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JOURNAL OF PROPERTY MANAGEMENT  
JUL.AUG 2009

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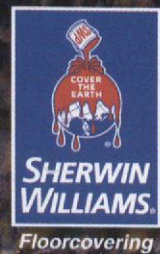
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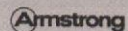
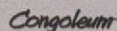
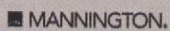
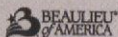
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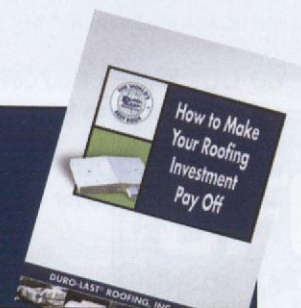
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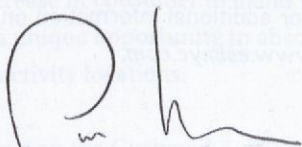
It's hard to believe that we're more than halfway through 2009. The year has been full of challenges and success stories; and IREM has been there through it all. In the last few months, we responded swiftly to the H1N1 flu outbreak, providing a "Swine Flu Resources" page on IREMFIRST ([www.iremfirst.org](http://www.iremfirst.org)). We went to Capitol Hill to urge our Congress and the federal government to provide favorable relief to the commercial real estate industry through commercial market liquidity, with the goal of abating rising delinquencies and foreclosures. And that's just the tip of the iceberg.

As real estate managers, we know we must meet the expectations of ever-more sophisticated tenants, lenders, regulators and, most of all, our property investors and owners. Professional real estate managers in the 21st century still must find, sign and retain tenants. They must recruit, train, reward and discipline staff. They must create, solicit, evaluate and enforce bids for services and products. And they must inspect, maintain and upgrade sites from curb to rooftop. Across the board, we require successful trouble-shooting and communications skills. Increasingly, too, we are expected to be experts in the underlying valuation of investment real estate in what currently is a volatile market and is likely to stay that way for a while.

IREM is positioned to help us keep up with state-of-the-art best practices and, at critical times, respond to the surprise demands triggered by accidents, fires, power and other utility failures, natural disasters and crime: Take for instance an article in this issue about how IREM Members successfully have dealt with natural disasters (see "Dealing with Disaster," p. 32).

In addition to sharing the value our members impart for managing natural disasters, this issue of *JPM* presents dynamic strategies to maximize your financial resources (see "Capital Investment," p. 26) and handle tenant demands in this market (see "How to Negotiate with Tenants in a Tough Economy," p. 42), to name a few. These are challenges that many of you have dealt with or will deal with in the future. Your IREM leadership remains committed to helping you navigate these demands as we fortify our community of committed property managers.

I look forward to seeing the U.S. chapter leaders at the Chapter Leadership Conference in Chicago at the end of this month. We will plan for the future and work to enhance the coming year's meaningful member experiences even more for all IREM Members. Remember, there is opportunity for us in this economic crisis. As your career partner, IREM is standing by at your side!



Pamela W. Monroe, CPM  
2009 IREM President



PAM MONROE, CPM®  
([PMONROE@COMMUNITYREALTYMANAGEMENT.COM](mailto:PMONROE@COMMUNITYREALTYMANAGEMENT.COM)), IREM 2009 PRESIDENT, IS SENIOR VICE PRESIDENT AT COMMUNITY REALTY MANAGEMENT, INC., PLEASANTVILLE, N.J.



## LEGISLATION TO SUPPORT BUILDING SAFETY RE-INTRODUCED

A federal grant program to assist communities as they adopt and administer construction safety codes that protect property and the public was re-introduced in the U.S. Congress with bipartisan support in May. The House passed a similar measure in a previous legislative session, but the measure derailed as Congress turned its attention to battling the economic crisis.

The Community Building Code Administration Grant Act authorizes \$20 million annually from 2010 to 2014 for the grant program. The grant is supported by the International Code Council, an association that develops safety codes used to construct residential and commercial buildings. Other supporters include the American Institute of Architects, the American Society of Civil Engineers, the International Fire Code Council, the Alliance to Save Energy and the National Institute of Building Sciences.



## Empire State Building Undergoes Retrofits for Efficiency

The Empire State Building in New York City will undergo an energy efficiency retrofit as part of a \$500 million planned upgrade to the famous office building.

The program is expected to reduce energy use by up to 38 percent and save an estimated \$4.4 million in annual energy costs. Work has already commenced, and building systems work is slated to be completed by the end of 2010. The balance of the work in tenant spaces should be concluded by end of 2013.

For additional information on the retrofit visit [www.esbnyc.com](http://www.esbnyc.com).





## CUSHMAN & WAKEFIELD REPORT REVEALS POST-RECESSION RETAILER OPPORTUNITIES

Cushman & Wakefield, Inc., AMO®, recently released a business briefing on U.S. retail opportunities entitled, "When the Storm Passes." The report outlines substantial opportunities for retailers studying the market, intent on gaining enhanced market share by capitalizing on land-lord pressure to fill space.

According to the report, more than 130 million square feet of big box space in the United States has gone dark since the beginning of the recession due to store closings and bankruptcies. While significant retail sector challenges persist, there are early signs of stabilization in key areas. Consumer confidence in April reached its highest level in seven months. At the same time, consumer spending registered a 2.2 percent upswing. In addition, annualized spending growth improved during each month of the first quarter, with growth in March at its highest level since 1985.

However, the report said substantial improvement in consumer spending will be necessary to moderate the rise in vacancy. Cushman & Wakefield's analysis suggests that a sustained increase in consumer demand will provide retailers with a unique opportunity to absorb vacant space in high-productivity locations.

For more information on the Cushman & Wakefield business briefing visit [www.cushmanwakefield.com](http://www.cushmanwakefield.com).

## QUOTABLES

**"If we could sell our experiences for what they cost us, we'd all be millionaires."**

—ABIGAIL VAN BUREN, ADVICE COLUMNIST

**"You can never plan the future by the past."**

—EDMUND BURKE, IRISH STATESMAN

**"I arise in the morning torn between a desire to improve the world and a desire to enjoy the world. This makes it hard to plan the day."**

—E. B. WHITE, AMERICAN AUTHOR

**"About the time we can make the ends meet, somebody moves the ends."**

—HERBERT HOOVER, AMERICAN PRESIDENT

**"A sense of humor... is needed armor. Joy in one's heart and some laughter on one's lips is a sign that the person down deep has a pretty good grasp of life."**

—HUGH SIDNEY, AMERICAN JOURNALIST

**"And the day came when the risk to remain tight in a bud was more painful than the risk it took to blossom."**

—ANAIIS NIN, AMERICAN AUTHOR

**"Success without honor is an unseasoned dish; it will satisfy your hunger, but it won't taste good."**

—JOE PATERNO, COLLEGE FOOTBALL COACH





## WIND TURBINE USE GROWS IN UNITED STATES

According to a recent study by the American Wind Energy Association, at least 219 companies in the world manufacture, or plan to manufacture, small wind turbines. The U.S. market for small wind turbines grew 78 percent in 2008. Wind turbines can help reduce or eliminate electrical bills for home and business owners, schools and municipalities. They can also provide electricity for remote applications such as telecommunications sites operating in isolation of existing power.

A federal incentive signed into law by President Obama in February awards U.S. taxpayers with 30 percent of the cost for installing new systems by way of a tax credit through the year 2016. Commercial entities may be able to receive this incentive in the form of a grant for the next two years.

## Michigan proposal puts LEED Power in Local Hands

According to an article in the *Ann Arbor Business Review*, a Michigan state representative has introduced a bill that would allow local governmental bodies to implement U.S. Green Building Council LEED building requirements that go beyond state regulations.

Ann Arbor Mayor John Hieftje voiced support for the measure, stating he would advocate for implementing more stringent energy-efficiency standards, such as requiring a certain amount of insulation in new construction projects, if the bill becomes law.

## STUDY: INVESTORS PAY MORE FOR ENERGY-EFFICIENT BUILDINGS

Large institutional investment firms are factoring the market value of energy-efficient property into their real estate investment models, according to a recent study by Responsible Property Investments (RPI).

The study examined the effects of investing in energy-efficient, transit-oriented and urban regeneration office properties in the United States over the past decade. It found that energy-efficient properties with the government's Energy Star label performed better than non-labeled properties. Energy Star properties exhibited 13.5 percent higher market values and 5.9 percent higher net incomes per square foot, a result of 10 percent lower utility costs, 4.8 percent higher rents and 1 percent higher occupancy rates. However, RPI researchers also found that Energy Star properties did not appreciate faster than non-labeled properties and did not generate better overall returns.

To read the study visit <http://tinyurl.com/q6a3hz>.

**Report Finds Sustainability to be Recession Proof** The shift in real estate markets toward sustainable buildings will experience only a mild disruption from the global recession, according to recent research published by RREEF, the investment management business of Deutsche Bank's Asset Management division. The report found little evidence to suggest firms are abandoning long-term commitments to sustainability, despite the recession. The view the report visit [www.rreef.com](http://www.rreef.com).



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<http://grants.gov>

Want to see what kind of federal grants are available? Federal agencies offer more than 1,000 grant programs and access to approximately \$400 billion in annual awards. **Grants.gov** allows organizations to search and apply for grants from 26 different agencies, as well as presenting opportunities related to the American Recovery and Reinvestment Act.

## fast facts

The **HEART** of a blue whale is the size of a small car.

In the Middle Ages, **SUGAR** was a treasured luxury costing 9 times as much as milk.

It is impossible to **SNEEZE** and keep one's eyes open at the same time.



On every continent there is a city called **ROME**.

The 16th-century Escorial palace of King Phillip II of Spain had 1,200 **DOORS**.

The length from your **WRIST** to your **ELBOW** is the same as the length of your foot.

The Major League Baseball teams use about **850,000 BALLS** per season.



The typical **BOLT OF LIGHTNING** heats the atmosphere to 50,000 degrees Fahrenheit.

