

## **Renaissance Investor: Denny LeVett**

### **By Michael Shields**

It's a busy Friday evening in bustling downtown Palo Alto. Sitting at the bar of a favorite watering hole is Dennis LeVett, President of Strutz-LeVett Company, with a group of real estate compadres. Engaging, warm and funny, with a classic Midwest friendliness, it seems everyone enjoys Denny's company and especially his stories, and it's clear to this writer that this is one conversation that will not soon be forgotten

Denny's friends consider him a Renaissance Man. He is a collector of exotic items such as classic cars, Paterson-Colt firearms (he owns the largest collection in the world) and undeniably charming Palo Alto and Carmel properties. He is also a pilot and a comedian. But behind his jovial personality is a deeply instilled work ethic and a true passion for small apartment properties.

Though he's reluctant to divulge the actual number of buildings or units owned, he admits, "They do add up." And so while many investors like to start small and work their way up, Denny has always focused on enhancing the charm of smaller properties. At a birthday party for Denny, a friend who has many large properties in his portfolio once said, "All this time I've been buying the big buildings, but the guy that I think really had his thumb on the pulse of things was Denny. I used to think that he was crazy, buying all these little buildings. But, by God, they do add up!"

Denny attributes his success to being in the right location at the right time, buying buildings with charm, having excellent banking relationships and maintaining a very strong work ethic. His strategy rests on buying properties, improving them and then raising the rents to coincide with the improved quality. He loves approaching projects where he can say, "What an ugly building. What I could do with that!" Then he reflects, "It's been a good time – good fun."

### **Staging a Career**

Denny's charm may come from his natural draw toward performing, particularly comedy, one-liners and making people laugh. He entered college as a speech and drama major but by his senior year wondered what he would do upon graduating. He quickly switched to business and began with a single – and to him very boring – accounting class, but knew he needed something more interesting. Fortunately, in his senior year, the University of Pacific began offering real estate classes for the first time.

With help from his professors, Denny shifted toward real estate. The classes were taught by a Stockton real estate broker that Denny found to be very interesting. Unfortunately, fraternity fun was getting in the way of Denny's academics, and while he was getting "A"s on his tests, his tardy record in the 8:00 a.m. class had dissolved his high standings to a "D-." In a one-on-one meeting, his real estate instructor took note of Denny's potential and made him a deal: if Denny were to get his real estate license, the instructor would give him an A.

Denny took the deal and grew more and more excited about the concepts he was learning. For instance, buy a duplex, triplex or fourplex, and live in one unit while renting out the others. In other words, let some else's money buy that property for you. Leverage as much as you can, then parlay your management and operating efforts into even more returns. At a time when buy-ins required only 10 to 20 percent down, it was relatively turnkey to secure a loan on the balance of the property and use the income of the building as part of a qualification for cash flow.

Needless to say, he graduated with his real estate degree. His next move was to Stanford Business School, but his tenure there was short. "It was a lot tougher than I thought!" he admitted, and after one month made the decision to put his pilot's license to work and enter aviation. In January, Denny was hired by Northwest Orient to enter their summer program. In the interim months, he started work in a real estate office. He was well liked from the start, not only by the boss but also by his daughter, who Denny began dating.

Denny's first deal came quickly, with a corresponding profit of \$600. This was equivalent to two months' salary at Northwest. "I didn't realize there was so much money to be made in real estate," he said. "I quickly determined that real estate was the way to go."

### **Entering Into His Own**

With his commission, Denny put his college training into action and bought his first duplex on Kipling. He moved into one of the units and rented the other. "I was 21 years old and you can't imagine how this changed my life. I got very responsible very quickly," he said. Denny next bought a fourplex for a good price, and moved into one of the units and rented out the duplex. He spent his weekends painting, plumbing and remodeling. "It was so darn gratifying," he said, "to stand back and say, 'now I own two.'"

