BELA Real Estate Company

Dallin G. Broussard

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BELA Real Estate Company

by

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Undergraduate honors thesis under the direction of

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Submitted to the LSU Roger Hadfield Ogden Honors College in partial fulfillment of
the Upper Division Honors Program.

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Louisiana State University
& Agricultural and Mechanical College
Baton Rouge, Louisiana
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Executive Summary

Abstract

Established in 2020, BELA Real Estate is a real estate group serving the renting needs of residential customers in the Golden Triangle area of southeast Texas (the metropolitan area between the cities of Port Arthur, Beaumont, and Orange). Our units will balance safety, comfort, and a positive atmosphere for all tenants.

Mission Statement

We are a family-owned company that will offer our tenants a quality place to call home. Our everyday goal is to be honest, honorable, and competent in all dealings.

Who is BELA Real Estate Company?

BELA Real Estate Company, located in Port Arthur, Texas is a new residential real estate firm specializing in rentals. We decided to name our parent company Leo & Myrtle’s Legacy Holdings to honor my great grandparents who originally owned BELA’s first property. BELA is an acronym for the names of Leo and Myrtle Carmouche’s children (Barbara, Elizabeth, Leo Jr., and Anthony). They serve as the heads of the families and will continue to pass down the business to the next generation and so on. BELA is and always will be owned and operated by the Carmouche family.

It was in May 2020, during the coronavirus pandemic, that we decided as a family to launch BELA Real Estate Company. We had two vacated properties that were passed down to the family and both were red-tagged, meaning they were severely damaged to the extent that the structure was deemed inhabitable, by the City of Port Arthur. These two homes were scheduled for demolition and almost everyone in the family had already come to terms with letting go. It was at this time that my cousin and our Chief Executive Manager, Alexander J. Reeder,
approached me and asked whether I thought it was feasible to renovate the properties and rent them out so the family could maintain ownership and build passive income. Alex and I had previous conversations about potential business ideas for the family, but we both quickly realized that this idea had the most promise out of all our combined ideas. After discussing the business at length and conducting extensive research it was clear that our business could enjoy significant success in our hometown market.

The hardest part of starting our family business was winning over the rest of the family. It was hard for them to visualize anyone ever wanting to live in one of the properties and they only thought of how much the rehab projects would cost. It was not until after we obtained a bid, explained the BRRRR strategy, and pointed out the benefits of having the company set up as a limited liability company (LLC) under a separate parent LLC. This ensures no one can come after any family member personally and limits out-of-pocket startup costs.

Since BELA’s inception, the company has achieved the following milestones:

- Developed the company’s name and logo
- Obtained the title to its first property
- Obtained a $50,000 line of credit from Mobil Oil Federal Credit Union
- Completed renovation of its first property
- Secured and moved in a tenant into its first property

**Market**

BELA Real Estate Company will continue to provide premium quality housing in the Golden Triangle. Our goal is to provide affordable, safe housing to customers within 50 miles of Port Arthur, Texas. This market has a population of almost 400,000 people.
BELA will primarily target renters and potential renters. Renters in the Golden Triangle are typically either in a temporary situation where it makes more sense financially to rent rather than purchase or have been placed in government-subsidized housing. A portion of this group is comprised of lifelong renters who will never own a home.

BELA will focus on servicing those working in the many oil and chemical refineries in the area. The Golden Triangle is home to the largest oil refinery in North America in Motiva, as well as Chevron, Exxon Mobil, Valero, Sunoco, Dow, Phillips 66, and TotalEnergies. This segment is especially attractive because most people who travel to the Golden Triangle area for work are forced to stay in extended-stay hotels. This is not very ideal for the workers as they are often required to stay for at least months at a time and could rent a home for nearly the same price as a measly hotel room.

Customers will be attracted by various ways of advertising including social media (primarily Facebook), yard signs, phone calls, and print news. As BELA Real Estate Company attempts to build a good reputation and obtain more units, we hope to develop a partnership with at least one of the refineries in the area. This partnership would have us working together with their human resources department to find accommodations for temporary workers on extended contracts.

