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1120 – How To Increase the Value of Land Without Ever Touching It

Hosted by: *Joe McCall*

Guest: *Mike Marshall*

Joe: Welcome. This is the Real Estate Investing Mastery podcast. Hey, this is Joe. Real Estate Investing Mastery podcast. Hope you're doing well, I want to show you my shirt. I don't know if you can. You can't see it really right now, but it says gymnastics dad. But the only thing I flip is my wallet. Do you see that anyway? But I'd wear my gymnastics dad T-shirt today for this podcast has nothing to do with real estate, but glad you guys are having a special interview today with a friend of mine named Mike Marshall, and we're going to be talking about something you've probably never heard of. But it's called land entitlements, and it's about how to add value to your vacant land that you're selling without even touching it or doing anything with it. And if you're like scratching your head, like, what is that? Well, we're going to find that out because I don't know anything about it either. Mike was recommended to me from a mutual friend and I thought now I'd be cool to get him on the show and I didn't want. I saved all of my questions for this podcast, so we can ask him live in front of a live studio audience, right? So I'm glad you guys are here. Welcome. If you can right now, if you're watching us are live on Facebook or YouTube, please type in the comments down below. Tell us, Hi. Tell us a little. Tell us where you're from. Really appreciate it. If you're listening to this on the audio podcast. Glad you guys are here. I really am. You guys are awesome. We are in literally. I look at the stats all the time and we are in the top, top percentage of podcasters in terms of downloads, number of episodes, the length that we've been doing it. You audience, you guys are amazing and I appreciate all of you listening to this podcast for years now. We've been doing this since two thousand and eleven. So over 11 years now, over 1100 episodes and we're still going strong. I'm going to be doing this for a long, long time. So I'm glad you guys are here. Sam, what's up, Sam from the wonderful state of Minnesota? Well, that's debatable. Just kidding. Hey, Terry, Sue. Mickey, what's going on? And Facebook user? I don't know who you are, but Julie. Hi from Lakeland, Florida. Glad you're here! So we got people all over the world watching this right now. In fact, if you look at my stats, we've got listeners in over 170 different countries. Well, maybe what Mike is talking, I'll count them. But it's yeah, this like in the hundreds of countries that, well, almost are only like one hundred and twenty countries. There he goes right there. There's not that many countries in the world, but yeah, it's amazing people all over the world. I'm looking at my list right here. You guys are incredible. Number one country next to the United States is Germany, twenty three thousand eight hundred downloads in the last few months. France eighteen thousand Who who are my people in France listening to this? What's going on, guys? We're planning a trip to Paris in about a



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year and a half. The UK, sixteen thousand Netherlands, twelve thousand Canada, whatever eleven thousand just in Cambodia is up there Australia, Singapore, Belgium, Brazil, the Philippines, Spain, Mexico, French Polynesia, Japan, Thailand, Morocco and I could go on and on and on. This is amazing. Glad you guys are here, especially my home boys and girls in Germany. I don't know. Even I forget how to say hi in Germany, but I'll find out. But I'm glad you guys are here. Thanks for being on the show and enough of that, right? Let's just get Mike Marshall here. Mike Marshall, how are you, sir?

Mike: Good. How are you doing today?

Joe: Good. Sorry, I just geeking out. I was looking at my stats and I got so excited. I wanted to say hi to everybody. Listening to this podcast was impressive. Goddamn man. All right. So Mike, where do you? Where are you from? Where do you live?

Mike: I am in Southern California right now. That's where I'm living.

Joe: OK, now right now. That means you just moved there recently or that means.

Mike: I'm departing soon. Yeah, we're going to be moving to Texas in about a month.

Joe: We're not going to talk about politics, but I'm going to guess maybe politics has something to do with this.

Mike: Has a good chunk to do with it. That's true.

Joe: God bless the USA. Yeah. All right. Well, I get it. So many people are leaving California. It's crazy. They're leaving California. They're going to Vegas, they're going to Texas, they're going to Florida. And I wonder why. But that's all we'll say, because I get the hate mail every time I bring up politics.

Mike: Right, exactly. All right.

Joe: Anyway, Mike, what do you do?

Mike: Yeah. You know what? I do well over the last 15 plus years, you know, I've been in the land development side of real estate and most specifically within land use entitlements, which is really kind of like the initial phase of the development process. And I've been doing that, like I said for 15 plus years, you know, everything from custom single family homes to medical office buildings to, you know, large twelve hundred, you know, residential



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subdivisions to most recently like a movie studio campus, you know, and so it's been the gamut of development type projects and again, all focus within this realm of entitlements.

Joe: All right. So we're going to ask you what entitlements are here in a minute, but talk a little bit about your history. Have you been doing land for a long time or are you just?

Mike: Yeah. You know, really, my history has been I kind of had a hand in a lot of different types of real estate over the years, you know, a little bit of, you know, buy and hold rental property and then eventually kind of got into the land flipping thing just because there was something that was familiar to me within the world of what I was doing on a professional level. And so I started. Doing that probably back in 2018 and then just kind of quickly realized how the knowledge and experience that I had could really help other investors, and so I started really working with different people on like due diligence related items. And then ultimately kind of transitioning into, you know, how can we add value with these entitlements? And so it's been a progression over the years kind of leading to this point.

