

# Jpm<sup>®</sup>

Journal of Property Management

July/August 2020



## The legacy of Bob and Gladys Beal

*The IREM Foundation  
receives a generous gift from  
longtime Institute champions*

- › Protecting yourself from fraudulent applications
- › Modernized student housing
- › COVID-19 and property management

Robert K. and  
Gladys M. Beal  
Commemorative  
Issue







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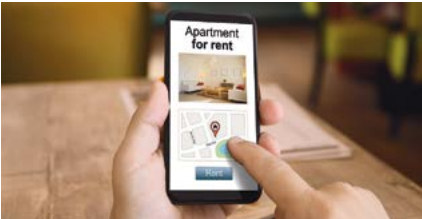
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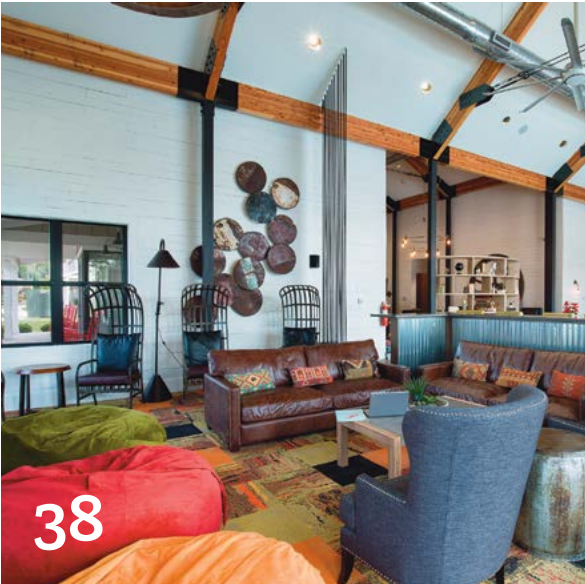
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## President's letter



Cheryl Gray, CPM

*Don't judge each day by the  
harvest you reap, but by the seeds  
that you plant.*  
—Robert Louis Stevenson

This special commemorative issue of JPM honors Bob Beal, CPM, and his wife, Gladys, who inspired countless CPMs and ARMs throughout the 40+ years they were involved with IREM.

The Beals continue to inspire future generations of real estate managers through their very generous gift made to the IREM Foundation. Turn to **P 6** to learn more about these pillars of the IREM community and how you too can contribute to the Robert K. and Gladys M. Beal Fund, which will support the Beals' desire for IREM to prosper, lead, educate, create passion and endure in the field of professional real estate management.

In the more than 50 years that Bob spent managing real estate, he weathered many changes to our industry and relied on IREM and its resources to persevere. Today, with the novel coronavirus and rising international movements against racial injustice, we are presented with events that are impossible to ignore and that demand rapid and often sweeping change of our current practices. Like Bob, we can rely on IREM to be our constant through these times of change.

As property managers, we're used to turning on a dime but, at least for now, we may feel like we're perpetually turning, all the while striving to maintain our balance as some of us have begun reopening our properties. Balancing responsibilities is top of mind for several IREM members who are working on establishing coronavirus strategies to carry them through reopening phases. In *Managing the Unexpected*, one of the features appearing in this issue (**P 16**), several members share their initial experiences of managing the new realities that come with COVID-19. Property managers recognize their jobs are to manage and maintain the physical and financial health of their properties—but just as vital is taking care of the people connected to those properties, those who live in them, work in them and work in support of managing them. You'll see how they put both at the forefront of coronavirus planning.

Amidst these new considerations, there are still permanent fixtures in our work, one being financial management. It's a core principle at IREM; establishing sound financial practices allows flexibility to pivot priorities when needed—like now—because it provides a bedrock for all property management activities. Yet, despite its constant presence in our business, even financial management practices occasionally need to be adjusted to address what Steve Margerum, CPM, calls “outliers” in the feature *Staying on Top of Budget Season* on **P 10**. You'll get some good tips for maintaining consistency and rigor in your budgeting process, even as world events turn those budgets upside down.

IREM remains a constant for those of us in the real estate management industry, and the Institute continues to grow and evolve to meet the needs of current and future generations of real estate managers. This is true for JPM, too. The COVID-19 pandemic accelerated the world's move to a virtual environment. At IREM, we're continually looking for ways to provide our programs, products and services in this new digital world. So, this commemorative issue of JPM will be the last one done in print. JPM will then be available in a digital-only format, which enables you to get the content, news and insights you look for in a quick and safe manner, anytime and anywhere. And by being paperless, it promotes green business practices.

Like Bob and Gladys Beal, I invite you to identify opportunities to inspire others to explore the benefits of a meaningful real estate management career. Whether you're able to share a kind word with a young professional, exchange ideas with a colleague or donate to the Robert K. and Gladys M. Beal Fund, there are countless ways each of us can contribute to the growth and development of an industry we all love. You'll be surprised how even the smallest action can reap tremendous rewards.

Cheryl Gray, CPM  
IREM President





# Paying it forward

Houston, Texas-based Camden Property Trust, AMO, gave out-of-work residents a financial helping hand. The Camden Cares Resident Relief Program provided \$5 million in aid to financially hit residents in Camden’s 165 multifamily properties in the U.S. Residents who could show that their income loss was coronavirus-related were eligible for up to \$2,000 per household.

Source: Dallas Morning News, “Texas apartment company offering renters \$2,000 in aid during COVID-19 pandemic”

## Recovery plan

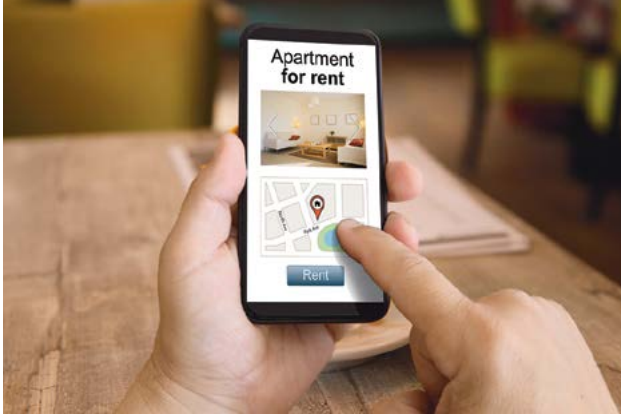
In terms of operating metrics leading up to the crisis, how long do you think it will take to get your business back to those levels after the pandemic subsides?

	Multifamily (5 or more units)	2-4 unit properties	Single-family
Less than 6 months	33%	62%	61%
6-11 months	45%	19%	26%
1-2 years	21%	12%	9%
More than 2 years	0%	0%	4%
Never	0%	6%	0%

Source: NAA/IREM/CEL & Associates, Inc. Rental Housing Owner/Operator Covid-19 Survey, June 2020



Images: (Stock.com/Svetlana123, sf-f-alex)



## Virtual showings—for now and the future

Whether you are conducting a virtual property tour out of necessity or convenience, Mabel Guzmán, the 2020 vice president of association affairs for the National Association of REALTORS®, shares 3 tips on how to make these showings a success.

1. Choose the appropriate app. Ask your client about their app of choice, like Google Hangouts or FaceTime. Make it easy for them.
2. Communicate the size of the space. Point out high ceilings and give them perspective.
3. Debrief with your client. Ask your client the right questions. Was this a good experience for them? How can you make it better for them next time?

Source: National Association of REALTORS®

## The 6 feet office

After helping thousands of organizations in China transition back to work, Cushman & Wakefield, AMO, created a concept for the post-COVID-19 workspace: the 6 feet office. Implemented in their Amsterdam headquarters, it consists of the following elements:

- 6 feet quick scan:** A concise but thorough analysis of the current working environment, with virus safety and any other improvements in mind.
- 6 feet rules:** A set of simple and clear guidelines that put everyone’s safety first.
- 6 feet routing:** A visually displayed and unique instructional map for each office, making traffic flows completely safe.
- 6 feet workstation:** An adapted and fully equipped workplace at which the user can work safely, complete with paper desk pads that are disposed of daily.
- 6 feet facility (manager):** A trained employee who advises on and ensures an optimally functioning and safe workplace.
- 6 feet certificate:** A certificate stating that measures have been taken to implement a virus-free working environment.

Source: Cushman & Wakefield, AMO

“Financial responsibility is a mindset before it is an action. Therefore, if you can change a mindset, the actions follow almost naturally.”  
—Brandon Turner, real estate investor and entrepreneur





# The legacy of Bob and Gladys Beal

## The IREM Foundation receives a generous gift from longtime Institute champions

By 1991 IREM President John W. Magnuson, CPM

### There was a period of time

in IREM history when most members and staff either knew or knew of Bob and Gladys Beal. They were a wonderful couple and perhaps, to borrow a term from Gestalt philosophy, their “whole” was greater than the sum of their parts. It would be difficult to put a number on how many CPMs and ARMs were born out of their generosity and mentorship.

Those who knew Bob, a longtime CPM and friend of IREM, would say he was more interested in turning the spotlight away from himself and instead directing it toward others, helping them succeed to higher levels of achievement. He had high expectations for those he took under his wing, and he proved an inspirational and paternal leader. And he was an includer, a connector. If you came for a visit, Bob ensured it was an experience by taking you fishing or setting up a meeting with the governor.

Bob and his wife, Gladys, had a deep love for IREM and wanted to share this love with others. They generously named the IREM Foundation as beneficiary to their trust. The Foundation has received over a million dollars in



Bob and Gladys Beal while attending an IREM Study Tour in Spain

distributions from the trust to date, an unprecedented gift. The funds will be used to support the Beals’ desire for IREM to prosper, lead, educate, create passion and endure in the field of professional real estate management.

Below are some more memories of Bob and Gladys, shared by several IREM members who knew them well. Their

stories should give you plenty of insight into a couple who made IREM a very special place to learn, lead and, as you’ll read, make lasting friendships. The IREM Foundation is truly blessed by the gift it’s received from Robert K. and Gladys M. Beal.

**I had the opportunity** to be friends with Bob and Gladys Beal for over 30 years. I learned that there was so much more to the little good-hearted couple from Little Rock who could charm the bark right off a tree. Over the years, their devotion to IREM and what it stood for became both well-known and well-documented. Bob and Gladys became legendary role models for IREM friends and peers. Their generous gift to the IREM Foundation will help sustain the organization’s mission and cement the Beals’ legacy into the annals of IREM history.

—Michael Simmons, CPM  
1999 IREM President

**I’ve never been able to** remember meeting Bob Beal—he was just always there. As I became more and more involved with IREM, I became more aware of his presence. Perhaps that says more about him than one would realize at first blush. Bob was never the one leading the parade—he was always pushing from the back, making sure everything was moving in the right direction. His easy way and Southern charm made him a natural influencer, and I’m sure those who benefited from his efforts will attest to his effect on their success.

Bob and Gladys were easy to be around; whether you were an old friend or new acquaintance, they welcomed you with open arms. Conversations quickly turned into one-liners and a comedy act that never got old. I prefer to remember Bob through his funny stories and quaint Southern sayings. He could always bring a smile to my face. I miss you, Beady Eyes.

—Robert Click, CPM  
2008 and 2009 IREM Foundation President

**Bob and I met in a cocktail lounge** over 35 years ago while attending an IREM national meeting. Our



Bob Beal, CPM (1930-2013), was a mentor and inspiration to many at IREM throughout his 40+ year membership, serving as the Arkansas Chapter president and on countless boards and committees, including the IREM Foundation Board of Directors. In 1992, he earned the Foundation’s Louise L. and Y.T. Lum Award and in 2010 the J. Wallace Paletou Award—both for distinguished and significant contributions to the real estate management industry.

cherished friendship was built around IREM, sailing trips (he began as a valued crew member and reached the rank of Purser), the “National Advisory Board” (a group of IREM friends that has been meeting annually for over 35 years), his wife (“The Li’l Darlin’”—who was responsible for all the good things Bob did) and golf (he never gave me a putt in almost 40 years!).

He was a cherished friend who I’ll never forget. He set the standard for creating and maintaining relationships through all he touched and will long be remembered as “one of a kind.”

—Bill Borsari, CPM  
1992 IREM President

**Bob Beal and I served together** on the IREM Income/Expense Analysis Advisory Board for several years. Various members and visitors to the board would come and go during that time, but Bob was an absolute fixture.

Speaking of “Absolut” reminds me how he would order the first pre-dinner drink at “National Advisory Board” dinners. He would painstakingly review all the ingredients [of his drink orders] with our sometimes confused servers.

—Tom Hirsch, CPM  
Minneapolis, Minnesota

**Robert K. Beal was my mentor** and a driving force in the real estate management profession. I graduated from Harding University in 1969 with the full intention of teaching school and coaching basketball. I did just that for over seven years, until I entered a profession that was foreign to me.

After finding out about a property management position opening at Rector Phillips Morse (RPM), Inc. I thought I would apply and see what happened. That was the first time I met Mr. Beal. I was hired after a few interviews, each lasting a bit longer than the previous one.

I had no idea what I was supposed to do or accomplish, but I was assigned about 200 small apartment and single-family



properties. I had been on the job for less than a year when Mr. Beal walked into my office and told me I was scheduled to attend an IREM course. I remember asking what, exactly, was IREM, and he informed me that obtaining the Certified Property Manager designation from IREM would be my master's degree in the property management profession.

From that point on, IREM became not just my master's program, but also an ongoing program of education and professionalism. And Bob Beal supported and encouraged me along the way.

Bob was adamant that all residential managers working for RPM get the Accredited Residential Manager (ARM) certification and support the Arkansas Chapter ARM Committee. Because of that effort, IREM Arkansas became an award-winning chapter year after year.

