

EPISODE 671

[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 Rahul Patel. Thanks for being on the show again, Rahul.

[0:00:32.6] RP: Hey man, thanks for having me on. I always appreciate the reinvite, you know?

[0:00:37.0] WS: Yeah, always grateful to have you back and Rahul's one of those attorneys who has been on numerous times, I encourage you to go back and listen to previous episodes with him, we have talked about so many topics that he's been able to just elaborate on and provide so much value on, whether it's specifically related to the legal side of the syndication business but even just business related topics like when we're going to talk about today but in case you don't know who he is, he's been featured in *USA Today*, *Businessweek*, *Texas Lawyer* and *The San Antonio Business Journal* where he was named a C suite executive awardee, 40 under 40, the Outstanding Lawyer's list and was their Man of the Year, that's a neat title right there, not everybody gets that right.

[0:01:16.2] RP: Thanks man, I appreciate that.

[0:01:17.7] WS: He's also been featured in *USA Today* and *Businessweek* and in many other publications so Rahul, thanks again for your time, welcome back. And you know, want to jump right in though, you know, I know you've been in business for many years, you've scaled your

business, you've been thinking like that for many years in. But not only have you been in a personally but you're helping so many other people think through that as well and everybody wants to say, "What's something you want to work on?" And most people say, "Well, scaling their business," right?

Most entrepreneurs. I thought, you know, something you and I could discuss today and just developing teams to scale and just thinking through some of that and how you've done it.

[0:01:53.3] RP: Absolutely, well, as always, thanks for having me on, I love the introduction, it never takes me too much to have to pay to say those nice things so I appreciate it. You know, absolutely, this is kind of an interesting time for a lot of folks for the last few months, they've had an opportunity to really take a look at their business and for some, it's been fight or flight. My big relief just been really just swatting one issue or problem after another, and some folks have really had an opportunity to sit back a little bit and understand where their business is, where they're going and maybe where they need to go, right?

What I tell folks a lot of times is this is a good opportunity, talking about scaling because right now, you're talking about your business but really, go back, I'm sure wherever you started whether it's a couple of years ago, six months, five years, ago, you had some sort of a business plan and for those of you that wrote it down and had a chance to really – I always tell people, got to have a plan and you have to write it down, you got to materialize it so you can go back and have some self-accountability and then adjust.

But take a look at that business plan and I guarantee you, for most of you who are entrepreneurs had a plan to scale that, right? What that means to be different for everybody but there is some level of scale, there might be some folks that said, "Look, I want to own – my goal is to own 10,000 units, my goal is to own 100,00 units." Maybe somebody's goal is to own 500 units. Whatever that goal is, you had some level of scale you didn't start by acquiring your very first multifamily unit or project in saying, "You know what, we inquired 10,000 units on the very first go," right?

Unless you were some sort of a private equity firm that had that plan, most of you had a plan to get there and an included some level of a baby step. But typically, just like everything else in life,

you get diverted, right? You get pulled in different directions, different issues and just life. Life pulls you that way and it could be things unrelated to a business that pull you in a certain direction.

I can remember when you know, when we first had our first child, your time changes, your sleep changes, certain things that have nothing, no bearing on your work but it changes and it could possibly set you in a different course. So, when I look at this, this is an opportunity when you talk about scaling, the first thing you really have to do is understand what is your plan, what was your plan and has your plan changed?

You know, for many folks, your plan changes based on what you learned and what you acquired. You might say, "I'm going to acquire 10 units at a time and then when I'm going to get good at this, I'm going to try to acquire a hundred-unit property." There are different challenges with those, right? There are people who are very successful, finding that bread and butter and they do very well and the smaller unit projects because they know how to run them, they know how to control them, they know how to purchase them, they know how to fund them, they know how to operate them.

There's some people who scale up in size of the project and some folks say, we're perfect in this scale but we want to grow the total number units. Really go back and look at your business plan and be honest with yourself and say, what's worked, what has not worked and then where do you want to go, right? With your business and I think it's an opportunity right now to hit what I would call and probably hear me say this a little bit more today is hit the reset button, right? That's not a bad thing, hit the reset button because you've had the opportunity of seeing the past so hit the reset button to the positive if that makes sense.

[0:05:04.3] WS: Yes, I think that's such a good idea and you know, most of us, we were thinking about developing a business plan at one time but I bet more than not, didn't write one down and I would encourage you to write one down like Rahul said.

You know, let's talk about that plan just briefly, Rahul, what are a couple of things that they did right one day on that maybe you should be on – I know you talked about goals and you talked about your plan and how your plan has changed but you know, we're talking about scaling our

business, looking forward, what were a couple of things that you had on yours maybe or something that's changed and now looking back, you said, I should have this on my business plan.

