



Whitney Elkins-Hutten of [PassiveInvesting.com](https://passiveinvesting.com) interviews [Jeff Ervick](#), co-founder of [Valoris Capital Partners](#). They dive into the complexities of challenging multifamily deals. Specifically, they discuss the acquisition of the 96-Unit Tanglewood Apartments in Charlotte, NC. Jeff recounts the turbulent journey, sharing critical lessons on due diligence. He also covers bridging financing for heavy value-add projects. Plus, he explains navigating unexpected property violations and economic occupancy challenges. Their goal was to transform a neglected asset into a thriving community.

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96-Unit Tanglewood Apartments In Charlotte, NC With Jeff Ervick, Apartment Investing Expert

I'm excited to be joined by [Jeff Ervick](#). Jeff, welcome to the show.

Whitney, how are you? It's been a little bit of our time trying to get on the same calendars. It's mostly my fault. I do apologize, but thank you so much for having me on.

Jeff's Multifamily Journey: Scaling Beyond Single-Family Homes

That summer, that's all I'm going to say. One word, summer, to get schedules put together. Jeff, before we dive into your deal, Tanglewood Apartments, 96 Units, Charlotte, North Carolina. Tanglewood is foretelling. We'll leave it at that. Tell us a little bit about yourself, your background, and how you got into the multifamily space.

I've been in technology sales for over twenty years. From there, I've only worked with two different companies. I'm very loyal when it comes to the companies I work for and the customers that I support. Through that second phase of my second job, or the early phase of my second job, I got interested in how I could scale and build a real estate portfolio. I joke around. My wife and I bought our first townhouse back in 2009, right after the recession. We did a house hack. We house-hacked it before it was a thing. I've been in real estate since 2009.

Ultimately, I bought a bunch of rental properties in the Baltimore metro area, the county side, not in the city side. I did have one in the city, but that's a long story. I was looking to scale up on single-family homes, and I did a bunch of private lending. Eventually, I realized that with the W-2 and with the way trying to find properties, do rehabs, and everything to have management, it was too much for me to do, and scaling a single-family portfolio. That's when I looked into how I can scale and accelerate my growth, my wealth, and my portfolio.

That was through multifamily. I've been doing multifamily for over two and a half years. Since then, our company, [Valoris](#), has acquired over 200 million assets under management. We manage over 1,800 doors, management, and development because we also do our small-grant development deals. I've got more than that personally because I do invest in other LP deals also. That's the long story short of how I got into real estate and where we are now.

Thank you so much for sharing. Let's dive in. Tanglewood Apartments, 96 units, Charlotte, North Carolina. Let's back up the timeline. We know you closed in September 2024. We established it before the recording of the show. When did you find the deal, and how did you find it?

This is an interesting story. We build a lot of networks and a lot of partnerships with people in different networks. We've known those networks to be the kind of people who can help close deals. That's where Valoris has come into play. We were approached by the person who put the deal under contract after he had it under contract for roughly 60 days, and they couldn't get it to close.



Tanglewood Apartments: We're known in those networks as people who can help close deals, and that's where Valoris comes into play.

We came in, we did our due diligence on the property, and realized where we needed to be. We started taking over all of the transaction side, the investor relations, raising capital, due diligence, our team went down there, and so forth. Once we got that, we closed it within a 30-day period. I do want to take a step back and show that, but ultimately, the way the property got put under contract was we found it through an off-market deal.

The partner of ours who lives in Charlotte, boots on the ground, has a smaller unit. I think it's a 30-unit in the same neighborhood. He had his eye on this deal before the previous owners purchased it. Unfortunately, he didn't win it then. He got it back under contract when they decided to sell it after their five-year mark. That's how we landed or came to have the deal under contract.

The Tanglewood Opportunity: A Heavy Value-Add Vision

When you saw this deal and when your partner saw the deal, what was the overarching business plan here? What attracted you to the deal?

It's a heavy value-add deal. The market it's a B-minus market, so to speak, but it's a pretty bad deal when it came down to the previous ownership. It was very mismanaged. It was neglected. Your typical story of when and why there's a lot of upside in a value-add property is that the opportunity, the deal itself, had a lot of good deal metrics to it, but the deal was not operating well. We wanted to come in, take over, and find that.

Tweet: The deal itself had good metrics, but it wasn't operating well. We wanted to come, take over and find that.

The value outside of it was what was compelling, the numbers and the unit of sale markets like the comps in the area, the per door comps, are much higher than what we put it under contract for. That was very compelling for us to look at and be like, "There's a lot of upside on this deal." It's going to take a lot of work, which it has been, but there's a ton of upside for our investors. We're excited about it.