In time, Denny became *the* apartment specialist in downtown Palo Alto. He says he made it a point to know every building in the market, and as Palo Alto came into its own as Silicon Valley, there was much to get to know. Denny continued to invest and continued to watch his properties appreciate, as more and more people moved to Palo Alto – the Wall Street of the new Silicon Valley. "Being in an area like this, when it was just taking off, was the luckiest thing that ever happened to me," he admits.

From the beginning, Denny has centered his philosophy on a few primary tenants. First, buy in the best possible location. "My niche has always been four- to 12-unit properties in the downtown Palo Alto area, within walking distance to downtown restaurants," he shares. Second – and a philosophy so common among so many successful investors – do what you know best in the area you know best. "Stay with what you know," he says. "I've always liked small, charming properties in downtown Palo Alto." Third, do your due diligence. He shares that he once bought a 30-unit building that needed a lot of work, but didn't get the right information and had a very difficult time with the investment. Finally, work with a good financial institution.

"My grandfather was extremely influential in my life," Denny says. "He was from the Midwest and had modest values. He told me never to act like I had more than \$25 in my pocket. He was from the banking business and taught me the importance of working with banks, and to establish good banking relationships. I followed his advice, and secured a short-term, 90-day loan at the very beginning. I didn't need it, but it established my credit with Bank of America. This was pre 1980, when it was just a small town bank in downtown Palo Alto. The people there were just so great to me."

### **Continuing A "Modest" Legacy**

"People tell me I own downtown Palo Alto," says Denny. "But I don't like to be referred to this way. I just see that people in Palo Alto like the intimacy of a small, charming building, and I work to give them that."

In recent years, Denny also has expanded his expertise into hospitality, and as President of Carmel Country Inns, Inc. now owns a number of boutique hotels and inns in Carmel. These include the Cypress Inn, which he owns with partner Doris Day, as well as numerous other Carmel properties: the Lamplighter Inn, Monte Verde Inn, Casa De Carmel, Vagabond's House Inn and the Forest Lodge.

He stays active in the community as the Chairman of the Lincoln Club of Northern California and as a member on the Board of Directors for the Stanford Financial Company, the Board of Trustees for the Monterey Institute of International Studies, the Monterey County Sheriff's Advisory Board, the Board of Directors of the Doris Day Pet Foundation and the Board of the Mid-Peninsula Bank of Palo Alto. He also serves on the Board of the Monterey Chapter of the Wine and Food Society and is active in the Carmel Innkeepers Association.

And yet with all this he is still looking for those small apartment buildings in Palo Alto, and working through his three property managers who manage just more than 300 rental units. Denny says that for new opportunities he has, “a great refurbishing crew that is just phenomenal. There’s always an investor out there willing to pay for property that is nicely redone and doesn’t need any work.”

As part of this process, Denny asks his tenants, guests and managers to notify him if there is ever anything dangerous or even just odd occurring at any of his communities, and he has carefully selected managers to take premier care of his tenants. “I really stress safety because we own a lot of buildings that are very old,” he says. “We have annual wiring inspections and stay in touch with tenants through memos and other means. We want them to know we care about them.”

Whether apartment or Inn, Denny insists his managers remain wonderful, understanding, charming and logical. “Being nice and understanding will take you a long way,” he says. “And we are fortunate in that we have tenants and customers that are equally kind and loveable.”

### **An Insider’s View on Market Fundamentals**

When asked if he is still bullish on Bay Area real estate, Denny bellows, “More than ever!” He admits while it’s more difficult to get started today, he thinks the area is still “incredible” and would buy more. “As long as you’ve got good credit or the ability to get money, do what you can – beg, borrow, don’t steal – there’s always a good deal out there. Nothing has peaked in the Bay Area! There are so many good deals, and you’ll always get more rent when you improve the building.”

As a testament, he’s still buying small properties, and not selling. “Why sell,” he says, “unless you need buy something else that’s better!”

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