

Episode 102

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Small town development, real estate investment, community impact, entrepreneurial journey, financial education, property renovation, market stability, urban revitalization, public-private partnerships, local business support, residential development, commercial real estate, city collaboration, economic development, legacy building.

SPEAKERS

Jason Duff, Katie Neason, Ethan DeLeon



Katie Neason 00:00

I so admire what you've done, and I feel like your fingerprint is all over the town. I have gotten so many ideas, so many things that I want to take back to my community. But what I love the most about your town is you guys totally punch above your weight.



Ethan DeLeon 00:15

The Small Nation



Ethan DeLeon 00:22

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Jason Duff 00:34

Hi guys. This is Jason Duff. I am here today with Katie Neason. We are at the small nation podcast, and we're excited to be in the studio today for episode 102, and today is kind of a special day, because I've got Katie and her son who traveled all the way from Texas to Bell fountain, Ohio today. So welcome.

K

Katie Neason 00:52

Thank you. It's our treat.

J

Jason Duff 00:54

Yeah, well, I just say I've heard everything is bigger in Texas. Is that true?

K

Katie Neason 00:59

Probably. I mean, we've been brainwashed to believe that it is true. So I have to tell you, yes.

J

Jason Duff 01:04

Well, I'm hoping, because the advice that I know in the time I've spent with Katie this morning, she is a small town developer doing incredible things in this town, Brian, Texas, and we're going to hear about Brian. But what I love about Katie and her story is that when she first began, she's blatantly honest about this, that she had no clue what she was doing. And sometimes, in our origin stories of entrepreneurs, you hear people that you know grew up with these mentors around them, maybe had a family business background, had all of this knowledge. And sometimes you just have to start at square one and figure it out as you go. So, you know, she mentioned she had no clue what she was doing, and she was looking for a how to guide on how to develop properties. You know, multi family really activate her town. And searching out there, there wasn't a lot of people, right? So she had to pave her way on her own. And where she's at today is after 15 years of investing, eight years of development, and over a \$15 million Portfolio that is now cash flowing. And let's put a double click on that. That is a rare thing. Sometimes in small town development, you can have a big portfolio and put a lot of money out there, buying and renovating, but you may not have any tenants, so it took a lot of work to get there, and today we're going to unpack some of that lessons, those journeys and those experiences of Katie Nissen and Brian Texas. So Katie, how did it all begin? Kind of walk us back and tell us a little bit about your background, and maybe that first project that got you into doing what you're doing?

K

Katie Neason 02:39

Yeah, you know, the background probably started when I was a kid, because both of my parents are entrepreneurs. My mom was a real estate agent. My dad actually did steel construction. And we went through the savings and loan crisis in the 80s,

J Jason Duff 02:53
and

K Katie Neason 02:54
it was tough. And the one thing I learned is I want to be an entrepreneur, and I do not want to do real estate. And so went to college, graduated from college, and went and got a job as a banker, which turns out I love because I was always the weird kid. I mean, I'm still, I'm the weird adult now, but I was always the weird kid. I wanted to talk about money. I was totally intrigued by it. I assume I'm intrigued by it because of the financial crisis that we went through. But it turns out you're not allowed to talk about money.

J Jason Duff 03:23
Money, to some people, is like a dirty word.

K Katie Neason 03:25
It's offensive. And when I mean, my husband's a working cowboy, and I remember, I'm trying to just fit in with his friends. And our first, you know, get together, I was like, how many acres do you have? And he was like, You can't ask that. You about as well. Ask how much money he has in his bank account. Oh, well, I hope that was the next question. And so when I became a banker, it was amazing, because I got to sit down with owners of companies and ask them how they made money. And I really got to see how some businesses make money and some don't, and they may be in the same industry, they may be in the same town. So it was really intriguing. And so that I got to learn about financial analysis as a banker. And then I read a book that changed my life, and it was Rich Dad, Poor Dad,

J Jason Duff 04:06
Robert Kiyosaki,

K Katie Neason 04:07
yes,

J Jason Duff 04:07
yeah.

K Katie Neason 04:07

And the reason it changed my life is one, it put words around thoughts that I had, but I didn't know how to verbalize them. But two, it made me realize what happened to us in the 80s wasn't real estate. It was just that my parents came from very humble beginnings, and they outpaced their financial education. They made a ton of money, but they spent it all because we just aren't taught about money growing up. And so that's when I was like, I love real estate. This is what I want to do. So I quit my job as a banker, but I am a banker. They beat all creativity out of me, right? Like I'm risk adverse, I'm scared of everything. And so I said, I want to be an entrepreneur. I don't know what that looks like. I want to do real estate, but I'm scared. So instead, I took another job, but I took a job for education only, not for money. So. Went to work for a startup company of two guys who took care of people with Alzheimer's and dementia, but they were serial entrepreneurs. They were super wise businessmen, and I was like, I don't know what I'm going to learn. I don't know what I'm going to do, but I'm learning a lot from them. And then seven years into that, the company sold, and that is how I started my real estate full time career, because I was able to take my exit bonus, because once it sold, they didn't need me anymore, and so I was able to take that. And I said, You know what? This is almost one year worth of income. At the end of the year, if I'm out of money, I'll just go get a job, and if not, I'll just keep going. And I still may have to go get a job, but so far, it's just worked out. So what we started doing, even while I had that w2 job, after reading Robert Kiyosaki, were like, Let's go buy some low income housing, do section eight vouchers, convince my business partner, who is also my mom, put together this whole business plan to come on this journey with me. We bought two or three, four plexes out of bankruptcy, fixed them up, got them rented, and hated it.