Joe: All right. So what on earth are entitlements, right?

Mike: So entitlements are generally like the first part of the development process. And if I were to kind of break the development process into three chunks, you have the entitlement process and then you maybe have like the engineering process and then you have your building permit process. And so most folks are very familiar with the concept of building permits, but early on in the process, there's these land use entitlements. And really what they are is that it's a set of approvals that are granted for a piece of property. And essentially what it does is it provides certainty for the developer. And so what I'm talking about is like an approval for, let's say, a medical office building, and those approvals require the review of a variety of different things. You know, architecture, the land use itself for the zone that it's in, you know, landscaping, parking, environmental review. There's a variety of different aspects that goes into it. And depending on where you're in the world and you know what kind of project you're going through, it could be a relatively short process, or it could be a relatively lengthy process. But the whole and value of all of it is, is that at the end of that approval process? There's certainty that's attached to the project that's attached to that piece of property, and that certainty is really what creates the ultimate value.

Joe: So you're creating you're changing the zoning, maybe, which is that the good way you can say that you're changing the zoning of the property from something else to something new that's going to make it more valuable.



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- Mike:** Right. So the entitlements name is pretty much like a larger umbrella. Then underneath there's a variety of different entitlements, and one of the most basic ones would be like a subdivision and then a zone change would be another one. Sometimes there's something called a site plan review, which is a very basic level review. Then there's annexations. If you're trying to bring a property into a city, there's mixed zone changes. There's a variety of other types of entitlements. A fall under this umbrella, and depending on where you are, you can utilize them in really creative ways to add value.
- Joe:** Interesting. So how did you get into this?
- Mike:** There's professionally, you know, I had an interest in real estate going through college and everything like that, and then I ended up working for a local city. And then I worked for that city in a completely different capacity that I really realize what land use planning was and kind of how it correlated to real estate and real estate development. And so then I just got into that and worked in jurisdictions in California and Texas over the years. And so, like I said, through that whole experience, I really saw how firsthand how these and had value to them and how they can actually be an asset to a lot of investors. And that's something that they didn't really know about in large part.
- Joe:** All right. So let's let's go through some examples. Sure. Pick one.
- Mike:** I thought you were going to say, I'm sorry. Okay, so maybe a good example. The most basic level would be like a subdivision if you had a lot that was of a certain size and you could cut it into two pieces, you could go through a subdivision process and then go through a site plan review at the same time. There are two different entitlements that would run concurrently. And ultimately, what you're doing at the end of that process is you can take that entitlement package and hand it over to a developer, and that developer now has that certainty that that can actually be developed. They still have to go through the engineering process and the building permit process, but the heavy lifting at that point's already been done. And so the value is literally this entitlement package. Then the example that I was using would just be the subdivision and the site plan review being handed over to the builder and they run with it.
- Joe:** So you that to entitlements? What would those two entitlements be?
- Mike:** The subdivision and then the site plan review.
- Joe:** All right. So the fact that it can be a subdivision, you can take a 20 acre lot and turn it into two 10 acre lots, right? Or four or five acre lots, right? And then so the first entitlement



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would be, all right. You can make this a subdivision. And the second entitlement is what you can create a plot plan.

Mike: So it ultimately is a site plan, but you end up submitting to the city or the county as a site plan, a floor plan and maybe elevations like how the building looks from the outside. And ultimately, what they're approving is they're approving like the building placement. They may be approving the architecture. They're approving, maybe the setbacks from the structure to the property lines, they're making sure that it's not within any hazard areas, like if there's a FEMA flood zone or something next to it or if there's any protected tree species or something like that, you know that you have to stay away from. So they're they're really working with the site plan to make sure that once it's approved like this is exactly where the structure is going. This is exactly where any accessory structures are going. Any landscaping, any of those things, it's precise and it's approved in this. The way that it's going to be developed.

Joe: So who's submitting that site plan?

Mike: Right, so that could be really it's going to be any, any number of people on behalf of the owner usually. And so the owner of the property can come in and play that role as a project manager themselves. Or they may have oftentimes a civil engineer who's really the most common land professional that they use on their team.

Joe: Isn't the person you're going to do that, though.

Mike: Well, yeah, and that's the thing. So a developer can do all this what I'm saying to you. But what happens oftentimes that many developers would rather buy an entitled property rather than going through that entitlement process themselves where they're making their money as they're making their money, going vertical on the property and actually building it out. They don't really want to go and spend the time and the effort in the entitlement process. They'd much rather go and pick it up already entitled now they'll go and do it. If they have to, they certainly will. But it's much more attractive to them if the property is already entitled in the first place.

Joe: So, OK, let's say you're going to take this lot. There's 20 acres subdivided into four or five acre lots and you want to put houses on it when you create the site plan. This is these are just drawings. Obviously, you're going to have to hire a civil engineer to do it or something, right? Right. And they're going to draw out where the streets might be, where the utilities might go, where the houses might be at the driveways and things like that, right? But the developer, can they change that if they want? Do they have to follow that exact plan?



