

Perpetuity



Rob Scott

The following are the first few pages of “Perpetuity” by Rob Scott

Chapter 1

“Her name is Asbury!” Eric shouted over the podcast of The Jerky Boys playing loudly from Todd’s desk. “Ass-berry, sounds delicious Justin, doesn’t it?”

Made famous by the Howard Stern Show in 1993, The Jerky Boys aired the podcast for only seventeen episodes and then abruptly ended in November 2012. The last remaining member of the show, Johnny Brennan announced that he stopped the podcast because "there was no money in it". During their 1993 debut, their first sale was of eight million CDs. It is very sad when it is just the money that prompts one to do something in this world, and not the satisfaction of doing some kind of work that it takes to become successful.

The small office containing four desks arranged in the four corners was reminiscent of a newspaper writing office or a stock broker boiler room where the people residing within couldn’t care less if they were viewed as productive or not. If you enter the realm of this office, you are viewed as either predator or prey. If you are prey, you receive the brunt of the Asbury joke. If you are the predator, nothing befalls you, you feel like one of the guys, but secretly you are being sized up to be taken down later in your absence.

“How’s your Aunt doing?” Todd asked during the commercial break.

“Not so good. Her memory seems to be less than it was before. Alzheimer’s runs in my Dad’s line but not in my Mom’s. Her Mom lived to be a hundred and four. My Aunt

Jenny is 83 now, if she lives for twenty-one more years like this, it will be extremely hard to imagine what life is going to be like for me. If it gets even worse, I think I will probably want to kill myself.”

“Is she living at your house with you and Breanna?” asked Todd.

“She is. We have her on a few waiting lists for +55 Communities in our neighborhood, but those could take a few more months to open up for a room for her. In my town there are seven communities that house +55 individuals; for our population of 110,000 residents, only enough senior capacity for 1,400 residents exists.”

“Don’t they know there are more old people than that? I mean there are like, what, 150 million people over 55 years old in America.”

“Yes, however only forty percent of older folks want to live in a +55 community, meaning the rest want to die in their own homes or in the homes of their family.”

“So how many people in your town are +55?” asked Todd.

“Forty-one percent are +55 or 45,100 people and if 40% of them desire +55 community living, then eighteen thousand people want that kind of living arrangement but only enough room for 1,400 people exists.”

“Is your town representative of the demographics of the entire United States?”

“Yes, the median age is 37.2 years old verses the Nation’s 37.6 year old median age.”

“And we have 350 million people in the US and 41% are 55+, so 144 million people are old and 58 million of them presently desire to live in a +55 community. But, if and when exposed to their friends living in +55 communities, there is the potential for +150 million people to desire such accommodations.”

“Yes, there are presently five major Real Estate Investment Trusts that own the majority of +55 community assets in the United States, with 3,100 properties and at an average capacity of 125 units per property they manage 387,625 units. Even if they were all to be double-occupancy (which they will not, too many widowers and divorcées) that would only be 775,250 people, not even a drop in the bucket of 58 million people presently wanting such amenities. How could any one of these stocks have a negative potential?”

“What are the stocks, Nate?”

“They are right here.”

SYMBOL	NAME	PRICE	Properties	Units
SNR	New Senior Investment Group Inc	\$ 8.14	133	16,625
FVE	Five Star Senior Living Inc	\$ 1.10	283	31,785
BKD	Brookdale Senior Living Inc	\$ 6.68	1,152	167,223
CSU	Capital Senior Living Corporation	\$11.67	129	16,500
SNH	Senior Housing Properties Trust	\$15.02	1,400	175,000

“So you could basically buy these and become very rich if you just hold onto them for a few years. We are talking Amazon valuations in a matter of a few years, right?”

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“Yep!”

Chapter 2

I am Nathan Flannery, my friends just call me Nate. I am a crusty old man living in Wilson, Kansas on a nine thousand acre lake with a few hundred of my closest friends. I used to travel a lot for work. I was a logistics manager responsible for moving freight across the United States from places where stuff is made to places where the stuff is consumed. Logistics is a couple trillion dollar industry. Getting stuff from point A to point B used to take a massive amount of money. In 2020 I married together the transportation of retirees and freight and saved US businesses billions of dollars annually. I kept half and made my investors rich beyond their wildest dreams. This is the story of how I made all the places old people aspire to call home.