J Jason Duff 06:01

So with the Section Eight, for people that are listening, they're learning about real estate, the benefit of that as the landlord is that you probably are going to have a pool of people that need housing that with those vouchers or that commitment, you know that your rents going to show up. Is that kind of what drew you to feel like that would be a safer, less speculative investment than doing something else.

K Katie Neason 06:24

So like, the government was going to pay me. I was like, we're going to help low income people,

J Jason Duff 06:28
right?

K Katie Neason 06:29

So there was some mission behind it, but we hated it. I think the voucher program is amazing in really high income cities. I mean, you can have full time job, be working and still not be able to pay rent. But there are other parts of the country, which is the part of country we're in, where it's more of a gaming of the system. So we became immediately cynical. It just wasn't fun. And so we pivoted. What we loved was fixing them up. So we just sold them, we pivoted it, and we started flipping houses. And we did that for 10 years, and we loved it. I mean, it was part of our identity

J Jason Duff 07:01

in the flipping side is that you try to buy low and you would make improvements. Maybe it was ways that there were certain walls that were in the way that wasn't making the place feel inviting, and maybe the kitchens were outdated, or the bathrooms were outdated. So you would improve those properties with the idea that would be worth more, and you would flip it and make a profit

K Katie Neason 07:23

Exactly. And so it was amazing, because we love the renovation, but as a safety girl, being a banker, we had to have a plan B. And plan B was it had to work as a long term rental. So if something happened in the market from the time you bought till the time you sold, and you weren't able to sell it, it couldn't take you down. And so that meant we had to buy really cheap houses. We couldn't do high end flips, because the rent would never cash flow if we couldn't sell it. Well, that kept driving us closer and closer to downtown, because that's where the really old blighted houses were. But they were full of that amazing character, the wood trim, the hardwood floors, and we started fixing them up, and people loved them like they were selling so fast. We stroked our ego. We loved it, but like you just said, you sell it and then you make the income. All we had done was created a job for ourselves, and I convinced my mom we're going to be real estate investors. I wasn't a real estate investor. I was a person with a job in real estate. Now it was one we love, but we know real estate's a cycle back from the 80s. We know that real estate is a cycle, and at some point flipping won't work. So then what? And so we said, Okay, we didn't like the first assets we bought. We do love the flipping. What do we want to own to build wealth in in real estate? And there was a revival just starting to happen in our downtown. All of our flips were in downtown. We started off singing downtown. And in Texas, it's always hot, you know, like winter is 100 you know, like it's just always hot,

J Jason Duff 08:49

temperature wise. And also, I know you're in the news a lot for your sports teams, some big, you know, college and pro. And then secondly, you have some of the what has been, traditionally, in the last 10 years, the hottest real estate markets in the country.

K Katie Neason 09:05

Yes,

J Jason Duff 09:05

there are pros and cons, because, and we'll talk about that. It heats up, but it can also cool down really

K Katie Neason 09:10

fast,

J Jason Duff 09:11


just as much as heats up. But so tell us more about Bryan Texas. Can you give us a little bit about what the community is like?


K Katie Neason 09:18


Yeah. So Bryan College Station is the MSA. You leave one city, enter the other. You have no idea. College Station is the home of Texas A and M University.


J Jason Duff 09:26


We've probably heard of that before,


 Katie Neason 09:28
probably

 Katie Neason 09:29
up

 Katie Neason 09:29
here by the

 Jason Duff 09:31
just probably dropped off right

 Katie Neason 09:34
on the podcast. Nothing like a villain. That's great. And so the nice thing about that in our market is the university is the gorilla, but it also makes our market stable. Now the bad thing is, when the market's really hot, we're not really hot, but when the market dips, that's when people go and extend their education, when they've been laid off, or they're like, I'll invest in myself. So it also helps on. The downturn. So we are not one of those hot markets in Texas, like in Austin, where you get really high highs and really low lows. So that's nice for the most over the long term. That's really nice when you have investors and you're so proud that your market's just ticking up at 3% and the rest of the country is at 15% it's hard to make them realize, no, this is good, because when it goes down, we're still good. And so our MSA is about 250,000 plus. We have another 100,000 in students. So it's totally driven by the university.

 Jason Duff 10:30
And after you decided that we really don't want to be in a job for real estate, I want to be a real estate investor, what did that look like?

K

Katie Neason 10:38

Yeah. So we said, what assets do we want to own? Here's the reality, when people have the idea of an equipment job and go into real estate, what they miss is you still have to have income. You can't use your income to build wealth and live off of it. It has to be one or the other. So we said, You know what? Let's do development. But we still need income, and we wanted amazing towns. So we go to Italy every three years. That's our inspiration. It's like, why do we build crappy cities? Everyone from America goes to Europe, loves the cities, comes back home, and then we build crappy cities. Like, why are we doing that? And so we saw downtown, like, this is the potential to have such a better place. Why don't we do that? Well, those communities, they need retail, they need office, they need homeowners, they need renters. So what we said is, hey, let's build town homes, anything we can deed single family, let's sell them. That's basically an extension of flipping, right? It's just ground up instead, and it lets us get that income and pops of cash that we can then put into as equity, into our build to rent that we want to keep long term. So that's what we do to keep our income going. And then we have homeowners in our neighborhood, and then we might buy the lot across the street, and we might build a boutique apartment or a mixed use building. So our asset class is downtown. It's a 15 by five block area. It's not apartments, it's not mixed use, it's not adaptive reuse, it is downtown. So when we get a lot, we just say, 20 years from now, what would be the best use of this land to benefit downtown? And that's how we decide what to build there.

