

Double Your Money With Abandoned Properties



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PREFACE

Would you like to double your money in real estate, but do not know how? Neither did I, but I've managed to do it anyway, from time to time. I'm in my mid-eighties, a simple man, a slow learner, and I have no training real estate. In fact, I've never even read any books about investing in real estate. So if I can still make money in this field, *you can too*. This little e-book will show you how. I've kept it short because:

1. I answer just a single question: "How can I double my money by buying and selling abandoned properties?"
2. I left out the fluff that you might skim over anyway.
3. You can read it quickly and start putting what you learn into practice in a short time.

Begin with Chapter 1, which explains how I happened to purchase three properties at an auction, *sight unseen*.

Chapter 1

Bid on the Cheapest Properties at a Tax Foreclosure Sale

On December 6, 2012, a call came in from an old friend, Jorge Ortiz. He invited me to go with him to a tax foreclosure auction the following morning. I said, "C'mon over, let's talk." An hour later he was sitting across from me at the kitchen table.

"Why tell me at the last minute?" I asked him.

"I just today found out that the ten acre property next to my place is going to be sold at an auction tomorrow in Mount Vernon. It's worth \$120,000 but I think I can get it for \$80,000." (For those of you not familiar with western Washington, Mount Vernon is the country seat for Skagit county, halfway between Seattle and the Canadian border.)

"Ever been to an auction?"

This sounded interesting, but I wanted to know more, so I asked, "If you win a bid, how long do they give you to come up with the payment?"

"I called the Assessor's office. You have to pay in full within one hour from the end of the sale, and payment must be made using a cashier's check. Nothing else is accepted."

Sale Day at the Skagit County Courthouse

At 8:45 a.m. the next morning ("Pearl Harbor Day" as we old-timers call December 7th) I was seated with Jorge in the second row of Room C in the Skagit County courthouse, wearing the only sport coat in the room. In an inside pocket was a list of some of the never-used New Mexico limited liability companies I always keep on hand for times like this.

A "Minimum Bid Sheet" had just been passed out to the 42 people jammed into the small room. I knew nothing about properties being sold by a county for back taxes but I was eager to learn. I started reading the Bid Sheet.

TERMS OF SALE: This is a public auction/sale. Property will be sold to the highest bidder for a cashier's check in the amount of the final accepted bid. The final accepted bid amount, plus any costs associated with the transfer of title, will be due within one hour of the close of the auction/sale. All parcels are sold as is, where is, without any expressed or written warranty from Skagit County or the Skagit County Treasurer.

Although I didn't have a bank account in Washington, I'd already called Janie Clark, a friend in Mount Vernon who owed me a favor.

"It's me, Jack. I'm in town for an auction and I expect to need a bank check today, in a hurry. I'll pay you back in cash next week."

"I have only a little over ten thousand available right now, but you're welcome to it."

"Great, thanks. I'll call you with the exact amount I need before noon and you can bring the check to me at the courthouse."

This solved the payment problem but not the fact that I knew nothing about any of the properties on the list. Stay cool, I said to myself. Don't bid more than \$10,000, no matter what.

"Oh-oh!" said Jorge, pointing to the property he'd planned to buy. A line was drawn through it on the Bid Sheet. "That means the bank that held a mortgage on the property paid all the back taxes at the last moment. It's no longer up for auction."

"You leaving, then?"

"No. Never been to one of these, so I'll see how it goes. Besides, I want to watch you bid on properties you know nothing about!"

The Auction Begins

Shortly after 9:00 a.m. a tall slender women from the Assessor's Office named Joan started the auction. However, she bore no resemblance to a professional auctioneer. She merely read the address of the property, stated the amount of back taxes due, and asked for an opening bid for that amount. If a hand went up, she then took note and asked for a higher bid.

Many of the properties were listed as "land only," which were of no interest to me. I wanted "Land and Bldg." That would prove that these were residential properties where someone had once lived. Therefore, a power pole with a meter would be on the site, and probably water and septic as well. Out of a total of 19 properties, I picked the following 5 to bid on:

	Assessed Value	Physical address Property Description	Minimum Bid
1	\$91,400	22419 State Route 530	\$7,159.71
2	\$16,400	53698 White Falls Court	\$1,854.43
3	\$35,400	46427 Baker Loop Rd	\$3,592.07
4	\$22,600	53690 White Falls Court	\$2,598.44
5	\$12,500	14756 State Route 530	\$2,592.95

I bid \$10,000 on the first one, just to start things off. The bidding progressed slowly but the property finally sold for \$45,000 to a young kid from Marysville named Eddie. Jorge knew him and couldn't imagine where he'd gotten the cash. (We later learned he re-sold the property to the Sauk-Suiattle Indian tribe for \$55,000 the next day. Since the house bordered the tribe's reservation, we assumed Eddie was fronting for an investor—probably someone inside the tribe.)

A few more properties were sold. Each time there was a break as the buyer went up to the front desk, gave his name and address, signed two documents, and returned to his seat. (I said "his" because although several women were present, all the buyers were men.) After about 15 minutes, the second one on my list came up for auction. I bid the minimum.

"The minimum bid is \$1,854.43," said Joanne. "Any further bids?"

No response.

"Going once?"

"Going twice?"

"Sold for \$1,854.43."

“Oh man,” I thought, “this property must really be a dog.” But what the heck, the most I could lose was \$1,854.43. I went up to the front table, gave the name of one of my LLCs, its address in the Canary Islands, and signed the requisite documents.

Next on my list was #3, on Baker Loop Road. When the bidding reached \$4,000 I dropped out. It went for \$8,500. Three other properties were sold that did not interest me and then #4 came up. Although this bordered #2, on my list, which I’d already purchased, I didn’t realize it at the time. All I was concentrating on were the prices.

An old man in ragged overalls beat me to bid the minimum. In an effort to scare him away I quickly bid \$3,000 in a loud, clear voice and acted as if I were ready to raise and raise again again. He dropped out. I made another trip up to the table in front, where I gave a different LLC name to the clerk but the same address as I had for my first purchase.