The first Ford cars had **DODGE ENGINES**.

**PEPSI-COLA** was invented by Caleb Bradham in 1890 as "Brad's Drink" as a digestive aid and energy booster.



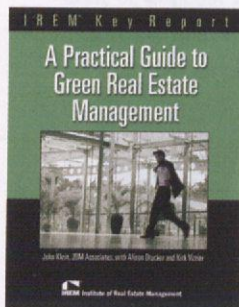


## LIGHTEN YOUR LOAD Reduce energy consumption in buildings by unplugging electronics



**JOHN KLEIN** ([JKLEIN@JDMGMT.COM](mailto:JKLEIN@JDMGMT.COM)) IS THE PRINCIPAL OF JDM ASSOCIATES. HE CO-AUTHORED THE NEW IREM KEY REPORT, *A PRACTICAL GUIDE TO GREEN REAL ESTATE MANAGEMENT* WITH JDM'S ALISON DRUCKER AND KIRK VIZZIER.

PURCHASE A COPY OF THE IREM KEY REPORT *A PRACTICAL GUIDE TO GREEN REAL ESTATE MANAGEMENT* AT [WWW.IREM.ORG](http://WWW.IREM.ORG).



FOOTBALL IS A GAME OF INCHES. YOU FIGHT FOR EVERY YARD TO MAKE A FIRST-DOWN OR TOUCHDOWN. IN ENERGY MANAGEMENT, WE FIGHT FOR EVERY QUARTER POINT OR HALF POINT OF REDUCTION. IT ALL ADDS UP.

Computers, printers, copiers, fax machines, coffee makers and cell phone chargers use energy in increments; refrigerators and vending machines use a bit more. When all these devices are in use at one time, the energy adds up. Collectively, plug loads account for 20 to 30 percent of an office building's energy consumption.

Before addressing plug loads at your building, look around your home, as an example. You may be surprised by the number of devices that use electricity continuously. These "energy vampires" constantly drain energy while plugged in, even if they're turned off. They also generate heat, increasing the cooling required. Perform an inventory of all equipment plugged in within your building and you may be shocked—pardon the pun.

At the office, completely unplug equipment, where practical, or plug several pieces of equipment into a power strip that's turned off at the end of every day. This stops the continual use of stand-by power. Place signs near energy-consuming equipment to remind tenants to unplug devices manually.

When equipment *is* in use, ensure it's the most efficient available. Establish a policy to only buy ENERGY STAR qualified lighting and equipment, such as vending machines and refrigerators, which use up to 75 percent less energy. Encourage tenants to do the same, and consider putting this policy in leases. See

[www.energystar.gov/products](http://www.energystar.gov/products) for qualified product categories.

Task lighting should use compact fluorescent lights (CFLs) or light-emitting diodes (LEDs). Also consider delamping overhead lighting in areas where ambient and task lighting is sufficient. Using a 5-watt LED instead of two 32-watt lamps dramatically reduces overall consumption.

Implementing a building policy for energy-efficient office equipment can benefit performance significantly. Using 2,000 ENERGY STAR computers instead of typical models, for example, would save \$100,000 or more annually, according to ENERGY STAR data. And that's just for computers—consider the savings achievable from other equipment.

It is also important to educate your tenants. Recommend that tenants use power management software to turn off computers and monitors when they're not in use and put them into "sleep" mode after a few minutes. Discourage or prohibit tenants from bringing space heaters into the office; these devices counteract the effectiveness of HVAC systems.

Additionally, you will benefit from enhancing contractor awareness about energy used during tenant improvements. Power tools, construction lights, space heaters and portable A/C can really hurt energy performance. It is critical to walk daily through spaces under construction to make sure unnecessary equipment is unplugged and lights are off. You should also make sure windows and doors are closed, and shades are down.

By being more conscious of plug loads and ways to reduce them, you can improve a building's energy performance and save money. ■





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## OPPORTUNE TIMES Improve marketing by investing in technology and tenant service



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**YOU'VE PROBABLY HEARD THE SAYING, "OPPORTUNITY KNOCKS." BUT WHEN OPPORTUNITY DOES SHOW UP AT YOUR DOOR, WILL YOU BE READY?**

Sure, we all have troubles these days with properties, tenants and even employees. It's a challenge to get creative with marketing when much of your time is spent trying to figure out how and where to cut costs. But the dog days of summer just may provide the necessary downtime you need to invest in and improve your marketing strategies. Take advantage of this time so that when opportunity does knock again, you'll be in the best possible position to open the door.

Here are a few suggestions to improve your marketing:

*Keep service steady.* We all know that customer and tenant expectations are at an all-time high today. How can we meet their needs? It's not magic or rocket science. This is when good old-fashioned customer service counts. The secret is to continue investing in your staff and your services, and to keep the lines of communication open to your tenants, even in trying times.

"We try to proactively communicate with our tenants about upcoming projects, particularly if they affect the tenant in any way," said Brenna Walraven, CPM® and managing director at National Property Management for USAA Realty Company.

*Offer new amenities.* Dust off your Web site.

If it hasn't been updated recently to accommodate today's tenants, there's no time like the present to improve it. Cindy Clare, CPM and president of Kettler Management, AMO®, suggests offering potential residents the opportunity to see the availability of apartments in real time.

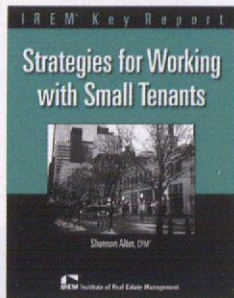
Residents can reserve apartments online as well as look at a floor plate of the building to identify where their apartment will be located," she said. "We also have touch-screen kiosks in our leasing offices which allow residents to 'virtually' walk the building and check out amenities in the surrounding area."

*Try something different.* Having difficulty attracting potential tenants to your property? Try promoting your properties through social media sites like Facebook, or through blogs, and you may turn a less-than-optimum situation into a positive one.

"We promoted the grand opening event for our apartment community on our Web site, through advertising and through local bloggers, and 500 people attended the opening!" Clare said.

And don't forget to brush off the books. Your job now is to be able to leverage the skills of your team and become a true resource to your tenants and a partner to your clients. Take advantage of all that today's technology has to offer by introducing your team to the world of virtual seminars (also known as Webinars).

So, when those dog days of summer are through, be ready. Investing in your team, technology and your tenants can take your property to the next level. ■



PURCHASE A COPY OF THE IREM KEY REPORT STRATEGIES FOR WORKING WITH SMALL TENANTS AT [WWW.IREM.ORG](http://WWW.IREM.ORG).



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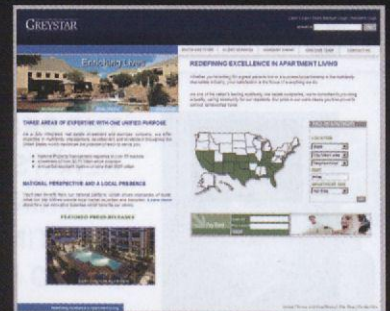
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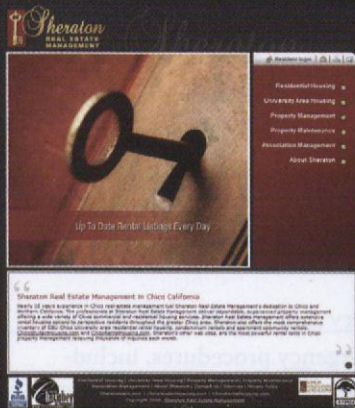
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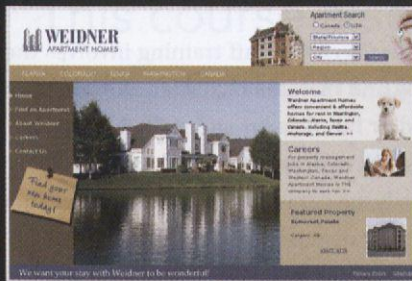
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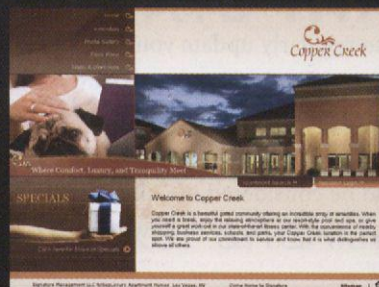
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## TRUST IN TRAINING Uphold your duty to employees by keeping them informed and prepared



EILEEN CONWAY, CPM®, ARM® (ECONWAY@ROBERTWISEMANAGEMENT.COM), IS A PROPERTY MANAGER FOR THE ROBERT WISE MANAGEMENT COMPANY IN PHILADELPHIA.

**THE PROPERTY MANAGER'S JOB IS ALWAYS A CHALLENGE, WHETHER TRAINING NEW EMPLOYEES OR STARTING AT A NEW SITE AND HAVING TO RE-TRAIN EMPLOYEES WHO HAVE BEEN THERE FOR SEVERAL YEARS.** The essential things to emphasize from the start include providing good customer service and honest, fair and equal treatment to all. If employees fail to do the proper thing in regard to handling resident concerns, a resident could file a complaint with IREM for management's violation of Article 12 of IREM's Code of Professional Ethics: Duty to Tenants and Others.

In addition, every staff member should know the building's emergency procedures, including the fire evacuation plan. This plan must be documented in a manual and approved by the local fire department. It should also be framed and posted on every floor by the elevator. Be sure to also regularly update your list of residents needing special assistance to exit their unit in cases of an emergency. Without an emergency plan and procedures in place, the manager could be considered in violation of Article 10. Compliance with Laws and Regulations.

When hiring new employees, it is especially important to do a background check because employees will have access to the residents' units from time to time. If background checks are not performed on new hires and theft or

loss to a resident's unit does occur by the staff, this can be filed as a violation of Article 8. Managing Assets of the Client.

A training manual is very useful to help train new employees on every aspect of the job. It should contain all types of problems, incidents, and even examples of ethical problems that can arise on the job and how they each should be handled.