J

Jason Duff 12:19

Well, the key takeaways from some of the things that you've just shared is flipping does not equal long term wealth. Flipping might get you that short term boost and build some capital that you can reinvest in something. The other thing is that as you became a developer, you started to think about, what systems do I need to support the geographic area so that I can scale this. So having one property improve that's going to benefit another property that I own and another property that I own. And then I think you thinking about opportunity as a perspective to build a business, and identifying that in a town that isn't maybe the largest and the sexiest in terms of like Austin, Texas. But that is actually your strength, because you're not riding the big highs and the lows. Being in that secondary market, things are a little more stable and probably a lot less competitive, meaning you can be the developer in the big fish in a smaller market.

K

Katie Neason 13:19

Yes, absolutely. Being in a small town is not a constellation prize. It is the competitive advantage. And not only are we a secondary market, technically, we're considered a tertiary market. And so we're not going to compete against big institutional money. They're not going to be in downtown. So that's beautiful, and we're working with the city that wants what we're giving them. Now, does that mean it's easy? No,

J Jason Duff 13:45
that's right,

K Katie Neason 13:45
but it means it's possible. And so I have developed for past jobs in Houston, I tried to in Austin, in San Antonio, in the bigger cities. And it is, it's, it's just like beating your head up against the wall, like it is hard enough to build in a city when you're both pulling in the same direction. My opinion is Life is too short to do something that they don't want. So I want to do what I want, though. I don't want a job. So I have a lot of friends who are real estate investors, and they're like, I don't care about real estate. It's just a means to an end. And I'm like, that's a job, so I want to do something I love, otherwise, I'm going to let somebody else write my paycheck. Why would I go through the pain of being an entrepreneur and not do something that I love and so building a town and a community and having a huge impact on it, that's something that we love, and to be able to create income and build long term wealth in the process, like, that's living a dream every day, and that's the kind of life that we want to develop.

J Jason Duff 14:49
I think that's a great way to kind of put a button on those particular pieces. Here's another theme that I was interested in hearing your opinion on is, how do you. It seems like to me, as you've built your this portfolio, and you've moved on to having multiple projects and now also working on some commercial storefronts and wanting to work to recruit new businesses to Bryan Texas. How do you see opportunities that oftentimes other people miss?

K

Katie Neason 15:18

Yeah, this is so good. Part of it is just exposure. I would have never even gone down this path had we not taken those trips to Italy and for the first so we go over three years, so we've been, I don't know, 810, times. The first couple of times, I didn't even really recognize it. I knew I liked it, but I didn't think of it from a real estate perspective. And then it kind of dawned on me, what makes it so great. So if you're not exposed to it, you it's really hard to dream it. So part of that is just get out there and get exposure. And then here, that's why I'm here. I am doing a little tour. I'm here. I'm going to go to Marion, Ohio, and then I'm going to go to Chambersburg, Pennsylvania. These are all small scale developers that I totally admire, and seeing it, there's no substitute for seeing it in person. Man, the ideas and the just the energy that you get, and maybe it's rip off and replicate, but a lot of times it doesn't really apply exactly in your town, but something clicks for you that you'd been thinking about and you couldn't put all the pieces together. So now I see opportunity not because I'm creative, because I'm not I'm a spreadsheet girl. I'm not creative. I see opportunity because it's a reflection of something I've already seen somewhere else. So if you're the type of person who says I'm not creative, I don't have the vision. That just means you haven't seen enough things. You don't need vision. You just need to be able to see something and then apply it to your landscape.

J

Jason Duff 16:41

I love that. You know you mentioned earlier that you described yourself as weird, I will tell you, spreadsheets can be a gift, particularly where you and I probably are very different. I struggle with accounting so much, and I took an accounting course in college, but when I first started the business, like I could understand the marketing. I could understand the idea of, like, working and making a real estate project better, but I really struggle. Struggled with numbers, and so I had to come to realization that that was not my unique ability, and I needed to find someone that really was good at numbers. So this is a shout out to our staff accountant. Cam, because if we didn't, you know, everyone in the studio is like shaking their heads. Cam runs the numbers and make sure the bills get paid, the payroll gets done. And he also holds me accountable when we set budgets. And the budget word sometimes is not a fun word, but we need those people in our life, but you described yourself as weird, and I want to relate this to real estate, you know, as identifying opportunities. What are the small or odd properties that you may that everyday people kind of pass by but could become the best opportunities to invest in?

K

Katie Neason 17:51

Yeah, I think the opportunity is just seeing it for something that it isn't. So a lot of the properties, unfortunately, we don't have these beautiful buildings that you guys have where our town is bigger, and I can assure you, we have less amazing historic buildings. I don't know why that is, but that means a lot of the stuff that we have to create becomes ground up construction, because we just don't have the beautiful building stock. Well, most people will see a boarded up house or maybe a rundown house, and their mind is, can I fix that house up or tear it down and build another house? But I can say, What can I do to make downtown better? Can I turn that into 10 town homes? Can we make that a mixed use development so it's not even so much that the property is odd. It's just realizing most of our real estate since World War Two hasn't been built efficiently. So if we're starting all over, what should have this been? And usually it just means something more dense, something that's walkable and creating something that people love. For some reason we create towns that we want to escape from so that we can go to towns that we love. So the question is, when I see a property, what can I put here that people would love to stay here and experience it and not try and escape from it?

