some point, it would be good for seniors, right? To the level of what that could look like, I wasn't sure.

But just me spending time on the ground in Detroit and working my social and political capital, meeting everyone, learning the back stores, learning the community. Things naturally fall into place as you get curious. I don't go into a deal looking to know all the answers upfront. So for me, I was just curious about Detroit and that was enough to lead me to where I needed to be. Just allowing momentum to just flow me through, it led me to the opportunity

It was a chance discussion that I had with a colleague in Miami and I mentioned this building, I had not acquired it at that point. But just me speaking it as if it's going to be mine. I said, "I have this building. It's a senior housing project. I know I want to do the project. I know I want to do something with the building. I'm thinking multifamily."

This colleague was like, "You know, I have an operating partner who essentially created the model for assisted living, for affordable assisted living. You need to connect with them. Actually, I can hook up a dinner between the two of you," and literally that changed the entire narrative for me.

[0:07:46.7] WS: Wow, okay. Senior living, tell me, can you elaborate more on the project itself or timelines and what you see, how you see this moving forward?

[0:07:56.5] FF: It's 138 units and it was built for senior housing which means that the footprint is a little smaller. You're not talking about a 800 square foot apartment. We're talking about a studio in a one bedroom that's maybe no more than 600 square feet. Just what seniors need. Now my operating partner, Mia Senior Living, created the first senior public housing project in the country, in Miami. It became a pilot for how affordable assisted living works when you

combine it vouchers and Medicaide to pay for the housing and the services. That's essentially what I'm doing.

My partner has created the same projects for a housing commissions and other communities and I'm bringing it to Detroit. It's the first that exist in Detroit where it's assisted living, memory care and independent living in one building. Essentially it's housing and the support of services in one building.

There is a project that comes close enough in Detroit, it recently came down on the pipeline maybe two years ago. It housing portion but they outsourced the service portion. But my building will have all of it in house which happens in Florida naturally.

Now, the key is that in senior housing, you have deeply affordable and then you have mid-market luxury. For senior so are not, pay and can't afford to average six to \$7,000, that's what senior houses cost on average. But if they have SSI or pensions, they can't afford the affordable, they're stuck. This is not a Detroit problem but I'm national problem. Seniors have a problem ageing in place. As they're home and they have mobility issues and homes that they have lived in for 20, 30, 40, 50 years. These homes can no longer support them.

From financial perspective, it's much cheaper for the federal government to move seniors and to a senior community or assisted living community. Once they have difficult ageing in place and it's cheaper to do that versus taking them into a nursing home. The federal government actually wants to see more assisted living projects because it's a lot cheaper than nursing home. What do you do in a market where you don't have that product? And essentially I'm creating that.

Not that Detroit doesn't have senior housing but the apartment is supportive services that comes with the housing is what's not yet available.

[0:10:14.6] WS: How do you check for demand for senior living or a project like this?

[0:10:18.4] FF: Okay, nationally, there's the mass, there is a silver tsunami that's happening. In the next 10 to 20 years, the population of seniors is probably going to be more than a quarter of

the entire country's population. Developers right now are trying to figure out how do they meet housing demands for seniors and they actually coined it the silver tsunami.

What's going to happen is that you're going to have the market be flooded with housing inventory from personal homes, single-family homes that seniors are now having to sell because they can no longer live in the homes. You want to downsize or there's mobility issues.

Now, those things are going to need some place new to live and this is where senior housing come in. A lot of seniors, between 65 to say, 75 don't necessary need assisted living, but they want to be in a community of seniors so that's where independent living comes in. The assisted living part, the sweet spot is really 84 to 86 and older. But you start to see them move in at about 76 plus.

So, I'm essentially allowing that younger senior that's 65 to 75 to be able to live on the independent living side and then that older senior that is more of that 80 plus to live in an assisted living side.

Now, we know that Alzheimer's is a growing issue in this country so that's where the memory care units come in as well. They'll all be able to live in one facility.

[0:11:41.2] WS: Tell me about the, just the renovation plan or what you can share about the budget just renovation budget for a project like that as well. I know you said it's been vacant for maybe 10 years or so and getting this back in shape and up to code, I can't imagine what that's going to entail but elaborate a little bit on that process and just moving forward.

[0:12:00.0] FF: It's a big undertaking. Roughly 13-million-dollar renovation. Now, luckily, this building was only built in 1974 so it was not an old property in a sense of old. But obviously there's still a lot of code changes since then. And making it a smart building so I'm building this building for the future senior because the industry is shifting, I'm now having to consider what trends and innovations these seniors are going to be looking for 10 years from now.

Because essentially that's where this building is going to be for. Not today's senior.

[0:12:30.8] WS: That's a neat thought, I hadn't thought about that like thinking about what – I mean, the seniors, you know, say that or in their mid 50s now which are we may not consider them seniors yet, but by the time you're operating this property and to the life of the property, those are the people you're going to be servicing.

[0:12:45.5] FF: Yeah, the tsunami is coming in the next five to 10 years. If you're building it for the senior now – Think about today's senior. They're on Facebook, they're on Instagram, I saw a TikTok of a senior, a grandma on TikTok.

