

## Lender Limelight: Jan Brzeski

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### **DO YOUR JOB!**

That's the mantra Jan Brzeski has followed in his career, and it's led him to success as an entrepreneur who revitalizes urban communities.

Jan Brzeski is the managing director and chief investment officer of [Crosswind Financial](#) and [Arixa Capital Advisors](#). Brzeski has learned powerful lessons from life's ups

and downs, not only from his extensive background in investment and finance, but also as an entrepreneur who had to start over again after the internet stock market bubble burst in 2002. He shares those lessons with Private Lender and discusses the national trend toward—and his company’s focus on—urban redevelopment.

**Have you always been interested in real estate investing, or did your interest grow out of your economics studies at Oxford University and experiences in media and finance?**

In 2000, my college roommate and I decided to sell a business we had started in 1994. I call this experience “the roller coaster ride” because when we sold the business, it looked like a big success. But we sold for stock to a company that encountered big problems when the first internet bubble burst. I eventually had to lay off all my employees. Then I got laid off as the acquirer scrambled to cut costs to survive.

After I got laid off in 2002, I decided to look for a company in Los Angeles that would allow me to learn the business and ultimately acquire equity or buy the business. I met a very established real estate investor and went to work for him. I found I really enjoyed real estate because it combined my passion for entrepreneurial business with a financial framework that made things a little more structured and predictable. I didn’t end up taking over that family business, but I did find niches where I could make investments and ultimately launch our fund business.



**Why does your company focus on smaller urban renewal projects?**

I started Arixa Capital in 2006, but until 2010, I mostly worked with the founder of the family-owned real estate business that I had joined in 2002. In 2009, I identified the opportunity to make bridge loans to investors who were purchasing homes from banks and at foreclosure auctions. I liked the yield and mitigated risk on these loans versus buying distressed real estate.

I discovered this niche because I had a home equity line of credit, and some of my contacts were having their home equity lines shut down by their lenders. I drew down my entire line because I thought I would need the money to take advantage of opportunities. I needed a place to put that money to earn some yield while I was looking for investment opportunities. It turns out that this interim strategy grew into Arixa’s focus as a business. We launched a fund to originate and invest in this type of loan, and the loan size, at the time, of well under \$1 million per loan fit nicely with the capital I was able to raise from friends and former co-workers. I was able to raise \$100,000

to \$300,000 at a time, versus increments of millions at a time that were needed to sponsor larger investments.

Over the years, we've continued to lend to our base of borrowers as they evolved from doing distressed investing fix and flip loans to all sorts of redevelopment projects. We've focused on residential-oriented projects that includes projects up to about 25 units. We like urban markets close to the best jobs because I personally saw how much real estate values crashed in the downturn in secondary and tertiary markets. As a lender, our focus is preserving capital. It's a lot easier to do that in markets where the peak-to-trough value drop in the downturn was 25 percent, versus markets such as Inland California where it was 50 or 75 percent.

### **Have you had a favorite investment project?**

I like all our investments! Our borrowers are very creative as they renovate and repurpose residential properties in coastal urban California neighborhoods. I really like the diversity and richness of our major California cities, so everything we do is interesting to me. Every property tells its own story, and I enjoy visiting new neighborhoods and seeing how they are evolving over time. (See p. 32 for an example of an historic property that Arixa funded.)

### **In recent years, we have seen a national trend toward urban revitalization. What value do urban renewal projects provide to investors and to the community?**

In urban coastal California, we have a major traffic problem. The freeways were designed for the 1960s. Today, we have passed the "tipping point": Because of population growth, the freeways basically don't function anymore. As a result, our historical solution to housing, which was to subdivide and develop land on the edge of the metropolitan area, no longer works. Young people realize there is no quality of life if your commute takes three hours out of every day. They are seeking ways of living closer to their jobs—ideally with a commute that avoids freeways altogether. Also, the city provides access to many amenities that people want. These factors help to explain the trend toward urban revitalization.