J

Jason Duff 19:08

Can you share a deal that other people may have passed by, that you have now worked on, and it's been successful?

K

Katie Neason 19:15

I feel like every day we do someone passed by. That's why we got it. I mean, our very first development ever was an old building. It was the last boarded up building on the most redeveloped block of Main Street, and so this was really the moment that made us think, could we buy that building? And I don't even know why we've walked by it many times. We walked by it, it's boarded up, and we're like, could we buy that the minute I said that out loud to my mom and business partner, I immediately thought, I bet there's a reason that it hasn't been developed, right? Somebody knows something that we don't know. This building has been boarded up for my whole lifetime. It had dirt floors with a cistern. It did have a roof, but that was because it had collapsed, which is why it was dirt floors, because I'm sure it was wood floors. Back when it was originally done, had a roof leak. It all rotted out, so the only thing left was a dirt floor, which is actually good. I didn't have to bust up concrete, but the city, somewhere along the way, made him put a new roof on it, so it had a roof and the exterior walls. And we said, You know what? Let's just see. So I googled the guy's name and his email address was right there on the World Wide Web. And so I emailed him, and he emailed me back, and a few months later, we owned the building. I cannot tell you how many people, after we bought that building and got it fixed up, which we still own it today, told me, Oh, I was going to do that. I saw that building. I had this dream for that building, but nobody was willing to act. The story is you don't have to be smart, you don't have to be more clever, you don't have to be more creative, you just have to take action, and you will outperform at least 80% of the rest of the people.

J Jason Duff 20:53

The key takeaway I am learning from you on that would be that sometimes the best deals people drive by every day because they think they're complicated or they're just ignored. And so having that understanding of the value and the vision, and then the key piece of that is, how do we execute on it? And sometimes the execution, it's not that complex. It's emailing the person and saying, Hey, do you want to sell your building.

K Katie Neason 21:20

Yes, we also, we often think that hard things should be done by other people, like, I'm just not the person for that. And the reality is, everything is just a five minute task. Everything can be broken down to what is just the next thing that I need to do. And but people get so overwhelmed. And the biggest one that I hear about is money. Like, why don't you invest? Oh, I don't have the money. I'm like, Do you have a deal? Have you underwritten it? You don't even need to worry about money. Money is like, five steps down the road, but we get So, like, if we're going to drive, you know, to Houston, I need to be able to have a clear path all the way. You're never going to be able to see all the way to Houston. You need to get in your car started and start driving. It's the same thing with real estate, quit trying to solve problems at the end of the road when you haven't even gotten your car and started it yet,

J Jason Duff 22:06

there's the banker brain working, and it's so true, because I think there's a lot of fear that's associated with money, or like you talked about in the beginning of the episode, money is not a topic that A lot of families or people feel comfortable talking about and that kind of leads me to this next area about the framework of how you're thinking about developing and also how you develop systems to help other small, incremental developers be able to do their first deal. Walk me through a little bit like, what is the framework you use to evaluate a deal?

K

Katie Neason 22:44

Yeah. So the first thing is your market. You need to know your market the way you do risk development. Because the reality is, if you look at all real estate investing on a spectrum, development is the riskier end of the spectrum. There's no way around that. The way that you do risk development is you become the expert in your market. I know my 15 by five block area better than anybody else in the world. If you want to just go down in flames, look at the spreadsheet and see what city says is the number one development city, and go and try and develop something there. That is when development is risky. So first off, I want to know my market better than anybody else. I want to make sure it is a good market to invest in, and it makes sense, just like any other real estate investment, ideally it's landlord friendly. The city actually wants to do what I want to do, that the population can support whatever it is that I'm going to build. And if I don't know what you usually don't know when you start redeveloping, because there's no comps. There's no people who can prove it. My theory, just like when we flipped houses, it had to break even as a rental on development, our deal is we will not do a bill deal so big that if it goes wrong, it can take us down. So we just start small. Even to this day, we're able to do bigger projects now, because we've built up a bigger base. So a bigger project, you know, we can withstand a bigger project, but we still will not do one, if that single project could take us down. And so like when I encourage other people in your town to get into development that are interested in it, almost we have a housing shortage across the whole country,

J

Jason Duff 24:19

that's right,

K

Katie Neason 24:20

and we have a missing middle housing crisis because we haven't been able to build them since World War Two. So like, your niche can be, I call it the gateway drug into development. Do a small town home development, because you can make it small enough, three to six town homes. It's single family. So it's easy for you to understand. It's easy for your city to understand, and it's easy for the bank to understand, and it's easy for your investor to understand, but it's complex enough that you will go through every phase of development. You'll have to understand zoning, you'll have to understand how to get through the process, how to get it replanted. You'll go through the actual construction, managing the contractor, and then selling it or rent. It if you decide to keep it, but it will take you through the whole process. But it's a small enough project that it likely won't take you down, but you will learn pretty much every lesson in development by going all the way through the process.

J

Jason Duff 25:12

That's great. You know? I love that you focus on residential, and we talk to a lot of different real estate investors. And what I love about residential is that there is so much pent up demand and just not enough supply. So that's a problem too. Though, in the nation, you know, we the cost of actually developing and building properties continues to go up and up, the burdens of maintaining properties with real estate taxes, property and cash, insurance, finding trades that can repair and maintain properties, that's challenging. But the thing I think that we realize, and I love this from an economic development perspective, is a home is where a job lives. And for states or communities that want to see more jobs, and maybe they're very strong in recruiting large factories or large businesses that are major employers. But if you're not keeping up on your housing and working with a coalition of other housing builders and developers, you can get your economic development mix out of whack. And I think people like you, you know, and this is why I'm so thankful that you're on the show today and helping other people that are listening be able to do the same things in their town and community, because we need more housing and so like that idea of scaling? So in terms of a framework, after you get that first deal, you know, how should someone scale from one to multiple properties? What? What's kind of the the system and process for you to do that, because you mentioned you don't want to take a deal on that may be more risk than your portfolio is to put you out of whack with that.