Before we dive into the purchase-sale agreement and the due diligence, I am curious if the other partner had his eye on this deal, got scooped up, he didn't win the contract, and then the previous owner had it for 4 or 5 years, you would imagine that some work had been done. Was that not the case?

The story I got is that they bought it in '18, and they were undercapitalized when they bought it, then COVID hit. Being a market and a workforce housing type market, people stopped working, and people stopped paying rent. They couldn't handle the CapEx or the deferred maintenance and so forth. That's what I mean by this guy, our partner, had the eye on this property for a long time. The previous ownership was very disorganized, and it was mismanaged.

Who saw COVID coming? Not I. I used to work in public health. Your partner had the eye on the ball here. This property comes. It's an off-market property. You get it under contract. It sounds like you put together a standard 30-30-30 type contract. When did you decide to walk the property and dive deeper into the deal? Was it before getting the LOI out or after the LOI?

Again, my local partner, who's in the Charlotte area, knows the property very well. He's been there multiple times, walked and done the due diligence, and knows his stuff on that. Our team, when we got involved, the way our business is organized is that I run all asset management and marketing. I run all investor relations and marketing, and my partner, Claudio, runs all acquisitions and asset management. He made the trip down there with our asset manager. Once we got the deal, technically, Valoris came as a partner on the project.

He went down, walked the property, verified what was required, and verified the type of asset that it was or is, what the construction project was going to be, and who the contractors were. He spent a whole week down there, running through everything, doing the due diligence, understanding exactly what it was, taking a bunch of videos, photos of before and afters, and all that stuff. We always go to a property in person before we start to raise capital because we want to know that our team has had eyes on it. We know what it looks like. We know the current state of the asset and are making sure that it matches up with the business plan, which it does. Again, a very heavy value-add.



Tanglewood Apartments: We always go to a property in person before we start to raise on it. We want to know that our team has had eyes on it, that we know what it looks like, and the current state of the asset—making sure it matches up with the business plan.

Due Diligence Deep Dive: Uncovering Hidden Occupancy Truths

Let's talk about the due diligence. We already know it's a very heavy value-add, but a little bit mismanaged by the previous group. Walk us through the physical due diligence of the property.

It was stated as a 70%-occupied property. We could tell that there were a lot of tenants who did not take care of their units when we did a property walk. Sometimes, they wouldn't let us into the doors, and some did. Seeing the vacant units, walking the property as far as looking at what needed to be done for the exterior, the interior, the common areas, the roof, the parking lot, you name it. We have touched on everything on this property so far. We'll get into that. All of that was necessary. We're validating, trusting, and then verifying. We were trusting that our current partner had the right numbers, the right underwriting, and the right due diligence done. We wanted to verify that it was the case.

Tweet: Always validate, trust, and then verify. Trust that your current partner has the correct information, and then verify it.

Any surprises there above and beyond what you saw currently underwritten, or do you know what you were getting into?

We knew what we were getting into. There are some surprises from an occupancy standpoint.

Let's talk about the financial part of the due diligence.

It was advertised as 70% occupied. When we started to dive in, we realized it was probably closer to 65% or 60%-ish occupancy. We negotiated a little bit with the seller. We were able to get some credits done and so forth on the property. That's where we were targeting our numbers for. As far as financial, how deep do you want me to go into the underwriting? What exactly do you want me to discuss?

Let's first like tease out. How much did you pay for the property?

It was \$8.6 million for the property.

What did you originally put it under contract for? It sounded like you got credits back here?

It was \$8.9 million originally, and then we talked it down a little bit lower. We've got some additional credits there.

Any other surprises on due diligence? Was the seller receptive to this, or was there a lot of going back and forth?

They were receptive to an extent.

Let's talk about the financing of the deal. This is very different. Most people are looking at agency debt or some performing debt where you're like 80% occupancy or above. You thought you were at 70%. Now you're at 65%. Tell me how this financing got put together.

It's a bridge debt. It's a fixed-rate bridge loan. We had built in CapEx into the bridge loan, which is nice. We can draw from that and have a big chunk of reserves in place. I think that's the most important thing that I like to stress in a lot of things. Make sure that when you're underwriting properties and you're looking at something like this, and you're looking at your traditional Fannie Mae and Freddie Mac loans are not going to look at nor entertain any type of heavy value-add or older asset or underoccupied type of asset.

You have to go to a bridge lender. With that being said, a lot of people look at that and say, "We've got to raise so much more. They're building the CapEx, and this is too much for the reserves." I think you cannot go enough with the reserves. You have to build in a deep pocket for the reserves. That is what helps make sure that you can keep the property above water when you're going through the whole CapEx project.