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- Mike:** Right. So if in theory, the approval would be showing you exactly where all those things are going? But yes, if somebody wanted to come in and the developer wanted to change any of those things, those things can be changed. There's avenues in which to do that, and the severity of that process is directly relative to how far you're deviating from the approved plan.
- Joe:** OK, so I guess you would want to maybe talk to some developers first to see what they would want to do with this property? Right. So you kind of know what you're doing going into it. Is that right?
- Mike:** Yeah. A lot of times it's really beneficial to go and talk to the developer ahead of time. So that way you have a sense for what their product type that they're building, or if there's any preferences or things that they're looking to see in terms of how it ends up. Sometimes, though, the site may be so constrained that there really is only one way to make it work know. And ultimately that ends up being the product that you end up trying to market. But ultimately, yeah, you really should be having contact and communication with builders beforehand, just so you have a sense for what may be an issue for them.
- Joe:** All right. So let me ask a stupid question. Why go through this hassle of entitling it? What's the point?
- Mike:** Not the point ultimately is, is that the property? I mean, just by its own nature, you know, vacant land is essentially underutilized in most cases as it is already. So it's not necessarily going to be most applicable in the most rural of environments. But as you get towards like if you're in the inner city, the urban core infill type projects, it certainly applies. But then it also applies as you get towards the urban fringe also so that portion of any urbanized environment where you start to see more farmland being still available, but you also see it interspersed with subdivisions and things like that. Those are places where there's this opportunity to really go in and entitled this property and fulfill kind of what's going on in the development of that area as a whole. As you get out into the more really highly rural areas where you may be looking at recreational land and hunting land, you could still go through subdivision processes that would be, you know, really adding a lot of value that way. But maybe like the menu of entitlements is not as useful at that point. So the closer you get towards the urban core, you know, the better off you're going to be in terms of those entitlements. But there's that sweet spot in the urban fringe that is where I tend to like to work.



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Joe: All right. Well, the point then is to take a piece of land that you would have just maybe sold and make five to 10 grand on it. You're not going to do a little bit of work in advance and add some entitlements to sell it for more and make more money.

Mike: Absolutely. That's exactly the reason.

Joe: OK. Can you give us an example, maybe of a specific entitlement you worked on? You can talk about the numbers in terms of, you know, about what it was purchased for, what they would have sold it for if they didn't do anything and what they eventually sold it for with the entitlements.

Mike: Right. So rough numbers on a real basic subdivision, it could be like there's one, for example, that it was around \$100000 was a purchase price. It was four things for about 20 acres. If I'm not mistaken, they cut it into the four or five like you were describing. And then ultimately, what they're able to do is they're able to sell each of those five off and they were able to go two and a half times that so ended up selling four was at 250 at that point. And so they're more than doubling their money in that. And there's other ways you can double money, obviously in standard land flipping by buying low. But one of the advantages of doing this, though, is that you can really go to the MLS and you can buy, you know, at or close to retail. And if you can add value, you're not necessarily relying on having to get that steep discount that everybody is usually looking for.

Joe: Oh, you just piqued my interest a little bit now because you're talking about you could find properties. In LA, already listed in specific areas and looking at it instead from a different perspective of like, all right, what kind of value can I add here? And then maybe get it under contract. I wonder, like, do you have any clients you work with that maybe get it under some kind of owner financing while they do the work of trying, trying to create these entitlements? Because when they get sick to buy this land and then realize the county or the city rejects any kind of entitlements, you try to add to it.

Mike: Right. So there's a few things with that. You're absolutely right. You know, one thing that they tend to do would be to either they can get it under option with an option contract that's very common in the world of development. That's one way to go. The other way they'll do it, as others have pretty extensive due diligence periods, something like 60 to 90 days, something in that range that will help protect them that way. There's also, you know, contingencies you can put in for the entitlements themselves, where it's basically says if these entitlements don't get approved, then you have a way to get out of the deal that way. That'll cost you, you know, to kind of have those contingencies in place, but that's one way to go about it, too.



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- Joe:** OK. So on that \$20000, I mean, sorry, on that 20 acre lot, you're just talking to me about how much time does it take to create those entitlements and about how much does it cost?
- Mike:** Great question. It really, unfortunately, that's the question a lot of folks have, and it's just it varies so much based on the jurisdiction that you're in. But as you can imagine, in places where there's a lot of bureaucracy, a lot of red tape, it's going to take longer and it's going to be more expensive. I'll give you an example of a rezoning project in the trees on a property in Michigan. I was talking to somebody there rezoning it for a development project, and it took them about six weeks and about seven hundred dollars to go through the process. That was the good side, the bad side in California to do the same thing. It would take you at least a year, and it would probably be about the realm of about thirty five thousand dollars, just in application fees. That's not professional services or anything like that. That's just application fees. So it's very different. More risk. Right, exactly. But then at the same time, there's a little bit more reward in some of those markets just because of the property value.
- Joe:** All right. So somebody who does that in California, for example, is probably going to need to close on the deal. Yeah, and buy it during the longer process.
- Mike:** That's true. The thing that I see a lot of folks do, too and I personally like this approach to is to kind of JV with the actual landowner too. And so if you can JV with the landowner and they're providing the land and you're providing the expertize and maybe even paying for the entitlement costs and everything like that, then you can split the upside after sale too.
- Joe:** Yeah, it's a great idea.
- Mike:** Yeah, that's the way I like to go.
- Joe:** All right. So let's talk about Mike, I know it varies a lot by area, but what kind of land are you looking for to add these entitlements?
- Mike:** Yeah. So there's kind of like I was talking with somebody before, I divided into like these three categories, you know, you have like the urban core, you have the fringe than you have out in the very rural areas. I tend to look at, you know, either the urban core or the fringe areas. Primarily, it's just because of where my experience base is. I know there's a lot of folks that do great at subdividing, you know, these recreational tracts, you do amazing at it. For me, I think that there's just a little bit there's more. And what it is is there's more



