EPISODE 668

[INTRODUCTION]

[0:00:00.0] 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]

[0:00:24.4] WS: This is your daily real estate syndication show. I'm your host Whitney Sewell. Today, our guest is Dan Kryzanowski. Thanks for being on the show, Dan.

[0:00:33.5] DK: Awesome, Whitney, great to be here.

[0:00:34.5] WS: Dan is an active real estate investor and fundraiser. Leveraging self-directed accounts, STI, IRA and solo 401(k)s to create a diversified real estate portfolio yielding double digit returns. He specializes in self-storage, last mile industrial and niche multifamily and residential. Dan and his partners have raised millions of dollars from family offices and individuals and empowered his community to raise seven figures on multiple occasions.

Dan, grateful to have you on the show. This is definitely something that the listeners and myself have worked a long time on, you know, is raising capital and just thinking through that process and what that looks like. But you know, give us a little more about who you are, your background and then let's jump into your superpower, raising six figures in six minutes?

[0:01:25.4] DK: Sure, thanks so much. Yeah, I grew up in Scranton, Pennsylvania so I'll take a moment to let *The Office* jokes come in here. And total Ozzie and Harriet lifestyle. My dad was a high school principal, my mom is a social worker. I know you do some great stuff on the non-profit side, I've been engaged with Hugh O'Brian Youth Leadership with high school sophomores for a long time. To keep the math easy, I say, not the brightest guy so I graduated at Wharton in 2000.

And probably like many folks on the call, as heavy as 9/11 was on the psyche, from a work perspective, we kind of still kept on plugging away. I was with Merrill Lynch in post grad schools with GE capital for a while. Fortunately, I had a taste of Austin, Texas so it's still weird down here in a very good way. I joke, I used to be able to – I should have bought the land where Franklin Barbeque is now because I could have had free barbeque everyday forever. We all have our miss in life.

But you know, I share that because I maybe had a little crystal ball foresight of where I think, especially where I seen the world today but about a decade ago, in terms of you know, do I want to strictly work a nine to five, strictly max out my 401(k) and then kind of hope and say, "Hey, great, I'm 60 years old, here's a pension."

You know, the world is not playing out that way. I give myself a little bit of credit and for the past decade, I've really double downed here in Texas both on the nine to five, started in real estate tech and FinTech but also being very open to multiple asset classes primarily in real estate and finding myself as probably a lot of folks are just as a passive LP investor.

And then realizing, "Wow, I really – pun intended, I'm sinking with the syndicators." From here which has been natural discussions and like folks say, you know, it doesn't really feel like work on what you're doing is what you enjoy. That's not deep in the weeds but at a very high level, I think it's sometimes if you're in the right place, you just got to ride the wave.

[0:03:19.8] WS: Wow, well, I'm just looking forward to this conversation, Dan, and just really thinking through some of the stuff you've accomplished in helping us do the same. Let's just jump right in there and to you know, being successful and raising capital, how you've done it.

Let's just jump right in and I guess, get us started in how you're enabling sponsors and to do this and break it down for us.

[0:03:39.2] DK: Sure, I mean, Whitney, much like you, I think really educating and servant leadership and you know, having some faith and things play out, it's how I really viewed it. I was very fortunate, you know sometimes it's serendipitous, way back, well, in 2017, I was on a flight with Henry Yoshida and Henry's last company Goldman Sachs gobbled up about 18 months in and I said, "Hey Henry, you ever think about self-storage?"

And he said, "No, not really," and I'm like, "Well, you know, if you fill out all these papers and boom." And in his – imagine if there was just some buy in or if you eliminated all the friction and we can unlock this 10 trillion dollars of self-directed money, how beneficial would it be for not only the average Joe/Jane America but also all of the sponsors out there.

This was part of my first step in terms of I'll call it on mass evangelization where I had the great opportunity particularly on the multifamily side to meet with many of the headline players but also, speak to and mentor, advice a lot of folks that are still trying to get their first deal and how to get to it. In some ways, it's very simple. If there's any take away from this call, I would suggest, whether you're on the LP side or syndication side, get your big text messages that you've been doing during COVID and say, "Hey folks, did you know you could use your retirement dollars to invest with me or co-invest with me in this deal?"