Another area for staff training involves the cleaning and maintenance staff. Whether outsourced or hired as on-site staff, it is critical that staff have detailed procedures to follow. Obviously, be sure to stress that nothing should be taken or disposed of that belongs to the owners or residents. You should communicate to staff that they cannot take tips for doing private jobs on company time. If employees are caught taking monetary or other benefits, they are violating Article 7. Conflict of Interest.

To ensure staff success, provide the best training possible for each employee, no matter what job that person is going to be doing. Behind every successful manager is a well-trained staff. People will often file a complaint against the CPM or ARM who is managing the building because they feel someone either violated the pledge or one of the articles of the IREM Code of Professional Ethics. Sometimes they will file against the AMO® firm. On many occasions, this is just a result of poor management. So be sure to avoid the problems mentioned here by keeping your staff informed and well trained! ■



TO VIEW THE IREM ETHICS PAGE VISIT

[WWW.IREM.ORG/ETHICS](http://WWW.IREM.ORG/ETHICS)

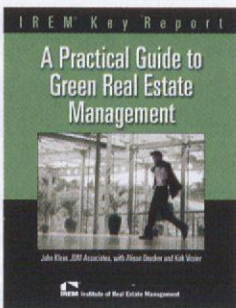


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## CLOSE CONNECTIONS Make the most of your IREM family relationships



LINDA JACKSON, CPM®, RPA (LINDA@TEXAS-ROOF.COM), IS THE BUSINESS DEVELOPMENT DIRECTOR FOR TEXAS ROOF MANAGEMENT, INC.

REAL ESTATE, SO THEY SAY, IS ALL ABOUT LOCATION, LOCATION, LOCATION. AND TO ME, BEING AN IREM MEMBER IS ALL ABOUT CONSANGUINITIES.

No, I won't repeat that three times. Actually, the first time I saw the word, I had to go to Webster's dictionary. *Consanguinity*: a close relation or connection.

Being a member of the IREM family is all about relationships and connections. And I rely on those connections to make my day, help with an issue, offer another way of thinking or tell me how a particular situation is handled in another part of the country. The thing is, as part of the IREM family, we are always able to contact someone within the family about virtually anything.

Indulge me a moment as I relay to you an encounter I had in Washington, D.C., one year ago at the IREM Leadership and Legislative Summit (LLS). During a free moment, I decided to finally write a note to Senator Grassley, the long-time Republican Senator from Iowa. I had meant to do it in previous years, but had not. I wanted to let Senator Grassley know that my very favorite high school teacher was Mrs. West, Senator Grassley's sister.

Mrs. (Lois) West was much more than a favorite of mine: I believe that much of my work

ethic and my desire to succeed came in large part from her. She was an excellent teacher who taught me to persevere and strive to be the best I could be. She was an excellent role model for a small-town Iowa girl. I could do no better.

I only had a moment to pop into Senator Grassley's office and leave my handwritten note. In my office the morning after my return from LLS, the phone rang. It was Senator Grassley himself! I proceeded to tell him how Mrs. West was just my favorite, favorite teacher who still means so much to me after all these years. I was gushing on, when he finally had an opportunity to say that he had something to tell me. As cold chills ran all over me, Senator Grassley explained that we had lost Mrs. West that previous fall. I was stunned, and cried and cried. He was so patient with me; and he continued our conversation for some time.

Stay in touch with the people who have touched you. And connect again and again, as you see each other at various IREM functions... whether at the Leadership and Legislative Summit, Success Series (coming up in October!) or, yes, even your local chapter meetings.

Enjoy your relationships. Nurture them. Treat them with care. Never take them for granted because we don't know what the future will bring...or what the future may take away. ■

*A brief postscript: I originally wrote this some months ago. And in February, I lost a dear friend, and IREM lost an outstanding person, too. It is in loving memory of Rheta Williams that I dedicate this article. I miss you Rheta—we all do—but thank you for the wonderful smiles and hugs you shared with all of us!*



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**IREM Institute of Real Estate Management**



## 2009 IREM AND CCIM INSTITUTE CAPITOL HILL VISIT DAY A SUCCESS

On April 22, over 275 commercial real estate professionals, including 250 IREM Members, gathered in Washington, D.C., to participate in the 12<sup>th</sup> annual Capitol Hill Visit Day. Members representing 40 states and the District of Columbia held more than 200 meetings with their U.S. Senators, Congressmen and staffs to voice their concerns on commercial mortgage market liquidity, energy-efficient buildings, and taxes. Highlights included:

**COMMERCIAL MARKET LIQUIDITY:** IREM and CCIM Institute members urged Congress and the federal government to provide favorable relief to the commercial real estate industry through the availability of small business loans, short-term loans for capital improvements and refinancing for mortgages. Members asked their legislators to: 1) expand the financing of Term Asset-Backed Securities Loan Facility (TALF) loans to a 5-year term, 2) support new Federal Accounting Standards Board guidance on mark-to-market accounting of assets in an illiquid market, and 3) hold a hearing on the state of the commercial real estate market.

**ENERGY-EFFICIENT BUILDINGS:** IREM strongly supports positive incentives for energy conservation activities and voluntary programs for energy conservation. IREM and CCIM Institute asked Congress to support legislation that provides incentives for energy retrofits for buildings. Additionally, members urged their legislators to oppose any proposals that mandate building labeling and to oppose involving federal agencies in the development of building codes.



[TOP] IREM AND CCIM INSTITUTE MEMBERS FROM KENTUCKY MEET WITH SENATE MINORITY LEADER MITCH MCCONNELL. PICTURED FROM LEFT TO RIGHT: LARRY HOUSMAN, CCIM; NICK SCHWENDEMAN, CPM®; SENATOR MCCONNELL; CHERIE HONIGBERG, CPM; AND HARRY KNIGHT, CCIM.

[BOTTOM] PICTURED FROM LEFT TO RIGHT: JERRY MOYER, CPM; CONGRESSWOMAN CANDICE MILLER; KARLYNNE TUCKER-SCAGGS, CPM; AND JOE THOMAS, CPM.

**TAXES—CARRIED INTEREST:** IREM and CCIM Institute oppose any proposal that would eliminate capital gains treatment for any carried interest of a real estate partnership. Members asked their legislators to oppose H.R. 1935 by Representative Sander Levin, which would treat carried interest as ordinary income, and to support an amendment to exempt real estate partnerships from this tax treatment.

## Hill Visit Issue Update: Federal Reserve Expands TALF Loans

On May 1, 2009, the Federal Reserve Board announced that, starting in June, commercial mortgage-backed securities (CMBS) will be eligible collateral under the Term Asset-Backed Securities Loan Facility (TALF). The board also authorized TALF loans with maturities of five years. Adjusting the financing term will both accommodate the longer-term nature of commercial real estate lending while also serving to attract investors to the program. During the Capitol Hill Visits in April, IREM and CCIM Institute members lobbied Congress to encourage federal regulators to adjust the financing terms of TALF loans.



# IREM ADOPTS NEW STATEMENTS OF POLICY ON THE EMPLOYEE FREE CHOICE ACT AND TENANT PROTECTION IN PROPERTY FORECLOSURES

IREM recently approved two new statements of policy in response to legislation currently being considered by Congress that would impact the commercial real estate industry: the Employee Free Choice Act and Multi-Family Housing Foreclosures.

## *Employee Free Choice Act*

The Employee Free Choice Act, also known as "check card" legislation, would fundamentally change the process for union elections and the collective bargaining process, making it easier for labor unions to organize employees into unions. As proposed, the Employee Free Choice Act would require the National Labor Relations Board (NLRB) to certify union representation when a majority of employees sign a card favoring a union. The NLRB would not be required to conduct a private election. The bill also would impose a strict 90-day time limit for reaching an initial collective bargaining agreement. Additionally, if an agreement is not met during this time, either party can request mediation from the Federal Mediation and Conciliation Service (FMCS). Following mediation, the legislation permits the FMCS to impose a 2-year binding contract on employers and employees. Neither party may appeal.

IREM urges Congress to oppose the Employee Free Choice Act. IREM supports the right of employees to choose whether to be represented by a labor union through a federally supervised private election. A secret ballot election ensures that employees are protected from coercion and intimidation.

## *Tenant Protection in Property Foreclosures*

Legislation has been introduced to protect tenants and ensure they are not evicted without notice in the case of a property foreclo-

sure. As home foreclosures continue to grow, tenants are being evicted from their rental homes, often with no advance notice of the action. Specifically, the legislation requires the "immediate successor in interest" of a foreclosed property to provide the tenant with at least 90 days notice before requiring the tenant to vacate the property. In addition, the bills require that the tenant may stay beyond the 90-day notice period to the end of the lease term if the "successor in interest" does not intend to reside in the property as a principal residence. This legislation would preempt state and local laws, unless existing law was more protective to tenants.

IREM believes notifying tenants of displacement is important and supports requirements that banks and lending institutions be required to notify tenants of a pending foreclosure on the property. IREM also supports allowing tenants to remain in the property through the end of the lease, assuming the subsequent owner does not intend to use the property as a principal residence and the tenant is in compliance with all lease requirements.

The legislation also provides similar protection to the recipients of the Housing Choice voucher (formerly known as the Section 8 voucher) during property foreclosure. The legislation would require that the "immediate successor in interest" of a foreclosed property be subject to the pre-existing lease and Housing Assistance Payment (HAP) contracts for Housing Choice voucher tenants. IREM supports the protection of Housing Choice voucher tenants. Additionally, IREM would oppose a requirement that subsequent owners of rental property be subject to a HAP contract (and the requirements attendant to that contract) without disclosure of such a contract prior to sale of the property to a subsequent owner. ■

## STAY INFORMED ON CURRENT ISSUES WITH THE STATE LEGISLATIVE DATABASE

IREM tracks bills in all 50 states and encourages you to be proactive by challenging proposed legislation that would have a negative effect on your business. The IREM State Legislative Database is a members-only service that provides comprehensive reporting on proposed legislation. The State Legislative Database allows you to easily search for legislation by state and/or topic. In addition, you will have access to information about the bill including the legislative history, bill text and committee reports. To access the database, go to [www.irem.org](http://www.irem.org). Scan over the "Public Policy" icon on the tool bar, and then scroll down and click on "State Legislative Database."