Obviously they're wired, right? They're still mobile because seniors are living a lot longer. Accessibility is important to them. They're very active. You need to make sure that you're building it for that and this is just today's senior. What about the senior 10 years from now? You have to be aware of some of these trends.

I'm building a smart facility for one that's going to be energy efficient from that perspective but also a smart facility that can also interact with seniors. Think about how Alexa's already started to be introduced in the homes. Only thing about a security component, having in-home security where seniors can tap into something and get help from the nursing staff. There's going to be a built-in component.

There's a lot of that that comes into play. I'm even thinking about wrap around services because a lot of seniors, because they're ageing, they're living a lot longer. Some of them must feel mobile enough to where they want to still be active entrepreneurially. There's opportunities for seniors to tap into new entrepreneur programs. Just to keep them a lot more active.

A lot of professional seniors who are retired but still want to be able to use some of their intellect.

[0:14:07.1] WS: Did you say wrap around services?

[0:14:09.0] FF: Yeah, wrap around services. Like adult day care.

[0:14:12.3] WS: Okay.

[0:14:12.8] FF: Yeah, so that is a service component that I am considering. So, once we start to look at the reconfiguration the existing footprint to see where space planning can make that fit, I think that is an important component, just because not every senior is looking to be displaced but you have a lot of children who are looking to have their parents be somewhere during the day time.

So adult daycare is a growing need as well. I mean when you think about Alzheimer's and dementia and the rise in it, you have to consider all of those support services that comes with those needs as well.

[0:14:45.7] WS: How long would it take to renovate or before this project will open approximately?

[0:14:49.9] FF: So, it is a 15 to 18-month construction project. So, where I am right now is in the financing phase. So, I am pursuing bond financing for the project, 4% LIHTC and so I have a complex enough capital stack. So just the financing alone is going to be anywhere from a three to six-month process.

[0:15:07.7] WS: Bond financing. What is that and how is that different?

[0:15:10.6] FF: So that is public financing. So LIHTC, Low-Income Housing Tax Credits were essentially from the federal level down to the state level there are tax credit allocations that were made that the state level then allocates to developers who can compete for these credits and these credits are sold to equity investors who are looking for tax benefits over the – it is a 15-year period. Over the 15-year period of the project.

So, if you think about opportunity zones for example how investors will invest in an opportunity zone because they want to be able to take advantage of the credits that come over the 10-year life of that opportunity fund same thing, same concept of how Low-Income Housing Tax Credits work. But as a public financing tool and you have a 4% and a 9%. 9% is a lot more competitive, a lot of states have an application period. Sometimes maybe only two or three times a year and in the 4% is more so project need.

[0:16:10.2] WS: A project like this, what is the hold period or do you plan to ever sell?

[0:16:15.6] FF: Well a project – So, let's think about the numbers right? So, I mentioned earlier that at the luxury level that see your housing is upwards from six to \$8,000 that is where the numbers are very attractive in the senior housing space. Now because this is affordable assisted living, so it is a combination of subsidy on the housing side and then the Medicaid waivers. So, the model for this more so on the 3,800 or 4,000 just because all of the services are being provided.

So, you are talking about activities of daily living, three meals a day plus a snack, housekeeping, laundry, social and recreational, health and fitness. So, we are not doing skilled nursing but you are providing the daily activities that a senior would need and there is a cost to that. So, it is a nice model and margin to be in but as a subsidized project I have rent limits for the seniors and then the government through the Section 8 take care of the balance of that and then the Medicaid side pays for the services.

[0:17:18.2] WS: How will this potential economic downfall right now that we are experiencing or going to experience possibly affect the senior housing building like this?

[0:17:26.9] FF: Well I don't expect it to affect it. Well, for one housing is always going to be a need, right? So that is where and as you can see multi-family investors flock to B in C-class properties because if you have been paying attention, you are already expecting 2020 to take a little hit. I mean granted we know that it was going to be this bad this fast. But I had already aligned all of my energy and resources into knowing that 2020 was going to be a softening in the market and a recession was forthcoming.

So, I am not totally unprepared for one. So multifamily investors were already going down this lane and B and C class projects were the opportunities that multifamily was looking for.

And the senior housing space is the same thing. This is housing at the end of the day. It just comes with supportive services. But again, as I mentioned there is a huge need in this country

for senior housing. In Detroit alone anecdotally it is about a five to 10,000-unit shortage just for seniors.

So nationally – I mean I can't even remember the numbers off the top of my head. But it is a huge shortage for senior housing. So, whether or not we are in the recession is still a need that the government has to respond to. These are our most vulnerable and our most cherished along with children. So those two populations alone. And then obviously military, those populations alone almost always get the support that they need.

[0:18:53.1] WS: What's been the hardest part of this commercial real estate investing journey for you?

[0:18:57.1] FF: The hardest part, I haven't met that yet. Now what I can say the most interesting part is learning a new sector of the industry. So, I don't know senior housing, right? So I am having to learn that. Now luckily, I have an operating partner who can help me along that learning curve. And even taking on a complex do like this because I am not local to Detroit, I knew that I needed a co-developer. So, I have to call a developer who is Detroit based who has worked on 600 plus unit development projects.

