

Eucalyptus at Beaumont:

a DIAMOND in the COMMUNITY

by Kerri Campbell



It's a tale that is widely known in the storage industry. Many cities and towns turn away storage developments based on principle. Some cities have a prejudged notion of the aesthetics, while others may not like certain issues like the lack of sales tax revenue.

That's the wall Ted Deits, developer and owner of Eucalyptus at Beaumont in Beaumont, Calif., kept running into when he decided to develop a boat and RV storage facility.

Today, city leaders have called his facility a "diamond" in the community. However, the project is a little different than when Deits envisioned it in 2000; it is not just an RV and boat storage facility, but a condominium project with 107 fully-enclosed storage garages that are individually owned.

Eucalyptus at Beaumont is situated on 4.52 acres and has over 79,000 of building square footage. It sports all of the latest amenities important to RV and boat storage, including a 2,700 square foot clubhouse with Wi-Fi and big screen televisions, and state-of-the-art security systems. Moreover, this spectacular facility was named as the 2009 Facility of the Year runner-up in the Specialty Storage category.

The Concept Takes A Turn

Deits first envisioned building an RV storage facility in 1995 after purchasing a \$100,000 RV. "I couldn't find suitable storage for the RV," says Deits. "What I found was substandard facilities that were stuck on the back lots of existing self-storage facilities."

While the substandard facilities lacked even the basic amenities to help owners maintain their investments, the suitable ones Deits did manage to find had waiting lists for over one year.

An entrepreneur who had sold a .com business he founded, Deits saw a need for a business and began researching the industry. If he found the right land in California at the right price, the cities

rejected his idea. It took him about four years before he threw in the towel and began to rethink his business venture.

Instead of giving up, he had an epiphany. "I wondered if I could condo the project," says Deits. While the idea of creating condos from RV and boat storage garages, or "garage towns" as some

call them spread in the early 2000s, the idea wasn't yet well developed.

Deits did some research and realized that the project could be done and that there were some benefits to the project that both helped him with cost and ROI and helped him overcome an objection given to cities for the development:

- It would allow him to build the expensive state-of-the-art amenities into the project while enabling him to pass this cost on in the form of sales price to his buyers.
- It would also allow cities to collect property tax revenue from the owners for as long as the project stood.

In addition to the already growing need for quality RV and boat storage projects, Deits also learned that one of the largest RV and boat storage facilities in that section of California was being displaced. "That put even more demand on the market," says Deits.

He found the land and approached the city of Beaumont, which had reservations at first regarding the idea of RV and boat storage.

"They had trouble wrapping their head around it at first," says Deits. "But once they understood what I was trying to do, it was a go."

Even when the zoning was approved, Deits wanted to ensure that the proj-

ect would fly. He began marketing the project by using social media, a blog, and advertising the units before it even broke ground. The social media advertising of the project really helped, says Deits. RV and boat owners who were looking for storage found his Web site, which is still getting an average of 3,000 hits per day.

"One of the first things people mention when they visit is how expansive everything is."

A minimum price of \$60,000 per unit was decided upon, although the garages can be more if the owner chooses some other amenities. Deits decided to sell the units in phases. When Phase I was offered, all 30 units in the project sold within four hours, according to Richard Hill Adams, chairman of American Reality Capital Advisors, Inc., in Laguna, Calif. "Within seven days all of the units were in escrow," says Adams.

Phase II sold just as quickly and the project had \$4 million in escrow before even breaking ground. Deits was ready to get the project underway. They broke ground on June 24, 2008.

Getting Into The Swing Of The Project

One of the mistakes many first-time RV and boat storage developers make is not designing their site so that people who are driving huge RVs or tailoring large boats can make the turns easily once they enter the storage facility's property.

Deits was aware of this issue and designed his facility with drives 71 feet wide. "That is basically unheard of in the industry," says Deits. "One of the first things people mention when they visit is how expansive everything is. More than any one item in our project, we always get comments and compliments on the drive width." Additionally, the two entrances and exit gates were built with a 27-foot width.

The question of whether to install asphalt or concrete is always a matter the developers have to deal with. Asphalt is cheaper, but it doesn't last as long as concrete, especially when driven upon by heavy RVs. Deits decided to go with concrete, which will stand up better and last longer in the hot California sun. "Our HOA budget has maintenance on the surface every seven to 10 years and asphalt wouldn't last," says Deits.

Mako Steel was responsible for the metal building construction. On the roofs of the buildings, Deits decided to go with standing seam Galvalum, a metal roof with galvanized coating. "The roof is unique as there are no penetrations in the roof," says Deits. "No screws, bolts, or other opportunities to develop leaks."

One of the aspects that Deits felt was most important to have at the facility was the latest state-of-the-art security system. Chamberlain Access Solutions developed and integrated the security system that includes gate access which allows the residents to enter the gate (and that access is recorded by the system). Once a resident presses another button, the door to their unit opens, the lights are turned on, and the alarm is disabled. There are 16 cameras located throughout the property which are hooked up to the Internet so that residents may view their units remotely. Additionally, if a door is left open or something is obstructing the door, the system will e-mail the resident to inform them that their unit may be open.

The property also has safety loops embedded into the concrete that prevents the gates from closing while a vehicle is in the path of the gate. Of course, the gates are alarmed so that only residents with the access code can enter.