## WINDY CITY ICON The Federal Reserve Bank of Chicago building exudes a sense of pride and prosperity

DIANA MIREL IS A CONTRIBUTING WRITER TO JPM. SEND QUESTIONS REGARDING THIS ARTICLE TO MARKISAN NASO AT [MNASO@IREM.ORG](mailto:MNASO@IREM.ORG).

With financial institutions throughout the country making headlines during today's economic crisis, the larger-than-life image of banks has begun to shift. However, in the center of Chicago's financial district, the Federal Reserve Bank of Chicago building maintains its rich history and esteemed stature while facing today's economic realities and modern building needs.

Designed by famed Chicago architectural firm Graham, Anderson, Probst and White and built in 1922, the Federal Reserve Bank of Chicago was described from the start as an "architectural marvel."

After meeting with James B. McDougal, the first president of the bank, the architects understood what they were building and how it would highlight the mission of the Federal Reserve, said Michael D. Sutton, assistant vice president, who manages many aspects of the building.

The original property stood at 17 stories and was designed with cutting-edge technology that included an innovative intercommunication system wired throughout the building. The building's façade depicts an image of strength, pros-

perity and purpose with its 65-foot Corinthian colonnades. Today the Chicago landmark building is still an architectural gem in Chicago's financial district.

"Our facade is nearly mirrored by the Continental Bank building across the street (now Bank of America)," said Sutton. "When you view the buildings from the north, they make what is affectionately known as 'the financial canyon,' flanking the wonderful Chicago Board of Trade Building."

Over the years, the property has evolved as the Chicago Fed found itself needing more space. A 180,000-square-foot, 16-story addition was completed in 1960. And in the early 1980s, the bank underwent a major renovation to accommodate modern infrastructure and expand its space further. In 1986, the bank renovated its existing 820,000 square feet and added a 14-story, 165,000-square-foot addition.

The most dramatic change during this renovation was within the main lobby. The bank removed the staircase that was the focal point of the original building to open up a four-story space in the lobby. Portions of the second-floor mezzanine were then cut away and office spaces were relocated to create a soaring vista for visitors walking through the lobby. During this renovation, the bank reorganized its workspaces as well, moving the functions requiring the highest security to the three levels below ground. This renovation went on to receive an award from the American Institute of Architects.

Additionally, through the years every infrastructure system has been replaced, save one.

"We still maintain the 'Yeoman sewage pump system' that was originally installed," said Sutton. "It is quite a sight to see a 15-foot-deep sump pump that is 12 feet in diameter. Our engineers

THE FEDERAL RESERVE BANK OF CHICAGO WAS BUILT IN 1922.





take pride in rebuilding it when required. The system runs great and uses little energy. Other than that, the infrastructure systems are state of the art.”

**MARVEL & MANTRA**

Despite these extensive changes on the property, the bank has remained dedicated to preserving its rich history and architectural presence in a city known for its architectural brilliance.

“Our facilities management team views itself as stewards of a precious icon in the city of Chicago, and the Federal Reserve System,” said Sutton. “While the building has changed over its lifetime to meet the functional needs of the Fed, the outside has remained as distinctive and well maintained as it has always been. Careful thought is given to every project and initiative, especially those with aesthetic elements.”

The building’s history and the bank’s overall image can make maintaining the facility challenging, yet rewarding.

“We maintain much more than the building; we serve the public trust,” said Sutton. “Therefore, we are feverish about ensuring a reliable and efficient facility. Our mantra is ‘we serve,’ and our dedicated staff in every business line across the organization takes that very seriously.”

As the Fed’s business has changed through the years and the property has grown, the building’s occupancy has increased as well. Through the consolidation of various aspects of the Federal Reserve, the bank occupies less space within the building, according to Sutton. Currently, there are several tenants in the building and additional space is available.

As a local landmark, the building is also open to visitors. In 2001 the bank opened its 5,600-square-foot Money Museum for visitors. Free and open to the public, this museum offers visitors an interactive look at the role of the Federal Reserve in maintaining a healthy economy as well as a look at millions of dollars in various denominations; education on how to detect counterfeits; and information on how the

Federal Reserve System impacts our lives.

**STAY ON MISSION**

With so much going on within the building, so much history associated with the building and the important role the Federal Reserve plays in today’s economy, being a member of the building’s management and maintenance team is an exciting job. For Sutton, that means doing his part to achieve the Fed’s mission to serve the public interest by fostering a strong economy and promoting financial stability.

“We accomplish this with talented and innovative people working within a collaborative and inclusive culture,” said Sutton. “At the Chicago Fed, they live that mission and it shows.”

To achieve this mission and maintain the building in its top form, the people within the Fed are crucial.

“Sure, we are all here to make a living, but there is a work environment that is infectious at the Federal Reserve,” said Sutton. “Our people really make this an enjoyable job; and I truly mean from the top of the organization to the bottom. Everyone’s role is viewed as critical to our mission. I just love that.” ■



THE FEDERAL RESERVE BANK OF CHICAGO HAS UNDERGONE MAJOR RENOVATIONS THROUGH THE YEARS, INCLUDING A 14-STORY, 165,000-SQUARE-FOOT ADDITION IN 1986.



## HITTING BACK HARD Gulf Coast states provide opportunities for experienced property managers

DARNELL LITTLE IS A CONTRIBUTING WRITER TO JPM. SEND QUESTIONS REGARDING THIS ARTICLE TO MARKISAN NASO AT [MNASO@IREM.ORG](mailto:MNASO@IREM.ORG).

For the past two decades, the Gulf Coast states of Texas, Louisiana, Alabama, Mississippi and Florida have been at the center of a demographic explosion, with population rising dramatically.

That population boom, led mainly by Florida, also drove tremendous economic growth with businesses and real estate development. But the credit crisis and deep recession have hit all regions of the United States hard, including the Gulf Coast.

Thanks to weakening global demand, the energy industry—responsible for nearly half the Gulf Coast's economic activity—is currently contracting. This in turn is causing a spike in unemployment throughout the region, only compounding the problems for the areas that were hardest hit by Hurricanes Rita, Katrina and Ike.

Despite the challenging environment, the Gulf Coast is ripe with opportunities for property managers. Some coastal areas in Texas, Mississippi and Louisiana are now recovering from recent hurricane disasters and are undergoing major developments. Alabama's coastal areas are moving from the category of hidden gems to that of major destinations for coastal dwellers.

Although these areas are struggling overall under the current recession, the downturn only makes the need for experienced and savvy property managers all the greater: Asset holders require the steady and knowledgeable hand of a seasoned property manager to maximize the profits from real estate holdings.

### CARVING OUT A NICHE

According to Matthew Zifrony, a director with

Tripp Scott law firm in Fort Lauderdale, Fla., delinquency rates continue to rise across South Florida as condominium associations struggle to pay their bills.

"More properties across South Florida are becoming dilapidated because residents are abandoning them," Zifrony said. "And the condo associations don't have the money to deal with the problem."

Along with rising vacancies and foreclosures, South Florida is experiencing a record number of bankruptcies and growing unemployment.

But surprisingly, many real estate experts say the environment is ripe with opportunities for the enterprising property manager willing to work in such a challenging environment.

"It's a great time to be in property management, if you can run a small operation on a tight budget," said Michael Sichenzia, chief operating officer of Dynamic Consulting Enterprises, LLC, a Florida-based loan modification firm.

"A property manager can carve out a niche and compete on price and service," Sichenzia said. This allows the property manager to compete for business with homeowner associations and smaller real estate developers who need the expertise and experience of a seasoned property manager to handle real estate assets in a tough economic environment.

### STABILIZING ASSETS

Matt Summers, president of Houston-based Kaplan Management, agrees. The national recession has shaken Houston's economy. Multifamily, condominium and office markets in Houston are all down and new real estate development has slowed to a crawl. So real



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estate holders are looking for property managers who know how to squeeze the most dollars out of their assets.

"In a downturn, there is a big disparity between those who know what they are doing and those who don't," Summers said.

Summers has recently noticed that equity lenders who invested in real estate and planned to flip properties quickly are finding themselves having to manage those assets. They are now looking for professional property managers to run their portfolios. In particular, they prefer boutique management companies with property managers who can pay more attention to their assets.

"A site manager is the key to the success of a property," Summers said. "In a period like this, you must have extensive experience in the field."

Summers also said that customer service becomes more important in a downturn. He believes that a common mistake asset holders make is to cut customer service during difficult economic times.

"You can't give substandard service to residents," Summers said. "I want a property manager with an engaging personality who does well with people. [He should be] sincere and bright at the same time. If residents are happy, you stabilize the asset...and they don't move."

#### NOT THE NORM

If there's one special case in the Gulf Coast area, it is definitely New Orleans. Hurricane Katrina destroyed an enormous amount of housing stock in the area, causing massive de-population. Some of that housing stock is starting to come back online now, thanks to aggressive financing both in the commercial and governmental sectors. The result has been continued development even during the downturn.

"In Florida, for-sale signs dot the coast from one end to another, but we have a lot of construction going on here, especially for apartments," said Richard Juge, a RE/MAX commercial broker in Louisiana. "We've had good

growth the last few years. Not a lot of speculative builders but relatively healthy investors."

Still, the retail and office markets in New Orleans are experiencing higher vacancies, and condominium development has slowed recently. Despite the positive indicators, New Orleans remains a tough environment in which to operate. A lot of uncertainty exists about the extent to which future development will continue in the area. And the city's exposed vulnerability to natural disasters is giving some former residents and business owners pause about relocating back to the area.

According to Juge, however, a market downturn is a win for property managers. For those developers who have made the decision to return, the experience of a working with a good property manager is crucial to the success of any real estate asset.