Bob believed in the old adage, "You surround yourself with successful people and give them the opportunity to excel, and you and your company will excel." The chapter, IREM and RPM are better because of Robert K. Beal.

—Ronald Goss, CPM  
2011 IREM President

In 1989, I was a 29-year-old president for the Western Washington Chapter, and I attended the IREM Asset Symposium. There was a golf tournament, and I was placed in a group with Robert O. Click, CPM, Charlie Scroggins, CPM, and Robert K. Beal, CPM. Little did I know my life was about to change forever. Rob [Click] and I were chapter presidents paired with two legends from Region 5. Mr. Beal was a true gentleman. From that day forward, he introduced us to IREM and taught us what the Institute was all about. Over the years, we continued to serve the Institute with his guidance. Mr. Beal and Gladys introduced me to their entire IREM family, including the legendary Arkansas Chapter, Beverly Roachell, CPM, Ron Goss, CPM, and so many of the wonderful people from Region 5. Over the years, many of us got together outside of the IREM national meetings. I learned many life lessons and was able to make sound career decisions thanks to IREM and these gentlemen, including Mr. Beal.

The generous gift to the IREM Foundation from Mr. and Mrs. Beal goes far beyond the financial donation. They welcomed and nurtured me and a generation of young CPMs who made significant contributions to IREM that will last forever. I am truly blessed and grateful to have known the Beals.

—E. Craig Suhrbier, CPM, CRE, FRICS  
2001 IREM President

I miss Bob. So many memories. Long days under sail, his point-on aphorisms, fishing the White River. It has been a while but seldom does a week pass where I don't think of him. Bob "Beady Eyes"—hard on the outside, soft and empathetic inside. It was a privilege to know him. His numerous contributions to IREM—most especially this final one—will have a lasting impact on the organization he loved. Thanks, Beady.

—Ed Boudreau, CPM  
2002 IREM President

As for me, I met Bob Beal at the IREM national meeting in Jamaica. My life changed that day. Within months, he was one of my best friends and remained one until the day he died. He brought a contingent of employees destined to become CPMs and ARMs to that meeting, and he made certain they met everyone in attendance and had a rousing good time! In a precious few days, many IREM committees had a member of his award-winning Arkansas Chapter on their rosters. Bob was an avid committee member and officer of IREM, and he made certain that responsibilities were not shirked.

He mentored in a no-nonsense fashion. He reasoned that if he paid for someone's education, they'd best put that knowledge to work for the company. It worked. RPM Management, AMO, was and is a very successful business. Two of his employees even went on to become IREM National Presidents: Beverly Roachell, CPM [1994], and Ronald Goss, CPM [2011].

Bob challenged me once to say what my philosophy of success is, in one sentence. I told him it is one's ability to establish and maintain meaningful and lasting relationships with people. He asked, "What about money? What about power, influence and authority?" I thought about it and told him I'd never seen him flaunt any of those and if he didn't, then neither would I. He simply said, "Hmmpf, glad you've been paying attention." ▀



**John W. Magnuson, CPM**, served as IREM president in 1991 and has held many roles throughout his years with the Institute, including RVP, SVP and instructor, teaching courses globally for over 20 years. He is a member of The Academy of Authors and recipient of the Lloyd D. Hanford, Sr. Distinguished Faculty and the Louise L. and Y. T. Lum Awards. John and his wife, Bonnie, founded Magnuson Management Inc. in 1975 and in 1993 cofounded Holly Residential Property Trust, now a part of Equity Residential REIT.



**Bob Beal, CPM®, and his wife Gladys were IREM legends.** Bob knew the value of an IREM education, and he and Gladys proudly mentored, funded, and encouraged countless real estate managers on the path to IREM designations and certifications.

In 2013, Bob and Gladys passed away, just weeks apart. But their legacy lives on through the IREM Foundation.

Thanks to their generous bequest, the Robert K. and Gladys M. Beal Fund will create opportunities for people involved with, thinking about, or ready to benefit from a career in real estate management.

**You can become part of the Beal legacy and help pave the way for others. Make your donation today.**

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## Budget season is upon us.

But in reality, for strategically focused property managers, it never ends. "I'm even getting tired of the phrase 'budget season,'" says Salvatore Dragone, CPM, CCIM. "The reality is that you're constantly looking at expenses relative to budget and constantly making adjustments in spending so you can stay on track with the roadmap you created."

Stephen D. Margerum, CPM, ARM, agrees. "Budget season starts officially in the summer and goes through the winter," says the principal and founder of Cove Property Management, AMO, in Annapolis, Maryland. "Then in the spring, we get ready for the next summer. There's a phrase that's popular in IREM: 'If you can't measure it, you can't manage it.' So, we're always reforecasting, analyzing and getting ready for the next budget season."

Dragone is a senior vice president and director of property management at Rubenstein Partners in Philadelphia, whose affiliates own and operate over 12 million square feet of commercial office space in the U.S., largely concentrated on the East Coast. He says that being in a perennial budgetary mindset is critical to the accuracy of forecasts and the necessity of staying in line with ownership's goals. To that end, he breaks his process into tiers: "We do a monthly variance report, in which our property managers go through each line item and provide a narrative explaining the variance from the annual operating budget."

# Staying on top of budget season

Demystifying the many tasks of an endless cycle

By John Salustri

Image: iStock.com/kiddy0265





“  
There’s a phrase that’s popular in IREM:  
‘If you can’t measure it, you can’t manage it.’  
So, we’re always reforecasting, analyzing  
and getting ready for the next budget season.”

—Stephen D. Margerum, CPM, ARM, Cove Property Management, AMO

Quarterly reforecasts of the annual operating budget are in the second tier. Since Rubenstein works on a calendar year, “The first quarter is a soft forecast because we have only so much information at that time,” says Dragone. “The reforecasts don’t change the budget. Once a budget is cast, it’s cast. But they give the property manager, the asset manager and me an indication of the direction we’re going in.”

Second- and third-quarter forecasts follow, each serving as “a stepping stone,” adding another brick to the formulation of the following year’s budget. By the third quarter, “We’re looking now more toward reconciliation, which will drive us through the

next three months and help us determine what we have left to spend and what we need to throttle back,” Dragone says.

Margerum oversees some 1,800 units in 13 residential communities in the Mid-Atlantic. Ten of those are self-owned, with third-party investors holding the remainder. “Every property has its own challenges,” he says, “and understanding those differences and understanding your properties is key.”

Both Margerum and Dragone pore over the budget for each property, a massive task since, “There are quite a few, if not hundreds of items per budget,” to screen before the budget proposal gets passed up the line of command, says Margerum. He notes that different managers use different approaches, whether that’s a zero-based approach, which entails building a new annual budget from the ground up, or a history-based approach, which uses past actual financial data.

Both methods entail such critical details as calling the local utilities for usage rates and watching out for what Margerum calls outliers—the anomalies that can throw off accurate cost analysis. This past winter, with a nearly nonexistent snow-removal need, is just one example. “We remove outliers to ensure we’re providing the most realistic budgets,” he says.

Zero-based budgeting is clearly a great tool for a new building, but as IREM Academic member Terry Fields, associate professor and director of the Weidner Property Management and Real Estate Program at the University of Alaska in Anchorage, suggests, it can also be helpful for existing properties. “It de-emphasizes the historical data and forces the manager to reevaluate the item in a different context,” he says. “The exercise of tying the expense to your strategic plan instead of a historical figure may provide a more

## Budgeting tips for busy managers

### Salvatore Dragone, CPM, CCIM

- “Don’t create a budget when the phone is ringing. Take the time to do it without interruptions so you can go line item by line item.”
- “Get organized. This is not an ad hoc process.”
- “Be strict with timelines. Anticipate that some people won’t be diligent about meeting your deadlines, so track everyone and everything. It only takes one or two managers to miss the mark before you’re buried and working through summer weekends.”

### Terry Fields, IREM Academic member

- “To help overcome the turnover-driven expense variance, walk every unit and rate the condition of the appliances, flooring, paint, doors and fixtures—the major items that will determine the time and cost of a turnover.”
- “Look at expenses in terms of consumption times rate. For example, the rate for a bucket of paint may stay the same, but consumption or the number of buckets needed may be higher or lower. Consider these variables independently, versus projecting a lump-sum amount, and you can better justify and defend your projections.”
- “Don’t overlook your lease document to help smooth variances, especially in a commercial setting. If expenses with the greatest uncertainty or volatility can be shifted to the tenant during the lease process, the property’s budget will be much smoother and more accurate from the beginning.”

### Stephen Margerum, CPM, ARM

- “Keep learning, through IREM courses and by asking questions of those in your network.”
- “That said, use a filter on the information you’re getting. Apply what works for you.”

accurate assessment or at least act as a check on your historical analysis.”

### Staying in step

The constant review and benchmarking are key to producing numbers that are both realistic and accurate. They also help you know where the property is headed and how close

to ownership’s expectations you are. “Providing unrealistic figures in an attempt to impress the owner or asset manager doesn’t benefit either party in the end,” says Fields.

“Also, providing a strategy that’s not in line with the owner’s goals, regardless of its accuracy, is a wasted effort,” he says. “Managers should identify clear goals from the beginning, reaffirm those goals at the start of the budget process, identify strategies and projections and present these findings objectively as they relate to the owner’s expectations, completing the loop.”

For both Margerum and Dragone, constant checks of what is happening at their properties are essential to the accuracy part of the equation. For the alignment with ownership’s goals, “Over-communicating is essential, especially with third-party owners,” says Margerum, “and transparency is paramount. We have multiple owners and investors, and in times like these, when we’re dealing with the coronavirus, we’re in communication daily.” (More on that shortly.)

Dragone notes that there are pros and cons with both ownership structures. On one hand, when the owners are the operators and have in-house management, the managers usually receive “clearer direction on how the owners like to do things or what’s expected in terms of the level of operations. But that also means there can be a lot of ownership input or the need to create multiple budget scenarios in order to explore different results,



“  
It will take time  
for people to get  
back to their  
routines, and  
some of those  
may change  
forever. So  
ancillary income  
has to be truly  
scrutinized, not  
just for now but  
going forward.”

—Salvatore Dragone, CPM, CCIM, Rubenstein Partners



Image: iStock.com/Ridofranz



potentially slowing the process," Dragone says.

On the other hand, third-party managers working with non-institutional owners may find the process easier at times since the owner has less familiarity with operating real estate and is putting their full trust in the manager. This translates to fewer budget scenarios or changes as long as the income meets their investment objectives. But that lack of a singular owner could mean multiple accounting systems and budgeting programs, as well as different reporting requirements.

Also, Margerum allows, "ownership goals do change. The ultimate goal of most owners is to eventually sell, and that could be at any given time as the world, cap rates and interest rates change. The only way to stay on top of that is through constant communication."

#### COVID-19: the great anomaly

Among the outliers that can throw off accurate budget analysis, COVID-19 "takes the cake," says Terry Fields. And at this point, it's frankly too early to say with certainty how it will impact next year's numbers.

When managers' attention turns to their 2021 budgets, "there'll be some interesting shake-ups in the process," he says. "Mainly, relying on 2020 historical data may prove to be extremely unreliable. Figures on vacancy loss, turnover, delinquencies, fees, payroll, etc., could be wildly skewed."

Nevertheless, he notes, there are lessons to take away. For instance, says Fields, "Seeing governments step in to stop evictions, freeze and suspend rents and stop business activities may



**“**Providing unrealistic figures in an attempt to impress the owner or asset manager doesn't benefit either party in the end.

—Terry Fields, University of Alaska

force owners to reassess their comfort level with leverage and cash reserves. This could impact their capital allocations, debt behaviors and cash holdings moving forward to better prepare for unforeseen disruptions, pandemic or otherwise."

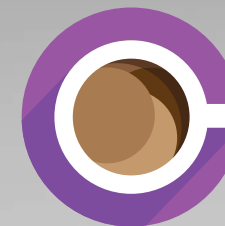
Dragone agrees that, as of this writing, it's too early to talk about the long-range impact of COVID-19. "There are obviously going to be some variances and wonkiness to 2020 expenses," he says, "first and foremost in utilities. With so many buildings going vacant, we're seeing decreases in usage from 5% to 20%. That's going to be an important factor for next year's budgeting."

Ancillary income, such as charges for conference center or parking garage use, is also taking a hit. "We have public garages, and volume is down by 70% or 80%," Dragone says. And the drop won't simply correct itself when operations ramp back up. "It will take time for people to get back to their routines, and some of those may change forever. So that ancillary income has to be truly scrutinized, not just for now but going forward."

There are proactive steps that managers can take, even as we find ourselves knee-deep in the here-and-now. As Margerum explains: "In March, we created a COVID-19 supplies expense category, so we can measure our expenses throughout the crisis." That information will also help with any insurance claims as well as informing the outlier narrative for next year's budget.

Indeed, it's an odd time for budget forecasting. But the magnitude of the anomaly that property managers face right now makes it the perfect time to discuss how to create normalized and accurate data for your ownership. Because no matter the crisis, no matter how bizarre the times might be, budgets still need to pencil out. ▀

John Salustri is a contributing writer for JPM.