Lo and behold, people that ha d done this, particularly syndicators on a regular basis, get about 15 to 20% of the raise. I like to say I get to take Friday off because your audience has made aware that they have their share of this 10 trillion dollars on the sidelines to invest in your deal.

[0:05:12.8] WS: You think, a big part of what we need to be doing then is telling people that they can use their IRA, I mean, most to having a clue, right?

[0:05:21.1] DK: Yeah, it's a really – this isn't something like the – I call the – I'm dating myself here, the Mr. Burns of the world, you know, keep back with their accountant. SDIRA's have been around for 50 years. That said, it's been kind of an old stodgy – It really has not been – it's like country club cool and for my Texans on the call where they're wearing jeans and boots are all prettied up.

It really hasn't been cool but you k now, recognizing how folks are just stereotype in a good way, the millennial generation, how they want to sign up quick, they want transparency, they want to see one price, no fine print, that is where I think the self-directed world is moving and there's a few select providers that are making it very easy, whether through just the tag line you mentioned or something like a knowledge base in FAQ to really get into the deep details so folks can self-educate or have conversations with people that have been around the block a few times.

Which ultimately is going to move money. Frankly, that's probably sitting in cash or a bond right now or some old Fidelity, that 401(k), IRA. Into something where you're investing with somebody you know you trust or in your community.

[0:06:27.0] WS: Wow, what are some ways that we can inform people and let them know that you know, obviously, to grow our investor base and to educate them or maybe ways that you seem to be most successful?

[0:06:39.1] DK: Yeah, I mean, like anything, I think it's, this is going, just have faith in your offering. I know a lot of folks do when they're pumped up about it but I think you should look to educate because even, I know multifamily, I call it versus the niches such as a storage RV park where frankly, probably even 90% of active investors aren't familiar, most folks kind of general feeling of multifamily.

That said, I have a buddy and he's in the greater metro DC area. So, politics way aside, it's still kind of unique, most of it are capital but really don't know what a multifamily would look, you know? Is it you know, is it going to be a hundred-year-old property? Is it a brand-new development? Et cetera. Where is it in terms of proximity, school districts. I think there's a lot of education off the bat that you can do. That's how I think you get the folks engaged.

Secondly, I think to have some sort of urgency on the call. I do think you want to get up to a certain threshold. If this is your first property or a smaller property, this might even be 25 or 50k. A lot of crowdfunding sites which I would not recommend doing for your first deal or you know – but, what they do is they say, you know, you have to get to a certain threshold and then we'll give you more love, you know, from our marketing efforts. I think in the same way, you want to get that first call it, hundred k through the door and a lot of it is going to come from education urgency and you know, maybe you throw an extra percent or we call this the A share.cMaybe you say, “I’ll give you a point back.”

There’s different ways that you can get that – like anything, once the first hundred K, you know, you keep on seeing the bricks, save the after reason, a million dollars. That’s been really I think successful and you know, folks like to get that grand back if they put in a hundred K, that’s just a little strategy to get to that first step.

[0:08:17.0] WS: Okay, what are some things you’re doing now to increase your ability to raise capital and to move forward?

[0:08:24.6] DK: Yeah, I’m a licensed finder here in Texas so it’s great to have this conversation, you know? From Texans for Texans. And we have a great meetup community, obviously it’s a bit more virtual art. We tend to naturally social distance here in Texas. So, you know, you could have a few guys around the fire as they say.

But you know, as they said, I think it’s two things. One is just you know, the education on how your asset class may be changing or a new asset class. For example, I never thought of industrial real estate. If we’re going to poll on the call, I’d be curious what people would think of and I was even more surprised to know there’s a sub retail component of I think of something like a Floor & Décor something that has been considered essential by the government or somebody that built almost like an industrial park and put in five, 10 million of tenant improvements.