And I have a very experienced GC team as well. So those initial hurdles I have been able to meet pretty smoothly. So those are sometimes the challenges that usually create some roadblocks. And I don't have those challenges.

But it has just been interesting having to acquaint myself with that side of the industry. I don't expect to run the operational side, but I want to be a whizz enough to where I know how that side of the business needs to operate from a streamlining perspective.

So just acquainting myself with the dynamics of Medicaid. Right now, all this week I have spent a tremendous amount of time learning about Medicaid. I am nowhere near to being a senior but yeah, I am learning about Medicaid. I am learning about how that all works. So, having to just sit and just read through piles of information and materials to learn how that works.

Another thing that's been interesting is learning about public financing. So, as a developer I usually think, "I am going to go out and raise equity," and I know how to do that pretty well. I have private equity firms if I need to raise and get the check from one or two investors I know how to do that regardless of the size of the due. But now when you are talking about public financing there is legislative codes that are involved in that. So, I am sitting through the Michigan Housing Authority legislative folder reading about LIHTC that have a housing tax credits work in the financing stores and how the federal government component.

I am having to rework my entire proforma to make it into LIHTC. So that is fun to me so that is the analytical side of my brain that I like to tap into. And having the marketing side dominate a lot more at times, you know I don't get to work that side of my brain. I am having some fun.

It takes a lot longer obviously numbers and analytics takes a little longer than the creative side where you can just blurt out something and it just sounds good and put a good strategy together but I enjoy the analytical side of my brain so I haven't met a challenge yet.

[0:21:26.2] WS: What's the number one thing that's contributed to your success or maybe you just told us?

[0:21:29.4] FF: Well, being curious. I started entrepreneurship in the 7th grade out of curiosity. My mother bought leftover Halloween candy and I never had a sweet tooth so I said, "I am going to take this to school and sell it," and the fact that I sold the entire bag of Snickers at 12 years old, I came home and I was like, "I want to do this again." So she fed the habit and I started selling chips. I had no need for the money but just being creative enough to say, "I figured out how to make money."

And that carried me. So, I always had that curiosity even through college figuring out how to make money just to have pocket change. So just being curious and even then, in middle school, I always knew that I would not go into corporate America. So, I had already told everyone. Told my family, told my best friend that I am not going to work for anyone and that naturally creates a curiosity.

Shoot, if you say you will never going to get a job, you better figure out how you are going to make it in life. So naturally just being curious. So, I don't shy away from problems. I like to figure out how to solve stuff. So, what scares other people actually excites me a little.

[0:22:37.7] WS: That makes you an entrepreneur, right? So how do you like to give back?

[0:22:41.7] FF: I give back by being on a lot of boards. So, in Miami and South Florida, I am deeply passionate about economic development, equity and inclusion. I sat on the economic development board here in South Florida, the Chamber boards, a lot of different organizations, Urban League boards. So, I was very active with all of those especially I am in my late 30s now. So when I had a lot more energy in my 20s, I was running around with every single organization just because there is some topics of interest to me that are down to my core that I really believe in. And so, I stay connected in that.

I've spent five years with Take Stock in Children, which is a non-profit that awards a scholarship to a child that goes through this program, this mentoring program. So, for five years every week I would visit the student from middle school until the day she graduated high school and spend an hour in school with her just as her mentor. And then I was also with Network for Teaching Entrepreneurship. I spend an entire year with an 11th grade class creating a business with the class. So, I was their entrepreneur in residence.

[0:23:51.1] WS: Fabiola, thank you so much for your time and sharing your expertise and as many operations, businesses and things you have going on and just being able to do that and in many states away as well and being very successful at it and doing so well.

So, thank you very much for your time. Tell the listeners how they can get in touch with you and learn more about you?

[0:24:10.0] FF: My company, iconandheritagepartners.com. I am also on Instagram, my Instagram platform, Invest with Fab is more of an educational platform. So, I like to share my journey because I believe that there are women, black people, millennials, non-traditional real estate people, who could be inspired by what I am doing. So, I like to be able to share my journey. So that people could see that there is way for you to get involved.

You don't have to come from a lot of money. You don't have to have a lot of deep roots in the industry. You don't have to be a man. You can be a woman and be in a male-dominated industry. You don't have to be old. You can be young. I bought my first property at 22. And I am far from 22 now. So, I share my journey so that way others can see how realistic it is. So, I think access is the biggest entry point and the biggest barrier as well for a lot of people and my Instagram is @investwithfab is my educational platform.

[0:25:06.9] WS: Awesome that's a wrap. Thank you very much.

[0:25:09.9] FF: Thank you. Thanks for having me.

[END OF INTERVIEW]

[0:25:12.0] WS: Don't go, yet. Thank you for listening to today's episode. I would love it if you would go to iTunes right now and leave a rating and written review. I want to hear your feedback. It makes a big difference in getting the podcast out there. You can also go to the Real Estate Syndication Show on Facebook so you can connect with me and we can also receive feedback and your questions there that you want me to answer on the show.

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[OUTRO]

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