

EMBRACE BECAUSE YOU MATTER



# May '21 Newsletter

Discover the power of community



A Local World Changer

Embrace Celebration is honored to introduce you to world changer, Mark Vengroff. Mark is the managing partner of One Stop Housing which owns and manages Backlot apartments. One Stop Housing has partnered with Embrace to provide for the needs of his tenants. Learn about Mark's accomplishments and where his business is taking him in the future.

**Embrace: The Backlot is an interesting name. How did it start and how did you settle on that name?**

Mark: I was the CEO of VWA, a very large multi-national BPO (Business Process Outsourcing) company. We were in nineteen countries with over 1,100. Our employees in the US were having trouble finding affordable housing even though they were paid well. My father took profits from the business to purchase multi-family apartment complexes, creating economical workforce housing for our employees to live in. That was the start of our real estate venture.



Fast forward several years, we sold the company and I went into private equity. My father continued in to run the apartments. About 20 years ago, he got a call from USF. The University asked, "Could you buy this hotel right in front of our property here in Sarasota? We don't have it in our budget, but we will by next year." My father said, "Sure. No problem, I'll buy it." He bought it on behalf of the college. The college never took possession of it because they didn't get the budget increase they expected. Two years later, he was still sitting on this vacant hotel. My father finally said, "I'm going to start renting it out to homeless people." He charged a little bit of rent and kept it really low. The rents were priced well below market rate and included utilities. This was the birth of what we are doing today. That was twenty years ago. He started to realize he was onto something. He found that he was able to make it profitable yet, still keep it affordable.

We were involved in the arts and my stepmother set up a theater group at one of the properties in the back lot. She called it The Backlot. The theater closed after a few years. When we bought a complex in Kissimmee, my younger brother came up with the idea to name it "Backlot" on behalf of my stepmother because she never got her "Backlot" but now everyone can get theirs.

### **Embrace: Wow. That's inspiring! Affordable housing is in short supply. How do you provide this housing solution for so many families in the current climate?**

Mark: It's getting harder. Some major factors are making it really difficult, like impact fees and the rise of real estate prices throughout FL. At Backlot, we paid almost three million dollars in impact fees alone. That takes a big chunk out of your ability to keep it affordable. Properties are expensive right now. If you buy low, you can keep your rents low, but if you buy high, it makes it harder to keep it affordable. You have to charge higher rent to make the mortgage payments, if you buy high, especially after the cost of impact fees. We believe that when we buy something, we have to completely renovate it. We make it brand new with full kitchens, new cabinets, new flooring, plumbing, electric, and fire suppression systems. It is important to bring it to a multi-family standard for the safety of the tenants and those that visit to property. It's very costly. We have our own development company and construction company, so we're able to buy in mass to keep our costs down. We use all of our own cash so we don't have a high cost in capital. We have a lot of great relationships with local lenders to help us on construction loans.

Most of our management teams have been with us forever, like fifteen to eighteen years. A lot of the folks used to live on our property or rented from us. One used to live in our property as a child after his mom got evicted because she got into some trouble. He came back and said, "I really respected how much that changed my mother's life and it got her on the straight and narrow. I really want to be a part of this." He now works at One Stop Housing. Our managers are well taken care of, and everybody is there with a true focus. They are there because they want to give back. To them, that is their self-reward. They can identify and know what people are looking for, and they know that people are looking to turn their lives around.

To answer your question, it is hard. It's a problem that continues to grow. There's a lot of government programs out there, tax incentives and development incentives; but most of those seem counterproductive to solving the problem of affordable housing.

### **Embrace: How does your construction company fit with Backlot?**

Mark: This kind of goes back to the question of affordable housing. If you have a development company and a construction company like ours, the margins that you can make on developing a market rate on a high-rise or luxury apartment is so much greater than affordable housing. And with affordable housing, you have to watch every penny and monitor what you're spending. You just don't have the same margins. Most reputable developers in construction or management companies won't be in the affordable space. They'd rather go to the market space. They won't build affordable. If they do build affordable because they're getting tax incentives, or a 20/80 model, or some model like that where they only have to build 20% affordable housing and the rest can be market rate, it doesn't add a lot of units to the mix. It doesn't help the bigger problem, and it's a serious problem.

If it is government subsidized, those government subsidies pay more in rent than what we are charging our tenants. The landlords on the government subsidized model will pan out well for them, but the problem is the government has certain restrictions that they require on the government subsidized housing, and if you have a tenant that's a problem, you can't get rid of them. You get stuck with it and the whole property goes downhill. Then you're stuck with a bigger problem because the good people who you want to keep as tenants are forced to move to some other place where they can be safe. All you're left with in your property is people that are doing drugs and doing no good, which causes the neighborhood to go down. If they're not going to pay their rent, you're stuck.