More properties were sold. I sat them out. An hour and a half into the auction, #5 came up. I’d spent nearly \$5,000 by now, and I’d gamble my remaining \$5,000 on this one because there were no more properties that interested me. Someone opened the bid at \$2,700. I countered with \$3,000. The bidder—a young man with a cute girl snuggled up next to him—said \$3,500. I said \$4,000.

“I have a bid of \$4,000.” No response.

“Going once?”

“Going twice?”

“Sold for \$4,000.”

When the auction ended, the Assessor’s Office provided the total amount due (purchase price plus filing fees). I called Janie to bring me a bank check. In all, I owed \$9,103.43 including an additional \$83 filing fee that was added for each property. Here are the figures:

Description	Cost	My Goal
North lot, White Falls Court	\$1937.43	\$3875.00
South lot, White Falls Court	3083.00	6166.00
Sauk Estates lot	4083.00	8166.00
Totals	\$9,103.43	\$18,207.00

Washington Federal. invested here.
Corporate Headquarters • 425 Pike Street • Seattle, WA 98101

OFFICIAL CHECK

103209541

ISSUED BY: MONEYGRAM PAYMENT SYSTEMS, INC.
P.O. BOX 8476, MINNEAPOLIS, MN 55480
DRAWEE: FIRST INTERSTATE BANK, BILLINGS, MT

RE: J CLARK

12/07/2012

PAY *****\$9,103.43***** ***\$9,103.43***

TO THE ORDER OF SKAGIT COUNTY TREASURER

DRAWER: WASHINGTON FEDERAL

Ray M. [unclear]

NON-NEGOTIABLE

President and CEO

CLIENT COPY

for 3 properties

Washington Federal Detach Before Presenting

The three big questions were:

1. Why did the owner or the bank let each of these abandoned properties go? Were they truly worthless?
2. Why did no one outbid me—did the others know something that I did not?
3. Would I have to invest more, before the properties could be resold for a profit?

I'd soon have some answers. Jorge and I headed east on State Route 20 that same afternoon to have a look at the properties. The skies were getting darker and the cold December rain kept pouring down. Jorge was amused. I was pensive. What would we find?

Questions and Answers

Did you go to any more actions after the one in Skagit Country?

No, and here's why. First, I checked Whatcom County, just north of Skagit. The annual auction had already been held. Next, I checked with Snohomish, to the south. The auction there would be held in two weeks, but more than a hundred properties were on the list and because of the proximity to Seattle, the assessed values were high.

To weed through them, I met with a trustworthy day laborer who was looking for "clean-up" work. I asked him to check out all the abandoned properties on a list I gave him (under \$15K and for sale) and to take pictures. He found nothing in my price range that was remotely worthwhile, so I skipped the auction in Snohomish.

Would you ever purchase a property that was still inhabited?

No. Evicting someone can be a nightmare. Further, I'm just not into putting some family out on the street.

Chapter 2

A Vivid Imagination is Sometimes Needed

Before going to the first property I now owned, we stopped at the village of Concrete just long enough to visit with a friend who also happens to be a real estate broker. I showed him the three addresses of the properties I'd just bought.

"We have a name for that area with your two White Falls Court properties," he said with a laugh.

"Which is?"

"Tar Paper Flats."

"Which means?"

"Oh, the folks down there are all right, but they live in shacks and throw their junk out in the yard. That other one you bought, a few miles further south, is at the edge of a group of lots called Sauk Estates. That one's a step up but you won't know how big the step is until you see it."

We drove eight miles east to Rockport and then headed south. Several miles down the highway we pulled over at what I now realized were two side-by-side lots.

Tar Paper Flats North Lot

Here's what the North lot looked like, viewed from the back.



Jorge checked out the inside of the cabin while I took pictures of its exterior. He reported that water was leaking in around the stovepipe. The iron wood stove in the main area was a rusted mess but the rest of the rooms were dry. The cabin had been lived in and could be cleaned up and fixed to be habitable again.

This was the view from the highway:



Tar Paper Flats South Lot

The adjoining lot to the south was a mess. The old mobile home's floor had a hole in it and one side was partly open. Also, a beat-up motorhome with no engine had been abandoned on the lot. No good news here!



I asked a neighbor who'd lived in the same trailer for the past 15 years what the water supply was like. "It comes down from some spring up the mountain," he said, "and is tied into each place. Lots of silt but we filter it out and drink it."

"So it's free?"

"Not quite—the pipe that comes down the hill freezes up when it gets too cold, and we have to pay one of the guys here to thaw it out."

The Lot at Sauk Estates

This one—just five miles south of Tar Paper Flats, gave both of us a far better impression. It had a row of tall junipers that stretched across part of the land next to the highway which provided a feeling of privacy.



Tucked behind this natural screen was a mobile home. A quick inspection showed that although its roof had fallen in, there were both a well with a pump and a septic tank on the property. By the time Jorge and I finished our inspection, it had started to rain so the timing was perfect for departure. I wondered what the folks at the Skagit Valley Planning Commission would have to say about the properties. The next day I was to find out.

Report from Skagit County Planning Services

I spent two hours with Grace Roeder, a senior planner for Skagit County Planning Commission. Ms. Roeder has held that position for the Mt. Vernon, Washington authorities for 41 years, and she knows her business. She had nothing good to say about Tar Paper Flats, and was quick to tell me that “the locals there have an illegal water system.”

“Why not legalize it?” I asked,

“The water source is somewhere up the side of a steep cliff just back of those properties,” she explained.

“So?”

“To check it out, someone would have to climb up there on a rope. We don’t do

mountain climbing here!” I took that to mean that the residents there need not worry that their source of water would ever be checked out. Meanwhile, Ms. Roeder had only good news about the lot at Sauk Estates.

“To park an RV there, just hook up the power, connect to the well, and connect to the septic tank after having it pumped. Or, move in a newer mobile home—no problem on that lot.”

Conclusions

The two lots at Tar Paper Flats would have to be sold on the basis of an extremely low price. As for the lot at Sauk Estates, I hoped to sell this one at more than double my investment. Reason: even if the land were free, it would still cost an estimated \$20,000 to bring in power, drill a well, and install a septic system—features this lot already had.

Sales Plan

With all three properties, I chose not to invest in any clean-up work. Instead, I would price them below anything else on the market in order to sell them in a short time.