"Never underestimate the value of a property manager when it comes to retaining customers," Juge said. "As the market sees higher vacancies, the property manager becomes more important."

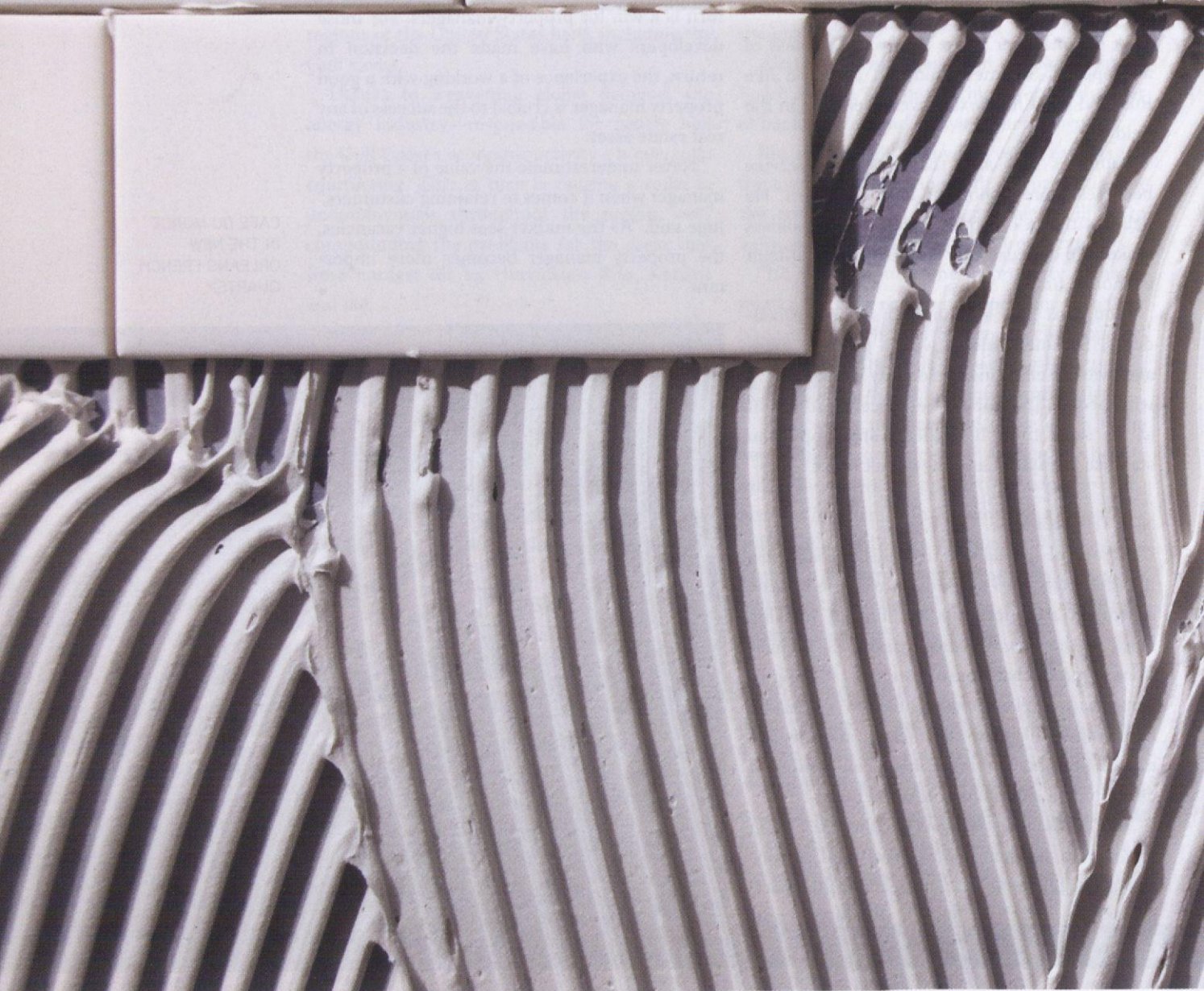
CAFE DU MONDE  
IN THE NEW  
ORLEANS FRENCH  
QUARTER





REGIONAL OUTLOOK

# CAPITA INVEST





# IMPROVEMENT

IMPROVEMENTS ARE POSSIBLE WITH CREATIVITY AND FORESIGHT *by Claire Bushey*

## THESE DAYS, PROPERTY MANAGERS NEED TO BE SAVVY ABOUT HOW THEY SPEND THEIR CAPITAL IMPROVEMENT BUDGETS—

especially when they have limited funds. A whole range of projects fall under this umbrella term: replacing roofs, heating and cooling systems, or appliances; fixing lighting or other electrical systems; addressing a parking lot's structural problems; retrofitting to stay current with new building and environmental codes and more.

So how do property managers decide what projects to address during a recession? Clearly, it's better to hold off on less visible projects and undertake others that more directly benefit the bottom line. Tenants and residents will readily see the benefits and owners are more likely to support such undertakings, especially if they will improve ROI.

For example, last summer Sunrise Management & Consulting in Albany, N.Y. began upgrading bathrooms at some of their suburban residential properties. The bathrooms in the eight-year-old apartment complex had linoleum floors and standard-issue cabinets. The company wanted to replace them with ceramic tiles in one of three color schemes. They started renovating the 232-unit



building at a clip of three or four bathrooms a month.

Then came the recession: unemployment, financial meltdown and comparisons to the Great Depression. The company had a decision to make: Continue to tile, at a cost of \$750 a bathroom, or hold back and wait for better times.

Sunrise chose to slow down but not stop. Though it may seem counterintuitive when the recession has managers watching every penny, property managers say spending money on capital improvements now is a wise investment. New bathrooms help attract new residents and give current residents one more reason to stay, thereby minimizing expensive turnover, said Jesse Holland, CPM®, president of Sunrise. And with contractors hungry for work, the price is right.

"In a year like this, everybody tries to pull back, but now is a great time to do capital improvements," he said. "As we come out of the recession 12 or 18 months from now, you'll already be ahead of your competitors."

In other words, you have to spend money to make money.

#### PRIORITIZE AND READJUST

While Holland continued with the bathroom upgrades, Sunrise temporarily shelved plans to build a new maintenance shop to store pool equipment. Holland said this

type of improvement would not be noticed by residents and could easily wait until more funding comes along.

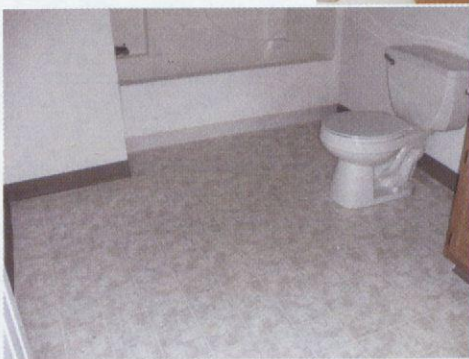
Owen Ahearn, CPM, made similar decisions at his property management company, Ahearn Realty Management in Lakeville, Mass. The company manages apartments, condominiums, and commercial and industrial properties in Massachusetts, Rhode Island and Connecticut.

The company delayed kitchen and bathroom renovations at a multifamily apartment building in Worcester, Mass., because of the cost, but they went ahead with window replacements. Trading the aluminum windows for energy-efficient vinyl ones will help residents save money on their utility bills, making them less likely to leave; it will also save the management company money on utility bills for the common areas.

Even projects that are deemed

BEFORE  
AND AFTER  
PHOTOS OF  
THE BATHROOM  
UPGRADES MADE  
BY SUNRISE  
MANAGEMENT &  
CONSULTING AT  
THE MANSIONS  
AT DELMAR IN  
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CONSULTING





essential don't necessarily have to happen all at once. Regular maintenance can help put off the need for major capital improvements, Ahearn said. It's better to pay to fix a leak than wait and allow water to damage the roof. If a property owner doesn't seem inclined to share this view, he said, "you lay out the cost of repair versus the cost of replacement. That usually gets their attention."

Knowing the owner's intentions for a property is critical for managers trying to decide the order in which to tackle capital improvements, said Sue Lewis, CPM. Do the owners intend to keep the property for the indefinite future? Or are they looking to sell? If it's the latter, it's better to spend limited capital improvement dollars boosting the property's curb appeal by power-washing sidewalks or planting new shrubbery, rather than on replacing the roof. Lewis warned property managers to be careful about putting off repairs, however, even if the owners plan to sell the building.

"Deferred maintenance will drastically affect the price you're going to get," Lewis said.

Completing a project in phases is another useful tactic to help control cash flow. Karen Hodge, CPM, said her company, ICORR Properties International in Canada, took this approach when upgrading the façade of a building in downtown London, Ontario.

The Selby Building is four stories, with retail on the first floor and offices above. Over time, the commercial tenants had taken it upon themselves to display their own signs, creating a visual mishmash of advertisements. ICORR wanted to replace

## **DURING ECONOMICALLY CHALLENGING TIMES, IT PAYS FOR MANAGERS TO DO THEIR HOMEWORK TO INVESTIGATE A COMPANY'S FINANCIAL SOUNDNESS BEFORE HIRING THEM TO DO WORK.**

—SUE LEWIS, CPM®

the chaos with uniform signage and install weatherproof stucco that would both improve the building's appearance and protect it from deterioration. The total price tag was \$360,000, but instead of trying to do all four sides at once, ICORR took the exterior walls one at a time, each costing \$90,000. The company started in late 2007 and will finish the project this year.