K

Katie Neason 26:50

Yeah. So first I want to address the residential versus commercial. The truth is, my passion is commercial or mixed use, like that's really what I love. But the one thing that we discovered when we started redeveloping downtown is if you look at a normal development pattern, commercial always follows rooftops. So if you look at the sprawl edge of town development, all the neighborhoods go in once they hit a critical mass, all the strip centers start popping up when you redevelop a downtown. All of the housing has been demoed or blighted or is not up to the standards of what people are looking for today, but all the commercial buildings are generally existing, so they tump it on its head, and the commercial takes the lead in the revitalization. The problem is, the house, the rooftops aren't there to support it. So we want the commercial vibrancy. But the reality is, until we can get enough rooftop density, those retailers will struggle to survive. So we do a lot of residential, but the end is so that we can have more vibrant commercial in so as far as like, how to scale it, that's I like the start small, and then it also lets you start small with an investor, right? It's a beginning and an end project. If you do it, build to sell, because in having investors is like getting married, and if you do a build to sell, at least the project ends. But if you go in with an investor that you've never worked with before, and you have a long term project that they're going to be in forever, and you get sideways, like it's terrible, so that it

J

Jason Duff 28:16

can happen.

K Katie Neason 28:17
Oh, it happens. It's

J Jason Duff 28:18
probably, there's a good chance

K Katie Neason 28:20
it will

J Jason Duff 28:21
happen.

K Katie Neason 28:21
It will happen. Yeah, and you know what? It all goes back. A lot of it goes back to the whole financial we don't like to talk about money, and so we don't know people's philosophy around money. And most of the problems that happen are because something has gone wrong. And when you're problem solving, that's when you realize you're not in alignment about what money is, how money works, what risk is. And so because we don't teach it, and there's not common language around it, we find ourselves often in a situation with a partner who had we known this about ourselves, we would have never partnered to start with. But as far as scaling, so I say, start small. Did you like the experience? Was it good? And then just keep stacking on top of it. The reason we love the build to sell is because then we get that pop of income, and then we can go and put that either into an adaptive reuse or into a multi tenant that we can keep. Because ultimately, what we're trying to do here is grow our wealth and create a legacy. My goal is for like, the next generation of real estate investors, they would die to get their hands on my building, just like you, you're like, oh my gosh, we got this amazing old building and we got to rehab it. We want to build those things. So from 50 or 100 years from now, people are craving to get what we have to renovate, not to scrape, by the way, and so it helps us put in perspective what we're trying to build, something that's going to last forever, that is definitely, you know, like our goal is we want to build something that other people are going to treasure, you know, years from now, just like we do from the investors, we get our hands on their properties. Yeah.

E**Ethan DeLeon 30:00**

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J**Jason Duff 30:11**

So you're building the systems to develop something that's sustainable, that you can grow. And it's not just about the random wins, it's building something that is legacy building, and something that you're thinking about your development, not just 1015, 20 years. You want to see this legacy in these properties be around 50 to 100 years from now. And

K**Katie Neason 30:32**

it's not. I mean, it's definitely legacy for our family, but it's legacy for our community. When you think about a cool town, what makes it cool was what made it unique? Right? You don't go to a town that looks just like another town and have any memory of it, but when you go into a town and you're like, either it was cool buildings, it was amazing tenants, it had this fill, this vibe, whatever it is, every town needs to have its own personality, and that's why I'm so adamant about American individuals owning America's real estate, and not spreadsheets, because not that spreadsheets are bad, but spreadsheets will always produce the same answer. And right now, we have financial systems that support the spreadsheet, and that is, go in and build a 400 unit apartment complex. They're always going to look the same. Build a five over one building. There's a financial mechanism in place to do that, and the spreadsheet shows that that cash flows. So what happens is, all of that institutional money comes in, they throw that up, it all gets sucked out, and they go and they go on to the next city, and then you drive from one city to the next, and they all look exactly the same, because it's the same building, the same money, and the financial system, building those towns over and over again. I do not want to live in a world like that. I don't want it to be owned by them, and I don't want my city to look like everyone else's city. So the only way we make them unique is to build them by unique individuals, and that's why I'm so passionate about if you're sitting next to your potential tenant at lunch, you will build and rent differently than if you're never going to meet them. So building your community because you will be better for it, and so will your community.

J Jason Duff 32:11

Small Town Superheroes over spreadsheets is what I heard. There really, really wise words. I know I'm in good company, because every formula that I try to do in a spreadsheet has all of those error things I will never probably be able to master the spreadsheet, which is a good thing. I'll take the small town hero, which kind of is a good segue into this small town development. You mentioned this term to sharing market. You know, these opportunities outside of the major cities, secondary markets right now. Why do you think the small the smaller markets in the small towns are advantageous?

K Katie Neason 32:51

Well, one, it's easier to build in them, because we're providing something that the city wants, but they don't have the big guys coming in offering to do it. So luckily, luckily for the cities, even if they don't realize that. And so that's definitely advantageous, that it's possible. And two, because you can find the uniqueness and create an identity for your town, and that will make it more resilient long term. And then three, like I said, when you're building in a place that you know and love, for people who are going to love it, it will just, it will just result in good things.