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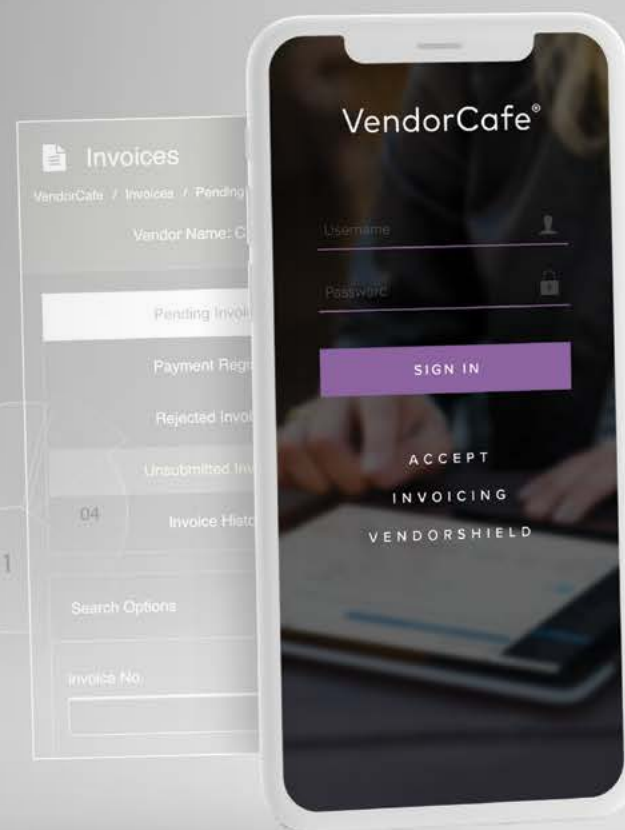
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**Among the teams** of heroes charged with public health and safety during the COVID-19 pandemic, property managers are key, charged with ensuring the safety of their tenants/residents, staff and guests on the property. Nothing surpasses the need for health and safety, and property managers, with their teams and service providers, take that seriously—never more than during this crisis.

The CPMs interviewed here have consistently put health and safety ahead of all else. But they also have a secondary mandate as they struggle to maintain the fiscal stability of the assets in their charge and face the implications of the economic slowdown caused by the virus.

Part of the issue is that different countries and jurisdictions are attacking the crisis with different plans. "The problem is very fluid right now, and every city is different," says Helen Moise, CPM, CCIM, and a member of the Arlington City Council in Texas. In the U.S., for example, "Large cities over 500,000 will receive federal assistance that can be directed to rental and mortgage assistance. Arlington, with about 400,000 residents, must rely more heavily on our network of charity organizations and available funds through our housing authority."



“*Arlington, with about 400,000 residents, must rely more heavily on our network of charity organizations and available funds through our housing authority.*”

—Helen Moise, CPM, CCIM

# Managing the unexpected

Property managers globally take on the COVID-19 challenge

By John Salustri



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“*The engineering folks are exempted from the stay-at-home orders because they're essential personnel. They're wearing masks and gloves and we've instituted procedures to limit their exposure by not having them work in occupied spaces where we can avoid it.*”

—Jeffrey S. Lapin, CPM, Coastal Partners, AMO

### Safety first

Whatever the stance of the municipality, state/province and country in which they operate, managers can't protect occupants without a healthy staff. “The critical question firms had to address at the onset of the pandemic was whether their employees are safe, followed by whether they're available to perform critical functions,” says Tenyson Zhou, CPM, executive director and partner at YSS Asset Management Co., Ltd. in Shanghai City, China. “It's important for me to be able to monitor the situation, provide a safe workplace and offer our employees the support they need.”

Zhou, who manages residential and office properties, says the outbreak in China occurred during the Chinese New Year, when offices were closed. “So, after discussions with our owners, we took immediate action to control and block access to all the buildings we manage, to prevent people from being infected.” None of the buildings in his portfolio are closed as of this writing.

Meanwhile, in Japan, the government is prohibited by law from closing buildings. But clearly, hotels wouldn't need a government mandate even if it were available.

Masashi Kawakami, CPM, a sales manager for Massive Sapporo Co., Ltd., manages lodging facilities in Sapporo, Yokohama and Kyushu. “Hotels

in cities are seeing occupancy rates lower than 10%, and almost all reservations have been canceled,” he reports. Stay-at-home orders have swelled the occupancies of rental homes. “They're nearly fully booked due to people evacuating cities. They're almost all long-term stays, which is a small silver lining during the pandemic.”

The precautions Zhou took for his staff are similar to those practiced by CPMs globally. Gloves and masks have become standard while skeleton crews and remote communications have become the way services are delivered. “Our executive staff, including our property managers, can elect to work remotely, and most of them do,” reports Jeffrey S. Lapin, CPM, vice president of property management for Coastal Partners, AMO, in Rocklin, California. “The corporate office is open and I'm here every day. The engineering folks are exempted from the stay-at-home orders because they're essential personnel. They're wearing masks and gloves and we've instituted procedures to limit their exposure by not having them work in occupied spaces where we can avoid it. And of course, if they don't feel well, they don't come to work. Period.”

Most buildings have been closed to public access, and common-area amenities are either shuttered or cleaned on a ramped-up schedule. “We communicate with residents weekly



“*The critical question firms had to address at the onset of the pandemic was whether our employees are safe, followed by whether they're available to perform critical functions.*”

—Tenyson Zhou, CPM, YSS Asset Management Co., Ltd.



“*Hotels in cities are seeing occupancy rates lower than 10%, and almost all reservations have been canceled.*”

—Masashi Kawakami, CPM, Massive Sapporo Co., Ltd.

on the precautions we're taking,” says Chrystal Skead, CPM, ARM, vice president of IREM Canada and a self-titled multifamily puzzle solver (and partner) at Clear Stone Asset Consulting Inc. in Calgary, Alberta.

She gives best practices to the residents in the 440-unit property she manages—tips such as “not touching elevator buttons with your hands and limiting the number of people in an elevator to two at a time. We have a robust amenities area, and we've closed that completely. We've asked our janitorial contractor to step up sanitization in the common areas, with special attention to anywhere we have people in 14-day quarantines.”

She adds that she's discontinued suite inspections and in-suite maintenance except for emergencies, and she's prepared for vacancy inquiries, though the pandemic has slowed the pace of those. If a prospect voices interest in a suite, “We're doing virtual tours on our website and via our smartphones.”

Robert Griswold, CPM, CRE, president of Griswold Real Estate Management, Inc., AMO, in San Diego, also has a plan in place should a prospect call. Griswold's firm, which manages commercial and residential properties in California and Nevada, uses current tech like online floor plans, but also old-school techniques, such as key-drop baskets and door slots for paperwork.

“Otherwise, it would be impossible to show people our apartments,” he says.

### The business impact

While the full financial impact of COVID-19 still isn't clear, the implications for rent revenue and the financial challenges for property managers were apparent from the start. After that initial blow, the impacts became even clearer, and managers began to see differences by market, property type and other factors.

“There are a large number of retail and office tenants negotiating rent payments,” reports Tokyo-based Hidekazu Sakihara, CPM, president of IREM Japan NPO and president and general manager of Owner's Agent, Inc. “We're also starting to notice residential tenants falling behind on rent payments.”

Government-subsidized rent relief is available in Japan in the form of residential securement subsidies “provided to those who will have trouble paying rent,” Sakihara explains, adding that these have recently been expanded.

“Previously the program included those who lost income because they were laid off or their workplaces closed,” he says, “but now subsidies will also be provided to others who were unable to avoid a loss in income, as long as they meet a few conditions.” Subsidies, which are provided for up to nine



“*We communicate with residents weekly on the precautions we're taking for them.*”

—Chrystal Skead, CPM, ARM, Clear Stone Asset Consulting Inc.





“There are a large number of retail and office tenants that are negotiating rent payments. We’re also starting to notice residential tenants falling behind on rent payments.”

—Hidekazu Sakihara, CPM, Owner’s Agent, Inc.

months, vary by region and number of persons in the household. For a single person in the urban center of Tokyo, the subsidy equates to \$499 per month but can vary even within the city.

Stateside, “We’re seeing a major impact on hotels, restaurants and retail centers,” says Moise. “We know that some of the businesses that have closed won’t reopen. I know local owners who are already working with tenants by abating rent and restructuring leases.

“Most hope to continue collecting operating expenses during this time while restructuring their mortgages with their lenders. The most successful have been very open with their tenants and started these conversations early.”

#### Compassion, empathy & rents

“We’re in partnership with our tenants,” says Lapin, whose firm handles office and industrial assets in the U.S. “Some have requested rent relief, and we’re working with them. It’s not just a transactional relationship. Listening and helping is the best approach, and our tenants have been appreciative.”

Angela Aeschliman, CPM, CCIM, LEED AP, agrees. “About 70% of our tenants have come to us for guidance on rent relief,” says the IREM Chicago chapter president and senior vice president of property and asset management for The Missner Group.

She explains that The Missner Group has been communicating with tenants from the beginning, and “we led with empathy and compassion and wanted earnestly to know how we could help them. We didn’t just wait for a tenant to become delinquent.”

Nevertheless, her owners need to know who’s going to be able to pay rent. “We

gave our tenants an open door to reach out to us, to see what solutions we could work out together,” she says, “but we did need to know if they were applying for any other funding.”

“We encouraged our tenants early on to apply for the various [Coronavirus Aid, Relief and Economic Security (CARES)] Act programs,” says Velda Simpson, CPM, ARM, of Kairos One Realty, a developer/manager of commercial properties in the Atlanta area. “We wanted to make sure tenants were doing all they could during this pandemic. We’re a team and we encouraged them to do their part.”

Simpson shares one way in which she approached her tenants with compassion during those first unpredictable weeks of the crisis. “I sent a personal wellness inquiry email for Easter to each tenant to make sure they and their families were safe. It wasn’t about any violations of rules and regulations or outstanding rent. We wanted them to know we’re here, and we’re praying for them. They were very appreciative.

“Still, many of them have come to us requesting relief,” she continues. “We’re waiving a late fee but, unfortunately, we aren’t allowed to forgive rental payment because of our financial obligation to the bank.”

Aeschliman adds that this business reality is a key part of Missner’s messaging as well. She underscores the fact that, “We’re a business too and we have mortgages to pay on these properties. We need to figure out how we’re going to manage our cash flow.”

Government relief efforts, while understandable during such a profound crisis, often complicate matters and have conflicting terms. Griswold points to the 120-day moratorium on



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—Velda Simpson, CPM, ARM, Kairos One Realty

evictions built into the CARES law, which has been thrown into overdrive in California.

“The Judicial Council of California came out with their own ruling that they will not accept unlawful detainers—evictions—for any reason or in any property type for at least 90 days after the governor has declared the emergency over.” Complicating the

issue is the definition of what constitutes an end to the crisis.

There’s also a timing disconnect between eviction moratoriums and owners’ own mortgage responsibilities. As IREM secretary and treasurer Barry Blanton, CPM, recently told GlobeSt.com, the stimulus contains “a mortgage forbearance clause for as long as 90 days, including extensions. But the moratorium on



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“  
The bottom line is that non-payment of a monthly loan for a couple of months will automatically trigger a foreclosure action.

—Robert Griswold, CPM, CRE, Griswold Real Estate Management, Inc., AMO

evictions is 120 days. While a landlord waits for rent money, their mortgage payments can come due.”

That disconnect can be devastating. “The bottom line is that nonpayment of a monthly loan for a couple of months will automatically trigger a foreclosure action,” Griswold says. “It can take months for attorneys for the borrower and the lender—at a cost of tens of thousands of dollars—just to do something as simple as restructure the loan to allow a few months of payments to be deferred.”

Chrystal Skead says she’s been “pleasantly surprised” by the lack of requests for rent deferrals in her building. “We’ve made arrangements with about 15 people until they receive the emergency relief funds being offered by the Canadian government to people who have either had to close their business or been laid off because of COVID-19. We’re working out payment plans until they get that funding in. But we’ve also had five people break their leases, and two skipped out completely.”

Some of her residents have even asked for rent reductions because the building common-area amenities

are shuttered. “But this wasn’t our decision and we want to open them as quickly as possible,” she says. “People are generally understanding when we explain that it’s temporary. We haven’t had that much pushback at this point.”

#### An issue of cost

Meanwhile managers can try to reduce the impact by minimizing operating costs, but that lowers the burden by only so much. “The operating expenses are trimmed a bit when occupancy is reduced, and that’s helpful,” says Lapin. “But we’re still open.”

“You’re still running the building HVAC,” says Aeschliman, “and still cleaning to a certain level. Even if you have one or two tenants coming into an office suite of 20,000 square feet, you still need to clean the entire space. You can turn down the lights and change your occupancy temperature settings, but you’re really not reducing costs all that much.”

She points to the additional burdens of contractors, such as janitorial, that charge not by the occupancy but by square footage. “And most contracts don’t take into account a pandemic.” Stepped-up sanitation also takes a bite



“  
After 9/11, I heard of many tenants who said they’d never want to be a tenant with this or that landlord again. When COVID-19 is no longer a crisis, we want them to know we did everything we possibly could.

—Angela Aeschliman, CPM, CCIM, LEED AP, The Missner Group

out of any savings, as does extra security, as in Velda Simpson’s case. “It’s a perfect opportunity for crime and vandalism,” she says, stating that some of her properties were hit. “People know the buildings are empty.”

#### This too shall pass

There will come a time when COVID-19 will fade into ugly memory. But it will take time.

“People won’t be able to operate freely until there are measures to prevent the spread of the coronavirus, most notably a vaccine,” says Kawakami.

Moise sees the recovery from her perspective on the Arlington City Council: “This will be a slow process of recovery over a period of months and possibly a couple of years. The top priority will of course be to continue to protect our citizens from this virus. As a city, we anticipate that as we reopen businesses we’ll have to pull back again if we see a rapid escalation in the number of cases. For this reason, we’ll give clear guidance at each step and encourage property managers to take a very active role in managing the safety and response at their assets so we can continue to ease restrictions over time.”