### **CREATIVE FIXES WITHOUT THE FUNDING**

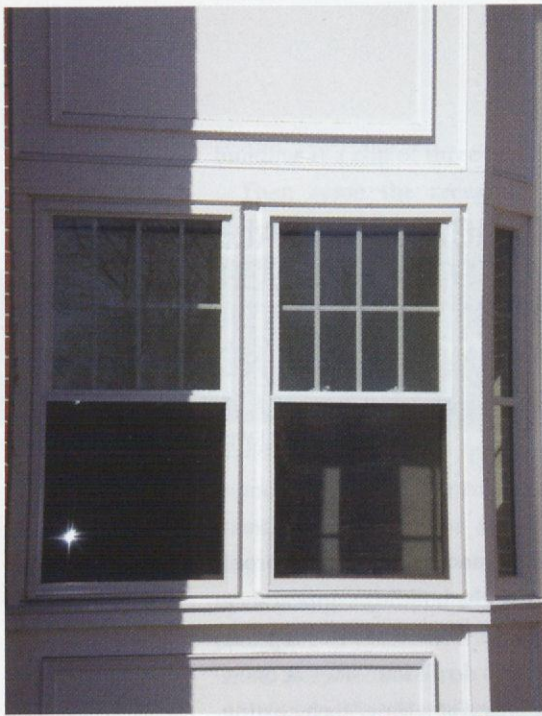
Ideally, property managers can pay for capital improvements out of a fund they've been feeding regularly for years. In addition to the annual budget, property managers should budget to pay for improvements that will be needed in the next five to 10 years, Lewis said. That money is more important than ever since the credit markets have dried up, and managers say financing is no longer an option.

"Nobody's borrowing at this point," Holland said.

But sometimes there isn't enough money set aside to cover all the work that needs to be done. That's when managers need to find creative ways to squeeze money out of their properties, Lewis said. She ticked off a list of suggestions without pausing. Consider charging residents for parking, if possible. If the property is located next to a mixed-used area, try renting out residents' parking spots during the daytime. Investigate charging residents for their utility use. Install storage lockers and rent them out, or rent out a common area to community groups.

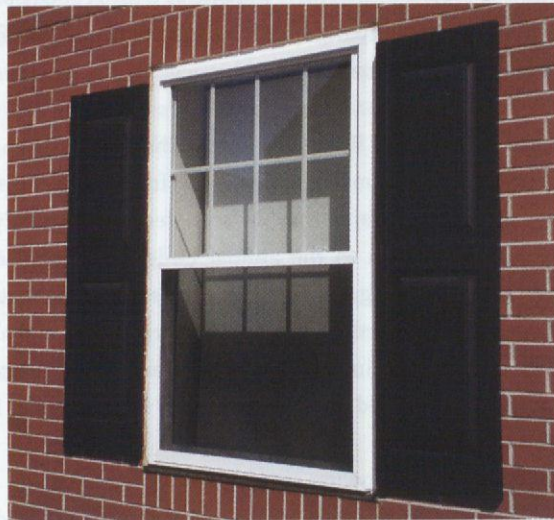
A variation on that last strategy proved fruitful for Lewis in 2002 during the last economic downturn. She was managing Country Walk Apartments in Lynnwood, Wash. She allowed a Korean church to use the building's cabana free of charge each week for worship services. They even did baptisms in the room's Jacuzzi. Churchgoers would come for services and meet people already living in the community.





AHEARN REALTY MANAGEMENT PERFORMED A VARIETY OF RENOVATIONS AT A MULTIFAMILY APARTMENT BUILDING IN WORCESTER, MASS.

PHOTOGRAPHY © AHEARN REALTY MANAGEMENT



"Before we knew it, we had more apartments rented," Lewis said.

#### FINDING DEALS

Once a manager has secured the money to move forward with a project, whether taken from a special account or raided from metaphorical couch cushions, there are many ways to save money on the actual improvements. Across the country the recession has forced contractors to drop their prices to win work, as there's simply less of it to go around. Ahearn said as recently as two years ago he had trouble finding specialty vendors to handle jobs; now he's getting cold calls.

Holland said, "When you talk to a contractor, they wanted to start work yesterday. They're willing to accept smaller profit margins, so it pays to negotiate."

Ahearn said prices have fallen between 5 percent and 15 percent from a year ago, and Holland has negotiated roof repairs down by 20 percent.

At the same time, Holland cautioned against driving too hard a bargain. Contractors you've relied on in the past won't appreciate aggressive demands for rock-bottom prices, and it's not worth souring a good relationship to get them. A low cost structure is worthless if a contractor won't help with future problems, whether it's honoring a warranty or being flexible about payment—a need anyone might have in a recession.

During economically challenging times, it pays for managers to do their homework to investigate a company's financial soundness before hiring them to do work, Lewis said. A contractor can't honor a warranty if they go out of business. Also, Lewis suggested checking out changing state and municipal building codes and environmental regulations to avoid costly retrofits. No one wants to install a new HVAC system only to have the state legislature increase energy-effi-



ciency standards a year later.

There are plenty of places to save money when it comes to energy-efficient capital improvements, Lewis said. When she switched the apartment building in Lynnwood to energy-efficient lights, Lewis found government funding to cover more than two-thirds of the \$80,000 project. Though the government programs available will differ across the 50 states, it's worth researching.

#### THE BOTTOM LINE

Sometimes investing in capital improvement pays off in more ways than one. Holland recalled a 256-unit townhouse development that he managed in Albany several years ago. The bathrooms in the post-World War II development contained old sink faucets and showerheads that wasted costly amounts of water. So Holland ordered new bathroom vanities for all the residents, which allowed the company to change the faucets and save nearly one third on their water bills.

The change in bathroom vanities also reduced resident turnover. Pleased with the new bathrooms, turnover decreased from 75 percent one year to 30 percent the next, without any rent concessions.

"We spent \$400 and picked up \$3,000, and it went to the property instead of paying a resident to stick around," Holland said.

Improved properties are easier to lease to new residents or tenants; it's also easier to persuade current leaseholders to stay. Preparing a unit for a new resident costs between \$3,000 and \$5,000, so capital improvements that reduce turnover are frequently worth the investment.

Karen Hodge said ICORR has done a reasonable amount of leasing at The Selby in London, Ontario, having just found tenants for spaces of 6,000 and 2,100 square feet in the 70,000-square-foot building, which is large for its market. They've also retained some large tenants, and she credits the façade upgrades. Several have commented the building is looking the best it ever has. And even though the supply is out there and residents could go anywhere right now, Hodge said the improvements helped her company beat out competitors and keep the tenants' business.

Ultimately, the point of capital improvements, particularly during a recession, is to improve the bottom line. Although planning ahead and conserving resources may be difficult when funds are tight, strategic investments usually will more than pay for themselves in the months to come. Property and real estate managers need not forego all capital improvements in tough economic times: Wise use of resources and a little creative thinking will make the property more attractive during the recession and put them miles ahead of the competition by the time the economy swings back around.

BEFORE AND AFTER PHOTOS OF THE SELBY BUILDING IN LONDON, ONTARIO, CANADA.

PHOTOGRAPHY © ICORR PROPERTIES INTERNATIONAL

Claire Bushey is a contributing writer to *JPM*. Send questions regarding this article to Markisan Naso at [mnaso@irem.org](mailto:mnaso@irem.org).








### Even during the best of times,

property managers know they must be ready for disaster to strike. Building emergencies (fires, power outages, bomb threats, medical emergencies, etc.), weather-related emergencies (tornadoes, hurricanes, floods, wild fires, etc.), geologic emergencies (e.g., earthquakes, landslides) and other types of emergencies (including nuclear accidents, acts of terrorism and even swine flu outbreaks) are beyond a property manager's control. Yet, while disasters such as these cannot be prevented entirely, their effects can be mitigated and losses minimized through effective

planning and timely action.

The opportunity for effective action greatly increases if property managers are prepared *before* a disaster occurs. Every property should have emergency procedures and business continuity plans in place that address the property's unique needs, in order to minimize damage and facilitate a coordinated, proactive response. IREM Members have risen to the





# dealing with disaster

## IREM Members Survive the Midwest Floods of 2008

*by Janice Rosenberg*

challenge through many adverse situations, and have learned from past disasters how to become even more prepared for the future. The Midwest Floods of 2008 are examples of disasters that tested the mettle of many property managers who responded quickly to preserve their assets.

### DISASTER STRIKES THE MIDWEST

It has been more than a year since the floods of 2008—brought on by heavy rainfall in early June—barraged the Midwest and left behind a wake of devastation. Even

today, many homes and businesses are still struggling to recover from the catastrophic damage wreaked by the deluge.

Great damage was immediately evident: the loss of life, displacement of people, and failure of power, sewage and transportation systems. The floods stopped businesses in their tracks, destroyed residential areas and sent property managers scram-



bling to protect their assets. Those with disaster plans in place were best positioned to mitigate, if not prevent, the results of these calamities.

After the waters receded, the crisis was far from over. According to Bob Anderson, public affairs officer for the Mississippi Valley Division of the U.S. Army Corps of Engineers, water damage—to furniture, carpeting, electronics and other property—and potentially deadly mold were only two of the many aftereffects that Midwesterners faced.

“Flooding no doubt can cause total devastation to a facility,” said Douglas Papineau, director of the U.S. General Service Administration’s Iowa property management office in Des Moines. “Knowing the potential risks and having a plan to minimize the impacts is paramount.”

#### GETTING A JUMP-START ON DISASTER

Connie Chapman, RPA, director of management at Ryan Companies

in Cedar Rapids, Iowa, had a written flood-proofing plan for the Great American Building, an eight-story, 140,000-square-foot office building that her company manages and uses as its headquarters. Because of the building’s location near the banks of the Cedar River, such a plan was required by the Cedar Rapids Floodplain Management Ordinance.

The plan was reviewed each spring and required preventive measures such as placing expandable plugs in all floor drains and sandbagging the outer walls against plastic sheeting to a height of two feet.

As river levels rose in spring 2008, Chapman took additional proactive measures. She recorded model and serial numbers from ground-floor equipment in case it became necessary to replace parts; set elevators to the second floor and locked them; lifted items such as computer servers from the floor onto desks; and contacted contractors about work that would be needed as soon as the water receded.