Tweet: You have to build a really deep, deep pocket for reserves. That's what helps make sure you can keep the property.

I also want to stress, I know a lot of limited partners might be tuning in to this and go, "Jeff used bridge debt. I'm turning it off." Here's the thing, in this case, the value-add situation, the under-occupancy, the type of debt you use matches correctly to the business plan. It's the tool to use. Let's talk about it. Let's talk about the terms. It's bridge debt. What's your interest rate? Is it floating? What other type of carve-outs do you have on this?

It's a fixed interest rate, which is what we strive for. We look at the previous couple of years, 21s, 22s, and so forth. The floating rate debt was what got people in trouble. It's a fixed 9.1% interest rate, which is high. We know that it's high, but we've built that into our reserves and built that into our underwriting models. It is a three-year interest-only deal with two 1-year extensions. It gives us some good room in order to extend if we need to, but without going too far into it, our goal is to refinance prior to that as soon as possible.

Get the NOI up on the property to where it qualifies for refinance. Were there any lockouts or penalties should you refinance before the three years?

As far as lockouts are concerned, there were no big carve-outs for lockouts. Your standard 1% transaction fee, refinance fee.

You raised capital for this deal.

We did.

How did you structure this with your partner and then your limited partners?

We came into the deal where they needed help with the entire investor relations marketing package. That's what we specialize in. We've got a full marketing team. Every deal that we run, we run all the investor relations and track all the finances, track all the investor relations, and all the capital raising within our partnerships.

It is structured as a 65/35 LP-GP split. It's got 65%. That is an 8% pref for the first \$50,000. If you brought in \$100,000, it was a 10% pref. If you brought in \$500,000, it would be a 12% pref. It's set up sometimes for a fund of funds for that method as well, with the higher level class and class A1 for \$500,000. It also gives our investors a very cozy, good 12% pref going into this. As our other numbers turned out, we are again looking for an estimated 20% average annual return, 2x multiple.

It's a five-year hold. That's our standard numbers that we strive for. The IIR is a little bit heavier than that only because we're projecting that we're going to return the majority of our investors' capital after a refinance between years 2 and 3. That way, we can return the capital to investors. They're in it without having any more capital. They can go use that capital for another deal while they're cashflowing on their position until we sell the deal.

What kind of fees did you charge for this deal?

It was a small. It was a 2% or 3% acquisition fee. The asset management fee is a standard 2% property management fee. I think the property manager charges 3.5% for that. There is a 1% refinance fee and a 1% exit fee. If I'm recalling correctly, again, it has been nine months, and I didn't research or look back into it. From my memory, those would be our standard fees. We didn't charge any construction fees during the CapEx project.

That's interesting. Why not?

I don't think it was structured that way prior to us coming in. In hindsight, we would charge a construction fee. I think that's something that we're going to look at going forward in all of our bigger, heavier deals. It would be like a minimized acquisition fee and a heavier construction fee, because the construction period is the most important part of any multifamily job. Is it getting done correctly, getting it done on time, or under budget? We like to compensate our asset management team for doing that.

Post-Acquisition Challenges: Navigating Violations & Economic Occupancy

Tell us how things have been going since you took over the property. Have any other issues come up?

Yes, there have been multiple issues come up. This is one of the standard things you do. You don't know what's going to happen. You can only project for worst-case scenarios. As I said earlier, we built in a massive reserve for our budgets or for our property to ensure that we are well capitalized moving through into year two, as we come to close to year one. First things first. I cannot get into too many details because we do have a couple of lawyers looking into some other things for us. I will get into the fact that the property, as we thought it was, was a 60% occupied deal. It ended up being a

10% economic occupied deal. Meaning that only 10% of the renters were paying rent when we took over the property.

That completely changed our transition plan from day one. I'm not going to get into details of how we found that out or what we're doing on that with our attorneys. Ultimately, the way we solved this was we went into the property and we said, "There are no extensions to any leases. If your lease is up, or if you're not paying your current rent, you're going to move out. That's it. We're not extending anybody's lease."

As I said, 10% of the units were on Section 8 vouchers. They were still paying their rent. We kept them in the property for as long as we could before we said, "We're going to work with you, the state, the county, the city, and your Section 8 provider to find you new residents." I'll explain why we did this. At first, what we were going to do is we are going to come in and we are going to rehab the units that were out and empty.