[0:05:40.7] RP: You know, in absolutely and we look at this quite frequently having started, you know, kind of multiple businesses here that are in different lines is number one, you really want to set your goals and those can be can tier those out, you know, these are my one year goals, these are my three year goals and these are my five year goals. The reason why is, it's really important to go back and look at this and say, "In 2020, this is what I set for myself to do in 2025," and maybe you've achieved those and maybe you've achieved those and maybe you have not or maybe things have changed.

Number two is really, understand the why, understand why you are doing this and obviously, the number one objective for most people is they return on their investment dollars, right? That's easy, that's the easy part of saying, "Hey, we want to make 6%, we want to make 9%, we want to make 20%." But there's got to be a substantive why to your business model that's beyond the returns that is able to sustain you when you're not making money or it's going to take some time.

Understand why it is, are you dedicated on filling a certain need, hitting a certain target market, target demographic, those are the things that you're going to need to have and the reason why the why is so important is it give you the baseline when certain economics don't go the way they need to because if you're doing it only for the money, I always tell people you got an issue, right? Because at the end of the day, there's a lot of ways to do that and if you're only doing it for the money, that's an issue and there's going to be some good times and some tough times.

Number two is make sure you have a how. How are you going to go about doing this and that's really important, that's probably where you're stealing models and it's going to do is say, "Okay, I've set my target, my goal was in one year was a hundred units, year three was 500 units and by year five was 10,000 units." Okay, you got your goal, you got your why you're going to do this, now how? Are you going to do this in as many ways and that's why it's so critical.

You could do this by adding a clip of 10-unit deals. Deal after deal after deal, right? Or you could do this and say, I'm going to do 1,000 unit deal per year and I've got 5,000 units by the end of

five years. That's how I'm going to do it. Whatever that principal model is, you've got to set a house, you're not all over the place, a lot of folks start just chasing things because an opportunity comes. I would say, you know, used it early on and take a lot of business meetings, lots of calls, right?

Lots of activity but very little result, lots of activities, very little result and maybe you have a great conversation, great energy level, okay, leave. But then nothing ever happens from it. What I think a lot of that time is you start chasing things that may not be in your wheelhouse, ground up construction, for a lot of folks say, "Okay, I've got a great deal, I want to do this." Do you realize how long the life cycle of doing a grounded construction takes? How long that process goes through, what you have to do in order to get that and the challenges that you're going to run up against and doing one of those?

To really have to understand how you intend to hit back in this year and moving forward, that could be your scale model. You know, a couple of things that I think a lot of people don't think about especially those things that some of those are basics, if you pull up business plans and see these things is I really think as an entrepreneur, you really need to focus on your strengths and your weaknesses. The biggest thing I think, strengths are pretty easy because you're just naturally going to gravitate towards things that you are strong at whether it's due diligence, whether it's financial projection and planning.

Whether that's marketing and sales, whether it's fundraising. Those are easy. You're just going to go there when times are tough, I think you really have to identify your weakness and why I think that's really important as probably the next – one of the toughest will probably touch on here is developing a team work, a team framework around what you're doing to help you focus on the things that you are not strong at. That doesn't mean just delegating and say, "Hey, I don't know what I'm doing here so you go do it." No.

What that means is understanding where you're weak, learning those things with somebody who is stronger and traditionally better at that and making sure to add them into your team, they understand your strengths, their strengths and each other's weaknesses so you can really collaborate and work well together in times where you need that. Sometimes –

[0:09:39.7] WS: You're saying we should improve our weaknesses or recognize them for one and improve them but potentially still have someone else that's the expert in that area, is that what you were saying?

[0:09:48.0] RP: Yeah, that's where you find strengths, right? A lot of times in partnerships, people find, tend to gravitate to those people who are very similar to, I get a long really well. You and I get on super well so it's kind of – that's how we join forces. The problem with that is sometimes this maybe before you join forces, do you find that the two of you are really good at the same kinds of things?

What do you think that's going to happen when all of a sudden, your projections are due and your certain financial pro formas are due and you know, whatever that might be, right? You really have to find people who are in order to scale, you have to as the entrepreneur understand where you are weakest at and that doesn't mean you're just go and outsource it like I tell a lot of people and say, "Well, you know, I'm just going to hire a CPA, I'm just going to hire a CFO."

That's not the answer, you got to understand what they're doing, why they're doing it. He may not be you that puts the nuts and bolts together but you need to know how to do this if that makes sense, right?