Indeed, safety is job one for all the managers interviewed for this story. “Our primary goal is to keep our people, tenants and buildings safe,” says Lapin. “When it’s time to start opening things

up again, and it comes with specific safety recommendations, we’ll follow and enforce those guidelines.”

It will also take time to weigh the lessons learned. “It’s still too early,” says Simpson. “But we know we’ll have to revisit our leases to make sure we have protections in place for ourselves and our tenants. We have a very loyal tenant base, and we want to keep them.”

“Next to safety, my priority will be to follow through with the payment plans we’ve put in place with the residents,” says Skead. “We’ve allowed deferrals, but over time the full payments need to be made. We also need to help our retail tenants to open and flourish again—those that can.”

Key to weathering both the crisis and its aftermath is communication. “I want to make sure the tenants have regular communication from the management team spelling out what we’re doing and how we ramp up opening up the buildings,” says Aeschliman.

“After 9/11,” she recalls, “I heard of many tenants who looked back and said they’d never want to be a tenant with this or that landlord again. When COVID-19 is no longer a crisis, we want them to know we did everything we possibly could.” ▀

John Salustri is a contributing writer for JPM.

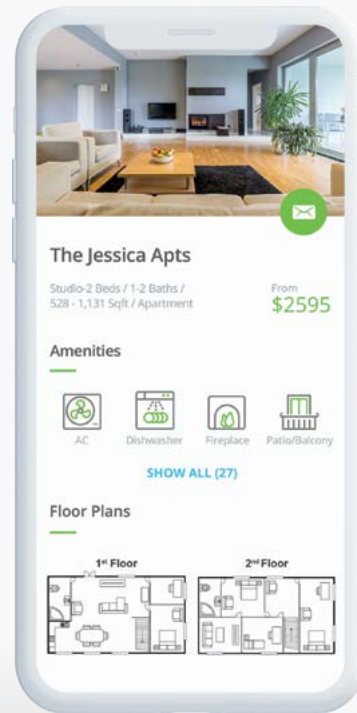
Gloves and masks have become standard while skeleton crews and remote communications have become the way services are delivered.



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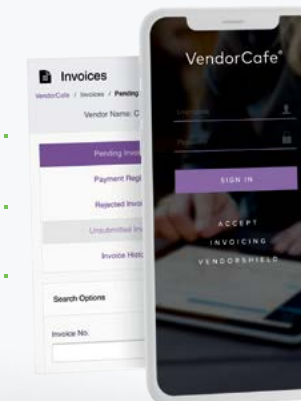
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ILS posting	✓	✓
Online applications	✓	✓
Online payments	✓	✓
Online maintenance	✓	✓
Email & text communications	✓	✓
Walk-in payments with PayNearMe	✓	✓
Vendor payments	✓	✓
Owner payments & reports	✓	✓
Live chat support	✓	✓
Renters insurance*	✓	✓
Resident screening*	✓	✓
Corporate websites*	✓	✓
Property websites*		✓
Online lease execution*		✓
Customer relationship management		✓
Job cost tracking		✓
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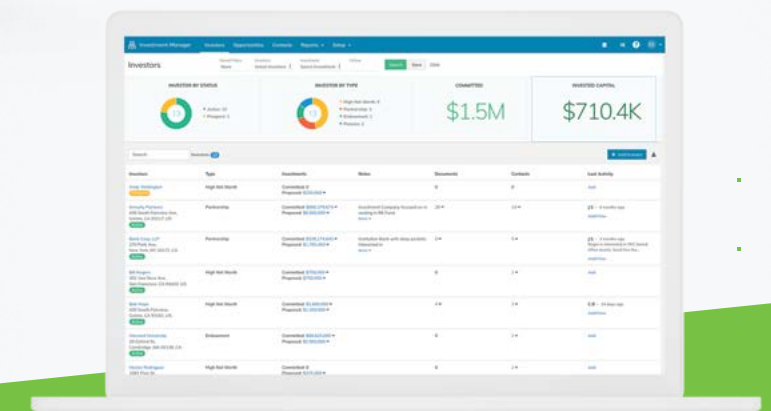


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# In search of

Finding ways to boost revenue using your current assets

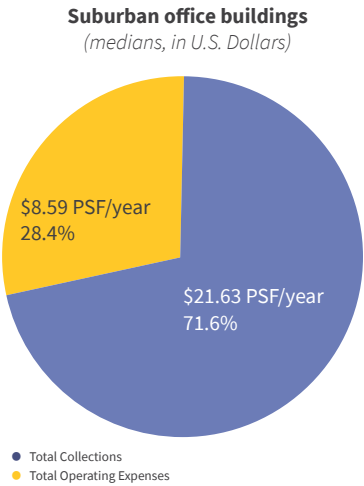
By Thomas A. McAndrews, CPM, CSM

# income

**Most property managers** concentrate on expense reduction because they don't believe they can control income or capitalization rate. Untrue! A good property manager should be able to reduce expenses, lower the cap rate and improve income. The latter option—increasing revenue on an office property—will be the focus of this article.

**Increasing income vs. decreasing expenses**  
The goal of most asset managers is to maximize the building's value. The primary way we value real estate is by using the income capitalization method. Simply put, the income or net operating income (NOI) divided by a capitalization rate will determine value. Property managers should focus on increasing income because it has a greater impact on NOI and value than reducing expenses.

**To illustrate this point, let's look at median collections and operating expenses for U.S. suburban office buildings<sup>1</sup>:** Of the 723 suburban office properties in the data pool for these statistics, the total median collections were \$21.63 per square foot (PSF) per year, and the total median operating costs were \$8.59 PSF per year, which equates to an NOI of \$13.04 PSF per year. We can see that total collections are a much bigger portion of the pie than expenses (71.6% and 28.4%, respectively). A 10% decrease in expenses improves the NOI by 6.6% to \$13.90 PSF per year.



A 10% increase in collections would equate to an NOI of \$15.20 PSF per year, a 16.6% increase. If you use a cap rate of 5% on those NOIs, you arrive at values of \$278 PSF per year by decreasing expenses, versus \$304 by increasing income.

This example illustrates why managers should also focus on income. The same percentage change in the income has a much greater impact on NOI and value.

**Finding income opportunities**  
Now let's examine the sources of income to help you focus your efforts.

	Downtown	Suburban
Office rent	85.03%	94.23%
Pass-throughs	5.09%	3.63%
Retail rent	2.87%	1.02%
Parking	5.81%	0.53%
Misc.	1.20%	0.59%

Owners and managers should ask themselves if they can increase office rent, pass-throughs, retail rent, parking income or miscellaneous income. If so, how?

**Office rent**  
Rent is by far the largest source of revenue for office buildings. You can increase this revenue stream by increasing rate and square footage or decreasing concessions and vacancy. In the area of office rent, consider:

**The rental rate:** When was the last time you studied market rents, concessions and occupancy rates? It is important to do market surveys often and ask the right questions to ensure you are not leaving money on the table. If you're 100% occupied, is your rate too low? Know your market and adjust your rent to market.



Do you have the right brokerage team? When was the last time you interviewed several brokerage teams to get different perspectives on the market and your building? Brokers are experts on the market and most likely have competed against your building. Get their ideas on its strengths and weaknesses. What rent and concessions do they recommend? How quickly do the brokers think they could lease your vacancies? You might be able to improve your building's standing in the market and, hence, the rental rate.

**Rent escalators:** Use rent escalators in your leases to keep pace with inflation as well as increase your annual rental collections from existing tenants. Common escalators include:

- Stepped increases (for example, \$1 PSF per year or 3% per year)
- Variable indexed increases (typically tied to an index that tracks the rate of inflation, such as the consumer price index, or CPI)
- Operating expense increases (base year, expense stop and triple net)
- Percentage-of-sales clauses typically found in retail leases

**Capital improvements:** Consider these upgrades to increase a property's marketability and generate higher rental rates. Areas to focus on include the building's curb appeal, renovations of common areas, amenities and green policies. These improvements seem to generate more velocity and rental growth than capital improvements involving mechanical or roofs.

**Greater velocity:** Vacant space is potential revenue that is lost forever. Create a sense of urgency about renting your vacancies. Every lead matters. If brokers and managers get only one or two chances a week to rent a space, how they handle those opportunities is critical. Create a scripted showing to highlight the property's strengths. Make sure curb appeal, common areas and vacancies are in top condition. Do you have competitive market rent and concessions, as well as a marketing strategy? Monitor your closing success, and get feedback from the lost leads.

**Short-term leases:** Some tenants can't do long-term leases. If your property can accommodate short-term leases, you expand your pool of potential tenants. For example, movie studios typically will not sign leases for longer than their promised funding. If a pilot show is successful, these short-terms tenants can become long-term tenants. In one instance in my business, a movie studio did a short-term lease with an office project in Burbank. They've now been a tenant for over eight years.

**Square footage:** The building's rent revenue is rental rate per square foot multiplied by total square footage. Most owners, managers and tenants focus on the rental rate part of that equation. Property managers should also think about the square footage part. Can you increase the building's rentable square footage? YES.

Remeasuring the property to the latest standards developed by BOMA International can increase the rentable area of your property and hence your gross income and value. BOMA 2017 for Office Buildings: Standard Methods of Measurement (ANSI/BOMA Z65.1—2017) includes the square footage of areas such as balconies, terraces and stairs at the lowest level of a building—a change compared to the previous version. This has been a trend. According to Peter Stevenson of Stevenson Systems, a company that specializes in measuring buildings: "Within the last 25 years, the BOMA Standards have implemented significant changes which have increased the area that determines the leased square footage (rentable area) of a building by as much as 24%."

Implementing the new square footage can take time. Some leases will immediately let you change the square footage and rent, but most office leases will not. More typically, we change the tenant's square footage as the lease renews.

## Income ideas

Here are some options to consider when looking for new income sources on your property.

- Rooftop satellites/antennas
- Late fees
- Advertising/signage/billboards
- NSF charges
- After-hours HVAC charges
- Recycling programs
- Submetering of tenant's electricity
- Conference & media room rental
- Storage
- Concierge services
- Bike storage
- Above-standard janitorial charges
- Pet rent
- Building Wi-Fi
- Gym usage
- Common area rentals
- Car wash
- Administrative fees

For example, a client of mine remeasured a 93,400-square-foot suburban office building in Orange County, California. By doing so, the building picked up 2,300 additional square feet. Rents on this building are \$15.60 PSF per year triple net. As a result, the potential gross income grew by \$35,880. With this, the building's value increased significantly. Buildings in this market have average sales prices of \$300 PSF (2,300 sq. ft. x \$300/sq. ft. = \$690,000), and cap rates in this market have averaged 4.6% (\$35,880/.046 = \$780,000). Either way you value the property, the client created approximately \$700,000 in value, and the total cost for the building's remeasurement was less than \$2,500.

### Operating expense pass-throughs

Office pass-through clauses can be confusing and complex. However, it is very important to understand and enforce them. Owners and property managers who find them too complex and ignore them will lose money. When applied without being fully understood, they can be miscalculated to the detriment of the landlord. Again, lost income!

For example, the new property management team on a building in Los Angeles reviewed the historical pass-throughs and found the lease allowed the landlord to pass through the increases in ground rent. The ground rent had escalated approximately \$100,000 over most of the tenant's base years. The team decided to pass through the increase, which resulted in \$80,000 in new revenue annually. This translates to \$1,000,000 in value.

When it comes to pass-through mistakes, common ones include missing the deadline for the invoice; not grossing up comparison years for occupancy; and not including all expenses allowed, such as permitted amortized capital expenses, interest, ownership expenses and parking expenses. The bottom line is, if you don't read the lease carefully, you may be losing income opportunities.

### Retail rent

Can you create retail space out of office space? Ground floor space in larger office projects or projects adjacent to dense population areas with good foot traffic may be right for conversion. The addition of retail or other amenities can increase the rent on the office space.

Keep in mind that conversions are often capital-intensive. Less capital-intensive retail options include coffee carts, vending machines and snack shops.

### Parking

Along with market rent for office space, you should survey the market parking rent often to make certain you are

maximizing revenue. Do you have the right mix of reserved, monthly and transient spaces to maximize revenue? Can you raise rates on any of those categories? Periodically interview parking service providers to get their opinions on rates, mix and occupancy levels. Like remeasuring a building, can you create more spaces by restriping?

Is the parking deck or lot being underutilized? If so, consider leasing the unused spaces to non-tenants, such as an adjacent building's tenants, car dealers or rental companies and government agencies. If your property is near a stadium or college, consider whether event attendees could pay to park there.

### Miscellaneous or other income

Finding new sources of income can be more of a challenge. Get creative with adding amenities, services and fees. There might be opportunities for adding income through other services and amenities (see sidebar on P 28).

In Orange County, the owner of an office building takes advantage of a particularly large and lovely lobby by renting it out on weekends for weddings and other events, including my daughter's high school dance. The building charges \$5,000 per event and has brought in roughly \$50,000 annually.

### Paying it forward

Maximizing your revenue from all sources is an ongoing process. Work with your team to keep revenue generation and value top of mind. Be creative and open to new ideas. Involve all stakeholders including owners, managers, accountants, vendors and contractors, who often have some of the best ideas for new revenue. As an IREM instructor, I always ask my class, "How have you created value?" I have "borrowed" some wonderful ideas from them as well.