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regulation, there's more red tape in those other areas. And if you know how to untangle it, that's where you're going to get the value out of it. So when I'm looking at certain properties, there's a few things I look for. One of them is what I call underutilized properties and these underutilized properties in, they're all over the place. But imagine a scenario where you have a property that's zoned for commercial use, but it has a single family home on it. That is a property that's underutilized based on its current zoning designation. It's not meeting its full potential as it sits right now today. And so you could go into that situation and you can take that property and you can go and get an entitlement on it, let's say, for a multifamily project or for a commercial project under its current zoning. In that situation, you don't have to change any zoning at all. You're just going to develop out according to what the existing standards are. Those are real Golden Mine type of opportunities, too, and there's ways to kind of utilize that data providers that are out there to really utilize that kind of focus in on those opportunities. But you have to understand the zoning of the city or the county that you're working in to be able to pick the correct zones and apply the correct criteria and filters to like, say, data tree or something like that to be able to get an automated list of those kind of opportunities.

Joe: So in that example, where there's where there's a camera, it's zoned commercial and there's a residential house on it. What would you what would you want to do with that? What could you do with it?

Mike: Well, I think the first thing that I do is I try to keep a tenant in there as long as I can. As I go through the entitlement process, that would be the first thing. And then the next thing is I'm trying to look and see if I can do a multifamily project of some kind, more than likely in today's market, just because the housing shortages that are out there. And so I'm going to look to see if there is a way to get additional density on that property. And so it was a one unit single-family house may now be able to be a four unit condo project or some. Anything like that, you know, there was one property that we were working on that was like that as a single family house that was built probably in the 30s. Eventually it started falling apart, got boarded up, bought the property and today it's going into its building permit phase and it's going to be 14 condo units with views over a good part of L.A. and everything. And so, you know, there's those opportunities that exist and especially in kind of older communities where maybe the zoning has been in place for a long time and it's just another type of inefficiency that exists in real estate.

Joe: Interesting. So can would it be would it be OK if we looked at a few properties here in St. Louis, Missouri as an example of that?

Mike: Sure. Yeah, absolutely.



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Joe:

This would be good. I'm going to share my screen here, those of you watching on YouTube and Facebook. Welcome the rest of you listening on audio. My apologies. But I wanted to show this because this kind of I want to put it in context, and I wanted to look at a house that I actually drive by all the time. This is an area if I were to show it to you in a satellite view, it's kind of an area that is more industrial commercial. It used to be a floodplain, but they built this huge five 000 year levee system and now there a ton of new commercial development out here. It is kind of crawling. All these commercial buildings and stuff are crawling out this way. But there is a odd shaped property here. There's a single family house. They just built this warehouse right here and there's a single-family house right here for sale for nine hundred and sixty five thousand dollars. And the lot, if you look at it, it's this long rectangle right here, and I couldn't believe they're asking this much for this house, and I'll show you the details of the pictures here. And you can see in the description fabulous two plus acres with an all brick structure. This piece offers roughly 132 feet of street frontage close to Chesterfield Airport Road, and there's an airport right next to it outlet mall and Highway 60 for purpose. Perfect location for a business. There's a two car attached garage inside. There's a large unfinished basement, two bathrooms and three bedrooms. All right. And if you look at the photos, you can see the house. It looks like a normal house, but it's like it's on this weird lot in the satellite photo is not showing this new kind of warehouse thing that was built right next to it. But the house looks nice. The lady who used to live in it used to sell eggs and honey all the time. If you drive by, you'd see all these signs and you could get honey because she somehow grew up back there. OK, there's the the warehouse is built right next to it and the airport is right back there. So maybe there's nothing you can do with this house. But it's an example, maybe of a property that's kind of weird. It's in a commercial area, but it's as a residence. Does that make sense?

Mike:

Absolutely. You know, this makes perfect sense. Yeah, I think in this situation, I mean, this is really exactly what I was talking about with underutilized properties. I would assume that that the zoning has changed from what it was originally a one day, one day, maybe it was residential or maybe even an agricultural type zoning designation. Since that time, it's changed to something that's more business park or industrial type of zoning designation. But this is called is what they call as a legal, non-conforming meaning that the house is legal because it was legally built under the original zoning. But it's non-conforming with today's current standards. OK, and and ultimately, yeah, this is definitely not its highest and best use. You know, I hate to say tear down the house, but in all reality, that's probably where the highest and best use would be, especially given that the acreage size that's there, and especially given that the proximity to the airport, the notion of putting residential homes in there probably isn't appropriate. And honestly, the zoning probably isn't appropriate for it either. So, so as I look at it, I think this is like a perfect example for a commercial



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development. And so in terms of entitlements, you know, it probably is in a subdivision, but you're definitely looking at a site plan review of some kind. And then if there's any other entitlements that may be associated based on the land use that's being proposed, there may be other things there. But at minimum, I think there's an opportunity to get this entitlement package all set up and ready to hand over to the developer. Absolutely.