[0:10:43.0] WS: Yeah, on that note, you know, I love for us to talk about just creating that team and developing a team and scaling that way. I think that's something that's very difficult is finding people, hiring people and those things that maybe we can move in to that?

[0:10:54.5] RP: Yup, absolutely. When you talk about hiring people, you know, I take a look at everything is an opportunity. Let's take a look at the current environment. It's difficult if you're an entrepreneur employer to find the right talent during, over the last couple of years. It truly was what I would call an employee's market, right? Because the dictation was that the way the economy is. I think this is the right time to really talk about when we talk about how you're going to do things.

How is more than just the actual process of it, how is your business going to be setup and what principles do you believe in as foundational tools and so this is told a lot about people. People

who have gone work night and day for PPP loans, try to figure out how to keep their staff getting paid and some folks unfortunately have had not been able to do, prevent furloughs, right? Just they were not able to do it. A lot of folks really rolled up their sleeves and figure out how we not furlough, how do we not lose valuable members of our team?

At the same time, valuable members of other teams have been lost and so there's an opportunity there to pick up somebody that may be in a need for opportunities and may have had non-competes, different agreements that were in place that may not no longer be relevant and for an opportunity for you to build while others are on pause or on stop or on scale back, will you press forward, right? Because there could be opportunities and knowledge there.

If you go back and refocus on your business plan, and say, "You know what? I didn't hit my three-year plan. I didn't hit my one-year plan, I didn't hit anything." What do I need to do and then if you find it, "Hey, I struggled here, I got to the finish line but every time I couldn't close."

"We got here but I struggled, I couldn't put all the deal points together. I couldn't get XYZ and then I wasn't going to get good counsel." A lot of time we talk about with our clients is there's people view lawyers, that's what we do is just I just need you to pay with what I tell you to do. That's not what we do, we go in there and tell you how to help you get things done that you need to do because a lot of components in there so this is a good opportunity for you to reset, find out where you struggle a bit and I guarantee you, if you look around, there's people right now who could help you fill those opportunities that are hungry as you to be successful during these times that aren't so positive.

[0:13:04.8] WS: How did you go about say, you know, developing whether it's a job description or just how tasks are oriented across your business from one individual to another and just thinking through – Because that can be overwhelming sometimes. "I need somebody for this, I need somebody for that. Can it be the same person?" Is there a way that you went about that?

[0:13:25.9] RP: You know, the one you have to really talk about creating kind of your baseline on how you think things should be run and then getting the – I think the biggest challenge that people have a lot of times is they put their process together and you don't get input. It doesn't mean you need to do exactly what every single person that works for you says but you got to

have their input, if you tell them, “Hey, look, I need you to do this and then do this,” and then how this person go to this person, you don't have any input, then you might be putting in to play a process that actually isn't helping anybody, right? After you've implemented, it would be frustrating.

You know, for example, with one of our businesses right now, as you scaled, we've brought on a lot of team members. So, the process has not “quite whole” there is some unknown where the process is. So, we really started from the top, figured out what we need to do, got some information, got some feedback and did some digging, did some homework and we put together a new process chart, right? And so, as we implement that out today to team wide, it's really a matter of it is not just, “Hey this is what we're going to do and this is how we're going to do it.”

This is saying, “This is what we are seeing, this is what people are telling us and this is what makes sense for our business and then we are going to implement that.” And then continue to get that feedback that you need from folks and I think that is one of those things we talk about. A lot of folks have a lack of transparency. We have people we just let go without ever even being knowing what's going on. If you don't know what is going on in your business that you work for to some extent, you may not have any detail but you probably have some issues both ways because they can help you.

Maybe they can help you, maybe they can help you in a way that you are not even aware of because for most folks who work for you or with you at a good place, they're trying to see you successful too, right? They don't want to work for somebody who us unsuccessful because what does that mean for them? Not a good thing, right? so the idea here is if you can tell them, “Hey look guys, this is what we need to do,” then I think you can find the energy for people to pick up and help you out.

[0:15:11.7] WS: Nice, so what about just keeping them motivated? Are there ways that you have done that or just ways that you all I don't know, communicate, like you are talking about, keeping things open so that way they know you are being successful and they keep motivated?

[0:15:25.2] RP: You know motivation is always a tough thing. You run out of small things that you can do for people whether it's holiday parties or gifts or days off, whatever those things are.

I think really motivation comes internally. You got to find people that are motivated with you as much as you and then making sure you hire people like that and then giving them the tools. I think the biggest motivation killer for employees is the lack of some level of autonomy.