At the same time, the supply of new housing close to the best jobs is restricted severely by the difficulty of getting projects approved and built in an urban environment. While some very large projects are being built, Californians are not generally used to living in very large buildings. Personally, I like lots of natural light and the ability to open my windows and have a deck for grilling and entertaining. Very large buildings such as high-rise apartments, which might work in New York, don't naturally fit what most people are looking for.

The largest need, in my view, is for lots and lots of smaller renovation and redevelopment projects. These projects are perfectly suited for nimble, smaller developers. These projects bring value to the communities where they are located and the residents who live there. They also provide good opportunities for investors who provide equity or debt to the up-and-coming developers who serve those niches.



**What personal setbacks have you turned into valuable life lessons or building blocks?**

I referenced the “roller coaster ride” of starting a business in 1994 with my college roommate, growing to 100 employees, selling it in 2000, and then seeing the acquiring company’s stock drop by 97 percent as the bubble burst. Having to lay off my employees was crushing. In 2002, I had to basically start my career over at age 36, with a wife, a child and a mortgage. It was very humbling. It helps me keep my eye on the ball every day.

**Have you had any mentors that have helped you professionally and personally?**

I have had great mentors since I got involved in real estate full time in 2002. My employer at that time, Sam Freshman of Standard Management Company, has mentored a lot of people, many of whom have gone on to do very well. I also really appreciate my relationship with Bob Barth, with whom we have a joint venture called Crosswind Financial, and with the founders of Loan Oak Fund. One great thing about the real estate business is that experienced people in our industry generally are open to meeting and sharing their knowledge. We are all trying to navigate that next market cycle as carefully as possible and avoid making unnecessary mistakes.

## What does success mean to you?

Success starts with my family—being a good husband and father, son to my 93-year-old parents, and brother to my two sisters. On the business side, I want to be able to keep working for as long as I can. My mother has stayed young for her age by constantly setting goals and working toward them, including playing tennis twice a week and doing art projects. I would like to keep working and building our company's reputation, putting clients first and celebrating their victories. In the process, we'll see how far our small business can go.



## Are you a goal-setter or do you have a master plan?

I like setting goals for each year and having longer-term goals. Our five-year goal is to be the most respected non-bank real estate lender in California, in our market of smaller balance loans. It's ambitious because we have some great companies in our region. I am also pretty good at setting challenging, but achievable, longer term goals. However, I am pretty weak at operationalizing everything that needs to happen in between those two

ends of the spectrum. For that, I need good people around me. Fortunately, we have a terrific team.

### **How do you keep up to date on the economy and current events that may impact your business and investors?**

I read a lot. I also talk with a lot of successful people. I meet with business owners and investors several times every week, and I try to listen carefully to what they are saying and seeing in the market. The difference between investment managers who survived the financial crisis with a good reputation and those who ruined their reputation lies in how carefully they paid attention to certain important details. We also regularly invite smart and accomplished people to give a talk to our entire company. I enjoy these talks and learn a lot from them.

### **What advice would you give others starting a real estate investing business?**

Here are a few that come to mind:

- Know yourself, your priorities, your strengths and your weaknesses.
- Never compromise on the character of the people you are going into business with.
- Try to start something that can be profitable and grow from there.
- Don't get discouraged when you make mistakes.

### **What professional philosophy guides you?**

I've found that things go better when I don't get too enamored with myself. Instead, I try to just be thankful for the things that are going well and try to be prepared to keep the ship upright for when they are going to go sideways. Recently I've started to appreciate the wisdom in Patriots head coach Bill Belichick's mantra: "Do your job!" It kind of sums up everything in three words.

### **What do you want your legacy to be?**

Being a good husband, father, son and brother are first on the list. Being supportive of my friends. Being a good leader for my company and a mentor to the next generation of people there. And being a valuable resource to people trying to move forward in our industry, helping them when I am able.