

EPISODE 1330**[INTRODUCTION]****0:00:00.0**

Whitney Sewell (WS): This is your Daily Real Estate Syndication Show and I'm your host, Whitney Sewell. Today is a Highlights show that's packed with value from different guests around a specific topic.

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[INTERVIEW 1]

WS: Today, our guest is Ferd Niemann. Thanks for being on the show Ferd.

Ferd Niemann (FN): Thanks Whitney, glad to be here.

WS: Ferd is a mobile home park lawyer. Owner, operator, investor, podcaster, MBA, CCIM and broker also. He focuses on solving complex real estate problems. He is passionate about real estate and helping others.

Ferd, welcome to the show, it's just interesting, I know you and I were talking about this before the show but just, you know, branding yourself as that mobile home park lawyer is just amazing.

It's a great idea that, you know, you can focus on that niche, be an expert, and then people know who that expert is. I'm looking forward to learning more about yourself and diving into the mobile home parks and how you're helping these other operators and how you've got to where you're at right now.

Give us a little more about yourself and your practice and your mobile home park business?

FN: Yes, I'm based here in Kansas City so I practice mobile home park operations in the Midwest and then on the legal services, I'm pretty much going nationwide. I don't do litigation or convictions in court in other states but here, pretty much types of a lot of operational consulting on retail license, water, sewer issues, LLC setups, contracts, leases, title work, tied injections.

I'm a zoning and real estate lawyer by trade so I do a lot of zoning and permitting issues, which is really important in the MHP space, grand filing is very important in this asset class. Do some syndication work on the legal side to, do some syndication work on the operational side as well.

Then, you know, all the other kind of blocking and tackling contracts and real estate law and just kind of consulting on MHP. That's kind of current practice, and by way of background, I set-up an attorney by trade. I practiced law at a boutique real estate firm here in Kansas City part of the invest firm in the metro, did zoning, law tax incentives.

Before that, I was a county appraiser here in Kansas City. Youngest in county history to do that and I had a 75-person team and eight million dollar operating budget and worked in government for five years. I pretty much had two jobs my whole life, you know? I went to school for a decade but I was doing that all while working, I went to law school while working full-time.

It's just been the hustle but – and today, I got two jobs now. I'm an owner operator and lawyer. It's been a fun ride but look forward to doing more.

WS: Wow, you know, went to law school while working full-time. I mean, I can relate to that, just two businesses or two jobs and working full-time while, you know, getting a business going and growing and all these things, that's not easy but it shows your determination and willingness to make it happen, which I'm sure is so crucial to where you're at now as well. Let's dive into you know, your niche or specialty which is mobile home parks.

Especially from the legal side. I know you mentioned a few things like zoning and permits and grandfathering and even syndicating. Let's talk about some of those things as it relates specifically to mobile home parks and issues that, you know, people you're working with are having in those places?

FN: Sure, I mean, with MHP, it's very common for municipalities and cities in particular to not like mobile home parks. There's a stigma, they're thinking of trailer parks or worse and they think they're hotbeds for crime and poor people. As a result, they want to get rid of them.

They'd much rather have a mobile home park be torn up and become a Home Depot or new apartment or new hotel or big mansion neighborhood. They're very hostile, they put a lot of laws on the books. Many of which are unconstitutional, the property rights are constitutional rights, so there's really three types of mobile home park. There's legal conforming, which is rare because it means it's up to the current code and it was legally permissible at some point in the past.

Those are mostly new development, very little new development. You've got the illegal part, which is you know, the guy, somebody built it without permission and just the government is looking the other way because the guy is you know, friends with the mayor but the next guy, you or I buy it, they're going to sting us and so you gotta get rid of that.

You gotta get rid of that, you can't have it, even though it's been there for 50 years. You never want to buy illegal. Most of mobile home parks fall in the middle, which is the grandfather status, which is legal, meaning, it was permissible at the time it was built but it's now non-conforming with the current code.

A lot of what I would do is try to get some of the restriction limited as it pertains to setbacks, internals and permit and parameter setbacks to basically allow for better in-fill and without being classified as a new development or redevelopment because the name of the game in MHP, depending on the type of asset you buy, but if you are buying at the in-fill or you know, kind of a rehab method, you got to bring in new homes and you bring new homes are old, lots that are typically smaller and configured differently and cities put a lot of restrictions in place, many of which are invalid so it's my job to read the code, get smart on that city, that state and negotiate, hopefully in a cordial manner.