Des Moines was another hard-hit area in 2008. Krista Capp, CPM®, vice president of property management at Hubbell Realty in West Des Moines, knew the company’s buildings in the downtown River Point Business Park might be affected by flooding. With her company’s business continuity plan in hand, she handled essential tasks such as stocking up on sandbags, preparing a complete inventory of properties and vacancies, renting large pumps and hiring a security company to monitor the

BUZZARD BILLY’S,  
LOCATED IN A DES  
MOINES, IOWA  
COMMERCIAL  
OFFICE BUILDING,  
AFTER BEING  
FLOODED WITH 10  
FEET OF SEWER  
WATER IN JUNE  
2008.

PHOTOGRAGHY ©  
JOHN BERGMAN,  
CPM®





water level and send her updates.

On the day the flood was expected to hit, Capp stood on the riverbank and watched it come.

"At one point, a four-foot diameter pipe system broke and water poured into our area," Capp said. "Through our business ties we were immediately able to get hundreds of truckloads of dirt to rebuild the levee around the broken pipe and as a result we had no damage from flooding."

#### COMMUNICATION & ACTION

As the water levels began to rise, well-prepared property managers knew what to do. They began contacting and staying in touch with government officials and agencies for up-to-the-minute flood reports.

"You can never get enough information in these types of situations," Papineau said. "The media can release skewed information, so you should know how to validate reports quickly through trusted sources."

Capp checked the United States Army Corps of Engineers (USACE) Web site for information on when the river was expected to crest. Additionally, her company created its own comprehensive flood Web site to share knowledge—compiling information gleaned from the city, the department of public works, the USACE and local TV and radio news programs. The site was updated every hour and became very popular in the Des Moines area.

In Columbus, Ind., as torrential rains fell, Mike Reed, CPM, vice president and facilities manager for Irwin Union Bank, turned to his company's disaster recovery plan for a list of emergency contractors and suppliers. This plan, written by representatives of the bank's various departments with help from an outside consultant, had been tested annually at the company's main office in Indianapolis.

"There was nothing we could have done to prevent the disaster we had," Reed said. "But a good disaster recovery plan and good vendors and contractors waiting in the wings can help you recover much more quickly."

Property managers with contact lists already compiled were definitely one step ahead of the pack. Looking back on the flooding in Des Moines, John Bergman, CPM, director of real estate management at Terrus Real Estate Group, remembers wishing he had compiled a more complete contact list.

"It would have helped to have cell phone numbers for the various government offices we needed to contact. Their

landlines were out and we could have used their help with traffic control and other issues," Bergman said.

The most proactive property managers quickly lined up post-disaster help before the waters hit.

"After a disaster occurs, everyone will be vying for the same resources," said Inés Pearce, CEO, Pearce Global Partners, Federal Way, Wash., and senior advisor to the Civic Leadership Center for the U.S. Chamber of Commerce in Washington, D.C. "By being proactive, you can be a few steps ahead of your competitors."

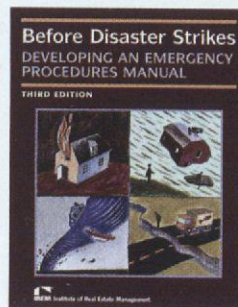
Keeping tenants informed was another key communication issue. John Viggers, CPM, NAI/Ruhl and Ruhl Commercial Co., in West Des Moines, activated a calling tree in place for such situations.

"Before the flood, we updated our list of backup numbers for people who were away from the building so that we would know how to contact them," Viggers said. "We made sure we knew how to get [in touch] with two or three people from each business and I made sure they all had my cell phone number."



Getting FEMA flood insurance might be a good idea—if you can get it. There are many issues involved in determining eligibility for such coverage, including whether the property is in the floodplain, and whether or not it is behind a FEMA-accredited levee. If you have a mortgage from a federally regulated institution and are not protected by a FEMA-accredited levee, you must have insurance through the National Flood Insurance Program, said Alan Dooley, public affairs officer at the U.S. Army Corps of Engineers St. Louis District.

(For additional information see [www.floodsmart.gov/floodsmart](http://www.floodsmart.gov/floodsmart).)



To be prepared for future disasters, purchase a copy of the IREM publication *Before Disaster Strikes* at [www.irem.org](http://www.irem.org).





RIVER WATER IN IOWA THREATENS TO FLOOD A RESIDENTIAL STREET.

In Des Moines as flood waters rose, Bergman called the owners of Buzzard Billy's restaurant—a lower-level tenant in a seven-story commercial office building he manages. He told them to remove as much of their property as possible. Soon after the tenants finished their work, the facility was inundated with 10 feet of sewer water. Items left behind were completely destroyed.

#### DISASTER RECOVERY— PLAN AND EXECUTION

In each Midwest city hit by flooding, the water gradually receded and the cleanup began. At the Irwin Union Bank in Columbus, Ind., water stood three inches deep on the first floor and completely filled the basement. According to pre-flood arrangements, contractors arrived to pump out the water, remove debris, tear up carpeting and drywall, and power wash the floor and walls.

In Des Moines, the gas-powered pumps Capp had put into place prior to the flood were manned and running 24/7 to clear ground water.

In Cedar Rapids, a few days after the flooding, Chapman called her tenants and coordinated a “grab and go” so that they could retrieve their property. Tenants were warned to wear galoshes, carry flashlights and bring boxes. Each had only 15 minutes to

gather what was most needed from the hot, stinky building. Perhaps because the company was so accommodating, it lost none of its tenants after the floods.

#### PREPARING FOR NEXT TIME

Property managers know they always have to be ready for anything. Anderson underlines this truth, calling the 2008 events a “500-year-flood.” This means that there is a 1-in-500 chance of that kind of flood occurring in *any* particular year, Anderson said, not that it can happen only once every 500 years. For instance, there was similar flooding just 16 years ago in 1993.

These unlikely events have influenced a number of new initiatives, both public and private.

Property managers are learning more about flood insurance, which can offer some protection. Property owners who had FEMA flood insurance were covered in 2008, said Alan Dooley, public affairs officer at the U.S. Army Corps of Engineers St. Louis District.

“If your private property insurance doesn't specifically cover you for flooding, you may find that damages are not compensated,” Dooley said.

The flooding has also caused the states involved to work more closely with the federal government. Together they are looking at structural alternatives that would protect against this level of flooding, and non-structural alternatives such as allowing rivers to have floodplains that are free of houses and businesses.

“We hope the flood on the upper Mississippi in 2008 will encourage a comprehensive flood protection program that would bring the river levees that qualify for such improvement up to a 500-year protection level,” Anderson said.

Proactive managers also know the importance of talking to local officials about proposed governmental flood prevention projects. With the alleviation of future disasters in mind, Chapman met with Cedar Rapids representatives to talk about temporary barriers the city has purchased for future floods. She also discussed further ways of protecting her building.

“It may take 10 years to have permanent flood mitigation,” Chapman said. “Meanwhile, we need to know how to handle future flood situations.” ■

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Janice Rosenberg is a contributing writer for JPM. Send questions regarding this article to Markisan Naso at [mnaso@irem.org](mailto:mnaso@irem.org).



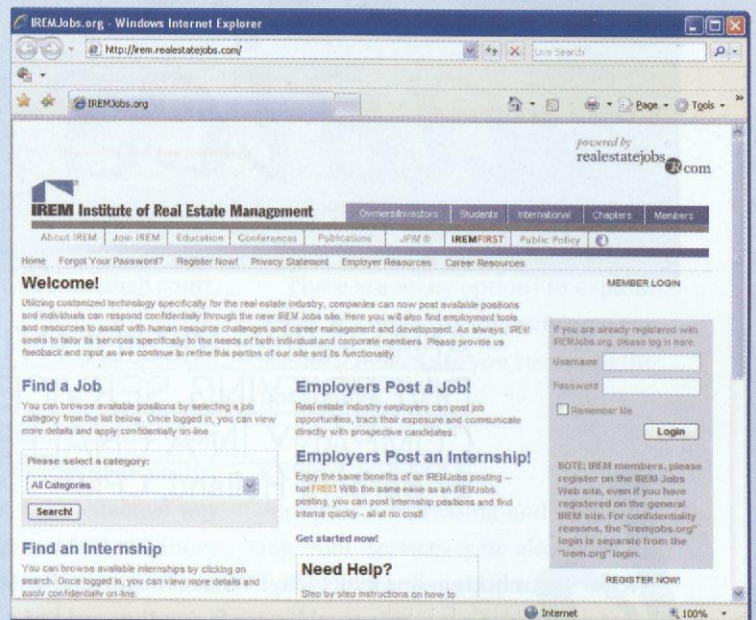
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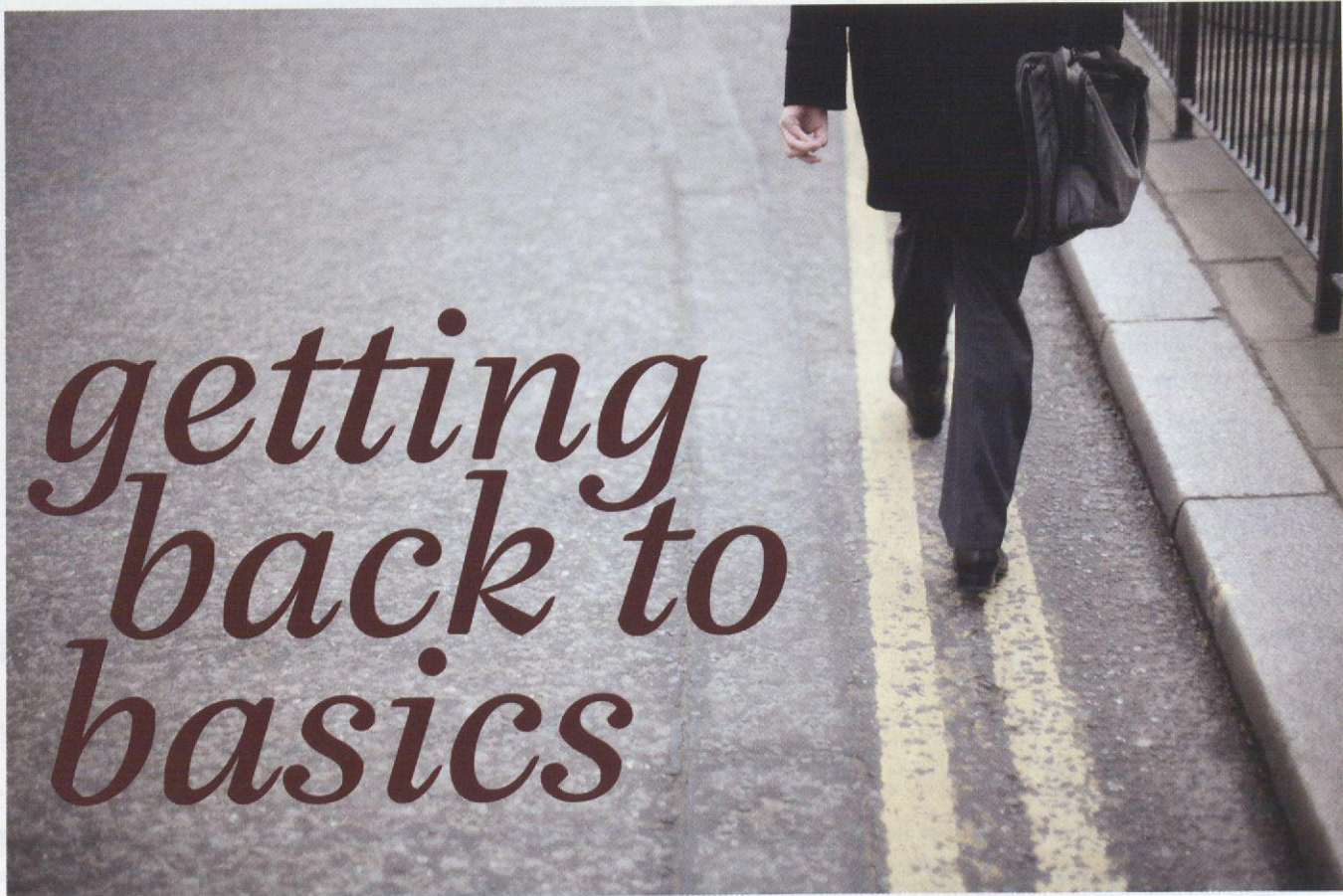
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## ANALYZING RESIDENTIAL OPERATIONS AND DIVERSIFYING SERVICES WILL STRENGTHEN YOUR COMPANY IN A CHALLENGING ECONOMY