What would be the best way to start? That is the subject of the following chapter.

Chapter 3

Three Ways to Sell a Unique Property Fast

My first thought was that I could sell each property (leaving it in the LLC) to one of the thousands of readers on my email list because these men and women had already read my book, HTBI. They were therefore very interested in maintaining personal privacy. What better way to achieve it than to own a property in a remote location? Any one of these could use it as their home address, obtain a Washington state driver's license, and a new mailing address.

The response to the land offer was not as strong as I expected, but I did receive 56 inquiries from individuals who wanted more information. I spent nearly 20 hours answering their questions, went back to the lots and took more pictures, sent these out with additional information, and waited for the first sale. And waited...and waited... and waited.

I eventually realized it was time to give up and set to work on Plan B, which consisted of a three-part plan to market a property:

1. Advertise on Craigslist; keep re-posting to stay near the top.
2. Post colorful signs on the property, decorated with balloons.
3. List the properties with a livewire real estate agent, priced below the market.

First Choice: Advertise on Craigslist

This was the ad that pulled in the most inquiries. I included six pictures, all of the cabin on the north lot.

The cabin is really run down and the neighbors are mostly poor. Outsiders call this area "Tar Paper Flats" but what would you expect for \$6999?
(If you have more cash, there's an upscale lot available a few miles down the road that has power, septic and a well, for \$19,500.)

The first few days, all inquiries included a request for finances. Finally, however, I met with Fred and Mabel Olsen, a couple in their late 50s. They were fed up with the current administration and just wanted to get away to some rural area where they could plant a huge garden, raise chickens, and wait for the U.S. dollar to collapse. I told them I had just the thing—a lot at Sauk Estates with power, septic, and a well. We met at the site the next morning.

"Too small," said Mabel.

"Too much shade," said Fred, looking up at the tall Douglas firs on the south side of the lot. No good for a garden!"

Mabel chimed in: "This old mobile would have to be replaced. Too expensive!"

"Nope," said Fred. "No sale here. We'll keep looking."



“Listen, folks. How about two lots together, right out in the open? A fixer-upper cabin at the north end and a great old building for a chicken coop at the other. Room enough for a garden at least 50 x 120 feet! Free water for irrigation!”

“How much?”

“Less than this one alone, but truth be told, it’s tacky.”

“Tacky how?” asked Mabel.

“Tacky like old tires in the yard, a cabin with a leak around the stove pipe, and an old mobile home with a hole in the floor.”

“Where’s it at?” said Fred.

“Just a few miles north.”

“Let’s take a look.”

Sold for Cash

Fortunately, the Olsens could visualize what the land would look like once cleaned up. I quoted \$12,000 for the two lots together.

“If you’ll take \$10,000 cash, it’s a deal.”

“I won’t budge on the price, and we split the transfer fees. It’s a steal and you both know it.”

They looked at each other, hesitating. I kept quiet.

Finally Fred reached out to shake my hand.

“Deal.”

More Than a 100 Percent Return in Six Weeks

After paying my share of taxes and transfer fees, I ended up with \$11,690.. Since my purchase price had been \$5,020, I had multiplied my investment by 2.3 times in six weeks. I cite this example to show that the risk of loss when buying cheap properties is minimal. The opportunity for profit is great. If you chose to go this route, you will have an advantage that I did not. You can check out the properties before the day of the sale.

However, these auctions normally take place just once a year. What about the rest of the year? Also, what if you have more cash available to invest? That is the subject of the next chapter.

Questions and Answers

What About the Lot at Sauk Estates—What Happened There?

At the time of this writing (April 2013), the lot has not been sold. The owner of an adjoining lot offered me \$8,000 cash just a week after the auction, but I turned him

down—the lot is worth more. Rather than spend any more time on it, however, I listed it with a real estate broker for \$19,500. He expects to sell it by the end of the summer, but I'm in no hurry. The taxes are only \$250 per year. If it doesn't sell until after a year has passed, my profit will be taxed at a lower rate. (If you're reading this after April of 2014 and are curious about the outcome, email me at Jack@jjuna.com. I'll bring you up to date.)

Why didn't you sell the Olsens the two LLCs rather than the properties?

When selling a car, a trailer, land, or anything else, I make a snap judgment about the buyer. Unless they are fairly sophisticated, I don't mention selling a New Mexico LLC. Too many inexperienced people view them with suspicion. In fact, I lost a quick sale of the lot at Sauk Estates lot for that very reason. A woman called me on January 2nd from a nearby small city, asking if the lot had any “nosy neighbors.” I assured her there was only forest to the north and across the highway, and that no one lived in the lot next door to the south.

“It's just what I'm looking for, and I have the cash! Please hold it for me until tomorrow, when we can meet at the property. I'm going to buy it!”

I gave her the lot number so she could check things out on the Skagit County website. When she hung up, I googled her name. Ah hah! She had a website, *Medical Marijuana Deliveries*. Since Washington State had just approved the use of marijuana the day before, I was quite sure what the property would be used for. However, when she failed to show up at the appointed time, I called her from my cell phone.

“I looked up that lot on the Skagit County website,” she said, “and it's owned by some freakin' company on some weirdo island off the coast of Africa! So you can take that lot and [deleted]!”

As for the Olsens, they admitted they had never bought a property before. Said Mabel, “We're going to have a lawyer guide us through the sale.” That being the case, I was not about to mention any purchase of my two LLCs as it would only complicate matters. (Most lawyers know even less about hiding property ownership with a New Mexico LLC than they do about the rights of search and seizure.) Instead, I decided that I would make a straightforward sale to the Olsen's. They would take title in their own names.

Do all states have the same rules for tax foreclosure auctions?

No. Check with the assessor's office in your county seat. Some states require you to hold the property for a certain period of time before you sell it, so that the previous owner has a chance to get it back. For example, chapter 34 of the Texas Property Tax Code allows homeowners to buy back their property two years after it is sold at foreclosure. This is very different from Washington state, where “prior owners have no rights to the property after foreclosure unless they were a minor or legally incompetent” at the time of sale. If you find that foreclosure resale rules in your state do not work for your intended financial goals, look for properties in a state with more favorable ones.