But sometimes it just becomes abrasive and adversarial to the city and you have to fight for your property rights. That's a really big issue, it's always important in all real estate but in MHP it's probably the hardest to get zoned and there's more hostility towards it than that of any of our other asset markets.

WS: Would that be if you're building a new project or you have one that's illegal like you talked about that you know, be worried about the zoning?

FN: Most of the zoning work I do is on existing projects where somebody wants to – a new owner wants to, one, prove the permit is invalid, two, to prove they can bring in new homes and kind of get a certificate of the zoning, right? I don't just ask the city to send me the zoning because they're going to send you where it is.

No, no, I mustn't accept that, I read the code, I negotiate them, I draft the zoning letter and say, you know, "He or she, I need you to put this on your letterhead and sign it." Then I can go to the title company and I get a zoning endorsement, which is like another set of insurance like belts and suspenders so that if a different administrator of the city comes in down the road and changes the city position, I've already got a backup plan.

As far as new development, those are very rare, it's going to be very location, city specific. Nationwide, I think there's 44,000 mobile home parks, there are less than two dozen constructed in a given year. I mean it's a dying, it's going extinct. I mean relative, there's more being redeveloped and thrown away than are being recreated or created from new.

That becomes more of a – to some degree, a blue state, red state issue but also, I'm in the process of expanding two parks I have now. Expanding is still hard but I made them do it in one of them because it's in the county so it's outside city limits but when it gets outside the county, you often run into things like no city water and no city sewer.

Which increases the development cost, the risk, et cetera. In the practical world, there are very few people out there developing new mobile home parks. I'd like to, I've got a development background on retail so I understand the entitlement process and permitting process from that standpoint.

But it's really just finding a location in the city to play ball and a market that has the right economics to make it make sense.

WS: Speak to the due diligence process a little bit as far as you know, if we're going to buy a park now, one, to make sure it's not illegal like you talked about but two, you know, I'm sure we should be thinking about okay, is there room to expand, is it permeative for that? What's our options there or you know, if we do have to move a park out, can we move a new one in?

How do we ensure some of those things during the due diligence process so we know we're ready as soon as we close?

FN: Like all real estate, there's kind of the big items that you pretty much hire a third-party professional, it's more like you've got to get a phase one environmental. If the environmental engineer says it's dirty, you know, you could kill the deal. Maybe there's a phase two or something that could fix it but for the most part, you get to phase one, you get a survey, ideally [inaudible].

Obviously, you are going to make sure the deal is financially feasible so you run your marketing, you run your economics, go get the market rents, you look at your assumption, do property taxes, all that stuff and you see the bank [inaudible 0:07:57] to get an appraisal. But those are kind of like third-party reports.

From the due diligence on the buyer-operator side, I want to look at the first – I want to save money at the beginning, I'm not going to spend money on those – entering for 10 grand

[inaudible 0:08:09] to do that. Before I spend all the money, I get bids on that stuff right out of the gate but then, [inaudible 0:08:16].

Putting an ad on Craigslist, Facebook, local newspaper. Here a, \$800 a month, three bed, two bath, 1,200, 16 square feet and then see how many people bite on it and I get a feel for the market. Obviously, I need to look at the zoning of the city, that's generally, I hire a lawyer for it, unless you're confident in that area yourself, make sure the zoning is good, the permit's good.

You want to make sure that you check out the utilities. Most of the real estate, if you're buying a hotel, it's probably not on septic, right? You're buying a mobile home park, it might be on a septic, it might be on a lagoon, it might be on a wastewater treatment plant. You might have well water.

Well, all of those things include more risk, you need to get budgets for reserve and you get professionals to inspect it, you need to camera the sewer lines. I got about a 75-point checklist that I go through. I'm [inaudible 0:09:01] some of the big, fatal issues but you also want to just make sure you can bring homes in, see if the city prohibits vicious dogs of some sort. See if you can put for sale signs and banner signs out on the street.

WS: Where do we find that information? Where would we go to search, you know, those things with the city?

FN: It depends on the municipality. You know, a bigger city like I'm in Kansas City, they're going to have a full code, you can typically go on their website and just type in Muny code or city code, sometimes they call it uniform development code. You can go to the planning website. Sometimes you know, if you don't know how to drill down this stuff, I would say, just go to a city website or county website and look for planning or development and find who is planning this and call that number and say, "What are the restrictions, what can I do and not do?"

Most cities are quasi helpful where they'll at least point you to the right document. The ones that are really helpful will send you the exact excerpts from the code which you want to verify or at least you put it in their zoning letter that binds them in writing.