In three to five years, we're going to see an influx of inventory that will come in. We are sitting on the sideline and ready to purchase these properties once the owners become more realistic in their pricing. Right now, it's just kind of slow.

**Embrace: That's what is happening right now to most of the hotels (along 192). People move in there and can't pay their rent. The landlords can't get rid of them. With no money coming in, the landlords go bankrupt and lose the hotel. That's what we've seen a lot. We also see people who go to work and they pay day-by-day as they can. They have no money to save to get them out of the circle, and they aren't able to have a deposit that will get them into a better apartment. It's a very sad situation. You have brought change into many of these people's lives.**

Mark: That's why we started a construction company. If you can't buy, you have to build. Now we are doing development and builds; new properties and new developments all with the idea of being affordable.

**Embrace: Can you tell me a little bit about your non-profit?**

Mark: One Stop Housing Care was mainly set up to help coordinate a lot of other efforts of non-profits. We do work with Salvation Army and quite a few charities. They're all great organizations but they have certain requirements and restrictions. Basically, One Stop helps to coordinate those so it benefits our tenants. Everybody has their own initiatives. Embrace Celebration, your non-profit, is the only one that has morphed your model to fit what is required or what our residents need, not to fulfill your own, specific, corporate initiative. Your objective is tenants first! It's all about the residents. That is our initiative as well; to take care of these residents. Therefore, we are in great alignment. Other non-profits have the right intentions, but some models don't always work for the tenants. That's why we have One Stop Care.

**Embrace: Do you have expansion plans for more Backlot properties?**

Mark: We have one right now, and I've put in offers on four other properties. Three are in Orlando and one is in Kissimmee. I think two of the three are probably going to happen. We are hoping to bring 500-600 new affordable workforce units to the area by the end of the year. We're also developing 100 acres on the west coast of FL, with three other large sites in FL this year. Our goal is to bring an additional 1,500 units to FL by the close of 2022.

**Embrace: Do you have only studio apartments, or larger ones for families?**

Mark: We have one bedroom, two bedrooms, duplexes, quads, single family, and a few larger 3 bedrooms.

**Embrace: Will the one in Kissimmee only be studio apartments?**

Mark: The one in Kissimmee will depend on the footprint of the property. The existing structure will determine what the apartment mix will allow. It has to be profitable, otherwise you can't do anything. It really depends on what the property will allow us to do.

**Embrace: Embrace of Celebration appreciates your partnership. It's like a quasi non-profit and a pool for a joint venture. By giving us free office space and a place to store toiletries, furniture, and necessities for tenants, we see how much you care for them. Tell us about your experience with Embrace and how they've impacted your residents.**

Mark: For one, Bettina, you have been amazing. Your heart is in the right place. You're truly a go-getter. I think the reason you're so successful with this is that you never take 'no' for an answer. Your heart is truly in the right place. The work you get done for our residents at the Backlot has been amazing. People are extremely grateful. I know I am. There are many people whose lives are greatly changed for the better, and many are still here because of you. A lot of people were so far down and out, ready to call it quits. You've saved a lot of souls.

**Embrace: Thank you. I think as a team effort, our town of Celebration came together in an amazing way to help and support people. The Rotary Club of Celebration, The Celebration Foundation, and the Backlot all do a wonderful job and I am so thankful for the opportunity you're giving us to support and help your tenants and the people along 192. We can only make changes when everyone comes together and works together. I'm very excited for the future. As far as we know, we are the first organization to partner with an apartment complex in providing food and other necessary items. Perhaps we will make history. Have you thought about that?**

Mark: I think that would be nice. As far as I know, we are the only ones.

**Embrace: Let's talk about 6 months to 12 months down the road. What do you see this partnership having in this window of time and where do you think it could go in the next two years?**

Mark: I think we will end up with another property or two in Kissimmee, which we can grow together. And we're looking into Orlando. We have another 240 units in Orlando now and with his additional acquisition, we'll add another 500. That's almost 750 within the next year or year and a half that we'll have available if we can expand into Orlando. If not, we are still looking at Kissimmee.

**Embrace: Thank you so much for your time. We are honored to team up with you in this important work. Together, we will impact so many lives positively! This is the start of a great partnership.**

Written by Traci Vanderbush member of Embrace of Celebration