J Jason Duff 33:28

What do you think investors misunderstand about smaller markets?

K Katie Neason 33:35

Well, if you look at the spreadsheet or the market research, it'll tell you it's higher risk, because if you build a house, let's say you build four houses and you have 4 million people, the odds of you getting those sold are better than if you build four houses and you have 10,000 people. Like that's just simple math. What it doesn't take into account is, one, your local knowledge of that market, and two, that you're building what's missing. And three, you're building something that people are going to love. So if you just listen to what a textbook would teach you, it would say what you're doing is higher risk. And so I think that's why people gravitate to the million plus market, million in population plus in markets. And they go to the big towns, because in their mind, it's more resilient. But the reality is, real estate is hyper local, so I can invest in, you know, Houston, that's 6.4 million in the MSA, and I can still get my rear handed to me because I'm in a neighborhood that isn't resilient and reflective of 6.4 million. And so really big cities are just comprised of tiny little markets too. But everyone thinks of it as a big market, but when you go in and evaluate Houston or a suburb or where you're going to invest, you're basically doing the same thing you would do if you were investing in your small town, but for whatever reasons, the pundits and the big guys, they don't discern it that way.

J Jason Duff 35:00
So

J Jason Duff 35:00
what makes a town investable?

K Katie Neason 35:03
I mean, I population growth is really good, because

J Jason Duff 35:06
helpful

K Katie Neason 35:06
if you're building new product, ideally, you have new people coming in to absorb it, so the absorption rate is stronger. Otherwise, you probably can still sell yours. But if it's a net growth in buildings, but not in population, it's coming from somewhere. So you're making something vacant in order to fill what you're doing so you can still be successful. It just makes it harder on the city as a whole when there's not population growing. Number two, a city that encourages businesses. And this is so important to me, and it's so frustrating to me as well. I believe a successful city has a local company that sells regionally or nationally. So I don't know how many people have been to Bentonville, Arkansas, probably a lot of you. Yes,

J Jason Duff 35:58
we've talked about it on the show

K Katie Neason 36:00
beautiful.

J Jason Duff 36:01

I think everyone needs to take the pilgrimage. My partner, when I said we're going to Little Rock for a little getaway vacation, and we rented a car and drove three hours south, I don't think that's what was on the list, like a vacation destination. I was a kid in the candy store. So tell us what your

K Katie Neason 36:18

experience. So this is my experience. It's what the mountain biking capital of the world, and they don't have mountains. Do you know why it's amazing? Because of you, you went and bought at Walmart. Walmart is local to Bentonville. They sell it all over the nation. Guess what? That money doesn't stay in your market. Don't believe the lies people are telling you, telling you that money gets drawn back to Bentonville. Now they have disposable income to make their city amazing. What cities do is they give all these tax incentives and all this money to these big national companies to come in, extract the community money and send it back to the hometown of that market. If you can find a city who says, Why don't we invest in our own people, a lot of those businesses will fail. It only takes a handful. We have a little town that's probably 10,000 next outside of us, and it's Brenham, and it's a town that punches way above its weight, and the reason it does is it's the home of Blue Bell Ice Cream, one company that sells nationally, and that town is way punching above its weight. It should not have the amenities it does. It should not be as beautiful as it is. But why is it? Because that money comes back to their community. So if you can find if your community has that, or you can encourage your city to promote that, instead of tax abatements for a target that's going to suck your money out to some other town, obviously, that's a golden one. So you want a business friendly environment, population growth, and ideally, even though this isn't my market, something that isn't dependent on a single industry. And so, you know, you guys are right here in the what's fondly referred to as the Rust Belt, because that was the path of it. Right all the automate the manufacturing, the steel plants, the automakers. But once that shifted, it left you exposed. And it's the same in my market. I mean, it's driven by the university. If there's a shift in the view of education, it will definitely leave us exposed. So ideally, you have a market that has a lot of different job opportunities.

J Jason Duff 38:13

Well, I think you know, you are singing and preaching the choir to what we believe at small nation is that the secondary and tertiary markets really are great places to invest. There's the less competition, which you mentioned, the focus on community and local, and then that faster path to becoming the influencer, the change agent, the person that is sometimes the lightning rod, both for good and bad, yes, but the plan about more good is that that lasting impact that that leaves for the community, and the money that you keep in the community really builds a sustainable economy and a place that people want to live. So that was really, really great. And I'd say the last thing that we kind of end up on would be working with cities so that public private partnership, you know the idea of collaboration over conflict. How do you approach working with municipalities?