Well, they’re not moving out and their cashflow have been. For me, as my LP hat says, “This might be something really good to invest in.” And then you know, say from a syndication standpoint, I think it’s a very easy sell to say, you know, everybody has cash and bonds and 1% sort of CDs on the sidelines. This is as close to – Nothing is risk-free but I say recession resistant as possible. Maybe you should put some money here.

Really getting down to what people are going through, what people are thinking, gentleman I talked to yesterday is 53 years old. This is perfect for his IRA because he can’t touch it till he’s 60 without penalty at this time. This is kind of realizing it’s two things, the sub group that you’re talking to, and then providing the education.

And then finally, this might be a bit of a tougher pot if one does not have the track records yet but what really surprised me and you know, Richard C. Wilson of Family Office Club said this and when you take a step back, it makes sense is outside of Mark Cuban, a lot of family offices don't have like endless deal flow, you would think that everybody would. But it's not a venture capitalist Andreeseen Horowitz et cetera, they bring in tons more deals than they can handle, probably toss 99% of them out anyways.

But the typical family office, it's not really structured that way. Some of it I would say for folks that you know, maybe you have deep roots in your demographic area or you're in oil and gas. Take advantage to speak to probably the three or four family offices really learned their mandate because ultimately, they're going to invest with somebody that they personally like and trust. If you sync with their mandate, meaning that I want dividend pay right now or I don't care if I do them for 10 years, I want to go 2X, 3X, 4X. that's a very powerful thing how you're going to structure your deal.

[0:10:59.3] WS: Okay, sinking with the family office. It's interesting, it's probably a lot of listeners are thinking, "Okay, wait a minute, you know, I'm just trying to speak to the local investor, you know, I'm not really ready to think about or maybe not even understand what a family office is." Maybe you could give us just like the 30 seconds on what a family office is and let's talk about that family office a little bit and why we should be thinking about partnering with something about like that?

[0:11:23.1] DK: Yeah, family office would be the – think of the financial arm of a successful or notable family. For example, down here in Austin, Texas, everybody has a Dell computer at one time in their life so Michael Dell, no surprise, he has a family office, now, that's a pretty sophisticated, he's probably has a team of 20 to 50 people. You know, that said, think more – listen, I grew up in Scranton, PA or Dunbar actually, small town America. There is a few folks that have the equivalent of a family office.

You know, maybe there's 50 to 250 million in it. They're obviously quiet about what they invest in, you know, where they want to go, that said, you can probably figure out who is on their team relatively quickly. It's not that super hush-hush. From that standpoint, yeah, if you feel there is a natural engagement, either it's somebody in the family or on the team, that's how you develop this relationship.

[0:12:16.1] WS: Thinking through like when do I work with a family office and maybe some pros and cons as well. You know, you have a partner like that, obviously, they have a lot of control, some more than others. You know, I know there's some operators that say, "I don't want to work with family offices," because of that right there. Then again, if you're going to have one family office that's partnering with you that's such a different process as supposed to working with 150 investors on one deal, you know? Can you talk to that a little bit then?

[0:12:44.9] DK: Yeah, your comments are spot on, why it's a particularly hard for a first or novice sort of syndicator, it's difficult because particularly, if you don't have the relationship. Family offices, you know, the benefit here is they – for them, they do not have to imminently invest in anything. They can hold off a few months and frankly they'll be fine.

You know, with that in mind, a lot of them, I think wisely hedge their bets. You know, particularly if they do have expertise in the space, say if they were in real estate or they think they have expertise in the space, they're going to put in all – you know, we'll call it the 51% clause, they may not actually own 51% but they may have some rights to say, "If you don't hit these metrics, these KPI's, key performance indicators, we can boot you out."

Which you know, as I'd say, a versed syndicator, particularly staying in a niche market such as self-storage, you know, there's obviously a difference in opinion from there. I would just say, be aware, like any contract you sign, if you were to get into that, I think another way to talk family office general, this is more of an, I think high net worth individuals also. You had mentioned Whitney, kind of the 50,1000 K investors, a lot of folks on the first deal, that's great, I need friends and family, they're warm referrals.