Joe: But they're asking God awful amount for this thing. They're asking nine hundred sixty five thousand dollars.

Mike: Yeah, so so obviously that happens all the time and they're asking like these pro forma numbers.

Joe: But geez, I mean, they say the options are endless with this piece, property is being sold as is sold to make no repairs. I mean, I know, I know, you don't know this market in this area, but that is a lot. I mean, even if it was a nice house, you're pushing the limits, right?

Mike: I think you're buying the land, really, you know, you're not really buying the house and they're really pricing it based off of what they know. So this is a scenario where the owner knows what the zoning is of the property. It's obvious they saw the building go up right next to them, so they know that there's more value to the land than probably just the house is worth in of itself. Now, whether it's. Worth nine, sixty five or not that that's the other question, and you have to go through a model of sorts, something that's called the residual land analysis, and there's a variety of other names to it too. But you do this residual Olin analysis that starts with kind of the end product in mind and starts deducting the cost of development and profit and things like that kind of back into a number.

Joe: All right. Well, let's let's look maybe instead now at some other time to go back to street map. I'm a zoom out to the entire St. Louis metro area and I'm going to go here to home type land, which is surprising. In St. Louis County, Missouri, there's a twelve hundred and seventy two right now. These are MLS listed properties. And when I look at this, I think that's crazy. So if you're looking at your urban core, I'm going to draw an area kind of around the whole urban core of St. Louis, just the Missouri side. Get out here, kind of in the suburbs, a little bit. OK. OK. Is that good kind of for you? All that? Yeah, absolutely. There's four hundred and ninety four pieces of vacant lots there. You know, I'm looking if I sort it from price low to high, there's lots for 6500. And if I saw it the other way, 5.5 million. Three point three million. Two million, OK. So if you're looking for maybe an area to look for properties that are going to be a good property, do do this entitlement thing. Would you be looking in the kind of the suburbs or would you be looking in the city? Maybe some of the areas with the better school districts? What would you be doing?



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- Mike:** Yeah. So I think what I would look at first is like, you know, if there is a path of growth in the city, what direction is that heading in general? That's probably the first kind of indicator for me.
- Joe:** OK, start looking there. It would be to the south and kind of to the west outside of my drawing.
- Mike:** Gotcha. OK. So you are focusing on those areas?
- Joe:** All right, well, let's look at this look at the area to the West. I want to do a new draw. The path of growth would be, let's do something like this. All right. Four hundred and fifty lots. I could have gone up more. Actually, let me do it. Let me do this one more time. Sure. How would you guys don't mind watching this right now on on podcasts and YouTube world? All right. Two hundred and sixty two vacant lots. Now what are you looking for?
- Mike:** I think from here when I started looking at is, OK, well, how many different jurisdictions are in that area? I want to identify if there's any incorporated cities. I want to know who those are. And then I also want to know any unincorporated county areas as well, because ultimately, what I'm going to be doing is I'm going to be looking at the zoning for each and within each of those jurisdictions, because if I'm trying to do like a subdivision play, for example, the minimum lot size that's going to be required is going to be based on the zoning designation. It's not as simple as looking at it and saying, Oh, you know, hey, a one acre parcel would work here. A five acre parcel would work here. You have to be able to understand what the zoning actually requires. And in order to do that, you need to know which jurisdictions you're actually looking at within this box that you've created.
- Joe:** What should we do like? Should we just search for five plus acres?
- Mike:** Sure, you can do that. I mean, and I think that's reasonable, too, because that usually in most jurisdictions, you're going to be able to do some sort of subdivision with that.
- Joe:** All right. So the cheapest then is seventy five thousand, and this is an area called Hickory Creek, which is right down here. This is a good area because it's in an area where there's only like one from the city. Yeah, it's a small town. It's a it's a rural area, but Washington right here is kind of growing. So here's another property kind of at the corner. But if we looked at this one for 75, this looks to me like a it's got a paved road. It said it's called Lot eight, so it's probably already part of an eco right subdivision. Hickory Creek subdivisions. Not much you could do with that, then is there?