A benefit of being a third-party property manager is all the accolades we get from tenants, owners and vendors. Just kidding! The benefit is learning from all these individuals and then bringing the best practices they generate to all your clients.

My sincere thanks to my team, owners, vendors and students for all that you have taught me! ▀



**Thomas A. McAndrews, CPM, CSM**, is the founder and president of Tiarna Real Estate Services, a West Coast regional real estate firm with offices throughout California and Colorado. He is also an IREM instructor and teaches certification courses both in the U.S. and internationally.



# Short circuit

Detecting fraudulent applications prevents costly evictions

**In the modern film classic** "Field of Dreams," Kevin Costner's character receives some other-worldly wisdom: "If you build it, he will come." This works very well for fictional farmers who want to turn a parcel of farmland into a baseball field—especially one that has no admission fees.

But in the real world of property management, owners have built rental accommodations with an eye to getting a fair return for their investment. They and, by extension their property managers, expect to have rents dutifully paid according to the terms of the lease. The lease is a contract, a good-faith agreement that the renter and landlord enter into based on certain assumptions, the main one being that the renter can pay the stated rent. The property/leasing manager relies on the rental application for income information, as well as the person's identity, creditworthiness, rental history and more to determine if the person can, in fact, pay.

If information on that application is deliberately falsified, it can lead to a costly chain of events for property managers, beginning with skipped rent and possibly ending in eviction.

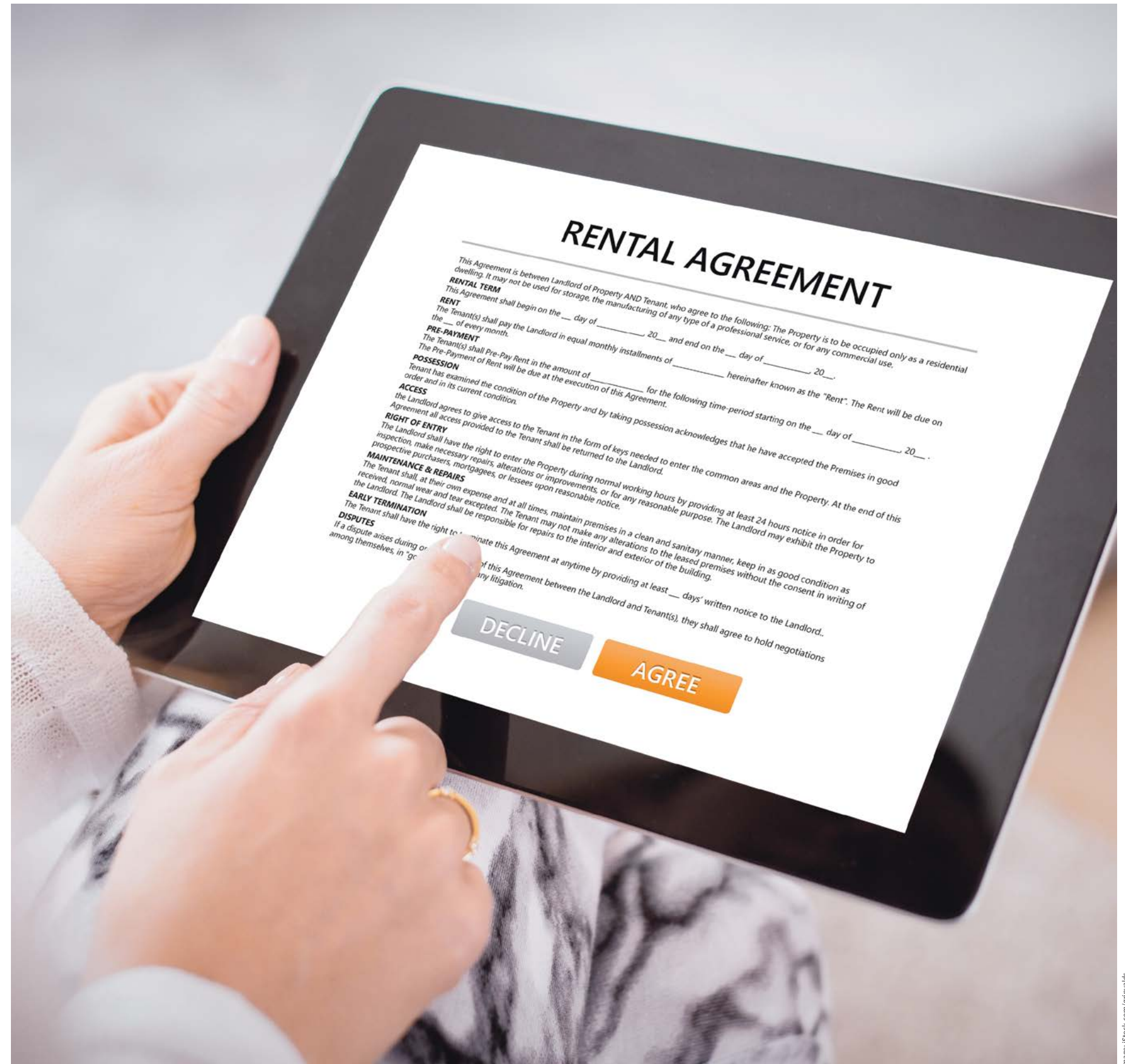
Chad Vasquez manages Circa LA, a premier Greystar Management Services, AMO, property in downtown Los Angeles. He has been in the industry for more than a decade and admits that bogus applications have become

a bigger problem than ever before. "In some markets it is very prevalent," he asserts. He notes that a property's market factors into the degree of risk. He managed properties in Hollywood before moving downtown and shared that he had to deal with a fair number of bad-paying residents in the area, which attracted a lot of newcomers.

The attraction factor hasn't gone away, though, now that he is responsible for a 648-unit pair of luxury towers across from L.A.'s Staples Center. He still sees fraudsters lining up to try to get in. "Developers think that when you build something really grand and sophisticated, they're going to get really good-paying renters. But we get a lot of people who know the law [around evictions] and are trying to live rent-free, even if it's just temporarily."

## The scope of the problem

A 2018 survey of property management companies confirms that application fraud is an ongoing and





growing problem. The survey “Misunderstanding And Inconsistency: The State Of Fraud In The Rental Housing Industry,” was prepared by Forrester Consulting on behalf of the credit reporting agency TransUnion. The respondents, who managed anywhere from two to more than 10,000 units, reported that 97% of them had experienced fraud in the properties they managed over the previous two years. A significant portion—73%—said they discovered the fraud after move-in.

Many factors play into this phenomenon. Some are extrinsic, coming from the network of bad payers and fraudsters. These rent cheats are becoming more and more adept at their methods, and they are making those methods available to others via online sites dedicated to scamming the application process.

Another factor resides with property managers’ own push to use technology—technology that can be thwarted. Property managers and sales leads are responding to resident desires to have as many services as possible accessible online or through mobile apps, including self-guided property tours, rent payments and amenities sign-ups.

## By the numbers

Estimated rate of evictions due to fraud  
**15%–30%**

Estimated percentage of fraudulent applications  
**8%** in-person applications; **15%** online

Typical number of months of lost income per unit  
**6 to 8**

Estimated cost of single resident eviction  
**\$7,000–\$7,500**

Eviction filings per year (U.S. 2016—all causes)  
**2.3 million (1 in 20 rentals)**

Sources:  
“Misunderstanding And Inconsistency: The State Of Fraud In The Rental Housing Industry.” Forrester Consulting for TransUnion  
“First-Ever Evictions Database.” NPR  
Snappt survey, conducted by ReRez Research



“*We get a lot of people who know the law [around evictions] and are trying to live rent-free, even if it’s just temporarily.*”

—Chad Vasquez, Greystar, AMO

The application process has also gone digital; respondents to the Forrester survey report that roughly 59% of applications are now made online. In some cases, managers eager to give a quick, positive response to a prospect may not take the time that is really needed to vet the applicant.

### That’s how they get you

There are two main categories of fraud that are being perpetrated. The first type revolves around identity documents. Applicants use fake driver’s licenses or stolen or fake social security numbers. Scott Ellerbrock, president of AmRent, a national renter screening service, says that ID fraud is one of the biggest problems in the industry. “Eighty-five percent of all fraud is synthetic identity fraud,” he says. “With today’s technology, someone committing fraud can present what appear to be valid documents and history—including credit history—which makes it very difficult to stay ahead of fraudsters and identify them before they move in.”

Trying to detect fraudulent IDs or stolen credit cards and social security numbers manually is a difficult and time-consuming process. Some fraudsters cobble together pieces of valid information from several sources, effectively cloaking themselves in realistic data. “In the last five years, I’ve seen all sorts of ways people try to fool you,” Vasquez says. “But as seasoned as I am, I was not able to find out everything about [certain bad payers]. I can only imagine that people who are new to the business or who’ve moved to a new region are probably missing twice what I’m getting.”

Many managers have relied on in-house tools to screen applicants, but that is changing. To combat the groundswell of fraudulent applications, property managers are starting to use third-party providers who offer services that can quickly run checks on everything from rental history to identity theft to criminal history. For example, AmRent “recently rolled out a new product called REV (Rapid Employment Verification) that uses an applicant’s direct deposit

history to help our customers electronically verify income and employment, as well as identify pay stub fraud,” Ellerbrock reports.

### Looking good on (electronic) paper

The second main type of fraud is financial in nature. In these cases, prospective renters are who they claim to be, but they doctor their financial documents—bank statements, pay stubs or other asset reports—to appear more desirable as prospects.

Fortunately, technological solutions are available that can help managers with this as well. Daniel Berlind, CEO and co-founder of Snappt, describes how his company’s software can verify the authenticity of documents submitted electronically. “There are companies that help with fake driver’s licenses or social security numbers. We saw an opportunity to work with financial fraud,” Berlind, who has a background in property management, explains. “People are either taking authentic documents and altering them or going online to get templates that look exactly like legitimate bank statements or pay stubs that they can fill in with numbers that make them look good.”

The Snappt software scans the submitted PDF documents and evaluates them for any alterations. They are compared to legitimate documents for things like logo color and layout, and even examined structurally to see if information has been added or taken away. “We have a deep understanding of how a PDF is made,” Berlind says. In addition, Snappt’s machine-learning algorithm examines historical data for the account to expose anomalous transactions or balances.

The entire check can be accomplished within 24 hours. If suspect data or document alteration is found, Snappt informs the property manager, who can then tell the applicant why their application is being rejected. The information is fairly specific, so if the person wants to



“*There are companies that help with fake driver’s licenses or social security numbers. We saw an opportunity to work with financial fraud.*”

—Daniel Berlind, Snappt Group

## Best practices

**Make sure everything matches up.** Deposits—especially automatic payroll deposits—should match amounts on the bank statement.

**Call sources** like employers and previous landlords yourself instead of relying on a supplied phone number that might belong to a friend or accomplice.

**Conduct an interview.** The applicant should be prepared to present a photo ID, as well as hard copies of utility or phone bills from the address on the application.

challenge or correct the record, they can. When asked about the chance of “false positives,” Berlind says that “the last thing we want to do is falsely accuse someone. The system is designed to find a ‘smoking gun.’ Someone putting a black bar over something innocuous—like covering their account number— isn’t really what we’re looking for. Adding a zero to their monthly income is.”

Vasquez has been using Snappt and is a fan. “The software can help with human error,” he says. “It helps us with due diligence and saves me the time of Googling past addresses and so forth. If the report says ‘edited,’ I [can turn the person down and] don’t have to worry about it. I send them over to Snappt if they want to dispute it, and if they are cleared, then I can approve them. It saves me time and headaches.”

All this being said, be sure to evaluate the claims of anyone who approaches you with an innovative technology-based solution. Dr. Aleksandar M. Velkoski, director of data science, IT at the National Association of REALTORS®,

advises maintaining a healthy skepticism. “I’d encourage you to challenge companies to demonstrate that offerings have been developed by a team with sufficient expertise in the technology that is being sold and work as expected. If solutions incorporate artificial intelligence to detect and eliminate fraud, make certain those solutions include strategies for mitigating bias. If you’re still not sure about what to do with an offering, consult a trusted independent advisor or someone knowledgeable on the technology.”



# Open-ended

## Office space and remote working in the age of COVID-19

By Sam Azasu and Dr. Yomi Babatunde



**W**ith the worldwide spread of COVID-19, the property management industry has been thrust into the conversation about office layout best practices. This is a perfect opportunity to review how property owners and managers can use space planning to help tenants achieve their work goals and keep workers safe, and how changes in remote work policies can be best incorporated moving forward.

Workplaces around the world have been moving away from traditional cubicle design toward open plans and co-working-inspired designs. Among the reasons for this shift are technical progress and a growing need for more collaborative working environments. Another key driver appears to be the reduced cost of space per worker in open and co-working spaces. International studies have shown that

**Bookmark**  
the **IREM**  
**COVID-19 resource**  
**page** for tools and information to support property managers as they navigate the ever-evolving coronavirus landscape.

direct real estate costs are second only to salaries and wages in the corporate operating budget, making office use an expensive undertaking.

Opponents of conventional office designs argue that these workspaces restrict users' creativity due to limited

opportunities for interaction, while supporters of flexible and open office designs argue that they boost creativity. Still, over thirty years of research has documented the negative impacts of open office layouts on users' experience of their office space.

### What the research says

Longitudinal studies have shown significant deterioration in workspace satisfaction with the rise of open offices. The studies find that open-plan layouts increase distraction and eliminate privacy.