Back forty years ago, in 2019, America was buzzing with productivity. President Trump assumed the office and the regulators were on notice. That year the US Congress passed the length of truck act, effectively doubling the length of a tractor-trailer set to 120 feet in length. It accommodated triple trailers for Less-Than-Truckload (LTL) carriers and double 53-foot trailers for other trucks. In economic terms it doubled the profit margins for truckers. In competitive terms it reduced the price of transportation services across the United States. Before 2019 it cost about \$1.50 a mile to transport goods across the US. After 2019, it cost about \$0.80 a mile. When that happened, it became feasible to transport all kinds of products and materials economically that was not possible before. Prices for trucking dropped and that

decimated train revenues, which caused barge revenues to be so low it no longer made sense to spend the time to float down a river when double-tankers and triple-ISO tankers were possible.

When Congress passed the trucking bill, I had a prototype trailer built. The utility patent granted to me upon it changed everything. For a hundred years, anyone making a similar designed trailer had to pay to me a royalty fee. Sixteen million trailers were produced between 2019 and 2022. Fourteen feet high, fifty-three feet long. Seven feet high in the cargo area and seven feet high in the seating area above. Each cargo hold could be temperature controlled from -20 degrees Fahrenheit to 80 degrees Fahrenheit. The 100 degree range allowed for any kind of freight to be transported, frozen, refrigerated and dry. The trailers were filled one load at a time and brought from supplier locations and staged in hangers where people were bussed in and boarded the trailers in the top half. Each trailer had sun roofing and opaque controlled individual panes of Plexi-glass that each seated person could control individually. The people on the trailer all went to the same general place the freight was going to. People unloaded first, at a terminal, and the freight delivered to a receiver.

From the terminal, people were bussed about the city. A typical run from Houston, Texas to Los Angeles, California is 1,550 miles and could cost about \$2,500.00 on the low end, but usually more like \$3,300.00 due to the supply and demand of equipment and other factors. After 2019, the forty-eight person capacity trailer plus 40,000 pounds of freight was now doubled and still only cost the typical \$3,300.00 to run that distance. Ninety-six people + 80,000 pounds of freight rode

for the cost of \$3,300.00 or a person was charged \$18.00 each and freight was charged three cents a pound plus a small fee to each for processing such that the person paid \$25.00 for a ticket and the freight delivered for \$1,275.00 per trailer. It caused rail freight prices to dive below a penny a pound and airfreight charges to go sub-\$200.00 per ticket round-trip.

The algorithm worked beautifully. Departures were every 30 minutes around the clock to just about everywhere. Loads were scheduled days and weeks in advance. The more notice on loads, the cheaper the price was to their shipper. The loads were published on an internet schedule and if someone wanted to go somewhere it was known in advance and a ticket could be purchased for under \$25.00 one-way. If you were willing to make a stop, or two, you could get to absolutely anywhere for less than \$50.00 one-way. The trucks ran non-stop, each cab housed two drivers to run around the clock. Overnight you could get as far as 1,200 miles. The trip from Houston to Los Angeles occurred in about twenty hours. At the front and back of each trailer were vending machines and bathrooms. Air conditioning and power were supplied to each trailer by way of generator and refrigeration unit powered by diesel reservoir and solar paneling with battery pack. Every seat was a Laz-Z-Boy. You could recline and sleep comfortably while you rode along from city to city. Since there were only a couple stops for driver change-over and refueling you never had to worry about waking up on time for any of it.

The algorithm took into account triangulation theory and discounted for time in dwell required, to come up with logical schedules of Point A to Point B using predicted freight patterns of supply and demand which took into account

pricing and inventory levels of all the items being shipped, constantly. Need to get from Houston to Tampa? Take the 9:30 PM out of Houston to Atlanta and the Atlanta run to Tampa. A total of 20 hours after boarding in Houston, you are able to experience Gasparilla in the early spring. The theory was that the patterns of freight would remain dependable and therefore people could count on trucks going that direction to get them to where they ultimately wanted to be.

Detroit to Miami in the winter. No worries. Take Detroit to Atlanta and Atlanta to Miami. That lane of traffic works every day. You don't have to know the lanes to make it work. The algorithm pre-determines the route. All you have to do is plug in date and location for your starting point and advise the destination you want to travel to and it is all pre-booked and the route is made for you. If you happen to be delayed or need to change your course, just resubmit your itinerary and it is automatically re-arranged for you, at no additional cost. It is a capacity and throughput decision making process, not a profit making endeavor. We did not need to worry about profit. If the customer wanted the price, they came to us. All we had to do was execute flawlessly and the price was validated as value. We just did our jobs well and the profits rained down upon us.

