**Bob Irish:** [00:00:06] Welcome. Bob Irish here with our monthly call with Justin Ford of Pax Properties. Today we're going to update you on all the standalone investments in Florida, as well as keep you abreast of what's going on with the underlying investments in the Cap Plus Diversified Income Fund. I say it every month, but it's especially important for our more recent investors. Throughout real estate booms and busts, Pax properties has never failed to produce a positive result for investors or missed a mortgage payment. With that said Justin, how are you?

**Justin Ford:** [00:00:44] I'm doing well, Bob. Thank you. Welcome back to Delray.

**Bob Irish:** [00:00:47] It's good to be back home. It's good to be back home. Why don't we make today's theme construction? Let's do an update starting in Florida, but there are a number of construction projects underway or near completion. And I think we can cover those with that basic theme. Do you want to start with Tallahassee?

**Justin Ford:** [00:01:14] Let's start with Tallahassee. All our properties once they're stabilized tend to perform well and that's the case. Now, we just finished something in Oklahoma City. We're doing something in Ascend. We did it in Tulsa a little while ago. Tallahassee, we're just starting. Those are the two hotels, one was born in COVID. The other was a change of flags right at COVID. So we're changing those two apartments. We've talked about this in previous podcasts.

**Bob Irish:** [00:01:38] Yes.

**Justin Ford:** [00:01:39] We've submitted our permits a few weeks ago. Today we got our comments back on Casa Bella, and I think we're getting comments back on Seven Hills. Comments are when they say, okay traffic is good on this thing. You don't have to worry about impact fees on this thing. The plumber says, okay here's your plumbing, but you got to address this issue and we'll prove your plumbing plans and the electric and the zoning. So you get your first set of comments. Now the nice thing is, when we went in with these permits, we thought we had expedited status. But we actually have priority status, which is higher than that.

**Bob Irish:** [00:02:19] Priority is higher than expedited?

**Justin Ford:** [00:02:22] I think we get a drink and a bag of peanuts, but I would prefer a permit. But we'll see how it goes.

**Bob Irish:** [00:02:30] Right.

**Justin Ford:** [00:02:30] So we're starting to get comments back. We will be digging back. We'll be responding to these comments by the end of this week, today. It is just a couple of days away. I'm moderately optimistic that we may get our green light in a couple of weeks. We'll see how that goes, but the main thing is we have our subconscious contractors lined up. We have our budget really, really detailed. The city is fully behind us. So once they do give us the green light, we're a horse just right at the gate. All they can do is open it. We're going to tear down the racetrack. So those two are going very well as far as getting ready to go in full motion.

**Bob Irish:** [00:03:12] Hey, that's great news. I'll look forward to the update next month and we'll find out whether those permits have been issued yet. As long as we're on the theme of construction, why don't we take a little, well maybe we shouldn't take a break and go to Oklahoma. It may confuse things a little bit.

**Justin Ford:** [00:03:30] [overlap] Yeah let's stay in Florida.

**Bob Irish:** [00:03:33] The Standalones. Everything cool with Vero Beach?

**Justin Ford:** [00:03:37] Vero, Melbourne and Equus are status quo, which is a good status quo.

**Bob Irish:** [00:03:42] Yeah.

**Justin Ford:** [00:03:43] Melbourne and Equus particularly have been really growing the top and bottom lines in recent months. Vero has been holding its own, consistently paying for itself and producing a very good return. Vero paid Mid-teen cash on cash for years now and Melbourne was paying 12% for years now. And Equus is paying something like close to 10 or something like that. So they're all doing well. There's really nothing to report in the sense that no news is good news at those three. They keep humming, they keep doing what they're supposed to do. So that would take care of our hotel portfolio.

**Bob Irish:** [00:04:19] Yeah. One last thought before we exit there, I know that in Melbourne, there was some interest in converting by a third party, converting them to apartments. And there was a bunch of due diligence that had to be done. Any progress on that or is that a deal now or what?

**Justin Ford:** [00:04:41] Well, that's still alive. The longer it goes, the more likely something is to happen of it. So when we first went to contract about two months ago, I gave it like a 50/50, maybe a little less than that, because they have to go through a lot of hoops. They have to talk to the city and the county and they have a lobbyist involved, but housing is a hot political issue throughout the country especially in Florida. And housing, that's where a portion of it is priced attainably at a level that's affordable to certain income brackets. It doesn't mean subsidize. It just means it's affordable to certain income brackets. So their lobbyists, all the conversations they've been having apparently are highly positive. And we know they're serious because they've had their environmental inspection. They've had their mold inspection. They've had their appraisal. So they've sent like 4 or 5 third party reports over there. And we will know, I think it's the first week in December. If they're serious, the money goes hard. And then the chances are quite high that we're going to close and the price on that, like I said, it's about a 30% premium to the market value, because we are waiting for six months and it's subject to all these approvals but so far so good. So we think now that the chances are probably 2 to 1 that it will close.