K

Katie Neason 39:10

I use my sarcastic humor. So it's funny because I tell my city, and I say this a lot, we're like a Tom and Jerry relationship. We spend a lot of time together, and there's a debate, are we enemies or are we friends? We're not sure we need each other to be successful, but we don't really trust each other. We're a little skeptical of how it's going to work out and so, and that's okay, their motivation is different than mine, and my motivation, at times, is not necessarily in alignment with theirs, and that creates a good balance. But the if you can respect what the city does, and if the city can respect what you do, it can be a good relationship, but it goes back to read the comprehensive plan and know what the city. Is trying to do, and then don't change what you're doing to fit the city, but find alignment with what you want to do where the city wants it done. And then it really can be a fun relationship. It can be productive. They will help you when you need help. It doesn't mean it's easy. It doesn't mean they're going to give you what you want. It doesn't mean they don't still have a lot of dumb rules. But I tell them that these are dumb rules. This doesn't make sense. I buy them Tom and Jerry shirts, so we all have matching shirts, and so I just try and have fun with it and not hide that I'm super frustrated with certain things. But I also try and tell them, although it's harder for me, when I appreciate the effort that they do put in to help us get things done. Sometimes we get so focused on just the things we're frustrated with. But the reality is, our city has been a big engine in getting our projects done. They've done 380 agreements with us, which is where they help reimburse us for some costs. You know, they have the grant facade grant program, where we've been able to get money from them, and so they've given us land and right of way, so we've been able to increase density. So you really do work with us. Hopefully they don't listen to this, because I don't want to hear three positive things in a row from me. But it's just keeping it in perspective and just realizing you're you're not always going to align with what they're trying to accomplish. And at the end of the day, that probably is a good thing, so it doesn't get out of kilter one way or the other.

J

Jason Duff 41:21

What mistakes do investors make with cities?

K

Katie Neason 41:26

Well, I've made them all for sure. One is not reading the comprehensive plan and not understanding what the city's vision is. And then two is, and this is I'm so guilty of this because I like to say, hey, here's the deal guys, when you deny my project or wait two weeks to review it, I know your paychecks still coming, but mine's not

J

Jason Duff 41:46

right, or my loan payments are due, and

K Katie Neason 41:48
my

K Katie Neason 41:48
loan payments do I have to pay it? If I don't get this project done, I can't survive, which is all true, but leading with that is probably not the best approach to take with the city and so and then I also think it's kind of a good cop, bad cop, if you have a partnership, to have one that kind of pushes them really hard, and the other who kind of complements them. But at the end of the day, you need to know who your development officer is. You need to know what your city's vision is. And then when you go and meet with them, you should cast your vision ideally with visuals, even if you don't have the property underway, even if you don't know what the building's going to look like, show other buildings. Show vision of what you're trying to do. Do not go and ask the city what they want built. There they are people who are administrative trying to make sure the process is met. When you go to them and ask them to cast a vision for you. It's not you're going to get frustrated with them, and honestly, it's not their job go with the vision. Push really hard and make them tell you no, and your whole team, your your engineer, civil engineer. He was built to live in black and white boxes. He is going to tell you the city's not going to prove that you can't do that. You have to find that civil engineer. Where you can say, Hey, I got an idea. Let's let the city tell us No, instead of you telling us no, always push, always ask for more, and then negotiate from there.

J Jason Duff 43:15
I We on our walking tour today. We are sharing some stories about lessons and some mistakes that we've had with signage and zoning codes. And you know, one of my mentors, and I've shared this with our guest on the show, is that no, it's just a delayed version of Yes. You just have to keep asking the question other ways. And so I do think you really your idea of casting out the vision, asking for the moon, and knowing that there's going to be some fallback things in the negotiation. But around those lines, you get everything together. You put all your money on the line. You've worked, you know, 10s of or hundreds or 1000s of hours on something. How do you handle resistance

K Katie Neason 43:57
with meds? I drink

J Jason Duff 44:00
a little bit of wine, I drink a lot of wine,

K

Katie Neason 44:03

a lot of self medication. For me, I am a very emotional being, so I need a business partner. I need to be able to blow up. I'm not level headed. But part of that is also what I think is my genius, right? Like, I'm gonna push hard, and I'm allowed to do that, because I have these highs and lows, and I'm not trying to be evil even kill all the time. But as far as resistance, I definitely am a person of faith, and I believe that you should be patient with results but impatient with action. So I'm going to push really hard, but if the answer ends up being No, I accept that as that's the way it was supposed to be. Now that's different than I am waiting for the opportunity to come to me. I'm going to push really hard. But if the answer is we have to redirect, we have to do something different, I find a lot of peace. And if I've done all that, I can to push it forward, and there's still. Resistance, and the answer is no, that just means I need to redirect to a different place.

J

Jason Duff 45:05

I like it. There are some days where, you know, you die of 1000 paper cuts, but you've got to get right back up the very next

K

Katie Neason 45:13

step, keep going.

J

Jason Duff 45:14

It's just part of the journey. So, you know, some of the themes from that is that we look at our municipalities and our cities as partners. I love your examples of Tom and Jerry, because there is sometimes some give and take, and I think that's just an understood part because of, like you were saying, the brain types that they have, they maybe don't have the same risk profile or the concerns around what's the next paycheck going to be of approving your project two weeks from now or now, and so that urgency is really important to have those that dialog between those things, relationships matter. So as you are and establish the trust of your community partners. Doing one project, two projects, then I think you earn street cred to be able for them to approve things, maybe a little more easily and better. Would you agree on that?

K

Katie Neason 46:07

Yeah, I'll give you a really quick example of this. So we don't have cottage cluster ordinances in our town. They're not allowed, but we found a property. Townhomes aren't work. I really wanted to do a cottage cluster, and we have a comprehensive plan that talks about cottage clusters, but there's no zoning to allow for it. So this is on a street where we've done eight projects on two blocks. So we've done a lot of development. This is the last development on that project. We've done mixed use town homes. We've never had anyone speak out against us. We go to city council, actually planning and zoning. We go to plan and zoning, and everyone comes to talk against us. You know who's talking against us, the People's town homes we built and sold to them.