Chapter 4

Double Your Money with a “Worthless” Property

About seven years ago, I had a dumb idea. I decided to buy an old A-frame cabin for myself—some place to spend a few days at a time writing. Although one of my two main homes is near the Canadian border, I like the spectacular scenery in the eastern part of Washington’s Skagit county, which includes the North Cascades National Park. The affordability of property in the area makes buying a small property here truly a no-brainer).

My aforementioned friend Michael took me on a tour of the back roads in his 4 x 4 Land Cruiser. We found a couple of A-frames but they were overpriced and were snuggled among huge Douglas firs. This meant they would be covered in deep shade year round – thus dark inside, and depressing. No thank you. At the end of nearly two hours, we turned back toward Concrete. I had one last question.

“Nothing cheap along the Skagit river, I suppose?”

“Hell no!”

We rode along in silence for awhile. Then Michael spoke up.

“Well, there’s *one* property, but it’s worthless.” I always perk up when I hear the word “worthless”. One man’s treasure...

“Why worthless?”

“It’s in the flood zone, and there’s not enough room between the road and the river to build anything.” (The Skagit is the largest river that empties into Washington’s Puget Sound. It’s classified as “wild and scenic.” For that reason, all new construction along the river must have a 200-foot setback.)

“Is that all?”

“There’s more. Before the law changed, there was a mobile home down near the water. A flood took it downstream. Then some guy put a mobile home up on the highest part but later abandoned it. Two years later, someone burned it down. The mess is still there, and the locals use the place as a garbage dump.”

“Let’s see it.”

“You won’t like it.”

“Nevertheless ...”

My wife often tells me I have an overly-vivid imagination. I needed it here as I looked at the scattered junk, the scorched trees, and the remains of the burned-down mobile home.



I asked Michael how long the property had been for sale.

“Three years. Some bank in Florida owns the mortgage. They want \$35,000 but that’s crazy—they have no idea how bad it is!”

“Any offers?”

“None, and at that price, there never will be.”

“Can you build *anything* on it? Like a storage shed?”

“No, nothing permanent. Only units with wheels so they can be pulled off if the river floods.”

At least it had a power pole and a meter, which would be great for a travel trailer or a motorhome.

“How about septic?”

“There must have been one there once, but it may have disappeared in a flood.”

Real estate agents are required to pass all offers on to the owners, however ridiculous they may be. I said to offer \$12,000 cash, “as is.”

A week later the bank countered with \$25,000. I offered \$15,000. The end result was that I bought the property for about \$19,000 net, after tax and transfer fees. Since it would be useless to try and sell it without a major makeover, I looked to locals for help. Two neighbors cut up the frame of the burned-out trailer and sold it for scrap. A local preacher had one of his flock cut down and haul away the fire-damaged trees. He was happy to have the wood as fuel for the stove in the parsonage. I paid some local youths to burn what they could and haul the rest of the garbage away in an old Ford pickup. After that, I called in a contractor who was happy to work at clearing away the rest of the debris

The original mobile home had been placed at the highest end of the lot but there was no ramp up to it. (I learned later that the old single-wide had been boosted up to the high spot with two huge forklifts, then winched into place with a cable that ran through the trees in back to a tow truck on the highway!) I would need to have a ramp built up to that high area for any future trailer or mobile home.



Ramp being built up to the highest area

Over the years, fisherman had used the lot to park their vehicles while they hiked down to fish from the bank. The result was a sea of deep tracks in the soil that had to be graded smooth. Ten truckloads of gravel were hauled in to cover the entrance road as well as an area wide enough in which to turn around. My friend Jorge is a commercial landscaper so I had him bring in a crew to pull the weeds, spray, plant some shrubs, and improve the old trail down to the river.



New walking trail down to the river bank

Before the year was out we had installed a chain across the entrance to the property. It stretched between two posts, and the entire area was cleaned up. When neighbors passed by and saw my car was parked there, they often stopped to thank me for turning an eyesore into what now resembled a roadside park.

A Time to Hold and a Time to Sell

By using the cheapest possible labor, I'd managed to keep the price of improvements to just under \$16,000, which meant I had a total of \$35,000 invested in the property. To get the best sale price, I decided not to put the property on the market until the following spring. The attraction of this lot was the stunning views of the river, and it would show to full advantage when potential buyers could see the property in bright sunshine, with the light reflecting off the water.

When the time came, I put an ad on Craigslist with a price of \$74,995. This would allow me a little wiggle room. I also put signs and balloons up at the entrance to the property. As usual, the first calls were from people who wanted me to finance the purchase. However, the call I was waiting for came from a woman from Sumas, up by the Canadian border. She'd been driving down the highway, had seen the signs and balloons, and had stopped to take a look.

"I just *love* your place! Can you please hold it until I can take my husband to see it next Thursday?"

"I cannot finance it."

"If we can come up with a cashier's check for \$70,000, will you accept that?"

Yes I would—and did, after explaining that the property was in a flood zone so only trailers and RVs were permitted.

"All we want it for is to park our Winnebago there on weekends."

I offered the couple the option of either taking title to the land and paying their share of the tax and transfer fees, or of buying the LLC and therefore incurring no extra charges. They jumped at the LLC offer and so my goal was met—I doubled my money. (Note—Washington state has since added a new law. It requires the seller of any legal entity that owns property in Washington to voluntarily notify the state of any sale of 50% or more of the company. This new tax—which varies from county to county—is then be charged to the seller.)

Lesson Learned

Develop the ability to visualize all possible uses for a property. My favorite true story is that of an investor who bought eighty acres of land in northern Michigan. It was heavily forested so he logged it and made a profit. Then, discovering there was gravel below, he sold gravel until it was nearly gone. This left him with a big open pit. He obtained permission to use this pit as a garbage dump, and charged for each truckload that was dumped in. When the pit was full, he had tons of earth trucked in, smoothed it out, laid out gravel roads, planted grass, and had the land re-zoned for use as a mobile home park. (That was in the 1950s. Don't try this today unless you live in a third-world country, preferably one where bribes are a routine way of doing business.)

When you look at a property, ask yourself what it might look like if it were all cleaned up. What new use could it be put to? Could a variance be obtained so you could add a second dwelling or use it for some low-profile business?