In a 2018 report titled "The impact of the 'open' workspace on human collaboration," Ethan S. Bernstein and Stephen Turban investigate the pattern of human inter-

action when workers transition to open-plan spaces. This is what they report:

"Contrary to common belief, the volume of face-to-face interaction [in open office spaces] decreased significantly (approx. 70%) in both cases, with an associated increase in electronic interaction. In short, rather than prompting increasingly vibrant face-to-face collaboration, open architecture appeared to trigger a natural human response to socially withdraw from officemates and interact instead over email and IM."

Remote working can lead to weakening connective capital. This concept, developed by Casey Ichniowski and Kathryn Shaw of Columbia and Stanford Universities, respectively, refers to the phenomenon by which a worker's ability to solve a problem depends not only on their own skills but also on the skills and competencies of the team to which they belong. This is because "spillovers of knowledge among co-workers serve as a way to multiply the expertise of skilled workers."

### The rise of remote working

Remote working had been on the rise thanks to developments in mobile computing. This was before the coronavirus struck, spreading so rapidly that companies shuttered and "social distancing" became a requirement.

The sometimes frowned-upon notion of remote working has become normal and accepted.

The conditions for remote work vary based on country. In countries like Sweden, mobile computing is allowed under strict conditions—the employer is required to ensure the employee's home workspace passes health and safety checks and the employee has the right equipment to work from home.

Spain tried to buck the trend toward greater remote working when they put in place in May 2019 a requirement for employers to record the length of employees' working hours. Some employers responded with a "face time" requirement by asking workers to physically check in and out of work using biometric systems. With COVID-19, Spain moved to facilitate remote working.

In places such as South Africa, a move toward increased remote working is likely to be a challenge. In addition to cybersecurity, unstable energy supply remains an ongoing problem. Paternalistic work cultures, like the one that persists in Spain, will also conflict with remote working. In countries around the world, laws will need revision, and management culture will have to undergo drastic change.

Remote working, by its nature, reduces chances for accidental meetings that lead to strong bonds and the discovery of the skills and talents of the people we work with. Dealing with this requires the installation of strong technological infrastructure that facilitates information sharing and remote teamwork. This infrastructure must be highly protected from cyber-intrusion as well. The role of property managers in the maintenance and security of IT installations will only grow as a result.

### An unclear future, a certain responsibility

It is unclear where workspaces are going once the pandemic dies down. Will we revert to cubicles or highly-partitioned spaces with greater space per worker because of the health benefits of distancing? Occupant demands may hold the clues. For example, a recent survey conducted by Bospar shows that 52.9% of Americans believe open offices will lead to an increase in coronavirus infections. What other opinions do workers have about their spaces in this new normal?

What is clear is that property managers and their employers must strengthen health and safety protections. Property managers will need to maintain the sanitation stations that were hastily installed at the onset of the pandemic and continue tenant education programs. Flu season immunization programs and other health and wellness efforts will now

## A young chapter continues to grow

In 2018, IREM established its first chapter on the African continent, the South Africa Gauteng Chapter. In 2020, the chapter grew by another 22 CPM members. The IREM education program in South Africa is offered in partnership with the University of the Witwatersrand in Johannesburg. The chapter has actively attended the Global Summit and for the past two years was joined by ministers from the Department of Public Works and Infrastructure in Ft. Lauderdale and San Francisco.

be a value-add service that property managers can offer in their buildings.

Building systems may also need rethinking. For example, touch-based biometric systems were among the first to be disabled at the University of the Witwatersrand, where we work, to limit the risk of infections while entering the university.

We also need to be mindful that long periods of isolation may have left some psychological damage among our tenants' employees. Employers must stand ready to provide psychosocial support, and property managers may need to allocate space for that as part of their management service.

These issues are all at the forefront as we reconsider open-plan spaces, co-working arrangements and remote working. The future of the office is happening now, and property managers' roles are evolving with it. We must watch these developments carefully to provide the best solutions for our tenants. ▀



**Sam Azasu** is an associate professor of real estate and an educational developer at the University of the Witwatersrand in Johannesburg, South Africa. His research, which includes corporate real estate and employee reward management, has been published in Europe and the United States.



**Dr. Yomi Babatunde** lectures on project management at the University of the Witwatersrand. His research interests focus on total quality management (TQM), and he is active in several project management associations throughout the world.



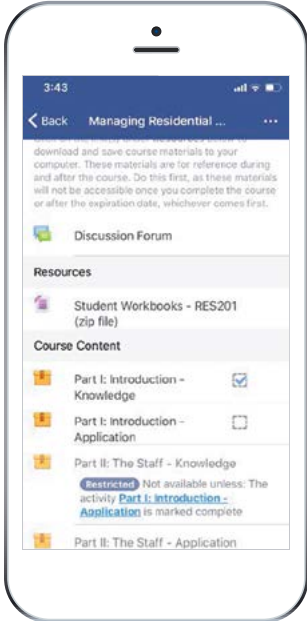
# Thirsty for knowledge

The Education and Knowledge Products Committee supports the need to always keep learning

By Jeff Bettinson, CPM

As IREM upholds its standing as a knowledge-rich institute, the Education and Knowledge Products (EKP) Committee plays a key role in guiding the development and delivery of content that is relevant and useful to our industry.

Our group of dedicated committee members has tackled IREM content from several angles, from the platforms on which knowledge is delivered in an era of rapid digital transformation, to more foundational formats, like publications and courses. We're also working on projects that will maintain the Institute's position as a trusted source of industry knowledge. The committee has already completed several projects in 2020, with more to come before the year is done.



The IREM Learning App, now available on mobile devices



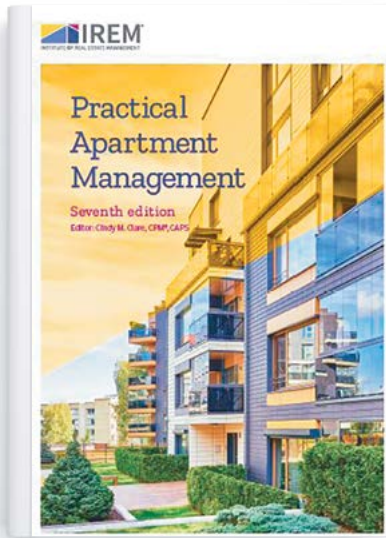
### New IREM delivery channels and content

One of the really exciting products the committee launched in 2020 is the **IREM Learning App**, a mobile version of the IREM Learning platform, allowing students to learn on the go. In the IREM Learning App, students can do things like access their course materials, take online courses and attend webinars. They can even download content, similar to Netflix, so that learning can continue when Wi-Fi is not available.

You may have noticed that we also completely redesigned JPM Online with a brand-new look and more searchable content. This fresh digital format turns JPM, which many of us consider a key member benefit, into a constant source of expert insights and useful tips. I encourage you to bookmark JPM Online on your browser now at [jpmonline.org](http://jpmonline.org).

We've released the next edition of **Practical Apartment Management**, a mainstay IREM publication that continues to be a time-tested, comprehensive and practical guide to trends and best practices in residential management. The updated edition has today's marketing and leasing strategies, key amenity and service differentiators for staying ahead of the competition, new trends in technology and property management, and expanded coverage of assessing the investment potential and market value of the property.

And in response to changing demands of the industry, we also launched the course **Managing Mixed Use Properties (MXD201)**, as this asset type continues to see increased development. As a source of knowledge for all asset classes, IREM is uniquely positioned to address this demand. The



course teaches key considerations for managing mixed-use properties from maintenance to staffing and budgeting.

This year, IREM will offer over 100 live webinars on topics from CAM reconciliation to leading teams to social media marketing, in addition to on-demand courses that can be accessed

and viewed at any time through the IREM website.

### IREM responds to COVID-19

The onset of the COVID-19 outbreak in early 2020 prompted the EKP Committee to shift IREM's means of education delivery, initiating a move to a virtual delivery model for many courses. Instructors quickly learned the new platform and were able to facilitate courses to students everywhere. Our responsiveness has allowed hundreds of students to continue uninterrupted on their paths toward a certification.

We're always trying to find the silver linings during this pandemic, and one such item was the launch of a new IREM podcast—**From the Front Lines**. This podcast series began as a way to share important information and best practices as managers around the world dealt with the

IREM now offers courses via virtual delivery



impacts of COVID-19. The podcasts cover pandemic-related challenges—and surprising opportunities—in areas such as virtual leasing, business interruption insurance, cleaning techniques and remote team management.

### Timely content, backed by research

As always, our committee has guided development of content. For example, we continue to suggest topics to cover and identify webinar speakers and JPM authors. We have one workgroup, or subcommittee, that focuses specifically on this, to make sure our organization gives members and the industry timely information.

A second committee workgroup has focused on an upcoming revision of the *Best Practices: Real Estate Management Service* publication. This publication shares over 50 best practice statements organized around four categories:

- The management company
- Client relations
- Management of the property
- Tenant and resident relations

A third workgroup of the committee has contributed to another exciting project this year—the Job Analysis survey. On a periodic basis, IREM works with a professional psychometrician consulting group to conduct an analysis of the property manager's role. We use the data to ensure that our course content and exams continue to meet the needs of the profession. This workgroup will review survey results and determine any next steps based on the outcomes of the survey.

### Forging ahead

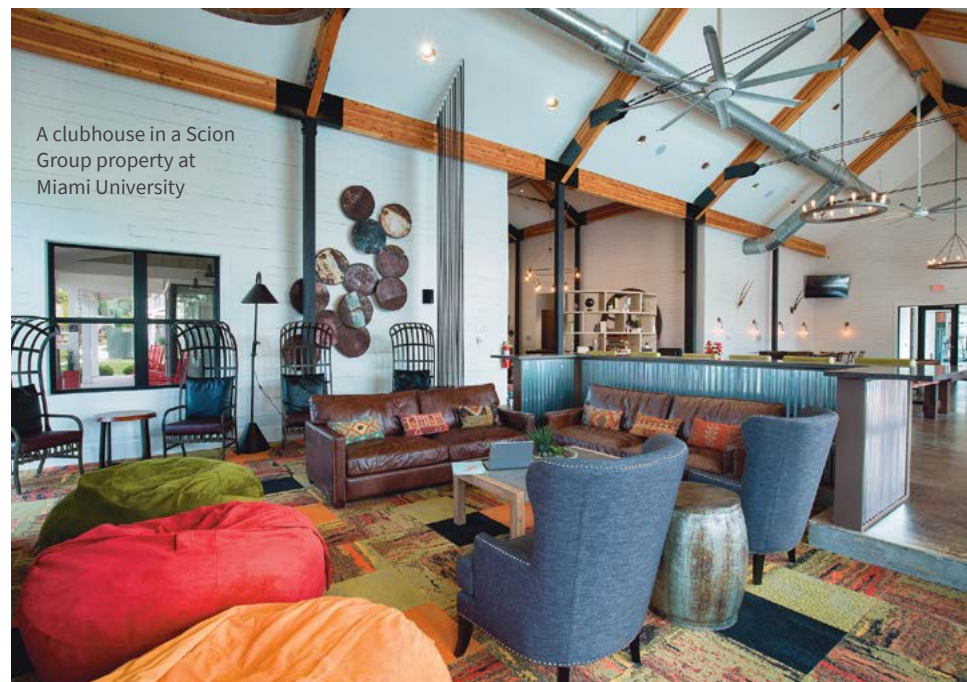
Recent experiences have only served to remind us all that the real estate management industry is vital to our communities and the people we serve. We need a near-constant stream of information on both established best practices and emerging trends in order to do our jobs well and operate safe, successful properties.

IREM's Education and Knowledge Products Committee is committed to helping managers everywhere get that information and build knowledge for today's challenges and tomorrow's opportunities. ▀



**Jeff Bettinson, CPM**, is the chair of IREM's Education and Knowledge Products Committee and an IREM instructor. He is the owner of an iTrip Vacations franchise in Utah, managing vacation rental properties for clients along the Wasatch Front. Read his insights on short-term rental management in the Property spotlight column of JPM's Mar. Apr issue.





A clubhouse in a Scion Group property at Miami University

# Stellar dwellings

## Today's upgraded student housing

For decades, the student housing experience was a predictable one. Freshmen, for the most part, lived in on-campus dormitories with a roommate; sophomores and upperclassmen had the increased options of off-campus residences—two-flats, smaller rental houses, apartment complexes with few amenities—or sorority or fraternity houses, for some. While these are still options, many of today's university students also have choices that offer additional comforts and conveniences.

"Modern student housing is dramatically newer, nicer, safer and better run," says Robert Bronstein, president of the Chicago-based Scion Group. "Our buildings look like modern Class A apartment buildings."

The largest privately held owner-operator of student housing communities in North America, the Scion Group has a portfolio of 86 communities with 55,000 bedrooms on 54 campuses. Almost all of the Scion Group's communities are located near large public institutions of higher education, such as University of Florida, University of Georgia and Purdue University in Indiana.

The biggest building in the Scion Group portfolio has around 1,500 bedrooms, and most of the others have at least 300. The average is 650.

### Amenities reign supreme

Many of these communities offer amenities like furnished units, access card swipes, elevators and even 24/7 doormen. The list continues with pools, gyms, upscale common areas, sizable outdoor terraces and large-screen TVs. Renters pay by the bedroom, free of the responsibility of finding roommates or paying the price of empty bedrooms. Parents, many of whom are guarantors, like the updated safety offerings.

While renters might pay a premium for the amenities, Bronstein says it is well worth the price tag. "For better or worse, the cost of getting a degree is higher. So when people look at the relative cost of nice housing, it offers a lot of value and flexibility."