**Demographic Profile of Target Market**

BELA Real Estate Company will serve residents in the Golden Triangle area, primarily Port Arthur, Texas. The precise demographics of the Golden Triangle can be found in Table 1 on the next page (United States Census Bureau).
Table 1  

Demographics of Golden Triangle

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Population</td>
<td>394,268</td>
</tr>
<tr>
<td>Square Miles</td>
<td>2,101.1</td>
</tr>
<tr>
<td>Population Density</td>
<td>187.6</td>
</tr>
<tr>
<td>Population Male</td>
<td>50%</td>
</tr>
<tr>
<td>Population Female</td>
<td>50%</td>
</tr>
<tr>
<td>Target Population by Age Group</td>
<td></td>
</tr>
<tr>
<td>Age 20-29</td>
<td>14%</td>
</tr>
<tr>
<td>Age 30-39</td>
<td>13%</td>
</tr>
<tr>
<td>Age 40-49</td>
<td>12%</td>
</tr>
<tr>
<td>Age 50-59</td>
<td>13%</td>
</tr>
<tr>
<td>Age 60-69</td>
<td>11%</td>
</tr>
<tr>
<td>Target Population by Income</td>
<td></td>
</tr>
<tr>
<td>Under $50,000</td>
<td>46%</td>
</tr>
<tr>
<td>$50,000-$100,000</td>
<td>29%</td>
</tr>
<tr>
<td>$100,000-$200,000</td>
<td>20%</td>
</tr>
</tbody>
</table>

Competition

The average rental rates in Port Arthur have remained even, averaging $1,165 per month (NeighborhoodScout). The Golden Triangle has a large population of temporary workers looking for housing. Most people come to work in one of the many oil refineries in the area. BELA Real Estate Company offers these people an opportunity to live more comfortably and have
someplace they can call home while away for work. This is something an apartment or extended stay hotel simply cannot offer. All homes we offer will be newly renovated setting us apart from the few other rental options available. We have formed a partnership with C&G Builders who will handle all our rehab needs. Our offerings will come unfurnished apart from kitchen appliances.

Even with the emergence of a growing electric vehicle market, the Golden Triangle area will continue to see an influx of oil refinery workers seeking places to live in the near future. In 2020, electric vehicles collectively displaced 370,000 barrels per day of global oil consumption and this number is expected to rise to 1.5 million by 2025 (IHS Markit). This still would only amount to about 1.4% of the projected level of global oil demand meaning it could be decades before the true impact of the electric vehicle revolution will be felt by the oil and gas industry. This time will allow the refineries in the area to tweak their product mixes to best serve the masses during these changing times. Both Valero and Motiva have recently expanded to allow more parking, so it is safe to say neither has any plans on cutting back on workers soon.

Why Us?

BELA Real Estate Company aims to provide high-quality rental units in Port Arthur and the surrounding Golden Triangle area. BELA’s rental units offer comfortable living conditions during this time when there is a growing demand for quality housing. We are dedicated to creating a hassle-free living environment that allows our tenants to fully enjoy all our units have to offer. Our primary objective is to maintain the highest level of customer satisfaction possible. BELA maintains competitive market prices while also focusing on expanding its number of properties and increasing total profits.
Keys to Success

BELA Real Estate Company’s keys to long-term survivability and profitability are as follows:

1. Safe, quality housing offered at a competitive price.

2. BELA Real Estate Company will fill a specific market niche in the growing community we are entering. In addition, we have surveyed local residents and received extremely positive feedback saying that they would consider renting one of our units when launched.

3. Maintaining open communication between BELA and its customers to ensure a premium level of customer satisfaction and build a strong reputation in the community.

4. To expand the number of properties owned and maintained, while also increasing the level of profits.

Goals

Short Term (1-5 years)

- Own 3 properties in Year 1
- Add 1 additional property every other year during Years 2-5
- At least $4000 a month in Gross Rental Revenue by Year 5
- Acquire substantial relationships with financial institutions and contractors
- Gain business credit line

Long Term (5+ years)

- Add 2-3 properties per year
- Own 100 doors
- Acquire apartment complex, duplex, triplex, and quadruplex properties
- At least $8000 a month Gross Rental Revenue after Year 6
- Use company money to finance purchases and rehabilitation of properties

**Marketing and Management Plan**

BELA Real Estate Company will employ ACE Rental Management Company to handle all marketing and management of our properties. We plan to be as hands-off as possible in the beginning as all contributing team members currently have full-time careers or are happily retired. BELA was created with the intention to create passive income and build generational wealth to pass on to future generations. We decided to go with ACE for our marketing and management needs because of their experience dealing with rental properties in the Golden Triangle area. The founders of ACE own 144 rental units of their own in the area themselves and have been in the business for nearly 15 years. BELA has agreed to pay ACE 10% of the gross monthly rents collected each month for their services.