From the terminal, take a Lyft, an Uber, rideshare, a bus, or walk a couple blocks to your next destination. When you are retired, and it only takes a few dollars to get around, you can afford to travel constantly. With our logistics system any retired person can afford to be nomadic, travelling in the direction of the good weather every few weeks. The weather pattern of the United States is mostly a north-south

phenomenon. People tend to head south for the winter and north in the summer. With our vast network of transportation options it is affordable for any retiree to remain warm, cool or just right at seventy degrees simply by traveling north in the summer and south in the winter. For less than twenty-five dollars you can change your latitude. Doing that every two weeks is completely affordable.

There was so much nomadic activity, hotels became filled regularly, and with increased volume came lower prices. Back in the day, hotels were high priced, over a hundred dollars a night, as supply of many empty rooms and regulated demand predicated by the high pricing limited the economic performance of hotels. But as hotels lowered their prices below thirty dollars a night, the demand for their rooms met with higher occupancy regularly. The profit model changed rapidly. High volume, low-price won over higher priced models and the affordability of lodging across the United States encouraged nomadic retiree living. There are sixty thousand hotels in America and they have six million rooms, enough capacity for twelve million nomadic retirees. Then there is the Airbnb and VRBO capacity which is essentially unlimited, very capable of housing over 150 million nomadic retirees.

Being a nomad is a different kind of life, it literally means you have no home. It is hard to fathom for most people who have stuff and like to keep it in a place called a home. But to travel the weather patterns, you cannot easily take your stuff with you. You need to travel light, leaving home behind. To have a home is to have cost. That place where you keep your stuff has bills associated with it; rent, utilities,

maintenance fees and in some cases taxes. Eventually a nomad aspires to take residence and to have a home somewhere hospitable, a place with amenities that are comfortable and soothing, in a tolerable climate, sometimes with a garden.

Chapter 3

Cash flow from a utility patent when licensed to all manufacturers of trailers and upon the transactions of routing and booking individuals upon those trailers created millions of dollars in weekly disbursements. That cash flow was very useful. It allowed me to invest in Real Estate Investment Trusts (REITs) and to have built many +55 communities across the United States. When building out communities, cash flow is the most important component of success. When a problem is encountered, it is more readily solved with a few more dollars, some aptitude and a little extra time. Being able to afford sitting idle for the extra time while applying aptitude requires cash flow.

Investing in buildings, communities and real estate means the benefits are paid out forever, into perpetuity, a constant stream of cash flow with no end.

The Mackle brothers Elliot, Robert, and Frank tested this theory of perpetuity when they formed General Development in 1954. It was the largest land development company in Florida. During the 1950's they were selling lots in the Miami area and decided to put an ad in a northern US newspaper. They received thousands of inquiries and began to buy land, plat and sell lots on a ten-year installment basis. Soon they were awash in money and expanded all over Florida ultimately buying several hundred thousand acres and starting many new communities throughout Florida. At the end of the ten year installment period, the company was to develop the roads and drainage, construct and deed the lots. The first five

years, however, there was little development expense except for marketing, sales commissions and modest sales offices in the communities. The liabilities for lots construction loomed, and as construction commenced the cash began to flow out. The solution was to buy, plat and sell more lots to generate the cash flow to construct lots sold a decade earlier. They had to constantly expand, buying more land and platting and selling more lots, to deliver on previous commitments. The Mackle brothers promoted inexpensive Florida home sites worldwide. Basically General Development purchased swamp land, drained it, developed it and sold the property they created from the swamp.

In 1974, General Development was a publicly traded company. It was purchased and taken private by City Investing. In 1984 City Investing went public. In the late 1980s GD's management team was accused of fraudulent home sales: this led to criminal indictments of the company leadership, and bankruptcy of GD in 1991. Functional assets held by GD in various cities were turned over to their respective governments thereafter. Subsequent to the indictments and convictions of senior management, the 11th Circuit Court of Appeals exonerated the men in 1996, reversing their convictions and directing that all charges against them be dismissed. Port Charlotte/North Port Over several decades many general managers came and went, but locals would say, "Woody Hogan sold it, and John Stanton built it."

The communities developed by General Development are:

- Port LaBelle, Florida
- Port Charlotte, Florida
- North Port, Florida
- Port St. John, Florida
- Port Malabar (Palm Bay), Florida
- Port St. Lucie, Florida
- Sebastian Highlands, Florida
- Deltona, Florida
- Key Biscayne, Florida

Had GD not become bankrupt, the valuation of the company would have been predicated upon the value of the real estate holdings and the subsequent cash flow from those holdings in the hundreds of billions of dollars. Port Charlotte alone has a valuation of five billion dollars. The population of these locations total 750,000 people and the value of the real estate that houses them is \$75 billion, not to mention the hundreds of billions of dollars in commercial real estate that rents would be able to accomplish perpetually.