There's about 10 things that I put in the zoning letter that some of them I've mentioned here but there's a lot of the research standpoint you can go, you want to know the market area so if I'm going to some town, Joplin, Missouri, you know, I know where Joplin is, South Kansas City about two, two and a half hours.

I don't really know what the vacancy rate is in that town, what the market rents are of apartments, the market rents for lot rents or mobile homes so I can make – I can look it up on Google, call those places [inaudible 0:10:21], I can go to bestplaces.net or run a report from a scout or some other real estate source to give me some of that information.

Look at the employment, you know, other due diligence you should do, typically, because you want to look at the – you want to have good employers, meaning, typically, government, university and healthcare. It's not only about business.

You don't want to work with a town where is the – there is the one meat plant and everybody works the meat plant and then Smithfield Foods moves the meat plant and now you're stuck pulling the bag on a trailer park.

Diverse economies are good, county seats, lots of government jobs, good. Then the personal preference is, what's your bandwidth as far as how far you want to go from your home base, how much money you have and if you want a park that's stable, which is going to typically cost more, or do you [inaudible].

Or, do you want a heavy lifting project that you can go buy it at a discount but it's harder to do that if you got a full-time job. Some of this is subjective as to what your investment goals are. That's just the consumer process, I go through one every deal.

[INTERVIEW 2]

WS: Our guest is Tristan Thomas. Thanks for being on the show Tristan.

Tristan Thomas (TT): Whitney, thanks for having me. I'm really excited about it.

WS: Tristan works with Open Door Capital LLC as a nationwide infill manager. Since 2018, he has personally acquired over 55 units, including a mobile home park of his own, and has been working alongside Brandon Turner and its Open Door Capital fund as their nationwide infill manager.

He is also featured on Business Insider and Bigger Pockets podcast. Tristan, welcome to the show. Tell the listeners a little about your story, how you got into this business, but then also tell them what an infill manager is? I bet there's a lot of listeners are like, what in the world is that? But tell us what that is as well.

TT: Yeah, absolutely. I'll just start with a little bit about myself. Young entrepreneur, started mobile home investing three or four years back here in Maine where I live, and pretty quickly got really deep into it and that Ryan Murdoch who was from Maine as well who, is you know.

WS: He's also been on the show.

TT: Yeah, okay, awesome, yeah. Him and Brandon that they got into business together and they're having a great thing going. Well, long story short, they brought me along to tag along. Their very first park they bought in Maine, they actually hired me to infill their park. What that means is they had, I think it was 8 or 12 vacant pads in their mobile home park, and they hired me to go out and find homes, move them in, you know, oversee the rehab, and sell them off.

That was kind of like the test run without no one even knew about and then they said, hey, we like this mobile home park thing," and they launched Open Door Capital Fund et cetera, and said, "We'd like for you to be involved." That's kind of how it started and you know, I've been on with them for almost a year now and you know, we're growing very quickly, and it's exciting, and you know, there's a lot of responsibility I have, and it's just been a really cool ride.

For those who don't know, what an infill manager is, basically like I said, it's whenever we purchase these parks nationwide and there's vacant pads in the parks and those are zero income-producing pads, they don't make any money for the park, and it's my job to go out and locate a newer used home that fits our criteria, and we can get into that, and move it into our community, and oversee the rehab, and just kind of be the infill manager so I'm managing the infill of all of our parks nationwide. It's been one crazy ride so far but I wouldn't have it any other way, it's you know, most people don't go to college, they would be a mobile home infill manager. I think there's courses out there like that, but definitely blazing the path.

WS: Nice. Well, maybe there's a calling there for you to create that course, you know? You should own that, I don't know of anybody else that's doing that. That's interesting you know? Because there's not a term or title that you hear very often or, you know, hardly ever. That's great just for listeners and say okay, you know, if I'm doing mobile home parks, there's a position here for me to feel. I need somebody that's got the expertise that Tristan does.

So we don't have those empty pads, right? Just costing us or that could be creating income for our property, increasing the value, all those things. Let's just jump in to this role a little bit and what you do Tristan and helped the listener to think about how to do this as well. If they can hire somebody like yourself, you know, because that's just going to specialize in that and then we'll get to that criteria like you were talking about of that new mobile home.

Let's just go through maybe a typical day or what you're looking for? Or give us an example of a park maybe with some empty spots that you're working on and what you're doing, how we do this?