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- Mike:** Right from a subdivision perspective? Likely not the most that you might be able to do is that horse say, plan review concept or you get the house approved and then hand that over to a builder. While you can certainly do that, that's probably like the one of the lease or lesser leveraged plays that you can do. But that is possible.
- Joe:** No restrictions here. I like that, right? That's a good sign. Absolutely. If it says no restrictions here, bleep beautiful, secluded property in a gorgeous area with lots of privacy total of seven point nine four acres. Two lots for the price of one, they're asking. It's seven point nine acres. They're asking seventy eight thousand dollars. This is in a St. Louis county. This is interesting. Currently located close to St. Louis County, but with Franklin County taxes. So it's in the Franklin County. And let's look at the photos real quick. It's very wooded, which is common in this area. It's got a paved road, almost eight acres. It's two different lots. There is some houses outside of it. Looks like maybe from a satellite view content. And then if I were to look at a map here and satellite view, so there are some homes out here, but no restrictions. So what do you think of this?
- Mike:** So when I hear no restrictions, when I'm hoping they're going to say that there's no zoning at all. OK? And so if there's no zoning at all, that tends to be pretty good from a lot of perspectives. What that ultimately would mean is that maybe the minimum lot size is based on something in their subdivision ordinance. And so that's one of the first things I want to figure out is I want to figure out what really what's the minimum lot size that I could cut this down to if I absolutely wanted to do that? Because in this kind of situation, again, there's not a lot you're not looking at a commercial development where there's a lot of entitlements that have to be taken care of in this situation. It's the subdivision and it's the site plan review, and that's probably going to be about it in terms of the entitlements they use to add value. So the most important one being the subdivision, I want to find out how small I can cut this down to and then I want to figure out what the process actually is as well.
- Joe:** OK, interesting. Yeah, this is fascinating. I appreciate you mean you're letting me put you on the spot like this? Oh, sure. To look at some of these properties because it just depends on a lot of things. The clients that you work with, what percent of them will actually let me stop my screen share here? What percent of them are actually finding these deals through their own, you know, like direct mail or are going to the MLS looking for properties that are already listed?
- Mike:** Right. So most of the people that I work with come from the land investing in land flipping world where they've been tied to do the direct mail approach. And so most of them are still



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doing the direct mail thing. Some of them are gravitating over into text message marketing as well. I try to advocate strongly for, you know, really working with local land, specialized agents, kind of creating those relationships and making sure you tell them what it is that you're looking for and you're in good communication and hopefully they're feeding you deals that way. And then I also advocate honestly for the MLS, too, and that you can find opportunities on there if you can learn to see what others can't see or don't want to go through. Then there's. Twin cities that are there, so I don't I don't say that anyone should abandon the whole direct mail approach, I just try to get people to consider that they should add this other part into it. But to answer your question specifically, you know, most of them are still doing the direct mail approach.

Joe:

OK, I got one more question for you. Let's say, you know, maybe I could find some examples here, but let's say you're kind of in an area that's in the city and there's vacant lots. I need to change my filter here. You know, somebody finds a quarter acre lot in the city and there are some older homes around it. But it's not. It's not necessarily a commercial. I'm trying to find a good example as I talk here. Maybe here's a good example I'm going to open this up and share my screen here. So this is a vacant lot where there are some homes already built and it's listed for sale. You're asking 50 grand, this is in. Let me show you in a map where it is. So it's right here. Downtown St. Louis is here, the suburbs where I live around here. This is an area that's kind of older, but it's still very desirable. It's a very good area. If you get a home in here, you know it's you can. If you have a decent three or four bedroom home, you can sell it for five hundred and \$600000. Gotcha. If I zoom in, some of these homes are going to be older. You can see there's a vacant lot right here next to a graveyard. All right. And it's got some homes here. And if we were to go to Street View, it's just vacant. But scrolling over, well, you know, this is an older area, but there's newer construction here, which is interesting. Yeah. Let me zoom on forward a little bit. You can tell these are newer constructions. Most of the homes in this area, there's the graveyard. If I scroll out here, OK, see here's. And for this neighborhood, here's a typical home. And I'm going through this really weird and fast, but a lot of these over here are going to be older brick homes. All right. So this is a, you know, almost a half acre plot point, four acres in suburban, I mean, in a in a rear, it's not. It's an urban area. All right. Mm-Hmm. Is there anything that can be done with something like this?

Mike:

Sure. I think that there's a couple of things to point out on here and that with subdivisions, for example, in this situation, there's I was talking earlier about minimum lot size, and that's really important to consider because in this scenario, you want to hopefully see that the the minimum lot size is less than half of the size of a lot, right? So if it's a half acre, you want to see that the minimum lot size is no more than a quarter of an acre, so you can get that second lot. But a similar concept applies, but when it applies to road frontage also.



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And so in each zone, they're going to have a requirement for the minimum amount of road frontage that you have to have for each lot. And that might be something like 40 feet, 50 feet or have you? And that's going to be the the width of the property as it fronts on to maintain the road. And so similar again, if the minimum is 50, you need to have at least, you know, 100 feet of frontage in order to actually subdivide the property and you have to, you have to qualify for both of those requirements. It's not just the yard you have to qualify for both. The thing that I like about this one right off the top is that you have two roadway frontages, and so that just gives you more flexibility in terms of what they call LA configuration. Because in this scenario, you might have one law that faces, you know, towards one street and then you have another lot that has a host of phases towards the other street and they take their access accordingly. That is a possibility. I look at this one in one street, it's going north and south. You know, they may not allow for access to that side of the street. There's things like that that get more technical. But just from a theoretical perspective, you know, I can see a scenario where you can have one lock facing one direction and the other on the other direction.

Joe: All right, so you would get a property under contract like this? Mm hmm. Maybe give them their asking price, but contingent on the approval of some entitlements? Right? And then you go through that process, if you can get it approved, then you could sell it to the home builder that is building new homes around here.

Mike: Exactly right. Yeah. So you're not going to be looking at like the big D.R. Horton type of, you know, builder, but you're going to be looking at, you know, the local merchant type of regional builder that's buying these and building one offs here and there. And there's plenty of those guys out there.

Joe: Do you know anything about cemeteries in California?