These are just examples. The point is that land can always be repurposed, and you should keep this in mind whenever you invest in property.

Questions and Answers

Have you ever lost money on any one of those Skagit-county properties?

Not so far, although I did come close in 2008. I bought a few acres of heavily-forested land for what I thought was a bargain, \$15,000. The property included a great trout stream, Jordan Creek, but the problem was that no road lead to it.



Jordan Creek

The land had never been surveyed but I was told the absentee owners of the adjoining land were friendly. My plan was to bulldoze a long driveway from an access road into a clearing right on the stream. As soon as I completed the purchase, I called those owners—a group of five relatives—to tell them what I had planned, and that I was willing to pay for a survey to establish the boundary between my land and theirs.

Friendly? “We don’t want no stinkin’ road run into that stream *anywhere*, so you’ll get no &%\$#@ help from us!” I called my real estate agent and told him to sell, fast, at whatever price he could get. He quickly found a buyer for me—a family that just wanted a place to hike in, pitch a tent, fish, and camp. Instead of doubling my money, I squeaked by with just a \$1,600 profit, but I was delighted to get even that. (I’d have sold at a loss if necessary.)

Do you recommend working with real estate agencies to find abandoned properties?

Not usually. True, I found the aforementioned riverfront property through a real estate broker, but that was a fluke. Had Michael realized its possibilities, he’d have advised a number of his clients looking for investment property and there would have been a bidding war. When you find an abandoned property that is NOT listed anywhere—that’s the one to go for!

If I don’t have time to search, who can I get to help?

Enlist your friends. Run ads on Craigslist. Always make it clear that you are looking *only* for “vacant and neglected properties.” If necessary, offer a finder’s fee. Never, however,

take on a partner—doing so will only lead to trouble. As sole owner you can act fast, avoid disputes, and keep all profits.

Full Disclosure

I currently own a vacation property that I may yet lose money on. In the spring of 2008 I bought a small home right on a high bank of the Skagit River, near Marblemount, Washington. It had five acres of land, including a private island just off the riverbank. Similar properties were selling for \$295,000 at that time and were not as nice as mine. The owners hadn't paid taxes for years and had been unable to sell it because it had no septic tank.

Just before the county took it over, I stepped in to buy it by agreeing to pay \$11,000 for a new septic tank and drain field, as well as all back taxes. Then I did a complete remodel from the foundation up. New paint, new carpets, new insulation, new 220-volt baseboard heating, new pipe and underground wiring to the motor in the distant well, new floor and roof on the garage, new carpets, new door, and on and on. I ended up with a cost of about half of what I planned to sell it for—\$148,000. Just then the real estate collapse hit, and sales of vacation property stopped completely.

Michael has it listed for \$157,000 but has never had a nibble. I do get a call or two each month asking if the house can be rented. The inquiries are from employees at nearby Ross Dam, or from Park rangers who work up the road in the national wilderness area. However, after the remodel, I don't want renters because they will not take care of the renovated properties properly. They will track in dirt, drive nails into the walls, etc.

Shhh...

If you wish to offer me less than that I've invested, I might just bite. That is, if you promise never to reveal that JJ Luna lost money on a property!



59076 SR 20, Marblemount WA. 935 feet of frontage on the wild and scenic Skagit River. 5 acres including a private island.

Chapter 5

An Unusual Way to Double Your Money

In 1987 my wife and I decided to move from Gran Canaria (Spain) to Gran Tarajal, on the neighboring island of Fuerteventura. Our goal was to spend a year there doing a volunteer work. (Our future was uncertain, and for that reason we had no desire to purchase a residence.) To our dismay, there was nothing available for rent in that ancient town. Days went by as I went from door to door, inquiring as to any possible rentals. Nada. We were staying in a hotel in Puerto Rosario and driving 30 miles back and forth to Gran Tarajal each day.

One morning we were at one of the tables of a sidewalk cafe across from the Catholic church in Gran Tarajal, sipping café con leche. I noticed a faded sign in the window of a top-floor apartment that faced the town's black-sand beach. It had the words *Se Vende* on it, which translated to "for sale." I motioned to a waiter to bring us some churros. When he returned, I had a question ready.

"That apartment up there," I said, pointing to where the sign was, "do you think the owner might rent it?"

"Don Alberto? No, never. That apartment has been vacant for two years but he's turned down everyone who wanted to rent."

"Does he live around here?"

"No, he lives with his daughter in Puerto Rosario."

Desperate Problem, Desperate Remedy

Later that afternoon, I went back to our hotel, tidied up, donned dress slacks and a sport coat and went to see Don Alberto who lived near our hotel. His daughter ushered me into the large kitchen where he was sitting at a table enjoying a bottle of the local beer. We shook hands, I accepted her offer of a beer for myself, and we went through the usual Spanish formalities that are the custom in all Spain. Then I came to the point.

"Don Alberto, I'm looking for an apartment in Gran Tarajal and I saw your sign."

"Yes, yes, it is for sale!"

"And the price is?"

He quoted the price in pesetas but I will translate everything to dollars. In this case, \$45,000. I led him to believe that I did not have the money at the moment but I would have more than enough before the year was over.

"I wish to rent, with an option to buy—at the end of one year—for your asking price."

He shook his head and said he'd already turned down many offers to rent.

"Excuse me, Don Alberto, I may not have been clear. I'll pay you the year's rent in advance, plus 10 percent for the option—an extra \$4,500. When I buy, the option money will apply to the purchase so you will get the balance of \$40,500 then. And if for any reason I do not buy, then you keep the \$4,500 in addition to the rent."

We discussed the details, then shook hands and arranged to meet at his attorney's office the following morning.

Eleven months later, I put a huge red, white, and black sign in the same window where I'd seen the original *Se Vende* sign. This one was in English.

**For Sale
\$49,500!**

Only one person came to see me about that sign but one was enough—Jean de Smet from Brussels. He'd been looking for an apartment further south, along the beaches of white sand, but the prices in that area were beyond his budget. I explained that I'd sell him the option I held for \$9,000. This meant he would pay me \$9,000 and Don Alberto the balance due of \$40,500

Remember, I'd paid \$4,500 for the option, so I doubled that amount in one year. Jean de Smet was happy because he found a nice beach-front apartment within his price range. Don Alberto was happy because, as I had promised, his apartment was sold at the end of the year. We too were content because at that point it became necessary to return to the states to care for my wife's widowed mother until she died.