The other thing is when kind of the big check comes in. That's what I got back to earlier conversation is you're just not say, "Hey, here's the webinar or my marketing deal terms." No, it's, "Here's why I think this market is very unique or here's what I've learned, here is our sweet spot because you know, this operator has known, say the Mexican American communities at San Antonio for these many years, this is who we're partnering with."

Oh, okay now I have some interest in. I look at the economics and you're right, this partner who you wisely got to manage a property has had a 30-year track record. You know I'm like pony up, you may not know I have a million dollar and I might pony up a $1 million now. So, you know I go back to really just the education of it and you know if you are sincere with it and very transparent and honest that you might be welcomingly surprised how many referrals you got.

[0:14:46.8] WS: And what about you talk about getting referrals but even just making that first connection with the family office that can be kind of intimidating, right? How do you get to that point?

[0:14:56.4] DK: Yeah, so I'll admit it is a little bit tougher now in a post-COVID world. So, you know like you, it's all kind of a cycle of life in our career. I looking back say very fortunate that I was on the road, you know 100 plus days last year because you do get to shake hands and there is something about that in person sort of meeting. You know otherwise just like breaking into an industry, there is other connectors.

You know a very, very generically say vendors but not as much in the family office space. They are more kind of connectors. And like anything as you are talking to I'd say other connectors, which could be you just know people that are in the know or like down here in Austin, they host the SXSW every year. They know a lot of people. So, like anything, you are probably not your first call is not going to be the family office. So, you may not even know who that is. It is going to be the somebody in between but it is not like what can you do for me.

It is a whole lot of I'd say two things of course, education and servant leadership for this person because yeah, you guys may not have given each other a bro hug because of COVID. So likewise, you are missing that sort of interaction.

But you know, I would say I mean sometimes and I think this is purposeful, there is not a publication out that says, "Hey, here is 100 family offices that you should connect with." So, as I said, it is more of your I'd say regional expertise or domain expertise that you are kind of know who it is but to do just kind of big, spray and pray, really real tough but probably not worth the time.

[0:16:22.7] WS: So you know it sounds like I love how you continue to talk about like you got to be prepared to educate and you got to whether it is family office, whether it is other investors or whether it is about using their IRA or whatever it may be and really, it is a way of giving back, right? You know being the servant leadership like you are talking about.

What are some ways that maybe you have educated yourself to be prepared for that? You know some way that the listener can say, can educate and be more prepared for educating an investor on some of these things if they're not as versed in these things as you are?

[0:16:54.6] DK: Yeah, I mean probably everybody watched the Jordan series in April and May. So, I'd say, just do it. You know I share a little tongue and cheek, you know probably you've never tasted a snow cone, you may even be stingy on money, you never donate anything but saw your spouse, see my wife down at the end of the hall, guess what? You bought a snow cone and talked to her 20 or 30 years ago and all the good stuff.

So, with that, when you have that kind of gut feeling, something you want to share just take out your phone and boom and do it. Trust me, there is two levels from it. So, Whitney, I said I was staring at your website deeply in love. I thought it was great the way that it comes across. It looks good, it feels good. You know for most folks; it may not make sense to put the time. It is more on the actual education. So, I find a lot of benefit of, "Okay, am I?"

So, I like niche real estate. I like self-storage, I like industrial, senior community even on the flip side of that, Hamptons-like properties. I think secondary rental homes you are going to see a big uptick in the post-COVID world. It is so easy with your phone to shoot a one-minute video and guess what? If it doesn't come out good the first time, hit delete. So, I actually did one this morning at a self-storage facility. I had to go to my storage facility and I clipped it and then I put it on LinkedIn.

You know that was great, the other one I was in front of a construction site, which because construction hasn't stopped in Texas. So, I wanted to educated the world like, "Hey folks, things have not stopped, not one single day in Texas. I think you should be aware of this at the very least."

And I try to give myself a *Saturday Night Live,* you know boom, one take and you're done but this took like five or six takes, you know? And it was only one minute long and getting subtitles helps. But also, I am also old school, I say, "You know, here's the three things that I have learned that I feel can be of benefit for you and here is my calendar link, let's have a chat." And I've had some really deep good conversations with folks that think in that spirit of I said, "You know, I am not gearing Dallas. Here is what I am seeing out and that is really cool. Here is what I am seeing down here in Austin."