### Demand for more

The popularity of these communities began growing in the early 2000s when increased university enrollment demanded better housing options. In 2000, 13.2 million undergraduate students enrolled in degree-granting postsecondary institutions. By the fall of 2019, that number had reached 16.9 million, according to the National Center for Education Statistics.



A Scion Group property at Louisiana State University

Images: The Scion Group

Bronstein and his brother, Eric, began developing these modern student housing communities in 1999 after experimenting with purpose-built housing and forecasting for increased demand.

Investment interest in this housing option has also climbed. According to data by Knight Frank, global investment into purpose-built student accommodation reached a record \$16.3 billion in 2018.

Bronstein predicts this interest will only increase. "Student housing is an industry that had had zero innovation in the last 70 years. This is 100% the housing of the future."

### Residing in a pandemic

Along with providing desirable amenities and answering a need for a growing student population, the spread of COVID-19 has given modern student housing another opportunity to prove its value. When schools began shutting the doors of the university-run student housing, Bronstein says that the Scion Group signed hundreds of leases within a few weeks. He notes that the modern communities have adapted to the pandemic with actions like closing common areas and bumping up the frequency of cleaning schedules.

They also were in a good position to facilitate contact-free leases, as they had already been closing approximately 75% of leases electronically before the pandemic. Bronstein expects electronic lease signing to reach 90% soon.

### Neighborly ways

Without a university or college, there would be no student housing, so this is a relationship that enterprises like the Scion Group do not take lightly.

"It's a symbiotic relationship," Bronstein says. "We try to be a good

neighbor to them because if something negative were to happen, it falls on their doorstep as well."

As for the universities, Bronstein says he believes they recognize the benefits of having these high-quality communities near campus. Because of these additional housing options, universities are able to close down functionally obsolete residence halls from the '50s or '60s and be more selective about who lives on campus, he says.

"Many large public schools house first-time freshmen and a few other select populations, and they are happy to have students who do not fit those categories live off-campus in safe, high-quality housing," he says.

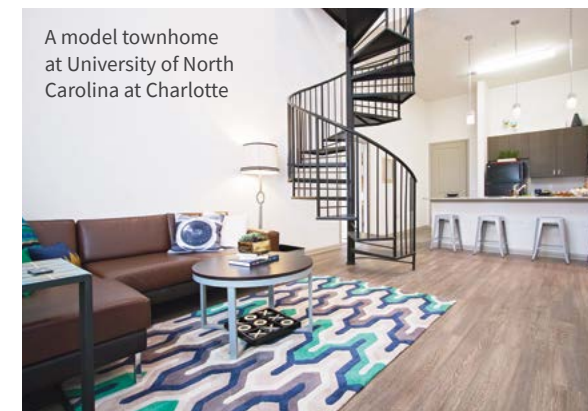
In some cases, the Scion Group has master-leased space to the university or college if it needs to expand for, say, a group of athletes or international students.

### Property management amplified

Property managers need to have the same skillset as multifamily property managers, but perhaps with some additional twists. They must be prepared to have close relationships with not only students—who might be adjusting to living on their own for the first time—but also their parents.

"Students may not know how to pay bills, how to work the thermostat or how to request maintenance," Bronstein says. "It's definitely more intense. We've had managers who have said, 'I'm going back to regular multifamily.'"

One of the biggest challenges for a student housing property manager is



A model townhome at University of North Carolina at Charlotte

facing a 70% turnover rate year after year, as many leases begin and end with the academic year.

Comprising about 95% students, the renters in these communities are generally responsible and take care of the property.

"Our customer tends to skew 55–60% female, and we have a lot of international students who are looking for a furnished apartment with utilities and are not necessarily looking for roommates," he says. "Many parents are the guarantors. We're getting a student who's looking for a nicer place, and they treat it that way."

### A glimpse into the future

Not only does Bronstein believe these communities will be the future of student housing, he thinks the popularity of this housing type is indicative of the path for other multifamily housing. Some multifamily properties have taken note and begun adding amenities like more vibrant common areas, furnished units and included utilities.

"If someone wants to know what multifamily housing is going to look like in five or 10 years, look at student housing," he suggests. "As we've had more dialogue with the largest multifamily owners, they've recognized that our renters today are their renters in a year or two." ▀



# The changing face of affordable housing

## A look at significant legislative milestones

By Eileen Wirth, CPM, MBA, HCCP, SHCM®, NAHPE®

Hearing the words “federally assisted housing,” aka “affordable housing,” brings to mind for many the large, high-density public housing high-rises in cities across the U.S. What may not be well-known is that efforts to develop quality affordable housing in the United States began almost half a century earlier.

### In the beginning

The first affordable housing development was the Garden Homes built in 1923 in Milwaukee. After this initial effort there were several attempts made through government initiatives to provide reasonably priced housing to low-income families. The first of these were the Housing Division of the Public Works Administration, a key part of the New Deal, and the Wagner-Steagall Act of 1937, which enabled the construction of 50,000 affordable units in 1939 alone.

The Housing and Development Act of 1965, which created the U.S. Department of Housing and Urban Development (HUD), elevated housing to the cabinet level. The creation of HUD allowed for public/private partnerships where housing subsidies were provided to residents in homes built through private construction. Resident-based subsidies still exist in today’s Housing Choice Voucher program, which assists 2.5 million households in meeting their housing costs.

Efforts under the Consolidated Farm and Rural Development Act of 1972 promoted the development of affordable housing in rural areas for both homeownership and multifamily rental properties. Known as rural development, or RD, the rental properties are typically small and located in less populated areas of the country. RD-funded rental



properties total about 15,000, a much smaller number than the HUD-funded 22,000 properties and 1.4 million public housing units throughout the country.

### Two new programs in one legislative act

The Housing and Community Development Act of 1974 created two programs that support affordable housing. First—and maybe best known—of these is the Section 8 program, under which rents are directly subsidized. This was the first program where rental subsidies were project-based. A family residing in a Section 8 property pays for rent with 30% of its income. Eligibility for these properties is restricted to individuals or families that are extremely low-income, i.e. earning 30% of median income.

The demand for project-based Section 8 apartments left the program open to abuse of the system. One area of abuse was in income reporting. In late 2009, HUD implemented and required use of the Enterprise Income Verification (EIV) system. This online system provides managers with a database of employment and income information for all residents in HUD-subsidized housing. Use of this system

has increased the accuracy of subsidy payments, ensuring families are truly paying the correct amount, or their designated share, of rent.

The second program was the Community Development Block Grant (CDBG) fund. CDBG funds are provided to municipalities and can be allocated for a variety of projects related to economic development. Typically, about 25% of CDBG funds are utilized each year for housing-related development. Unfortunately, CDBG funding has steadily decreased over time. In 1979, \$13 billion was allocated to CDBG funds. This amount has decreased to under \$4 billion in the 2019 fiscal year.

Alternative approaches came with the move away from project-based developments. One was the HOME Investment Partnerships Program, which is similar to CDBG. However, unlike CDBG, there is a matching funds requirement. This means for each HOME dollar allocated, there is a matching liability created. This liability is satisfied through other contributions for affordable housing, such as cash, donations of land or other state or local funds. These other contributions stretch the HOME funds further, maximizing each dollar.

### New legislation brings a notable shift

The Tax Reform Act of 1986 impacted affordable housing development significantly. This legislation created the Low Income Housing Tax Credit (LIHTC). While not a direct funding or subsidy program like Section 8, LIHTC has been the primary vehicle for affordable housing development since its inception. The premise of LIHTC is simple: Private equity is incentivized to develop housing through a dollar-for-dollar reduction in income tax liability. The credits are allocated by each state via a competitive process. Once awarded, credits are sold to equity investors. The cash generated then funds development costs. In exchange for the credits, the property is restricted as affordable for a minimum 30-year period.

LIHTC rents are based on area median income (AMI). Eligible individuals earn at or below 50% to 60% of AMI for the area where the property is located. Rents at these levels can exceed \$1,500, or even \$2,000 per month in high-income areas. This rent level remains unaffordable for many individuals despite the homes being income-restricted and marketed as affordable.

A Government Accountability Office (GAO) study in 2018 found that between 2011 and 2015 there was annual development of 50,000 new units under LIHTC. Coincidentally, this is the same number of units built in 1939 under the

Wagner-Steagall Act, when the U.S. population was at 131 million—60% smaller than today.

The scarcity of—and fierce competition for—LIHTC allocations often means several funding sources are combined for a single property. CDBG, HOME and LIHTC may be layered with existing HUD or RD subsidies. Each of these programs has its own compliance guidelines and regulations. Along with EIV, mentioned earlier, compliance requirements can be overwhelming. For example, individuals approved by HUD can only view HUD EIV information. Since LIHTC compliance is separate, you must maintain double files, one for the HUD subsidy and one for the LIHTC compliance.

The intense competition in each state for LIHTC awards has led to developers offering additional support services to residents in order to strengthen their funding applications. These services can include life skills, financial literacy, educational classes and on-site healthcare services. Without these programs, it is unlikely that a proposed development can receive a LIHTC award.

### The challenges of today’s affordable housing

Affordable housing development today is not so much development of new housing. It is redevelopment and preservation of the older project-based Section 8 housing and RD multifamily properties constructed 40 to 50 years ago. This has resulted in new challenges for those managing affordable housing.

Doing more with less has been the mantra for affordable housing for many years. Program compliance, which is typically not consistent between the four or five funding sources, means managers are completing multiple reports. This reduces available time to connect with residents.

With preservation as the focus, the need for additional affordable homes isn’t likely to diminish for many years. While the challenges of developing and managing affordable housing are many, so are the rewards. It’s gratifying to see a family settled into a home. Ending each day knowing you made a difference for someone is a feeling that compares to nothing else. ▀



**Eileen Wirth, CPM, MBA, HCCP, SHCM®, NAHPE®**, is president & CEO of the Octavia Hill Association, Inc. (OHA) and is responsible for overall company operations, as well as new development, refinancing, sales and major renovations. She currently serves on the IREM Federal Housing Advisory Board and IREM Foundation Board of Directors.



# Training for the future

*Investing in employee development is a must for companies today.*



The working world is getting remade, from globalization and new technologies to shifting employee demographics and work models. Such change was prevalent before the coronavirus reshaped the world and altered how companies and employees view remote work forever. Now, in the face of even more rapid shifts, organizations need skilled, capable workers to meet nascent challenges.

Training is the way forward. Of all HR expenditures in 2019, a PayScale report found that professional development was the single biggest area of investment.

That's for good reason. The global economy will need to reskill more than 1 billion people by 2030, according to the World Economic Forum. In the next two years alone, 42% of core skills required to perform existing jobs are expected to change. Failing to add these new skills could cost the global economy \$11.5 trillion in potential GDP growth over the next decade, according to an Accenture report.

The good news is that investing in employees can be a cure for that ailing bottom line. It boosts retention, increases profitability and helps create autonomy. "The most



**“***The most successful companies realize they have to invest in their future.*

—Shannon Alter, CPM, Leaders Exceed

successful companies realize they have to invest in their future,” says Shannon Alter, CPM, the owner of Leaders Exceed in Santa Ana, California. “And people are the future.”

## Retention deficit

COVID-19 has changed the labor market, and we're still getting clarity on the pandemic's effects. In property management, attracting and retaining employees are ongoing priorities for every company, no matter the economy, and some positions are a revolving door for talent. Prior to the pandemic, voluntary turnover was skyrocketing, and in pandemic conditions, you still have those employees to keep.

Companies struggling to keep employees might be neglecting the important truth that more than ever, today's employees want to learn and grow. Many workers value development as much, if not more, than salary. According to a 2019 Work Institute report of people who quit their jobs, 22% of employees left to improve their career development—the top reason for leaving. Only 9% left because of compensation and benefits. The real kicker? More than 75% of employees who quit were willing to stay at the company if only the company made efforts to keep them.

“If individuals are not seeing companies invest in them, they will seek out other organizations that will,” says Leo Turley, CEO of H Two National, a real estate executive search firm in Charlotte, North Carolina.

The financial hit from turnover can't be understated. For lower-level employees, a single instance of turnover can cost roughly \$3,300, according to a 2019 Seedco report. And those costs can climb substantially with more senior employees. In the U.S. alone, turnover cost companies an estimated \$600 billion in 2018, according to a Work Institute report.

Companies need to let employees know that they care and have a professional development plan for them, Alter says. That should begin the second they walk in the door on their first day, when their buy-in and enthusiasm are the highest.

“I think that 99.9% of people want to do things the right way, and employees want to know how you do it—what your best practices and guidelines are,” Alter says. “Training lets people know you're invested and willing to put the financial support behind them, which is crucial to retention.”

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## Value adds

Of course, training isn't only about avoiding loss. It's also about generating value, and development programs can create engaged employees who are better at their jobs. That's especially true if organizations tie training directly to business goals.

“If an associate doesn't understand what the core of the organization is about, then they're not going to feel connected to it,” says Topher Olsen, MFA, MEd, the vice president of learning and development at Roscoe Property Management, AMO, in Austin. He was previously the senior director of learning and culture at Alliance Residential Company, AMO.

One such program that Olsen oversaw was focused on developing the regional manager role, with the goal of having 90% of regional managers earn an IREM CPM designation. “We really feel that the CPM designation elevates the mindset of a regional manager to that of an asset manager,” Olsen says.

In part, the IREM CPM courses help regional managers talk to clients at a much higher level, Olsen says. “Our clients are giving us more business because they feel more adequately supported due to the level of knowledge our CPMs are bringing to the table.”

As a result of this ability to help the company's bottom line, many of its internal promotions, such as to regional vice president or vice president, have gone to regional managers who have earned the CPM designation, Olsen says.