Lesson Learned

Keep in mind that you do not have to sell the *property* for double the price. All you have to do is earn back double the price of what you paid for the option plus the cost of any improvements.

Questions and Answers

Is there any other way to double your money?

According to Will Rogers, "The quickest way to double your money is to fold it in half and put it in your back pocket." Seriously, however, there is another way, as long as you don't mind accepting payments instead of all cash up front.

Ben and Kim, a young couple we've known for years, have done this several times. They patrol well-kept mobile-home parks—the kind where you own a mobile home and pay rent to park it on the premises so that it is hooked up to water, sewer and electricity. Their goal is to find a unit with a FOR SALE sign in the window, preferably one that is empty and needs work. When they find the right one, they check with the owner of the mobile home park to see if he will assist them to make a purchase at a fire-sale price.

The advantage to the owner of the park is that the unit will be dressed up, you will see to it that a buyer is found, and the park owner will again be receiving the monthly lot rent payment. A typical example, shown here, is one they bought in Sedro-Woolley, Washington for \$3,000 cash. Over a year, they invested another \$3,000 into improving it, with Ben providing the labor. They lived in it during that time— an added financial bonus. They then they took \$995 as a down payment and financed the rest at 14 percent for five years.

This is not something I would do myself, but how else can you get 14 percent interest these days?



What if I am desperate enough to pledge my life, my last dollar, and my sacred honor to get started in real estate?

I normally would never recommend going into debt in order to get started in real estate. However, that was what I once did, and lucked out. On second thought, luck had nothing to do with it. Read all about it in the chapter that follows.

Chapter 6

How a Used Rowboat was Turned into \$250,000

In 1959 I turned my outdoor sign business over to some friends, in return for a promise that they would send me a check for a pre-agreed amount each month. I then moved to Tenerife with my wife three small children. Tenerife is one of Spain's seven Canary Islands off the western coast of Africa. As it turned out, my friends were unable to keep the sign business going without me, so they shut it down. However, I managed to make a living in my new location as a writer, later as a photographer, and eventually by starting Alarmas Electronicas, the first burglar-alarm business in the islands.

A dozen years passed quickly and, in 1971, we decided to move to the more isolated island of Lanzarote, some 120 miles to the northeast. I planned to continue with the alarm business on the new island. However, to my dismay I had overlooked a detail.

There were no burglars on Lanzarote!

The idea of importing burglars crossed my mind but I quickly dismissed it. So, what was I to do? I had no idea, Months passed. We drew the last of our savings from Banco Central. The real estate business was starting to boom along the island's southern beaches and new hotels were springing up there. All was quiet, however, in the northern end of the island which rose to over 2000 feet at the highest points along a cliff. That area was cool, often cloudy, and the beaches below were unapproachable except by boat. The view from edge of the cliffs, however, was spectacular. A well-beaten trail led from the village of Haría to a tiny settlement in a picturesque valley. At the end of the valley there was a sheer drop of 1,500 feet. The locals were dirt-poor, eking out an existence with pigs, goats, small crops, and a couple of tiny vineyards.

One day I visited Antonio, a villager who lived near the edge of the cliff. I was there to pick up a few bottles of wine that he himself produced on a limited scale. We sat at a table while I tested the wine. "Gorgeous view from the cliff here, eh, Antonio?" From Antonio's home, you could clearly see the tiny offshore island of La Graciosa, which at that time was populated by local fishermen.



La Graciosa island, as seen from the edge of the valley, 1500 feet above the sea.

“Too bad we can’t live on the view. Some of the small farmers down south have gotten rich by selling out, but here in the north, nothing. All the tiny strips of farmland along the cliffs, above, were abandoned after the war (Spain’s civil war, 1936-1939). It’s a hard life, which is why all the young ones leave here to work in the new tourist hotels down south.”

By the time we’d emptied a bottle between us, I’d learned that there were no legal titles to any of these farms. They had been passed down over the centuries to children and grandchildren by word of mouth. No one wished to legalize them because once registered, annual taxes would be levied.

“Are any for sale?”

“No, because who on earth would buy them?”

Opportunity Knocks But I Have No Money

A call came from Antonio three weeks later. While shopping in the nearby town of Haría, he’d spotted Don Victor, the owner of the 20-hectare piece of land that bordered the northern edge of the valley. It was the largest property in the area, just under 50 acres. Remembering our conversation, Antonio asked him if he’d ever thought of selling his property.

“Don Victor said, not for what little he’d ever get for it, no. So I asked him at what price he would sell.” Antonio paused.

“And?”

“He said 20 pesetas a meter—that’s not too bad of a price, sir.”

Farmers with land near the beaches in the south had sold for as much as 2,000 pesetas per meter and the prices were rising.

“You didn’t mention me, right?” I said. Any mention of a foreigner would drive the price up.

“No, *no*, I said I was just kicking the idea around, and his price seemed a bit steep, so that was the end of the conversation.

After I hung up, I did some mental arithmetic. 20 hectares x 10,000 = 200,000 square meters x 20 pesetas per meter = 4 million pesetas. Roughly \$66,000. I was down to just enough money to buy some groceries and pay the rent which was due in two days!

Fast Forward to a Wild and Crazy Gamble

An old friend, Irwin Peoples from Escondido, California had visited us when we first moved to Lanzarote. Before he left, he bought our daughters a tiny fiberglass rowboat as a gift. The novelty, however, had worn off after a few weeks of rowing. I asked the girls for permission to sell it, and for me to not pay them for 90 days. (I’m going to translate pesetas into U.S. dollars at this point, so you’ll better be able to follow.)

“How much, daddy?”

“I can get you at least \$200 each.”

“Sell!” they said in union.