**Marketing**

ACE will leverage its overall respectable reputation to broadcast BELA’s properties on their website which is linked to over 100 other related websites and their platform on Facebook with over 1,000 followers to post our properties along with other properties they manage. ACE will also place highly visible “For Rent” yard signs, make phone calls to find leads, and run printed advertisements to generate sales and establish a presence in the Golden Triangle area. Finally, ACE will use its extensive local network to refer our properties to possible suitors. Licensed agents will be available to conduct showings of BELA’s properties upon request.
Management

ACE Rental Management provides a full-service property management experience that handles all routine and emergency responsibilities that our rental properties demand. ACE has an online portal that will allow us to view anything involving our rental properties. We can access each tenant’s ledger, check on the status of maintenance work orders, and view the company’s current financial outlook. They will provide us with monthly and yearly reports tracking the performance of all our rental properties. Some of the services ACE will provide are listed below:

- We Represent You
  - ACE will represent us in all meetings with tenants allowing us to be better landlords by being hands-off.

- Defining Rent Price Range
  - ACE will work together to determine appropriate lease rates for properties and to ensure units are rented in a timely manner.

- Showings
  - ACE will have one of their licensed realtors personally show the property for each showing to ensure a potential tenant never has to look at a property on their own.

- Tenant Screening
  - ACE takes numerous steps to maximize the chance of obtaining good tenants.
    
    ACE lists its screening steps as follows:
    
    1. During our rental history evaluation, we talk to previous landlords and ask comprehensive, open-ended questions about the tenant.
2. Credit reports are reviewed to get an accurate financial status for the prospective tenant while evaluating the tenant’s capability to meet their obligations which includes rent.

3. An employment and income verification is also done for each prospective tenant. Each applicant is required to provide pay stubs to document their income. We contact employers to verify the information provided on the tenant application and ensure that the tenant earns at least three times the monthly rent in order to qualify.

4. A thorough criminal background check is completed. Any items that show up on their record will be discussed with the owner prior to placing the tenant in the property.

5. We check for any prior evictions.

6. A sex offender check is also performed.

- **Lease Signing**
  - An ACE licensed staff member will handle all necessary paperwork regarding the leasing of a property.

- **Periodic Property Reviews**
  - ACE will visit the property at different times to assess the property. They will document any damages and illegal occupants and pets.

- **Move-out Process**
  - ACE provides tenants with move-out instructions and notifies tenants that they are financially responsible for any damages exceeding normal wear and tear.
• Maintenance
  
o  ACE has skilled tradesmen and suppliers available to service BELA’s needs.
  ACE’s vendors are trustworthy and quick to respond.

Ownership and Structure

BELA Real Estate Company operates as a Limited Liability Corporation based out of Port Arthur, Texas. It is owned by parent company Leo & Myrtle’s Legacy Holdings, LLC.

Team Members

Alexander J. Reeder – Chief Executive Manager

Kevin G. Henry – Executive Manager

Dallin G. Broussard – Finance Manager

Antonia S. Reeder – Secretary

Leo J. Carmouche Jr. – Treasurer, Majority Owner

Anthony G. Carmouche – Majority Owner

Elizabeth A. Reeder – Majority Owner

Barbara J. Henry – Majority Owner

Cash Flow Assessment

BELA Real Estate Company is expecting at least $755.00 monthly in cash flow profit. Our rental price for our first property is $1,200.00 per month while total expenses are estimated to be $445.00 per month. These numbers are subject to change when a cash-out refinance is completed on the property and as we add more rental units to our portfolio. Our first property is currently valued at $38,030 (Jefferson Central Appraisal District), but we estimate the new value after appraisal will be in the $70,000-$80,000 range. Taxes and insurance are expected to increase with the new valuation of the home, and we will have to take out another mortgage on
the home. We have yet to experience a vacancy expense as we already had a tenant secured before the rehab was completed. Repair and capital expenditure expenses were estimated to be 5% each of monthly rents to be on the safe side and ACE’s property management fee is 10% of monthly rents. An expense report can be found below in Table 2.

**Table 2**

*BELA Real Estate Company Current Expense Report*

<table>
<thead>
<tr>
<th>Expenses</th>
<th>Cost Per Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgage</td>
<td>$0</td>
</tr>
<tr>
<td>Taxes</td>
<td>$105</td>
</tr>
<tr>
<td>Insurance</td>
<td>$100</td>
</tr>
<tr>
<td>Utilities</td>
<td>Tenant’s responsibility</td>
</tr>
<tr>
<td>- Water</td>
<td></td>
</tr>
<tr>
<td>- Gas</td>
<td></td>
</tr>
<tr>
<td>- Electricity</td>
<td></td>
</tr>
<tr>
<td>- Sewage</td>
<td></td>
</tr>
<tr>
<td>- Garbage</td>
<td></td>
</tr>
<tr>
<td>Lawn care</td>
<td>Tenant’s Responsibility</td>
</tr>
<tr>
<td>Vacancy</td>
<td>$0</td>
</tr>
<tr>
<td>Repairs</td>
<td>$60</td>
</tr>
<tr>
<td>Capital Expenditures</td>
<td>$60</td>
</tr>
<tr>
<td>Property Management</td>
<td>$120</td>
</tr>
</tbody>
</table>