## Benefits abound

For Turley, having his employees generate greater sales numbers is a profit booster, which is, of course, a plus. But he also sees a personal benefit. If employees are capable, confident and engaged, he doesn't need to provide as much oversight, freeing Turley to spend more time on his own work. It's a win-win.



**“***If individuals are not seeing companies invest in them, they will seek out other organizations that will.*

—Leo Turley, H Two National



**“***We really feel that the CPM designation elevates the mindset of a regional manager to that of an asset manager.*

—Topher Olsen, MFA, MEd, Roscoe Property Management, AMO

“It is important to train employees so that one day the supervisor will be able to let them fly on their own,” Turley says. “Supervisors are able to focus on other things—improving operations, new business development, etc.”

Getting to this level of autonomy doesn't require grand gestures. Small training investments can reap big rewards. For Turley, the goal is to teach people how to think like leadership does. That can be accomplished by having employees sit it in on meetings with higher-ups, letting people see how senior leaders do their job. “We're a smaller organization and I tell my people, ‘We could sit down today, and I could train 24 hours a day for a long, long time, and I may not touch on some of the experiences or tasks that you might encounter.’”

Instead, by teaching people how he thinks, all they have to do is put themselves in Turley's shoes, and they're probably going to make the right decision, he says.

## Be bold

Like any financial investment, training people is a risk. Employees might not master the skills. Or, worse yet, a company could spend all this money developing an employee only to see them bail for another job. Canceling training because of that, Olsen says, is leading with fear. “We want to lead with confidence.”

“Why would I hold back on this amount of information that would prevent somebody from becoming the best version of themselves?” Topher asks. “If we hold back, we are doing ourselves a disservice.”

Companies have to understand that, yes, people leave, Olsen says. “But we want to do everything possible for them to stay.” ▀



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Denver-based Mill Creek Residential has welcomed a new vice president of property management to its growing team. **Adam Berger, CPM**, now oversees Mill Creek’s Central region of Colorado, Texas and Arizona. His new duties include the launch and execution of a robust portfolio of new developments and acquisitions contributing to the rapid growth trajectory Mill Creek has been on since forming in 2011. Prior to joining the Mill Creek family, he was with Alliance Residential, AMO, for several years, most recently serving as regional vice president for the company’s Denver market.



Philadelphia’s Pennrose Management Company, AMO, has appointed **Christine Lacy, CPM**, as its vice president of operations. In this role, Lacy will oversee management assignments for properties in Pennsylvania, New Jersey, Connecticut and Massachusetts. Lacy has practiced property and asset management for more than 30 years. She spent the previous 12 years as director of Inglis Housing Corporation, providing property management services to communities designed for the physically disadvantaged. Her industry experience includes urban planning and development and covers a variety of property types, from market-rate to senior housing. Lacy is also the 2016 recipient of the IREM Southern New Jersey Chapter’s CPM of the Year award and served as the chapter’s president in 2017.



CPM Candidate **Meg Perry** was recently made a senior property manager by Harsch Investment Properties in Portland, Oregon, where she’s been moving up in the ranks since joining the firm in 2016. Harsch owns and operates a variety of properties in six Western states, and the focus of Perry’s new position is on the Portland portfolio. Her role puts her in charge of 15 properties, a total of more than 600,000 square feet of office and industrial space occupied by 40 tenants.

**Disciplinary action** was taken against David L. Lane by the IREM Ethics Inquiry Board. The Ethics Inquiry Board was notified that Mr. Lane is no longer licensed to practice real estate in the state of Mississippi, and therefore terminated his IREM membership and status as a CPM effective April 10, 2020 pursuant to the procedures set forth in the IREM Statement of Policies Article II: Section 5.

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New CPMs

**Arkansas**  
Quick A. Mack, CPM, Bentonville

**California**  
Justin C. Kock, CPM, ARM, Norco  
Ikenna E. Onyendu, CPM, Long Beach  
Sharon R. Ramirez, CPM, Concord  
Michael Sheehan, CPM, San Diego  
Christopher D. Walter, CPM, San Jose

**Florida**  
Erin E. Green, CPM, Indianapolis

**Georgia**  
Laura Vice, CPM, Marietta

**Illinois**  
Haley Rafferty, CPM, Elmhurst  
Keith E. Retterer, CPM, Lombard  
Allyson R. Smith, CPM, Chicago

**Nebraska**  
Troy E. Severson, CPM, ARM, Lincoln

**Nevada**  
Rain Liu, CPM, Las Vegas

**North Carolina**  
Katherine C. Pressley, CPM, Charlotte

**Puerto Rico**  
Oscar E. Juelle, CPM, Guaynabo

**South Carolina**  
Joseph A. Fabie, CPM, Charleston

**Tennessee**  
David S. Jenkins, CPM, ARM, Arlington

**Texas**  
Jill Cogburn, CPM, Austin

**Virginia**  
Meredith Short, CPM, Chantilly

**Washington**  
Margaret E. Atwater, CPM, Seattle



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**Canada**  
John Burdi, CPM, Toronto, Ontario  
Jordan Millward, CPM, London, Ontario

**Japan**  
Shunichirou Abe, CPM, Fukuoka-City  
Yukiko Aruga, CPM, Tokyo  
Masahito Ebihara, CPM, Tokyo  
Shunji Fujita, CPM, Tokyo  
Hideo Fukuhara, CPM, Tokyo  
Masayuki Hanatsuka, CPM, Fukui-City  
Tatsunobu Hayashi, CPM, Hiroshima-City  
Ichiro Hirota, CPM, Sapporo-City  
Yuuichi Hisaoka, CPM, Kanagawa  
Mutsuko Honda, CPM, Kumamoto-City  
Masaaki Hori, CPM, Tokyo  
Ryuichiro Ida, CPM, Ishakawa  
Tatsuo Ikenaga, CPM, Tokyo  
Noriyuki Inoue, CPM, Kasuya-Gun  
Junji Ishimaru, CPM, Fukuoka-City  
Shin Itou, CPM, Tokyo  
Hayato Iwawaki, CPM, Tokyo  
Kanayo Izawa, CPM, Mishima-City

Yasutaka Kamata, CPM, Satte-City  
Noriyuki Kato, CPM, Hokkaido  
Toshikazu Katsuki, CPM, Fukuoka-City  
Kazuya Kazami, CPM, Tokyo  
Shota Kido, CPM, Osaka-City  
Ryo Kobayashi, CPM, Tokyo  
Rieko Kojima, CPM, Fukuoka  
Yuhei Kondo, CPM, Toyama  
Hidenaga Konomi, CPM, Fukuoka-City  
Eiji Koshiba, CPM, Tokyo  
Machiko Kotani, CPM, Osaka-City  
Tetsuo Koyama, CPM, Tokyo  
Shinya Kudo, CPM, Sapporo-City  
Kojiro Kumeno, CPM, Aichi-Ken  
Takayuki Makishima, CPM, Tokyo  
Kiyoharu Matoba, CPM, Kanazawa-City  
Takashi Matsuhira, CPM, Fukuoka-City  
Satoshi Matsunaga, CPM, Kikuchigun  
Kenji Matsushima, CPM, Okayama-City  
Toshihide Matsutani, CPM, Toyama-City

Hideyuki Miura, CPM, Fukuoka  
Takanari Miyazaki, CPM, Suita-City  
Kyosuke Nagasaki, CPM, Fukuoka  
Kenji Nakajima, CPM, Osaka-City  
Akihiko Nishimura, CPM, Yokkaichi-City  
Mitsuhiko Noka, CPM, Kanazawa City  
Teppei Ogawa, CPM, Kamakura-City  
Kenji Omoto, CPM, Amagasaki-City  
Satoru Oshiro, CPM, Koshigaya-City  
Yosuke Ozaki, CPM, Kanazawa  
Sachio Ozaki, CPM, Tokyo  
Yutaka Saito, CPM, Kofu City  
Hideo Sakai, CPM, Tokyo  
Junki Sato, CPM, Oita-City  
Daisuke Seki, CPM, Ishakawa  
Masato Seki, CPM, Yokohama-City  
Hiroshi Sekiguchi, CPM, Sapporo-City  
Takashi Shigehara, CPM, Osaka-City  
Kouhei Shigeyoshi, CPM, Tokyo  
Uiko Shimizu, CPM, Hamura-City  
Yuki Shinohe, CPM, Sapporo-City  
Miki Tagawa, CPM, Fukuoka City  
Shintaro Takahashi, CPM, Hamamats  
Yukiya Takayama, CPM, Hamamatsu-Shi  
Makoto Tamura, CPM, Osaka-City  
Junji Tanaka, CPM, Tokyo  
Yusuke Tanaka, CPM, Kagoshima-Shi  
Masahito Terashima, CPM, Sapporo-City  
Takayuki Teshima, CPM, Fukuoka  
Soshin Tohara, CPM, Nagoya-City  
Masanori Tokumo, CPM, Fukuoka-City  
Yusuke Toshii, CPM, Tokyo  
Akiyoshi Tsutsui, CPM, Atugi-City  
Yutaro Umeda, CPM, Kumamoto-City  
Keiichi Watanabe, CPM, Osaka-City  
Kouichi Watanabe, CPM, Miyazaki-City  
Hiroya Yamagishi, CPM, Yokkaichi-City  
Yoshikazu Yamanoi, CPM, Kagoshima  
Nao Yoshida, CPM, Koriyama-Shi  
Junichi Yoshinaka, CPM, Sapporo-City  
Iwasaki Youichi, CPM, Kanagawa  
Hongyu Zang, CPM, Fukuoka

New ARMs

**Arizona**  
Ruben Chavez, ARM, Tucson  
Mary Alice Clark, ARM, Tucson

**California**  
Lucia Ambrozich, ARM, Costa Mesa  
Lauren R. Brown, ARM, Los Angeles  
Danielle G. Devine, ARM, San Diego  
Ammar Issa, ARM, Anaheim  
Brittany Nemeth, ARM, Culver City  
Johnny Ramirez, ARM, Los Angeles  
Cheryl Salsbury, ARM, Encinitas  
Christina Verrisimo, ARM, Pasadena

**District of Columbia**  
Tiffany D. Knight, ARM

**Florida**  
Bryon Burks, ARM, Cape Coral  
Alex Ruiz, ARM, Apopka

**Georgia**  
William Alce, ARM, Atlanta

**Hawaii**  
Laurie Ann Chan, ARM, Honolulu  
Gregory Skaltsas, ARM, Honolulu

**Illinois**  
Badza Ramirez, ARM, Chicago

**Indiana**  
Lance Angle, ARM, Plainfield  
Aliyah Clark, ARM, Indianapolis

**Iowa**  
Carson K. Adams, ARM, Des Moines

**Maryland**  
Sally Ceesay, ARM, Chevy Chase  
Angela Davall, ARM, Upper Marlboro  
Dewayne Roach, ARM, Hyattsville

**Massachusetts**  
Lanette Francis, ARM, Roslindale  
Casey Howe, ARM, Plymouth  
Patrick Lynch, ARM, Cambridge  
Wonzel M. Mobley, ARM, Plymouth

**Nevada**  
Mark Sandgren, ARM, Henderson

**New Jersey**  
Elisa Coteron, ARM, ACoM, Bloomfield

**New York**  
Joy Y. Kelly, ARM, Buffalo  
Jeffrey Santiago, ARM, Bronx

**Ohio**  
Kayla Hatterer, ARM, Dublin  
Chatney Martin, ARM, Columbus



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**Pennsylvania**  
Drew Kisak, ARM, Pittsburgh

**Rhode Island**  
Dalia Andres, ARM, Providence  
Helene Ball, ARM, Cumberland  
Sean Carnahan, ARM, North  
Kingstown

**Tennessee**  
Josie Gomez, ARM, Nashville

**Texas**  
Mathew Alexander, ARM, Dallas  
Amy Cagle, ARM, Euless  
Jose Fuentes, ARM, San Antonio

**Utah**  
Devon Jurado, ARM, Salt Lake City

**Virginia**  
Angelique Gayle, ARM, Fairfax  
Samuel W. Painter, ARM,  
Charlottesville

**Washington**  
Rocky Jeet, ARM, Bellevue

**Wisconsin**  
James Gartmann, ARM, Milwaukee  
Andrea Hovey, ARM, Milwaukee  
Tasha M. Janssen, ARM,  
Port Washington  
Sean-Michael Tisdall, ARM, Wawatosa  
Jason S. Walin, ARM, Brookfield  
Kayleigh Wilson, ARM, Franklin

**Canada**  
Patricia DeGasperi, ARM, Toronto,  
Ontario

**New ACoMs**  
  
**Colorado**  
Drew Goodman, ACoM, Denver

**Nevada**  
Kate Pensotti, ACoM, Reno

**New Jersey**  
Elisa Coteran, ARM, ACoM, Bloomfield

**Texas**  
Ashley T. Sims, ACoM, Houston

**Virginia**  
Kiley J. Snyder, ARM, ACoM, Richmond

**Canada**  
Rita Asadorian, ACoM, Mississauga,  
Ontario

**New AMOs**  
  
**Arizona**  
Market Edge Realty, LLC, AMO,  
Phoenix

**Colorado**  
Denver Housing Authority, AMO,  
Denver

**Louisiana**  
Sustainable Housing Group, LLC,  
AMO, Metairie

**Ohio**  
Equity, LLC, AMO, Hilliard

**New Certified Sustainable  
Properties (CSPs)**

**California**  
Heather Ridge Apartments,  
Orangevale  
Presidio View, San Diego

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**Connecticut**  
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