When people lose that autonomy where they feel like they're in charge of their own career where they work, I think that is where people tend to die with their motivation. So, to me I think it is more about their autonomy that you can help create with another, some balance there, right? There are people that might be green, they may not have the experience and just let them do make the decisions, but you really got to let them know, "Hey this is the process, this is what it's going to get to," and do that.

And then see, see people's promotions, seeing people move up in opportunities is important because as you see people around you moving up, you know we just promoted somebody who's been with us since almost the very beginning to a junior partner to seeing, "Hey, look, if I do what I am capable of doing it looks like it is a rewarding and it can be rewarded," and then letting that person know, "Hey, look, you'll probably going to be – People are going to come to you." Let them know.

Let them know how this works. Let them know why there is a long-term plan here and I think that is really what I think the motivation I think to me are most people who comes from some level of autonomy to be able to be trusted to do their job, let them do their job and make sure that you are overseeing that they are doing it and once you know that they are, that they are capable of doing it to let them work, right? That's what I think it is a big motivation factor.

One last thing I think a lot of people don't talk about is also what I call the struggle on motivation, the motivation killers. I think it is very easy for you and probably most of us have worked somewhere recognize somebody that isn't pulling their weight and they are still there. If they can tell you, "Well, why am I doing X if that person is there?" Most people you've tried to find people who are looking to succeed. I think sometimes you have to make an example of the person.

Particularly in times like this where every dollar for your business is important to let them know why if somebody is let go, why they were let go. For this specific reason, this is why and also let them know probably know this is the guy that walks in late, this is the guy that always leaves

early, doesn't really have their assignments due on time, well why are they still here, right? If there is that kind of accountability. So maybe you have to check some of those items right now.

[0:17:48.9] WS: Wow, okay. So really analyzing who your I guess key team members are as well and who are not, who maybe shouldn't be there any longer. You know that is a hard decision to make, to have to let somebody go. Do you have any advice as far as that goes? As far as just when we've said, "Okay, this person is not going to be somebody that should be with us long term," how should we handle that?

[0:18:09.4] RP: Number one, if there is if you are the boss and then there is a direct supervisor for that person, talk to that person. Empower them to make that decision. So, talk to whoever that might be whether it is a VP, talk to that VP and let them make that decision. One, it gives them the authority to honor them to know that they're capable to make a decision and also lets the rest of your team to know, "Hey look, this isn't just always at the top. This is a decision made by somebody else." It gives them the power that they need to do to implement the processes that they have.

Second, with the person that is being let go is be specific. Give them specific reasons on termination as to why they were let go. And if you don't have specific reasons, then you probably have an issue as to why you're letting them go. "Well, they haven't been doing..." Okay, what have they not been doing? Give me an example. "This was assigned to them on Monday."

You need to do that by Monday afternoon or Monday evening and it wasn't due until Wednesday. Why, what happened? And let's go through these specific examples. So, there is no when that person exits you know why and then relaying that, transferring that to your team to inform them you know, how and why that person was let go if that makes sense, right? So, it's letting them know too they weren't just fired for no reason. They weren't just let go but letting them know that you understand and you see the same things that they probably saw.

Or it gives them a cue to understand what it is that they need to do just so they are not in that same position down the road because a lot of times it's like, "Well, shit, sorry. Did I get fired because of this and that person did this? Am I next? Is it more coming? Is this a layoff?" You got to be specific with them. "This person was let go because of XYZ. Anybody has some questions,

come find me.” And I think giving each of your employees a few minutes to address thinking that they might be happy.

So that is I think that’s a process. It’s tough, a lot of people try not to be specific but I think you got to be specific and then you got to be transparent with the rest of your team as to what happened.

[0:20:00.7] WS: I think it is going to help that individual as well, right? Maybe there’s things that you – yes, right maybe there is things that you’ve recognize and it is going to help them long term if you are very open about it. So, before we get to that point though, when we’re having to terminate an employment of someone, do you have performance evaluations? Do you have things that maybe annually or monthly or six months that you are discussing with employees about their performance?

[0:20:26.0] RP: You know I mean those things every company has had some good processes in play for evaluations. You know I think they are folks that you can evaluate things to death, you can under evaluate, you can over evaluate, I mean there is really no magic sauce to how you do things. I think everybody can do things differently and really do that.

I think just having the ability and the openness to understand having specific direct conversations at the right time with each of your employees.

And then letting them know, “Hey look, if you’ve got some specific questions about you or your career, you need to come and talk to me,” and maybe you could be available to have those types of conversations. So, you know to me, I think you know not getting into the weeds of an evaluation, I think everybody is different but in order to really scale your business and grow it, you need to understand people and you need to understand your people.