I quickly sold the rowboat to Samuel A., a local land developer, for \$500. Then, to keep my identity hidden, I had a local lawyer prepare a purchase document in the name of Antonio “or his assigns” with these conditions:

Description	
Sales price	\$66,000
Deposit paid at the beginning	500
Balance of down payment in 90 days	6,100
Due: 120 payments, \$495/month, no interest	\$59,400

This may not look to you like much of a gamble. If I failed to pay the \$6,100 within 90 days, all I'd lose was \$500, right? Wrong! I had to sign a 90-day note for the entire \$6,100, and in Spain, those 90-day notes are serious business! Further, I was responsible for the entire contract. If I failed to make any payments at all, my best option would be to jump off the cliff at the end of the valley.

I would never recommend this sort of gamble to anyone unless cornered, desperate, flat broke in a third world country, and ready to break lose or die in the attempt. In my own case, I started meeting every charter aircraft of tourists coming in from Detroit and Boston. (At that time these charters were arriving every Tuesday. The passengers were usually elderly retired couples, many in their 70s.) Five weeks into this campaign, I talked a couple from Winter Gardens, Florida into coming out to see "my" new property. As I'd hoped, they were astonished and delighted by the terraced hillside and the spectacular view of La Graciosa island that was visible from the edge of the cliff.

"I'm just buying this farm," I explained, "and I'm about to have the lines drawn up for homesites. If you folks want to purchase one for \$15,000 *right now*, tell me where you want the borders and we'll mark it with rocks. Then I'll draw up the other lots around yours. Whatever the size is, for this first sale I'll hold the price down to 200 pesetas a meter."

Ten days after they returned to Winter Park, they wired me \$15,000. I paid my landlord the back rent, loaded up on groceries, and took the family out for dinner.

Do You See the Problem?

I had just sold land I did not yet own. True, I had explained to the buyers that getting an actual title would be delayed because I first had to get the farm legally registered. Fortunately they trusted me to carry everything to completion.

More Americans came to see the land, admire the awesome view, and make a similar purchase. I kept up the payments to Don Victor and had Antonio check to see if the many small adjoining plots of land to the north could also be purchased. The word spread that a "rich American" [!] was the buyer. The absentee owners got together and held a meeting. The next day they informed Antonio they'd all made a pact to not sell me any more land for less than 50 pesetas per square meter. Since by now they knew who I was, I gave them my answer directly—20 pesetas a meter or no sale. Period.

Twelve months went by. Then thirteen, then fourteen, at which point Tomas Betancourt showed up at my door.

"I need the money bad, sir," he said. "I'll sell for 20."

"I can only pay you 10 percent down."

"How soon, sir?"

"The day after tomorrow."

"I'll take it."

Once the word spread that Betancourt had sold at 20, the rest of the owners lined up to sell. Little by little, I bought every small strip that fronted the cliff, always on payments.

A Temporary Setback

In the late 1970s, Europe was in a depression. In Germany alone, over a hundred thousand Spanish “guest workers” were forced to return to Spain. In retaliation, in 1979 the Spanish government ordered all foreigners working in Spain to leave the country. Even though I was an investor rather than a “worker,” my permanent residence was revoked.

Most (if not all) of the foreign land developers abandoned their projects. Many of their investors and buyers lost everything. Not willing to see the same thing happen to my own buyers, I went back to the U.S. and starting working with all the energy I could muster. I kept up the land payments, started a new business, sold it for cash, and we returned to the Islands in 1984 to finish up the project. I paid off the sellers and registered each small farm with the island authorities.

The End of the Project

In 1987 I sold the company that owned the remainder of the land to three investors for 15 million pesetas in cash (\$250,000). They wanted to set up a small zoo and bird park in the valley. We met in a little café in Playa Blanca, which is where the ferries leave for Fuerteventura. The buyers—one German and two Spaniards—brought the money in three large shopping bags. When we finished counting 15,000 green bills, I signed the corporation over to the buyers, stuffed the money into the trunk of my little Peugeot sedan, and caught the ferry back to Fuerteventura.

Our daughters never missed the rowboat and I never again had to borrow money from anyone—not even when I ordered a custom-built Skagit Orca cabin cruiser which could hit 60 mph in Washington’s Puget Sound.



Northern Lanzarote zoo and bird park, 2013

Stern Warning

Never attempt a project such as this unless you (a) are in a third-world country, (b) are desperate for cash and with your back against the wall, and (3) make a solemn vow to see that all loans are paid back, whatever the sacrifice.

At the time I signed that first contract, Generalissimo Francisco Franco was the dictator and Spain operated on a system of bribery, which was not illegal there. In fact, there was no other way to do business. A “gift” was required even for the mailman, in order to receive your mail on a timely basis. When I needed permission to build a model home, I gave the mayor in Haría a case of Johnny Walker Black label. No one ever came by to see what we were building.

All that has since changed in Spain, which is why I mention (a) above.

Lessons Learned

1. Buy properties in a non-tourist area, where the land has never been legally registered. No foreigner wants to spend a year or more trying to get everything in order to buy a home site. Therefore, once you have done all this in advance, sales will be easier.
2. Never reveal beforehand that you are planning to buy in the area. Work through a trusted local resident.
3. This is a high-risk, long-term project. If you are already middle-aged and slowing down, find some simpler way to double your money. Jump ahead to the final chapter.

Questions and Answers

Do you suggest sometimes taking title to real estate in your own name?

No, never. Use a corporation or a limited liability company (LLC) that is registered in the same country where the purchase takes place. That way, when the time comes to sell, you have the option of selling the company itself—a great advantage when it comes to taxation. In Lanzarote, I used a Spanish corporation to take title to all the small properties.

Will just any kind of land do, as long as it's cheap?

Absolutely not! You must have a specific group of buyers in mind, some plan as to how to reach them, and the land must have at least one unique feature.

If I were a young man starting over, I might check out beachfront properties in Ecuador or Peru that are accessible only by boat. My experience has been that if an area is in demand by tourists, sooner or later a road will reach it. (When I bought the first property in the Lanzarote valley, only a trail led in. Two years later it was connected by a new paved road so that tourists could be bused in to admire the view from the cliff.)

Why did you move to the Canary Islands? Where are they? Are they owned by Spain?

These three questions are off the main topic. Nevertheless, since they come up again and again, I will answer them here.

(1) We volunteered to move to Tenerife at the request of an international Bible and tract society. (For the first eleven years, such work was prohibited by Generalissimo Franco so we had to work underground.)