**Bob Irish:** [00:06:09] Wow. Okay. Before we leave Florida entirely, anything to comment on Renaissance Governor Square?

**Justin Ford:** [00:06:19] It's pretty much the same as the others. We recently went in there and did a little bit of a refresh. In our every few years, you have to go in there and shore up balconies, do certain things like this. And so we went in there, spent I don't know maybe $20,000 or something just shoring up stuff because we first renovated that started in 2017. So we're in our sixth year of ownership now, but it's 95% plus economic occupancy. Our management does very well, better than we've done in a while, sort of collecting a lot of money up front and not letting people become delinquent. The place looks absolutely great. Rents are staying strong up there in Tallahassee. So one of those things where not a lot has changed, but it's just slowly gotten better and better so Renaissance continues to do well.

**Bob Irish:** [00:07:10] All right Justin, let's go west. Let's go to Oklahoma. Let's go to Tulsa. Take me back to Tulsa.

**Justin Ford:** [00:07:19] Renaissance? Would you care?

**Bob Irish:** [00:07:21] Yeah. You can YouTube it. It's done by Asleep At The Wheel. I think it's an old Bob Willis and the Playboys song. I heard it.

**Bob Irish:** [00:07:30] Oh, I love Bob Willis and the Playboys. They got a big mural over there in Tulsa.

**Bob Irish:** [00:07:35] Yeah they're something. Anyway.

**Justin Ford:** [00:07:38] Texas Playboys, I think. It might be the Texas Playboys.

**Bob Irish:** [00:07:41] Texas Playboys?

**Justin Ford:** [00:07:42] That's right. Yeah. Okay.

**Bob Irish:** [00:07:44] Maybe I got it wrong. Texas Playboys.

**Bob Irish:** [00:07:47] Yeah. Okay. Tulsa, it's a great small city, and that property is performing beautifully. We're doing a little bit of structural shoring up on a balustrade that we had an update, but that's sort of the main thing that's going on there. But we're at 97, 98% occupancy consistently over the last few months. And again not a lot to report. The boring is good. So it's doing its job.

**Bob Irish:** [00:08:17] So that's Apex, right?

**Justin Ford:** [00:08:19] It's Apex. Correct.

**Bob Irish:** [00:08:20] Yeah. What about the 146 units at ascend? What's going on there?

**Justin Ford:** [00:08:26] So I'm gonna hold off on that one since our last acquisition. The one in the middle, let's talk about which is Oklahoma City, that's Elevate.

**Bob Irish:** [00:08:33] Elevate, okay.

**Justin Ford:** [00:08:34] So the 126 units in Elevate, we basically just finished. We only have one unit left to do because transferring the tenant was an issue. I think we just started on that unit. So, we've done 125 units. All the exteriors are done. We just put $100,000 into a brand-new parking lot on that campus, which is probably I don't know, at least probably at least seven acres on a very busy street. We just built a beautiful exterior pergola courtyard area. We updated the pool previously, so this is really pretty much like a class A office building now. And right now, we're about 90% occupancy. And by this time next podcast we should be 95% plus. So, our work there is done. And that is very satisfying because how long was that? It was about a two-year project, that renovation. Renovating while it was operating so that's great. And that should be a fully stabilized property paying entirely for itself, including the investor preferred returns this quarter.

**Bob Irish:** [00:09:39] Excellent. Okay, let's talk about Ascend.

**Justin Ford:** [00:09:43] Yeah. You know when a property becomes stabilized, it's like when your kid finally leaves the house. And maybe instead of going to college which costs you money actually gets a job, you know? So that's nice. But anyhow, Ascend has been a real challenge because the city threw a bunch of stuff we didn't anticipate. We had to redo something like 72 balconies, I think it is. Build them from scratch and we couldn't get the certificates of occupancy until they were done. And then they threw some electrical requirements that added stuff, and now they're throwing some exterior improvements, but those are mostly cosmetic. But they're throwing a lot of things they didn't reveal to us in the beginning. But we've been working with it and we're now past the hump. We have I think 67 of the balconies done, might even be a little more than that, might even be 70. So we're now getting our COs. Probably around for the first time in a long time, we have about 20 units that by this Monday will be ready to lease up. And others, they'll be vacant. They'll be sealed and they'll be clean and punched and ready to go. So it's been a painful process, but I think this last lap is going to be a straight away. And we're shooting to finish by the end of this year so we'll keep you posted there. But once that's finalized too, that'll be a property that pays for itself. The numbers on that are very strong. We bought it at ten and a half. We're putting around four into it. And this property will produce about close to $2 million a year in rental revenue on a total investment of just shy of 15. Those are strong ratios.