And like I said, I think we are all very powerful and do not underestimate what you know or what you come across into concisely – I would say keep in concise so I think that is why LinkedIn, you know unlike Twitter it has a limit of the number of characters but keep it under there and I think there is some very powerful education, even if you don't have a website, even if you don't have a podcast, etcetera. You know I have seen relatively short time you can go up to a thousand plus views on anything you throw on LinkedIn if it is thoughtful.

[0:19:12.4] WS: Nice. I appreciate you sharing that and really helping us to it is hard to take that first step when you are first putting yourself out there, right?

[0:19:19.2] DK: It is. It really is, you know I imagine a lot of folks at least read the CliffsNotes to *Rich Dad Poor Dad* and yeah, you know particularly if you do not have that Rich Dad mindset I think growing up or you know just the extreme where you are almost forced into entrepreneurialism, it is very different. I'll admit a lot of our folks here probably more in the investor side also that have been corporate like I was for my first decade plus it's difficult.

But like anything, once you do it like kind of analogizing, I love our discussion here today, Whitney is once you get to that first time or first 10%, it just gets so much easier to go from there. I mean last year, I did 50 a minute with NVidia. Sometimes, I'd be in the elevator capital factoring in all of that you know I can somehow say because of the floors I can somehow it is 19 floors and the maximum is $19,000 and you always get somebody in the elevator looking at me and my marketing partner.

And they're just like, "What are you guys doing?" And then I am just like, "Shh, be quiet. You know I will buy coffee when we get to floor 19," you know? And that is what we would do and I posted it and it brought value to folks and that's fantastic and there is probably a lot of value of proper folks that will never ultimately buy my products elsewhere but like anything, you are collectively sharing and you see so many folks I call them the 6 PM webinars right now and Zoom calls, just so much great sharing in this post-COVID world. So that would be my suggestion.

You know worst case, you know only two people view it. Hey you did it and then you are going to get three people next time but it really will go exponential.

[0:20:45.8] WS: What's a way you've recently improved your business that we could apply to ours?

[0:20:49.1] DK: So, for me, I had to – I might be different than some of the folks on the call from the standpoint. A lot of folks I would hypothesize on the syndication, you have a very specific investment. You know you are doing a 10-door multifamily in your community and this is what you are pitching, this is what you're educating on. I've been very fortunate. So, at Rocket Dollar, which is a checkbook control self-directed provider, we play both sides to the point.

So, a lot of LP investors coming in but then also completely complementary kind of guiding and providing to syndicators. So, I was able to see like a kid in a candy store. I saw so many asset classes that is so excited but for me, that can be confusing to my audience. So, I said, "Okay post-COVID world, what is essential?" and I view it – I kind of view three buckets of types of investments. So, the one which we'll not talk about because it is not relevant but this is your venture capital, which frankly may not make sense for a lot of investors.

Where you put in a dollar or maybe there goes 10X or it goes zero. It really doesn't go into middollar, you don't see dividends. You really have no control over it. It is a startup in every way, shape or form. So, for most folks that is probably the last bucket they will engage with, the case it's your brother's bar or something like that. So, in terms of I just want to preface that but in real estate I still think there is sort of two buckets. So, one I'd say is the niche, the interesting stuff with the 20% plus IRR.

I think self-storage is doing in certain markets are V parts to that, some of these you know secondary very high-end luxury housing, potentially senior housing with good operations and they are in this potential 20% plus IRR and that is fantastic. Now the other side is just, wow we are in a post-COVID world. When I think of ROI, I don't really think of return of investment or on investment. I think return of investment first.

So, what's something that is just so boring but you know fine, I have a 10 year old and an eight year old, which I don't but for example, we have a four year old, you know how will I ensure that that money will be there when they go to college? So, this bucket I call the slow and steady that is paying monthly dividends. So, what I want to share with my audience is a lot of these are folks that I personally have been investing with. So, I am just saying, guys I am open to the kimono, here is my portfolio if you are somewhat wired like me in any way, shape or form you may want to have a thing.