(2) The Canaries are just off the coast of the Sahara desert, at the same latitude as Jacksonville, Florida.

(3) The islands are not “owned” by Spain, they are *part* of Spain, just as Alaska and Hawaii are part of the United States.

Chapter 7

Actions Plans for Getting Started in Low-Cost Investing

From the start, keep in mind that the key to successful real estate investment is to offer a property that has some feature not to be found elsewhere.. Here are the unique features of the properties described earlier.

Tar Paper Flats

The unique feature here was price, and the buyers knew it. There was no chance of ever coming across another property at that price that offered plenty of sunlight, was already hooked up to power, had a free water supply, a cabin, and room for a huge garden. As a bonus, there was a second building in place which was perfect for the chicken coop the buyers wanted to have. (Always listen carefully to your buyers—you can often make it sound as if a property is tailor-made for them.)

Riverfront Lot on the Skagit

The unique feature of this location was a high bank along a scenic river with power and a septic tank grandfathered in. (I had already searched for a similar property anywhere along the river, and could promise the buyers that no other such property existed.)

Rural Homesites Overlooking the Atlantic From a Cliff

About 99.5 percent of the foreigners buying land in Lanzarote chose the flat southern part of the island, along the white-sand beaches. I sold to the 0.5 percent of foreigners who were willing to put up with cloudier weather and no accessible beach, in return for the single most spectacular view in the Canary Islands Archipelago. For such prospective buyers, I had the only game in town.

How You Can Get Started Right Away

From past experience I know that that many buyers of both *How to be Invisible* and my various ebooks never apply the advice given. For some, the idea of becoming invisible, or burglar-proofing an apartment, or preparing to live off the grid, is just too intimidating. The solution to this problem is to set a date for the first step and then—however small, take that step when the date arrives.

The First Small Step

The first small step for a real estate investor is to contact Rosie Enriquez (rosie@senoritarosie.com) and ask to see the list of low-cost New Mexico LLCs that she keeps on hand. (If you live in California, be sure to tell her that in your first email because there are special procedures requires for setting up LLCs if you live in this

state.) I say that this is the first step because you may suddenly come across a property that you wish to bid on at once, with no time to order and receive an LLC.

Here are some of the advantages of being prepared with an LLC before you go shopping for a property.

- Privacy: Your name will not show up on the county's public website.
- Low profile: If you buy more than a certain number of properties during a given year, you may become classified as a real estate investor—this you do not need! It can be avoided by using a different LLC for each purchase.
- For various reasons, it is sometimes easier to sell the LLC that owns the land, rather than the land itself. Owning the property in an LLC may also save both the buyer and the seller some taxes and transfer fees, not to mention all the red tape involved in title searches and real estate questionnaires that are required for a “normal” (non-LLC) transfer.

The Next Step

The next step will depend upon your goal. Perhaps it is to save up a specific amount of cash. Or, if you already have a small but sufficient amount saved, perhaps you will start by checking out properties which may later be sold at auction. If sufficient funds are already at hand, start searching for abandoned and neglected properties. Whatever your goal, set a date for starting each step. When that date arrives, spring into action!

Tax Foreclosure Auctions

Do as I say, not as I did at my first auction. Spend many hours on the internet learning which states are best for your purpose. Once you pick your state, find out when the annual lists of properties are published. When you get the lists, start investigating all likely properties. Many owners—or banks, if there's been a foreclosure—may redeem the property up to the day of the sale by paying the back taxes. For that reason, keep abreast of updates.

Don't fall in love with any specific property on your list. This is a business. Decide beforehand on your top bid for each property, with the goal of doubling your money, and *stick to that limit*.

Apparently Useless Properties

Choose an area as far removed from cities, towns, and upscale areas as possible. Find out which real estate agent has been making the most sales of cheaper properties and cultivate his or her friendship. Tell that agent the story of the tacky, garbage-strewn riverfront property that was later cleaned up and sold at double the cost. Have the person you choose to work with show you some of the properties that have been for sale for more than a year—the current owners may be open to a low-ball offer.

Don't jump at the first one you see. Proceed with caution, carefully considering who your buyer will be, how you will reach him, and why he should come to you rather than buy a similar property from someone else.

When in doubt, see if you can obtain an option to purchase at specific price. Then, before the option expires, find a buyer. Your goal in selling the option will be to double the amount you paid it.

Major Land Developer

Move to Central or South America. If you do not yet speak the language, arrange for a crash course in Spanish. Get to know the best lawyers and the most successful real estate agents. Find out if there are any areas where legal work must be done in order to obtain a re-saleable title. Find a local person to make inquiries on your behalf and—unless your back is against the wall—do not invest what you cannot afford to lose.

In Conclusion

The title of this little book is not *How to Double Your Money in 90 Days*, nor is it *How to Become a Millionaire by Purchasing Abandoned Properties*. Books with similar titles are written by authors who over-promise and under-deliver. Don't quit your day job or neglect your business. Do your homework. Have some fun. Look forward to growing old and telling your grandchildren stories about the adventures you had investing in real estate. Once you have made a profit with the purchase of an abandoned property, I'd love to hear from you. Please tell me all about it! My email is Jack@JLuna.com.

May you have some interesting times in pursuit of abandoned properties.

A handwritten signature in black ink, appearing to read "Jack Luna". The signature is stylized with a large, looping "J" and "L", and a horizontal line underlining the name.

P.S. Things are changing in Spain. Due to the severe recession and high unemployment rates, hotel rooms are cheap and real estate prices have dropped up to 50 percent over the past few years. I have friends on Lanzarote scouting for investment properties in the area around the northern valley (as described in Chapter 6.). If you wish be kept abreast of developments, send me an email with the word "Lanzarote" in the subject line.

Additional Resources

Please go to my website, **JJLuna.com**, and click on the tab for ebooks. New ebooks are being added on a regular basis.



How to Remain Invisible When Buying and Selling Properties

The basic method is outlined in my bestselling book, *How to be Invisible—3rd edition* (Saint Martins Press, New York).

For details, of the book itself, [click here](#). For selection, details, and pricing of New Mexico limited liability companies, contact Rosie Enríquez (rosie@senoritarosie.com).

And do check out my blog: <http://blog.invisible-privacy.com/>