TT: Yeah, absolutely. I have my own portfolio of, you know, a park, around 60 units, and I actually have two smaller parks under contract. Pretty much what I do for my own stuff is just a smaller scale of what I'm doing for ODC and for Brandon. Basically, what it looks like is, these vacant pads, like I was touching on earlier, they're not making any income for the park owners, and it's an infill play, it's a huge value add play, you know, for all your value-add listeners out there. It's like buying apartment complex that's 40% occupied, you know? And just going in there and blasting those units and increasing the occupancy.

But mobile home parks is no different, increasing the occupancy through bringing in a mobile home. When you really look at the numbers on how valuable it is, I mean, usually, take the lot rent, maybe around 300 bucks a month, times 12, divided by the cap rate, and you know, a lot of the times, just adding one, just filling one vacant pad in your park will increase the value of your asset or property by 30, 50, 60 grand even, in some cases.

When you're looking at maybe 10 or 15 or 20 grand at infill, that one spot and, all of a sudden, you have a lot paying tenant who has, all of a sudden, just increased your value of your property by 40 or 50 grand, you can see how much value can be added over just filling 10 spots.

WS: When you say one home say increased the value by 20 to 30 grand, is that what you're saying?

TT: No, increase the value of your property by 40, 50, or 60 grand but it might only take you 20 grand to fill that spot, you know? You're already two or three X-ing the cash needed to fill that one spot just by filling it with a lot paying tenant.

WS: Nice, okay. Let's talk about that a little deeper and what that process looks like?

TT: Yeah, absolutely. Basically, I mean, when we have a vacant pad in our park and you know, I've dubbed to fill that pad, we always check out the pad first, check out the utility connections, water, sewer, gas, electric. You know, depending on your state municipality, you're going to have some kind of local ordinance requirements to you know, maybe a concrete pad, gravel pad, you know, there's all kinds of different things. Definitely want to check into that but once you have you know, your pad prepped and ready, you're ready to go ahead and move a home on. At this point, basically, everything I do with Brandon in Open Door Capital is all from my desktop computer here in Maine and, you know, I've been really fortunate to be able to have good boots on the ground in the communities that we own throughout the country, that I'm really able to leverage my time and leverage my boots actually having to be there.

Basically, that's what we do, we find boots on the ground and, you know, they work really closely with me. It's pretty much mobile home investing but just infilling for these parts. They're learning a really valuable set of skills to go out and buy these homes, what to look for, and then you know, overseeing the process, and moving it in. There's a lot of moving pieces between contractors rehabbing them, transportation companies moving and setting them, local ordinances, you know, certificate of occupancy, inspections, the whole nine yards.

But once you tie it together and you do 10, 20, 30 of these infill homes, I mean, the amount of value adds to your park is huge. That's why a lot of people are getting into it.

WS: Wow, okay, what are some, I guess pitfalls that you have, or that you see, or maybe some other infill managers or operators, as they're doing this, or having this process, or even you find a property like this and have some land. Maybe there's a dozen homes on it already, and you think okay, I could fit a dozen more here, maybe you can, maybe you can't. What are some issues that you see through that process that other people have?

TT: Yeah, absolutely. I think the biggest issue with anybody from trying to do this afar is the ability to locate good quality help, you know? When we're looking for boots on the ground for me, to assist me, it's imperative that you know, the responsive, that they're motivated. I mean, it really helps us out a bunch when we got a guy like Brandon Turner and Open Door Capital name on our chest, and we approach them and say hey, what do you think about this idea?

A lot of the times, they're very excited and motivated to help us out and, you know, make some money in the meantime. I think one of the biggest pitfalls for people is just inability to find local good quality local help, you know, that just goes hand in hand with my efforts. I mean, if I didn't have anybody I could count on out there in Ohio for say, you know, sitting here in Maine, my hands are tied.

That's probably the biggest pitfall, is just making sure that you have good quality assistance that they're at least coachable, you know? Because I mean, this is a niche, it's a niche asset, you know? Not a lot of people know what the underside of a mobile home look like, you know, they buy a mobile home park because they like the cashflow of it, and they like the idea bringing in homes, but they don't really know that middle space.

Luckily for me, that's how I got started in the industry, so it's just something that I learned, and it was second nature to me, and not a lot of people want to do it, so it's worked out pretty well.

WS: Nice, I mean, finding good help is so difficult. We've been growing through a hiring process, I've learned a lot about hiring recently, but finding people on the ground that will be your hands and feet when you're from a distance is difficult, you know? It's very difficult.