You probably don't know that very large expanses of property exist in the United States that are extremely inexpensive to purchase. In Texas, one can purchase thousands of acres for hundreds of dollars per acre. In fact, it is so cheap to purchase land across vast expanses of Southeastern States that one could repeat the General Development program still today. I know this is true because I did just that. Only I didn't go bankrupt.

The most desirable States in the US for retirement communities are generally warmer climated and mild winterized locations. Kansas, Oklahoma, Arkansas, Texas, New Mexico, Arizona and Nevada were my favorite locations to set up retirement communities. I could buy land so cheap, sell the concept of the development to forty year olds and advise they could not assume possession of their residence until they were fifty-five. I then used the ten plus years of time to develop the places they bought into. There are presently forty million people aged 35-44 in the United States. I marketed to them constantly about the likelihood of the high cost of their retirement and the fact that my solution to their retirement was to pre-pay and wait until they were 55 years old and enjoy my low-priced luxuries. Who wouldn't invest \$10,000.00 a year for ten years to obtain a free and clear residence in one of my communities when they were of retirement age? About eight million people believed the idea was so important to them they initiated payments. \$80 billion a year buys a lot of desert land. Only I didn't have to drain that property of swamp water. I only needed to secure an adequate water supply for it.

There is very little water across the expanse of land from Nevada to Oklahoma. The land is dry, there are no utilities; no power, no water and no internet. Without water, living things cannot survive. Very little rainfall occurs across that part of the country. Any pooling or ponding is quickly evaporated due to the low humidity.

It turns out that water is not as big of a problem to solve as most people think. It transports easily enough in

twenty-five-thousand gallon rail tankcars. It costs about seven cents a gallon to transport from most major rivers into the communities I was developing. The rail tankcars ran empty back to the source of the water. The water is placed into massive reservoirs with roofs upon them. Each reservoir holds twenty-five million gallons of water. They are roofed to ensure the water does not evaporate. While it makes more sense to pipeline the water in, the powers that be did not want the headaches of solving the network solution of piping together the Nation's Hydro-electric water resources to allow that to become a reality. I simply purchased some small key land parcels along the major rivers (Missouri, Mississippi, Colorado, Rio Grande) and sucked up all the water I needed into 25-million gallon tanks and emptied the tanks into 25,000 gallon railcars and tendered them to the railroads. The railroads delivered the tankcars to the reservoirs. Of course I built the reservoirs along the existing tracks and the railroad siding that was already in place. A person will consume about a railcar of water per year. It takes 1,000 railcars to fill up the reservoir. The reservoir will last the township of 25,000 people about ten days. So we simply erected a reservoir for every 2,500 people to ensure a water supply for a hundred days span.

Eight million clients wanted in, at fifty thousand houses per community it required 160 communities to be developed, 3200 water reservoirs, power plants, hospitals, shopping centers, product distribution. Our developments dotted the entire Southwest. About every 100 miles our communities were established across a twenty square mile area. The land cost little but our improvements to the land

were big. We brought power and water to our establishments. Our Solar power company generates ten gigawatts, we store 80 billion gallons of water. We brought in the best of the best. Pulte built the homes; MD Anderson cancer centers, Memorial Herman hospitals and HealthSouth Rehabilitative Centers provided medical services; Kroger provided groceries; retail competition was limited to maximize distribution advantages and to keep the pricing lowest.

The names of the communities were determined by names of constellations and stars found within them. I live in Andromeda, named after the daughter of Cassiopeia, in the Greek myth, who was chained to a rock to be eaten by the sea monster Cetus. There are about 50,000 homes in the Andromeda community located in Wilson, Kansas. Each one is an identical 2,400 square foot four bedroom, three bath home with metal roof, luxurious interiors and xeriscape exteriors. In bulk, at 50,000 homes completed per month, Pulte was launched into the stratosphere of the largest home builder in the world. It dwarfed Lennar and DR Horton combined annual volumes. When Pulte finished a home, it had a market value of \$250,000.00 while it cost less than \$60,000.00 in labor and materials. The buildings were identical and pre-fabricated in advance and pieces shipped in bulk to the community site. Laborers assembled the homes in record time of three to four days. 600 crews worked in shifts around the clock to assemble the homes. When one shift was finished, another crew would continue working where they left off. \$30,000 in labor and \$30,000 in materials is how the math worked out. Crews of twelve men in three shifts for four days is how the home was erected.

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