**Property Acquisition**

BELA Real Estate Company will own 3 properties by end of the year 2022. These properties belonged to members of the family and have been vacated for an extended period of time. These properties were considered for demolition before our plan to renovate and rent them out. BELA
Real Estate will obtain ownership of these properties from family members. These properties include:

1. 1125 West 5th Street, Port Arthur, Texas, 77640
2. 1127 West Proctor Street, Port Arthur, Texas, 77640
   - Two separate properties

Moving forward, BELA will use the BRRR strategy along with our investment criteria when seeking to purchase more properties.

**What is BRRRR Strategy?**

Rocket Mortgage defines the BRRRR strategy as “a real estate investment strategy that involves flipping distressed property, renting it out and then cash-out refinancing it in order to fund further rental property investment.” The BRRRR strategy can create passive income while maintaining ownership of properties instead of looking for a quick flip. There are five steps to complete the BRRRR strategy and BELA Real Estate Company employs them as follows:

1. **Buy**
   - Focus on purchasing a property that is undervalued or can have its value significantly increased with some renovations. It is important to buy at a discount. When buying properties, BELA Real Estate Company calculates the after repair value (ARV) to estimate the value of the home after renovating the property.

   According to The Motley Fool, “The ARV is determined by referencing nearby comparable properties (comps) in similar condition, age, size, build, and style that have recently sold.” When deciding how much to offer, BELA utilizes the 70% rule. The 70% rule states that investors should not pay more than 70% of the after repair value of a property minus the costs of necessary repairs for renovation.
2. Rehab
   - Improve property to make it rent-ready and add value. BELA Real Estate Company aims to complete rehab projects as quickly as possible in order to keep costs lower and to generate a positive cash flow sooner. BELA strives for efficiency in its rehab projects. Finishing in a timely manner is key, but completing the job properly without taking shortcuts is paramount.

3. Rent
   - Find a tenant to lease property at the agreed rental rate. BELA Real Estate Company offers both full-year and six-month leases and gives tenants the option to renew their leases if in good standing with the housing agreement. The rental rate will be fair to customers while also allowing BELA to attain a positive cash flow. Finding a tenant is important because it is easier to refinance with lenders once a tenant is living in the property.

4. Refinance
   - After having a tenant living in one of our properties for several months, BELA Real Estate Company will have the property appraised. BELA will then seek a lender that can offer a cash-out refinance to pay off the original loan of $50,000.

5. Repeat
   - Use leftover profit to put down payment on another property and repeat the same process without taking out another loan. With each new investment, BELA Real Estate seeks to learn from previous experiences and improve its execution of the BRRRRR strategy.
Advantages of BRRRR Strategy

The BRRRR strategy allows BELA Real Estate Company to grow its real estate portfolio without having to tie up large amounts of cash for a long period of time. BELA will be able to benefit from several tax reductions for owning rental property while creating a passive income.

Investment Criteria

BELA Real Estate Company is looking for the following criteria when investing in properties:

1. BELA will focus on purchasing distressed homes or homes that have back taxes at a discount. We aim to spend no more than $30,000 per purchase of an investment property.
2. BELA will factor in the anticipated cost of rehab and use the 70% rule to only invest in properties we deem can be profitable.
3. BELA will target properties that are within five miles of one of the many chemical refineries in the area. This will bring added value to workers in the area.

Exit Strategies

1. Sell to Valero Energy Corporation
   - The Valero Port Arthur Refinery has a little under 1,000 employees. Valero partnered with Darling Ingredients in 2021 on a joint venture called Diamond Green Diesel. This will be a brand new renewable diesel facility that will also be constructed in Port Arthur. Valero is attempting to buy property in the area in an effort to expand its plant. If BELA receives an offer for one of their properties they simply cannot refuse, we will use the money from the sale and reinvest it back into the business.
2. Sell to family member in need of housing in the area.
3. Sell to other investor(s)
Appendix

1125 West 5th Street, Port Arthur, Texas, 77640 (Before)
1125 West 5\textsuperscript{th} Street, Port Arthur, Texas, 77640 (After)
1127 West Proctor Street, Port Arthur, Texas, 77640 (Before)
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