Mike: At least they know that stay away from them, just this. It's kind of hard to say, but from an environmental perspective, it creates a lot of problems for for developing next to a cemetery. So I think in this situation, they would probably be the biggest thing that I look at and see what kind of restrictions there might be.

Joe: How would people buy a house that was next to a cemetery?

Mike: Yeah, I just it. It's the marketability I think is probably your biggest hurdle. So you almost have to take a discount off of all of that. Just, you know, try and make that work.



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- Joe:** That might be a risk I don't want to take. But yeah, this is fascinating. I mean, there's a lot of vacant land for sale in the city that these are some good areas.
- Mike:** You can even have a scenario where you have a house that's on just on a large lot, you know, and you can cut that one, you know, into a second line and do it that way too.
- Joe:** I'm just interesting. And do you do you work with any investors that specifically target vacant lots inside of infill areas inside of cities?
- Mike:** Yeah, absolutely. And certainly do. I mean, I work with people that do commercial work with people that do, you know, infill lots in residential areas. And then also people out on the fringe and people that are doing the hunting stuff, too. So it's all, you know, everywhere in between. Probably most of my people are right now in that, you know, the fringe area or the or the rural. But I do have a couple of people that are looking at larger residential developments on five hundred acre plus tracts, things like that.
- Joe:** Well, this is interesting here because this is a vacant lot in a really good area and it's next to some residences right here, a shopping mall right here, church right here. And these look like multifamily right here. And this is a quarter acre lot. They're asking about twenty seven grand for it. This probably is small, though you can only really build one home here, I imagine. But do you think a developer? Is there anything you can do with this lot to make it more attractive to a developer?
- Mike:** Yeah, I think the first thing to look at is what's the current zoning of that lot? And then I want to know what the zoning is of the adjacent ones because it seems to me like there might be like two to three different zoning designations that are right around there on those different properties. And so I want to see that and then I want to see if I can rezone the property, either for a development, you know, or myself, or it'd be like multifamily or what have you or even rezoning it and selling it like that adjacent church. Like a lot of times, churches are looking to expand and they want to be able to have that opportunity. And a lot of times in most areas, you have to have something called the conditional use permit to get a church on most in most zones. And if that bacon piece isn't actually have a conditional use permit already granted to it, which it likely doesn't. There's an opportunity to go in there and get that conditional use permit, at least for that church to expand. And now you've actually created value for that church.
- Joe:** Could you build another? Could you build a multifamily on a quarter acre lot, do you think?



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- Mike:** Yeah, you might just have to go tall, you know, so there might be some restrictions on that in terms of building height. But sometimes again, something like a conditional use permit or similar can allow you to go above those thresholds.
- Joe:** That's interesting. Yeah. So like, you could try an entitlement for a two storey, three storey multifamily, right? Like a townhome that could put. I think you would have enough room for that?
- Mike:** Yeah, and it comes down to the type, that style of parking, too. So, you know, in a highly urbanized areas, you can do like, you know, subterranean parking. But you know, in this kind of environment, the grading cost and everything are probably too expensive, but they have other types of parking where it kind of tucked under the podium in a way. And so you can do that kind of situation to where the garages are actually underneath that. And so there's different ways you can design it to kind of really capitalize on what's there.
- Joe:** Well, interesting. This is a huge topic that we could talk for hours and hours on the air, and hopefully I haven't confused people who are who are watching this because I think this is fascinating. There's a lot of different things you could do. And obviously if you have a deal that things you think might be good for this kind of variance or entitlement, they can reach out to you. What is it that you guys do? Mike?
- Mike:** Yeah, absolutely. So a lot of what we do is really coaching other investors, you know, so I work a lot with different land investors or people that are coming even from the house flipping world that are just trying to find another way to diversify, add another leg to their business. And so this is a place that they want to go. So we help those kind of folks do that. We help them establish strategies and markets that they want to go into kind of help them establish a marketing plan. But then the biggest value really that we do is doing exactly what we just did now where when people have deals that they're looking at, trying to find out what that opportunity is. I work with them one on one and we go through that whole process and really analyze it down. And that's a lot of what we do. We do that and we also work with real estate brokers like land brokers and commercial brokers as well in the same arena.
- Joe:** Nice. And your website is entitle and flip dot com and title that I spell it right there?
- Mike:** You sure did.



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- Joe:** Alright, entitle is spelled E N T I T L E and Flip dot com entitle and flip dot com. All right, so you teach people how to do this, but if they have a deal, they can, and if it's a good deal, they can bring it to you.
- Mike:** Yeah absolutely, if they had a deal that they're working on, that they think that there's some opportunity there, they can certainly bring it to me. I have people in our group that are primarily focused on funding as well. And so there's funding opportunities too, if that's something that interests folks, too.
- Joe:** Nice. Yeah. Could you have a YouTube channel or blog or a podcast yourself?
- Mike:** You know what we have on our website entitle and flip dot com there's a running blog. You can get a lot of everything there. And then also, I've just started a new podcast with a partner of mine, it's called the Dirty Real Estate Show, and we're going to have probably about four or five episodes in at this point. But it's really focused on the land investor and trying to find ways to add value, whether be through entitlements or a variety of other type of creative land uses as well. And so we're really focused on the value add component.
- Joe:** You know, I really you have a picture right here. I'm going to share my screening here with your web site. You have a picture of a property that could go on that little lot. I was just showing right there.
- Mike:** Yeah, exactly. That's exactly what I was thinking, that exact same kind of thing where the yeah, the parking is kind of that little driveway you park underneath and the height out of it. That's exactly what I'd be thinking of.
- Joe:** So that's a three story. That's four stories. The parking lot on the first floor, right?
- Mike:** That's correct.
- Joe:** And it kind of goes to the side so people will go in on the side and then turn left to get into their little parking garage. That's correct. And then they have above them either two or three levels for their townhome would be. Yeah, exactly. Now that looks great to me. Yeah. In this, especially right now in this market where I mean, everybody's, you know, just freaking out because there's not enough affordable housing, you would think counties and cities would be more open to multi-use family. Cheaper family living like this, I guess. Right?



