



# Calling the Shots

*Some owner/operators want management assistance without turning over their keys.*

By Mark Wright

When Ramon Oyarzun decided to get out of the beer distribution business, he had to figure out what to do with his warehouse in Key West, Florida. He was approached with an offer to convert the building into a storage facility, and after determining that a conversion would work he decided to move ahead with it on his own. Oyarzun just had one big obstacle: He knew nothing about running a self storage facility.

"A friend got us in touch with David," he said. That's David Blum, president of Better Management Systems LLC in Coral Springs, Florida.

Blum could have followed the approach of many management companies and insisted on an all-or-nothing third-party management arrangement in which the facility owner turns over the keys and stays out of the day-to-day operation. That approach has proven to be a successful model for a lot of companies.

Oyarzun, however, let Blum know right up front that he was a hands-on kind of business owner who liked the nitty gritty.

"If you're doing this only as an investor, it makes sense to have someone else run the facility," said Oyarzun. "But I'm an operator, and I like to see what's going on. I participate in the daily process. Everybody has a different style. I didn't want to hire someone and sit back and watch the results."

So, Blum proposed a hybrid approach that enabled Oyarzun to simply select the management services he wanted.

"We were very clear from the beginning that we had zero experience," said Oyarzun. "But we were also very specific

about what we wanted him to do for us in launching Choice Storage Centers. He trained our staff, helped design our unit size mix, advised us on pricing, developed the rental contract, and provided manuals for the operating procedures we should follow."

Blum, who said he's been in the self storage industry for 18 years, the last 11 of which have been focused on providing management services, understood where Oyarzun was coming from.

"This was how I entered into the business," said Blum. "I'm a smaller operator, too, and I felt I needed to offer owner/operators a say in their business and work hand-in-hand with them. I let them lay out what they want, and if I think they're wrong I tell them, but they're in control."

The a la carte service approach fit Oyarzun's temperament and needs.

"David did a very good job and was not pushy at all to get more control," said Oyarzun. "We were very pleased with the way he handled things."

## Adjusting to Clients' Needs

J. E. "Jay" Wallace III, president of Management Blueprints LLC in Charleston, South Carolina, has also opted to provide a menu of services for clients. He agreed that while full third-party management works for those owners who have other things to do and want someone else to run their facility, hands-on operators like the a la carte option.

"For them, you don't change the brand," said Wallace. "Their customers never even know we're doing the work. We just

*See Management, page 8*

get it done. Ninety percent of what I do is improving their brand or improving the services that backup their brand. We're helping people who are in the self storage business as a way of life."

A big part of Wallace's service involves helping facilities with legal compliance. He said a lot of times owners don't even call him until they've been sued—and then they really need help. Facilities also turn to his company for assistance with collection call automation, other remote services and on-site training.

Wallace said his company's past experience with storage ownership helps in advising and improving clients' operations.

"We had operated 17 properties before we sold them," he said, "and we found ways to simplify and streamline."

Jeff Helgeson and Tim Jones, principals of 180 Self-Storage LLC in Phoenix, Arizona, found that flexibility is necessary—and valuable—when dealing with owner/operators. Their company prefers to provide straight third-party property management. Sometimes, though, the facility owner isn't ready, budget-wise or attitude-wise, to take the plunge.

"Every request is a little different, so we've had to tailor our services to their needs," said Helgeson. "The initial contact is usually from someone inquiring about third-party management, but if they can't afford us or any management company, we ask: 'What do you need help on?' We try to be a nice guy since we don't like to see anybody fail."

Shifting to a consultative approach gives Helgeson and the prospective client an opportunity to build a relationship—and a way forward.

"We found we needed to adjust our paradigm in order to manage that relationship," said Helgeson. "In a typical third-party management arrangement, you have more control because the client doesn't want to deal with day-to-day stuff. But with a smaller, a la carte client, you have to run suggestions by them for everything. It's a whole different ball game. We give advice, present opportunities, source things for them, but at the end of the day the facility owner makes the final decisions."

That paradigm shift has had an impact on his business model. Helgeson said he's had to "tweak" his company's fee structure to adjust to this new relationship-building approach.

"We're finding that clients with small properties, like 250 units, have looked at third-party management costs and they think it takes too much of their bottom line; so they're just looking for experience, credibility and on-call service," he said. "First and foremost, we want to make sure our client makes money, but we also have to do what makes sense for us. We want to get them to a point where they

either don't need us anymore—or better yet, need us full time."

The approach has worked well for John Head, owner of Adobe Storage in Fountain Hills, Arizona. Head did not set out to be in the storage business. President of PREVCO Subsea LLC, an engineering and manufacturing firm that makes underwater enclosures, Head said his firm purchased a 30,000 square-foot building—but doesn't need all of it right now for the manufacturing business. PREVCO will occupy about 15,000 square feet, while turning the rest into 110 RV and vehicle storage spaces under the Adobe Storage brand.

"The income (from storage) will go a long way toward paying the rent, so we're doing it to make the best use of the land and building," said Head.

As a self-storage novice, Head knew he'd need expert assistance in setting up and operating the facility.

"We first thought we'd do this ourselves, but we realized we need to concentrate on our core business," he said. "Jeff is helping us with everything, from the website, to software and access control, to marking off the RV parking spaces. His company has vendors at its fingertips. They've been wonderful to work with."

While Head decided that complete third-party management wouldn't fit with his income projections, he nonetheless wants ongoing assistance for technical and legal details.

"We didn't even contact other management firms, because these guys had intimate knowledge, they were really flexible, and their fees were in line. We don't see us ever getting rid of them."

## Managing the Relationship

Finding a management company that's willing to use an a la carte approach requires clear communication beginning with the very first conversation. Some firms are not comfortable with the give-and-take involved in negotiating operating decisions with the facility owner.

Owner/operators who want to pick and choose the services they get from a firm should be prepared to get very specific in the contract, said T. Kay Bertoldi, VP of accounting for Adobe Storage.

"We negotiated our contract (with 180 Self-Storage) to state what we wanted done and how to do it. We went back and forth, and had to ask, 'Are you willing to work with us?' And they had to figure out how to do that, too," she said.

Ultimately, the arrangement has to work for both the owner/operator and the management firm, said Oyarzun of Choice Storage Centers.

"To me, in any business, the only thing that works is being up front with people," he said. "It has to be a win-win for both sides." ♦