**Bob Irish:** [00:11:29] Very strong. So we're looking forward to another child leaving the house. That's great.

**Justin Ford:** [00:11:33] Yeah. That's right.

**Bob Irish:** [00:11:34] Let's talk Port Saint John. If there's anything to really talk about there. Things seem very stable there.

**Justin Ford:** [00:11:42] Well, we're just doing a little beautifying there. It's a nice property. We're having a muralist paint the mural on the long dividing wall between our property and the next property. We want to give it a little more, basically this is just a shopping center that's kind of a little bit of a way, a drab box. We want to add a little more attention to the community spirit there. We recently put in music in the breezeways where we're going to upgrade some of the lighting. We're painting that. The mural will probably add a bit more landscaping. So we want it to be the type of place that has a nicer appeal than you would expect for CC plus shopping center. And also, we think this is going to be quite beautiful, what people will notice it and they'll refer to the oh, you mean that place with that cool mural or something like that? A little bit of a landmark. Other than that, we're at I think 97, 98% occupancy. And we get occasionally small bays that become available, but we usually fill them within a few months. And so again, not much to report there in the way of anything. But it's performing as it should.

**Bob Irish:** [00:12:58] Excellent. Justin before we got on the call, I asked you whether you might have any investment opportunities coming up for folks that want to deploy some of their cash. And you said that there may be some things coming up. Do you want to talk a little bit about that?

**Justin Ford:** [00:13:17] Yes. So we were going to do a participation loan which people expressed interest in.

**Bob Irish:** [00:13:21] Right.

**Justin Ford:** [00:13:22] That was if we were going to be able to buy down the mortgage on a couple of properties we were going to refinance. So a bank, let's say we own 5 million. If we can negotiate buying down to like four, three or something then we're saving 700,000 in equity, we could pass some of that on to investors. That didn't happen. The bank initially told us they'd be interested in what's called a short payoff, but later they changed their tune. They said they weren't. So we weren't able to buy that out so that particular opportunity is there. But we are coming back with a 1% a month bridge loan. We do those just before we do major revise. Because what it does, it gives us a chunk of cash to be able to close on the refi as well. Because when you close on the refi one, they want to see you have ample cash to close on the refi until you need the cash often until the refi comes in. And then that refi typically in this case should be paid off in about 15 to 18 months with a permanent loan. We expect the construction on the Tallahassee property to last about six months. We're budgeting three months for the permit even though we think we can get it maybe in a month. So nine months and then you have your lease up, which may be another 3 to 6 months. We'll lease up as we go as well. So this loan will have a 12 month term with a 12 month extension. But it's going to pay 1% a month from the get go. It's going to have a personal corporate guarantee. If we go into the extension, it's going to continue to pay 1% a month, but they're also going to get an extra point at the renewal. So it'll pay as much as 12.5%, let's say per year.

**Bob Irish:** [00:14:51] Wow, that sounds great. Now if folks are interested, what should they do?

**Justin Ford:** [00:14:56] Well to make sure I can find their emails because my emails get swamped, ask in their subject line, put one and then percent, the percentage sign, just put 1% loan or something like that. But if they do 1%, I'll search for that and I'll make sure they don't miss it in my email box. They should send it to me justin@paxproperties.com and copy my son chris@paxproperties.com and we'll let him know. We think we're probably going to take on around oh maybe somewhere between 2 and 2.5 million. So because there's two properties involved Casa Bella and Seven Hills, that we're refinancing. They should respond as soon as they can because we've sold out $4 million offers overnight. If we get the same type of interest here, it'll be quick. So they should respond as soon as they can.

**Bob Irish:** [00:15:48] I think you're going to get that same type of interest with 1% a month. That's super. Justin, anything else to add before we sign off?

**Justin Ford:** [00:15:58] No Bob, just glad we're entering into the beautiful winter season here in Florida. It's good to be back in our hometown.

**Bob Irish:** [00:16:06] I will look forward to chatting with you next month Justin. Great to see you again and it is great to be back in Florida.

**Justin Ford:** [00:16:13] Thanks, Bob.