And I'd say you know dealt I've seen is the monthly dividends especially in the post-COVID really secure to get that check in the mail every month.

[0:23:13.7] WS: So, what's your best source for meeting new investors right now?

[0:23:18.1] DK: For me, I'd say two things. One is I do think the likes of LinkedIn and targeted social media is powerful. So, I am just very open just to put out my calendar link. I am to somebody likeminded and then we would try to help I would say for almost every call, I am probably introducing folks to them and vice-versa that's fantastic. The other thing is you know I'd say particularly folks that have been corporate.

Guess what? A lot of your corporate friends are sitting on six figures of cash. I can almost guarantee it, you know somebody with the 20, 30-year corporate career. So, it is reaching back out to folks, you know scientifically I am sure I can hyper segment. I feel a little bit doing that with my close colleagues but things just naturally flow. You know I think so I have been very fortunate that if I really want them to target. So, let's say whenever we get them through this, you know are our kids going back to school or not and we know this is our normal for this September through the end of the year.

I may have a conscious offer to say, you know every day from I don't know, three to five, four to six, I am going to speak to my corporate friends and have a chat with them because A, they're going to be done with their work day and B, they are probably not going to – they might need to walk around the block and I respect that. So that is something that I have kind of – like have anything lined up but yeah, for now I am still really kind of testing out my message of what I feel, what asset classes, what deal types are going to be the most value to share with my community.

[0:24:38.4] WS: What's the number one thing that's contributed to your success?

[0:24:41.2] DK: I know my mom would never listen to anything online unless she's awesome with emojis now since my dad passed. But mom, head to toe. She's great and I see my wife with the amazing job she does with our son. And yeah, I think just to put in, you know be honest – Be transparent, you know admit up to your mistakes early, I think that pays huge dividends.

So, you know it is almost you can argue a little bit easier or cut corners because we are all behind screen these days. But I think just living up to it and sometimes you are going to get more bumps in life is not linear but I think knowing that. So, I have been – yeah so, I would say those fortunate to have moms or you know a motherly figure at the end, it could be a male in your life too maybe I'd say yeah, reach out and talk to that person. I think that is like – and see what you can do for them because they have done a lot for you over the years.

[0:25:28.8] WS: On that note, how do you like to give back?

[0:25:30.4] DK: Yes, so I shared before, you know on a volunteer basis Hugh O'Brian Youth Leadership seminar for high school sophomore. So, anybody with a child at hoby.org, for me it was life changing. I've been involved in the last 30 years. It fits me, you know worst case, hopefully your kids get to spend three days with other great high school sophomores across the state and frankly or probably they will give you a bump potentially of school and scholarship. So, keep that in mind.

Otherwise I just said I am open to one on one calls with anybody. Direct message me on LinkedIn. I have my calendar invite and then finally in the self-directed space, you know as I say, if you spell it you know you can get it. Here is my Ben Franklin self in my time in Philly. So, D. Kryzanowski, if it makes sense to open a self-directed IRA, a solo 401(k) with Rocket Dollar, just sharing my personal code as a thanks to your audience.

[0:26:24.1] WS: Yes, so Dan I am grateful for your time and just really helping us think through like okay, being ready to educate investors just the servant leadership mindset, having faith and just really putting the education component and some urgency together and even walking us through a lot of family offices and thinking through okay, are we ready to work with somebody like that and just helping us think through educating ourselves as well or just getting out there or putting our self out there. And so, Dan, any other way that people can get in touch with you or learn more about Rocket Dollar?

[0:26:54.1] DK: Sure, you know rocketdollar.com, email dan@rocketdollar.com and then I am very active on LinkedIn and not too many people have my last name so I think you can find me pretty easy. So please, please, please reach out and I'll love to continue the conversation.

[0:27:09.3] WS: Awesome Dan, that's a wrap. Thank you very much.

[0:27:12.0] DK: Thank you, brother that was great.

[END OF INTERVIEW]

[0:27:14.7] 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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