Let's talk about that a little bit about doing this from a distance. You know, it's a lot different than what you can actually drive there and look at something, put your hands on it and see somebody in person, you know, yourself, but you're doing this from a great distance and, you know, let's talk through how you manage that a little bit?

TT: Yeah, I know, absolutely. I think it's important for, I'm sure people have heard this on shows before but it's just, you know, at the end of the day, it's a limiting belief that makes you think that you can't invest in other areas of the country. That really hurts you as an investor, and it hurts your mentality, because there's a lot of opportunity in other parts of the nation or even the world that's not in your backyard that you feel most comfortable with because you can touch it.

I mean, I think it's imperative that you know, in order to scale, you've got to be able to let go of some of these limiting beliefs and this is certainly one of them. It's even got to the point where, my own portfolio, one of my biggest properties is 15 minutes from my house and, since I've been able to be successful and do this with Brandon from my desktop, you know, I've been challenging myself and say well wait, why do I need to go and travel 15 minutes to touch my park when you know, I have guys there that I trust?

It's just been transition that, even though now I have stuff out of state and in state, I just transition it to where I'm just doing everything from my desktop and my phone. Yeah, pretty much to end that point, I mean, in order to scale, you've got to get comfortable being uncomfortable. That's just one of the things is you got to let go of the fact that you can't do it because you just got to find the right guys, the right people.

WS: Yeah, I was going to say, the key is finding those right people that you trust. Otherwise, yeah, you're going to have to go there or fly there, right? If it doesn't get done properly or, yeah. What are some tools maybe that you have for communicating or organizing and even, how do you know these things have been done, what do you use?

TT: Yeah, absolutely, I mean, luckily we live in the 21st century, there's all kinds of technology at our fingertips, you just got to reach out and use it. The biggest thing that I utilize for my job is literally my cellphone and my cellphone video camera. Whenever I need to get eyes on a vacant pad to discuss with a contractor what needs to be done, or whenever I need to get eyes on a mobile home and go through and create a scope of work with the contractor, you know, I just whip out FaceTime or if they don't have an iPhone, we whip out Facebook messenger and just have a video chat.

Literally, I mean, it's very simple, we just start on one side of the room and we talk about what's there, what needs to happen. I'm taking notes, I'm creating a scope of work and we just move through the entire home. It just makes it increasingly easy to be there, in Ohio, or Wisconsin, or wherever, you know? Yeah, I mean, you have to have a lot of trust with the guys, I mean, you got to have trust that they're going to get the job done and the job right but you know, with this technology, we have it so easy to say, "Hey, just send me a picture as soon as you're done leveling this pad," and, you know, there it is, I've confirmed it, and it's done. I'm still sitting at my desktop and the job's done, you know?

Definitely use of technology, As far as like software, we use Asana for Open Door Capital which has been great, it's just CRM tracking software basically for our team, but it's been huge, I mean, being able to – we have so much going on, and we were growing so quickly, and it's just been really easy for the team to get everything in one place, you know, talk to each other and all of that.

Technology man, I'm telling you, it's a hack, and we're using it really well.

WS: What about, do you all have a method or process of documenting these processes or you know, some way that your team knows to document these things or do things?

TT: Yeah, absolutely. We had two separate sides of things, obviously, we have the management front that manages the parks, and then we have like the team tracking stuff for all of our key points, all of our job tasks. Obviously, our management company, I believe they use Rent Manager, which all has its own perks, and they shoot out maintenance requests and all that.

As far as us, yeah, I mean, that one place for us is Asana, that's where we can put in all of our documents, all of our tasks. Follow up with each other, tag each other so yeah, it's definitely one, it's best to have one centrally located spot where you can communicate with your team..

WS: How do you learn something like Asana? We use Asana not to its fullest extent by no means, but how do you all teach a noob teammate something like Asana?

TT: Yeah, Asana, it's super in-depth and honestly, I'll be the first to admit, I'm not a super tech-savvy guy, so when I first started with Open Door Capital, in fact, I was talking to Ryan Murdock and he started explaining Asana to me, and he knows that I'm not super tech-savvy. It's like man, it was a limiting belief that hey, I just didn't want to do it, I couldn't do it. Again, you got to get comfortable in not being comfortable if you want to grow with us, you know?

It's one of those things where you just really got to jump in, you know? It was great because we had team members was able to call us and say, "How do you do this?" But it's really no different than anything else, jump in, you got to learn it. It worked out pretty well.

[END OF INTERVIEW]

[OUTRO]

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