What is truly motivating them and you need to talk about how do you motivate people. You know motivation, everyone motivation factors and we know this is not the exact same, right? They are not. They are humanly not going to be the same. Some people of that turning years she loves like the complex litigation that requires her to work until nine or 10:00 at night to get a motion in

and then just go cream the other side and that just – I mean you just see an excitement in her face.

And there are some people that when you give them that they're like, "Huh" right? And so you got to understand it and so you got to really motivate that person by giving them the things that are motivating them and it is not – once you get past the pain and the bonuses and the time off and all of that, there is about project driven. You know I talked about it earlier, what are your strengths, what are your weaknesses? People have those too. Your employees have those too.

If you are putting people in positions to succeed, you are going to win all around. If you are putting people in position to fail well they are going to be miserable and then they'll leave and they will look for another job. So ultimately you have to do that and you can't be afraid to pivot. Sometimes you put somebody in charge because they have been loyal, they have been good, they've been with you and you put them in a position and they don't do well at that position.

A lot of folks do great and then you move them with the management level and they're not. That is not their strong suite, never was, never will and now you've got issues. So you've got to be able to come back and check that without saying, "Hey look, this is a demotion. This is where you're best situated. We want to use your strengths and focus on those," if that makes sense.

[0:22:39.5] WS: It does. All right Rahul, we're almost out of time but you know we have talked about going back and looking at your business plan and getting it written down, looking at your goals, your why, your how, you're developing our team, managing that team, motivating them. I mean you have covered great things. Is there anything else you want to leave us with as far as just developing that business plan and scaling your business that you want to leave us with before we have to go?

[0:23:00.7] RP: You know don't get tired. Entrepreneur fatigue is real. It is a real thing, you know you tend to work hard and you keep going and then there are times that just hit you and you wonder is this worth it? Am I doing the right thing? I think you cannot let that fatigue get to you. You can't let it get to you for the moment, reset, come back and I use that a lot in the reset where you got to find periods like that. Set aside a little bit of time every week to look at your business as a big picture versus a project or an assignment.

And then number three just like everyone else, find somebody that you can talk to about business, about whatever it is that you are doing that you can say, “Hey look, this person...” it doesn’t need to be in the same business, it doesn’t need to be someone who scaled 10,000 units and you are trying to do 10,000 because what worked for them may not work for you, right? It’s as simple as that but find somebody who can be a guidance for you so that we continue to change.

It is not afraid to give you the real advice. “Hey, you’re doing awesome, keep killing it. You’re doing this, keep it up. I love what you’re doing.” No, I need to know what I am not doing, what can I do better at because that’s where you are going to grow. So if there is anything I would say beyond that is those three items.

[0:24:03.3] WS: Rahul, how do you like to give back?

[0:24:05.0] RP: Oh, with right now, with everything that’s going on there is just so many ways to give back but we have done a lot over the last with COVID. We started a small business group here in San Antonio that donated called Thousand for Thousand, trying to get as many business owners to give forward a thousand dollars. We did a couple of drives for the food banks, sent to the food bank. You know food bank and missions have been hit very, very hard.

We partnered with a couple of NBA players, Keldon Johnson to support the food bank. We’ve partnered with also Lonnie Walker and we did something for the women and children’s shelters. There are people who have no idea right now how impactful COVID being on lockdown has been on the families abused and those rates have gone through the roof right now and so there is so many ways to give back and try to do the best we can to give back to the community. So, you know just doing what we can where we can.

[0:24:54.5] WS: Nice, well thank you for giving back in that way and giving back to us again today just sharing your wide variety of expertise and just knowledge that you’ve acquired over you know many years of experience now and so grateful for that but tell the listeners how they can get in touch with you and learn more about you?

[0:25:10.0] RP: Just look us up on social media. You can look us up at the law firm, patel-gaines.com. You can find us on LinkedIn, you can find us on Facebook and Instagram as well under @patelgaines.com but if you have any questions about multifamily or how to help you through it, again, we don't think of ourselves as just lawyers who really look at just ourselves as your partner through what you're doing, who is that eyes and ears that tells you no, don't do this.

This isn't look good, this isn't right versus hey, just go forward and do whatever and we have seen a lot. We have helped a lot of folks on the multi-family space. If you ever had any questions, don't hesitant to reach out. But Whitney, I appreciate everything you do man. Keep up the positive and 671 so hopefully you'll invite me back for the number 1,000 soon.

[END OF INTERVIEW]

[0:25:58.0] 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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