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- Mike:** Yeah, that's very true. I mean, a lot of states are enacting legislation to try to streamline the development process to make it quicker, ultimately cheaper to get, you know, housing units on the ground. I mean, there's a lot of areas in the country that have a severe housing shortage in California being one of them. And so they're trying to kind of get out of the way as much as possible to get those units on the ground.
- Joe:** All right. One more question here. And I just thought about again, your website is entitle and flip dot com, E N T I T L E and flip dot com let's talk about real quick. I just stayed in Tampa. The I was going to a conference mastermind thing in the hotel was five hundred dollars a night and this is the hotel. I've said that before for like \$100 a night and they were just busy. I guess it was everybody's starting to travel again. I found an Airbnb that was ninety nine dollars a night, just five minutes from there, seven minutes and they had a it was a normal house, but in the backyard they kind of made it up nice and they put one of those little small units, living units, things in there, right? Yeah, like a like a shed. But it was really nice. Yeah, I so I stayed in there. It's really nice. I was surprised, right? Is that something that you see a lot of people, more people doing now these days where they're maybe getting their properties rezoned to add little, what do they call them?
- Mike:** They're called accessory dwelling units? Yes. Yeah. So they're called that in many areas and yeah, it's happening a lot. Places like California again are trying to streamline it to where you can basically do it without much of the entitlement process. It's almost what they call a buy right process. And so, yeah, they're adding, you know, another living unit at the back of your property that can be rented out, you know, it can't be sold separately, but it can be rented out where it's not just the homeowner that's using it.
- Joe:** Are people buying land and then putting a bunch of those ADUs?
- Mike:** Yeah, depending on the depending on the circumstances, you know, there's ways to get, you know, to take almost is a single family house and get four separate units on it with current rather than current laws that are in place in California I just recently enacted.
- Joe:** You can do that.
- Mike:** Yeah, you can do it. It's not. It's not done a lot. Yeah, because it's so brand new. But yeah, you can do things like that and it's happening in other states, too. So that's one of the things that we do too, is kind of really keep a pulse on some of the housing legislation that goes through because there's going to be opportunities that come about.



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- Joe:** Have you seen people doing that in rural areas? You know where you can get five acres for really cheap and then there they're not subdividing it right, but they're putting a bunch of these little sheds on there, too and renting them out.
- Mike:** Yeah, I mean, in some instances, you can see that like almost like tiny homes like a tiny home park, in essence, and there's places that are definitely allowing for that. I mean, I know, like Joshua Tree here in California, there's some places in Texas to some of the places that are more like destination oriented, outdoors oriented. There's a little bit more flexibility a lot of times. But yeah, there's certainly all those kinds of things are push towards like the shipping container homes, those kind of things as well.
- Joe:** So, yeah, do you have to get entitlement zoning changes for things like that?
- Mike:** Sometimes you do again, depending on the jurisdiction. But if you find the more favorable areas you know, it's it's going to be, you can make it happen without them. And then there's resources online for, you know, if you want to find those kind of opportunities for like the shipping containers or tiny homes, that kind of thing. OK.
- Joe:** It's been really cool. Mike Marshall from Entitle and Flip.com. Thanks for being on the podcast. Appreciate it! And if people want to get a hold of you, just go there. Looks like you've got your contact information. There's contact us. There is information about your blog, your coaching program. You can schedule a free 15 minute call. There's a contact us page there. Nice email, phone number Facebook, Instagram Are you active on those sites?
- Mike:** Especially Facebook, but yeah, Instagram as well, but especially Facebook, we have a pretty large Facebook group growing right now, and so that's been active for a while.
- Joe:** Nice. And your blog has information. You have a recent video. What is the site plan? Your dirty real estate show podcast. That's a great name. All right. And then your Facebook lives. We talk about subdivisions, subdivisions on the fringe. Love it or hate it. Episode one. What is that about?
- Mike:** That's just me kind of showing a piece of property almost like what we did today. And it's telling people, Hey, here's the reasons I love it, or here's the reasons I hate it, and kind of like a really quick two to three minute chunk.
- Joe:** That's super cool. I love. Yeah. And how often do you do those kinds of shows?



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Mike: You know, I do those things probably like right now it's picking up where I'm doing about one a week of something similar to that. So, yeah, it's picking up more now.

Joe: All right. Very cool. All right. Thanks again, Mike, for being on the show again. Guys, go to entitle and flip dot com. We will see you all later. Thank you, Mike.

Mike: Thank you.