J

Jason Duff 46:44

How ironic. And

K

Katie Neason 46:45

their response was, we're gonna lower the value of their property. So we actually it was a tie at pnz, which means it failed. I actually didn't know this, and so I assume other people don't. Either you don't need pnz approval to go to city council. You want pnz is approval to go to city council, but you don't need it. So the city staff actually said, we suggest push forward. You already own the land. You've already done the work. So we go to city council, same thing. They all come out, they're speaking against it, and it did not look good. This is I was definitely like, this is never going to pass. And then at some point, one of the city council members said, what would it take for us to actually approve this deal. So they started talking amongst themselves. They looked at it at a different way. And then the complaints that came up were typical, parking trash, not interim for the trash can. You know all the things. And the mayor said, You know what? They have done, many projects in downtown. They've always done what they told us they were going to do. We have a comprehensive plan that says we should provide for a cottage cluster if we don't let them build it, who is going to build it?

J

Jason Duff 47:51

Right?

K

Katie Neason 47:51

We should test the market with these people who've done what they said they're going to do. And so basically, with 100% our reputation, they carried us through, and then it approved unanimously. And so that's a great example of the city sees a whole lot of investors who come in pitch this great vision and then value engineer it to look nothing like that. And so the city ends up with something they did not think they were going to get. So always do what you say you're going to do, and when you can't, don't surprise the city with it, go and tell them, we can't do this brick. We can't do this stone. It's not going to have this, whatever it is, so that there's an understanding, and they don't come out and just feel like you pulled the wool over their eyes.

J

Jason Duff 48:32

That's a great story and a great example where that communication wins approvals, your your history, your the trust that you establish, and the way that you go about asking for those approvals, even when there's opposition in the end that you were approved. So I love that. And today, kind of wrapping this up today, you've unpacked a lot of stuff, a lot of really good themes and nuggets and some practical advice on projects that you've done. But today you teach, coach and mentor other small town developers and tell us a bit more about that business and what you're excited about and what you're working on right now.

K

Katie Neason 49:12

Yeah, so I do that. It grew out of people reaching out to me on Instagram, saying, Hey, I have this property in this town. I'd love to do what you're doing. Can I do it? And I get that question, because when I started, I couldn't find anybody doing what I was doing. I didn't understand the words. You can't google it because it is niche, and there's not universal words used. You don't even know what to Google. And I couldn't find anyone. But the reality is that's like a two week project, right? I got to find their city code, I got to look up the ordinances, I got to figure out the zoning, and I couldn't get back to them, and that felt terrible, because I once was them. So eventually I said, you know, there are people wanting to do what I want, which is take back their town. So how can I do that in a way, and still be a developer, which is my passion, but provide them the guidance they need? So it's just small group coaching. I don't do any one on one. Small group coaching. Right? And I am not going to tell you if you can do that project. I am going to teach you how to find out if you can do that project and help you through the hurdles and the obstacles. The city told me this. My civil engineer told me this. Is this the right answer? How can I respond? So really, it's just a community of people that are going to help you problem solving, it through it with the structure that tells you how to go through a development from start to finish, so that you will do what it takes to take back your town, and we can own America. Have an America that's owned by many, many people. That's my goal with the coaching program. As far as what I'm going to do, I don't know. I'm just, I'm like pinky in the brain. Every day, I just wake up and think, how am I going to take over the world?

J Jason Duff 50:38

I love it. And you know you, you're embodying that you are doing, that you're helping so many developers. You have this. You have several channels on social media. One of being really for Brian, Texas, that life in downtown. Tell us why social media and getting the word out for your projects has been, like, really a positive experience for

K Katie Neason 50:59

you. Yeah, it's been amazing. For one, I get to meet awesome people like you. I mean, we connected, yeah, we connected on social media. Two of the three people I'm going to see was because of social media, and the third one was because of a mastermind. It's all about getting yourself in circles, and social media is such a great way to do that. Also, I feel like that's what we need to enhance our cities, to get the word out about our cities. So the life in downtown website is basically us playing a role that really our should, our city should. But you, if you want to know everything that's happening in downtown, if you want to you know rent there, if you want to stay there, if you want to visit there, if you want to know what's going on, go to the website that we actually host. And at the end of the day, it benefits us, right? If you're an entrepreneur, you're looking for space, you're going to come to me. And so it helps feed our whole ecosystem, but it also lets us kind of be in control of the narrative of how we share the city. Because sometimes I think our cities are really bad at sharing the traits, the qualities and the great things, like we just are in the forest so long that we forget that there's actually a big forest, and so, you know, you get to control the narrative. And so that's really kind of the goal of our life in downtown

J Jason Duff 52:09

Katie. How do people find it? Find you.

K Katie Neason 52:11

I am on Instagram at Katie develops. I would love to have you there. If you're a troll telling me how everything I say is a lie, come on. I welcome you there. I got a lot of you, but if you are like how you know you want to see projects, Vision inspiration there, but you can definitely connect with me on Instagram at Katie develops

J Jason Duff 52:27

one quick closing question. If you could give one piece of advice to someone who wants to transform their community, what would it

K Katie Neason 52:33
be take action? Transformation doesn't happen without action.

J Jason Duff 52:37
That's it, and for today's show, it is really about thinking of your small town, taking action and finding other people that are like you, that are doing what you do. And there's two ways that I've mentioned that you can do this. You can either read and learn from the lessons of others, or listen to the lessons of others, or you got to go out and do it on

J Jason Duff 52:59
your

K Katie Neason 52:59
own, and it's better to do that on your

J Jason Duff 53:01
own. Amen sister, thank you.

E Ethan DeLeon 53:05
Thanks for listening to this episode of the small nation podcast. Be sure to follow the show for future episodes on your favorite podcasting platform.