But Deits' pride and joy is the clubhouse. The 2,700-square-foot building allows residents to hold parties or meetings. It is equipped with Wi-Fi Internet access, a 52-inch LCD TV, microwave, refrigerators, wet bar, and designer fur-

nishings. The clubhouse also features showers, laundry facilities, iPod® connections, and a 1,000-watt surround sound system.

Anxiety Builds As The Financial Markets Sink

One of the challenges Deits encountered during construction was installing the electrical to the property which had sat vacant since about 1930. "I never dreamed how big of a complication that individual metered electrical services could bring," says Deits.

One of the difficulties with the city included changing from UBC building codes to International Building Code. Deits had to jump through some hoops as no one knew exactly how to classify the project. Was it residential, commercial, or both? "It took some shoe-horning, but it finally got passed," says Deits.

Next, the electrical company decided that each unit must have its own commercial grade meter and be on its own circuit. "The biggest issue was the individual circuit requirement, which they wanted so each garage could have their own electrical service in their name and it could be disconnected in the event of non-payment or they could access it for repairs," says Deits. This requirement would have added \$300,000 to the cost of construction. The commercial meters the utility wanted to install were also huge and weren't drawn into the design of the garages. As well, the utility would have charged each owner a minimum of \$16 a month.

"After many sleepless nights, we finally came up with a solution," says Deits. He decided to install private meters to the garages, which allowed them to go around the utility company. Deits explains that this solution allowed his customers to pay a \$2 minimum monthly charge. "The billing is Internet based as the meters are connected to the Internet; the daily usage is transmitted to a central billing station, and the electrical bills are generated every three months rather than every month," says Deits.

Each individual unit has its own 100 amp sub panels, along with 30-amp RV style plug and a regular 20 amp, 120-volt outlet for general electric requirements. In addition, Deits and his builders thought to put the electrical conduit in the ceiling of each garage, allowing for easy access in the event repairs or modifications to the electrical systems are needed. "So far, no modifications have been necessary," says Deits. "We did have one early repair and it was accomplished with a ladder rather than

QUICK FACTS

Owner/Builder

Ted Deits

Architect

Miles Folsom

General Contractor

Joseph Gallagher,
MSK Development Group

Project Supervision

Shad Mix,
MSK Development Group

Building Supplier

Mako Steel

Security Systems

Chamberlain
Access Solutions

Interior Design

Adrienne Mascaro,
Studio Blu Interior Design

Landscape

Adame Landscape

Rentable

Square Footage

Over 79,000 Square Feet

Total Number of Units

107 Units

the jackhammer that would have been necessary had we ran everything underground."

One other minor surprise, says Deits, was a bill at the end of construction for wildlife mitigation for a study to see if the endangered Stephenson Kangaroo Rat would be impacted by the project. In all, the issues surrounding the zoning and building put the project an estimated \$800,000 over budget and nine months overdue.

So far, none of the challenges Deits encountered even compared with what was facing his borrowers after the financial meltdown.

A Sign Of The Times

Any business person and developer will tell you that the biggest challenges they face these days are not in design, the cost of land or construction, or even dealing with government entities. Today's biggest challenge is financing, and it was no different for Deits and his Eucalyptus project.

While Deits had a lender all lined up for his buyers, the day before the grand opening there was a huge dip in the stock market. "My lender went out of business," says Deits. To top it off, that spring 2009 weekend was cold and brought a mixture of snow and rain, which could have been symbolic of how the project would sell during the next few months.

Deits had to line up a new lender for the buyers he already had, as well as find a lender so he could continue to sell the project. Moreover, Deits needed to find a lender who would convert his construction loan.

"He went to 35 different banks who all politely told him no," says Adams. Deits says he lost all but about 20 of his buyers in the months it took him to secure new lenders for his buyers. "I wasn't sure what was going to happen," says Deits. "I was down to telling my kids that our lives might be changing quite

a bit." Finally, by Christmas, Adams had located a couple of lenders who could help with the financing.

Adams says one of the things that prevented Deits from finding a lender sooner was the threshold lenders were giving money to during the height of the recession. While some lenders were still lending to borrowers who needed \$2 million or more to purchase property, the money really dried up on loans with an average loan value of \$70,000, which is what Deits needed.

Adams says that he was only able to find lenders quickly once he was approached because Deits had completed a lot of homework showing that his project was viable. Adams says that a feasibility study is a must for the finance markets these days to even look at a project. Also, he adds, it helped that Deits had a project that already had so much interest and had a portion of the garages sold on a cash basis. "We got

a couple of lenders ready to go because the numbers worked," says Adams.

The lenders in place for the project have worked out a bridge loan for Deits' construction loan, as well as financing the current and future buyers who will invest in the project.

Adams says the average loan amount is around \$70,000, with eight percent interest, which still makes the project viable for the lenders, the buyers (who are seeking to pay less than renting an enclosed garage, as well as enjoy the tax benefits of ownership), and Deits.

"Fortunately, I think now we'll have a happy summer," says Deits. ☺

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Kerri Campbell is a freelance journalist based in the Ozark Mountains. Her business articles have appeared in Entrepreneur, Aol.com, MSN.com, and The Kansas City Star.

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