We were going to do our exterior plan, which is a new roof, painting, HVAC units, windows, and doors, that package. We had to modify that a little bit, so we didn't do all the windows. We didn't do all the doors, but we painted the entire exterior. We did a whole new roof, and we're replacing all the HVAC units that need to be replaced. We modified it a little bit to ensure that we can now say, "Our main plan now is to evacuate the entire building, and start from scratch."

We got every building, got every unit, and started to implement our rehab process and so forth. What we knew of, but we didn't encounter a lot of, was the previous owners' violations with the city. We knew there was a lot out there, and there was a lot of money left in escrow to cover those violations with the fees from the state and the city. We realized that it was a lot more detrimental to us than it should have been.

Were you aware of the violations?

We were aware of violations prior to that, because that was a part of the escrow. Part of the closing package had a big chunk of capital from the sale tied up in escrow for that. I cannot go into much detail about that. Ultimately, when we found out that there were very minimal people paying rent, we said, "Everybody's out." We're not evicting everybody. We're just not renewing leases.

It caused a local storm, but we did some media stuff. We did some news channel stuff. We let everybody know that this is for the better of the neighborhood, of the community, because it was a very dangerous property. There were a lot of drug deals going on. There was a lot of violence happening and so forth. We wiped it clean, and the neighborhood is like, "Thank you." Now, they can rest a little bit, knowing that the property is going to start having a much better residence, better living there, and a better community. It's going to make the entire place thrive.

I know you cannot get into details, but I'll ask the question this way. What would you change about your due diligence having gone through this transaction?

We would probably request bank transactions. Specific, not just rent rolls. People can send you anything they want in an Excel spreadsheet. We would look for specific bank transactions.

What about on the violations side? What would you insert into your due diligence there?

We knew about them before we closed on the property. I think it would have moved us to talk a little more in detail with the city, prior to, as far as a game plan for when we transition a property. It's difficult working with a multitude of different inspectors, different city folks. Having a liaison would have been nice for that. We would have set up a partnership to handle that as a community effort, which we did eventually. We set up a whole phone line system. We had people manning phone calls

from people asking questions, and so forth. I think that would have been our first thing. It is to have more of a city-to-partnership liaison.

The Comeback Plan: Ramping Up Leasing And Future Outlook

Before we wrap up, where are you on your business plan and leasing back the property?

It took a little bit longer to get the property fully ready to go. We had some permitting issues. Part of our business plan was to put washers and dryers in every single unit, because there were no washers and dryers anywhere. We wanted to do that as a value-add. That took longer than expected. Permitting took longer than expected. Inspections took longer than expected. We are in a position where we're about to put into service twenty units. Those twenty units are going to come in next week or so.

Those twenty units will be our first to get occupied. From there, every three weeks, we're going to have another sixteen units come online. In our current status, we already have those twenty pre-leased. They're ready to jump in as soon as the city gives us the occupancy permit. We are working closely with our contractor, as we have in the entire time, to ensure that the schedule plan of having these units in batched deliveries is on target. We also formed an internal consulting firm from all the partnerships to make sure that we hired a project manager to internally handle all of this because it's a heavy value-add.

I want to stress heavy value-add, but with the right partners in place, one of our lead asset managers, Paul Landman from Valoris, has been doing a bang-up job to manage this on a daily basis. It is a full-time job. Let's put it that way. It's been very challenging, but being who we are, we're not people who are going to shy away from a challenge. We're not going to fold under pressure. We are going to be the company that comes in and saves the day.



Tanglewood Apartments: It's been very, very challenging, but we're not people that are going to shy away from a challenge or fold under pressure. We are going to be the company that comes in and saves the day.

That's what we pride ourselves on. We've done that over and over again with a few different opportunities as well for the different deals that we have. That to me speaks volumes to any operator or any limited partner out there that wants to look at, "Why do I want to choose this company?" It's because I know that they are going to go to all the limits that they possibly can in order to ensure that this property or this asset and our capital are secure and safe. That's the most important thing for us.

Jeff, thank you so much for sharing your knowledge and experience with us here. If our audience wants to find out more about you and contact you, how can they do so?

I've got two ways. Follow me on LinkedIn. I'm very active on LinkedIn. It's Jeff Ervick on LinkedIn. You can find me that way. Also, our website is [ValorisCapitalPartners.com](https://www.valoriscapitalpartners.com). There, you can find out all of our current deals, our previous deals. You can see who our partners are, and you can access them. You can even schedule a call with me on that. People can go find the About Us page, find me, click on a link, schedule a call, and I'd be happy to talk to anybody.

Jeff, again, thank you for sharing your time with us here. We look forward to hearing about your future deals.

Thanks, Whitney. I appreciate your time, and have an excellent weekend.

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