by Barbara Holland, CPM®

How does your bottom line look today? What about your clients' bottom lines? A great number of economic troubles are facing the world of professional property management, including premature breakages of residential leases; tenant businesses closing their doors or asking for temporary reductions in rents; high turnover costs; increases in marketing expenses; forced reductions in staff, decreases in management fees and leasing commissions, and more.

In order to survive the turbulence, "getting back to basics" involves improving your bottom line by diversifying your services, and analyzing your operations for ways to cut expenses. These tasks may mean the difference between your successes and failures as our industry continues to meet the challenges of a major recession.

### FIT THE PROFILE

Many of the steps your property management company must initiate to survive in these challenging times will be similar to the steps needed for your clients. Stabilizing or increasing income will mean more hours working with your staff

to improve their marketing and leasing skills, and it will require an analysis of who your current residents are. You can begin by finding out whether or not you need to market to a different resident profile.

It is not difficult to create a resident profile report. Extracting information from the initial resident application will provide most of the data, such as number of adults and children, annual salaries, type of employment, distance to work, and number of cars. Once the first resident profile report is developed, on-site staff can revise the report on a semi-annual or



annual basis to determine the changes due to resident turnover.

You can also make revisions to your current residents' profiles due to personal and business changes during the year. As rental rates increase, the annual salary requirements of your residents will increase. By reviewing your resident profile, you can determine if your current residency will be able to absorb their rental increases. Changes in rental rates have a direct relationship with the resident profile. Is your marketing strategy meeting your goals of attracting residents who can afford living at your community, today and next year?

It's important to find out what businesses are located within a one- or two-mile radius of your building that can support the community. Often, specific rental incentive programs for these businesses need to be developed and promoted through various marketing tools—from postcards, to flyers, to letters, to human resource departments.

To make such programs more successful, telephone calls and actual visits to businesses are vital, allowing more direct communication to "sell" the benefits of the apartment community to employers who could promote the property through their internal newsletters, magazines and company manuals. Some management companies go even further, meeting people in their business parking lots with donuts and hot coffee while they hand out their flyers.

Changing or adding to your existing amenities will also impact your resident profile. For example, if your apartment community has a tennis court that residents do not use, review the resident profile and results from a survey; you may find that you can and should convert the tennis court to a basketball court, or something else that residents will use and appreciate.

### SHARPEN YOUR COMPETITIVE EDGE

Once you understand your resident profile, it's a good idea to shop the competition. Mailing flyers on a regular basis to tenants or residents at nearby apartment communities, office buildings or retail centers, is an effective way to capitalize on your competitors' weaknesses. The average resident will move within a one-mile radius of their current dwelling unless there is a significant increase or decrease in their salary. Adding your property to the many leasing Internet sites (more potential residents are choosing this venue), as well as improving your signage to attract potential renters who drive by your properties, are tried-and-true ways of marketing properties.

Marketing database companies should be able to provide lists of both residential and business addresses in specific locations. Companies that can inexpensively mail your flyers and postcards, as well as companies that can facilitate e-mail blasting to multiple recipients, are valuable resources.

A property management company can also market to potential clients by sending solicitation packages (postcards, flyers, use of Internet and Web advertising) that provide a quick and attractive overview of its operations. Send only as many solicitations as you can and follow-up with telephone calls the following week. You should also look at the legal sections of newspapers and magazines to find out who is seeking permits to build properties. Contact lending institutions and the courts to let them know you manage foreclosed

properties, or that you offer services in receivership.

Just as you must review your resident and business tenant profiles for your clients' portfolios, you must also review and evaluate your current management services and clientele. Perhaps it is time for your company to consider single-family management. Once the market conditions change, single-family properties become inventory for sale. Have you thought about managing homeowner associations? Associations not only provide a source of management fees but also compliment a single-family management and residential sales department within your firm. What about adding expert witness services? You may have staff members who can provide this service to the legal community.

There are many options to explore when it comes to diversifying your services. Make sure you review all the possibilities.

### REVIEW & REDUCE

Along with increasing and diversifying your services you also need to focus on the second part of getting back to basics—reviewing operations and expenses to find ways to cut costs.

Your first step is to examine your 2008 financial operating expenses. Every line item needs to be reviewed



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*Telephone calls and actual visits to businesses are vital, allowing more direct communication.*

with the following question in mind: "Is this a cost-effective expense?" Start with the property and personal taxes. Are your insurance premiums competitive for the coverage you need? A management company can significantly reduce costs by simply changing its insurance carrier. One Nevada company, for example, cut its workers' compensation costs from \$55,000 a year to \$26,000 a year by switching insurance.

You also need to look at your utility costs. Find out if there are any local programs from the utility companies that will allow you to reduce your expenses. Nevada Energy, for example, has a program that helps owners and tenants save on electricity costs. They install a very sophisticated thermostat with setbacks that allow the utility company to adjust the consumption of electricity during peak hours. Your water district may have a similar program to better control water consumption.

In addition to analyzing operations for potential insurance and energy savings, management companies should also search for ways to streamline office costs. One management company made a major investment in a new computer accounting system for both their management company and their clients. The new



system allowed them to reduce their office staff, and lower office supplies and postage. They now e-mail almost all documents to their clients, from bank statements to financial reports, to board of director packages. The new system has also increased productivity for every employee and has provided the district managers with instant information, allowing them to make better and faster decisions that benefit their clients.

Computer systems can significantly reduce costs and time constraints in another area of operations—maintenance. Proper inventory of supplies and equipment can be more easily identified and itemized by using the right computer software. Ordering equipment by e-mail or by fax, and having materials delivered to your property allows maintenance staff to spend less time doing back-office work and more time where they are most needed—at the community, maintaining vacant and occupied units.

Maintenance costs can also be cut by making smarter purchases and through negotiation. Using washable paint for the entire apartment, for instance, allows for touch-up painting as opposed to full painting for many turned units.

Buying in bulk has typically been a problem for companies due to lack of storage. But with commercial and residential construction at an all time low, management companies now have more clout with contractors and supply houses. Try making a deal with the supply house to purchase appliances over



the next year at a discounted cost per appliance. You can also opt to standardize your carpeting. Buy in bulk and have the carpets stored at the supply house where you can have access to them when needed.

Another great way to make operations more efficient is to send maintenance staff to seminars or vocational programs to help them increase their skills, from becoming HVAC certified to maintaining swimming pools. With employee training, many services can be performed in-house and reduce the cost of outsourcing maintenance. You will not only save labor costs but also avoid the mark-ups on materials used by contractors.

When assessing operations, your company should also consider refinancing loans or lines of credit. Both the management company and your clients' properties can benefit with the lower interest rates that are now available. One management company was able to reduce a monthly mortgage payment by 35 percent by negotiating with a new lender that had recently purchased a failing bank. The company first negotiated with the new lender to pay off the mortgage at a discounted rate and then found another lender to fund the pay-off. Not only did the management company improve the client's bottom line but also earned additional fees as a result of the refinancing of the property.

Now that you have an idea of how to get back to basics, start making a list of potential cost savings and ways to diversify your services. Discuss them with staff and make decisions as to what should be implemented. Be flexible and opened minded. Not all projects will result in immediate

changes to the bottom line, but getting back to basics now will allow you to reposition your business and your portfolio to be stronger and more viable when the economy improves. ■



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## how to negotiate with tenants in a tough economy

The following article is an excerpt from the new IREM publication, *The Leasing Process: Landlord and Tenant Perspectives* by Alan Alexander and Richard Muhlebach, CPM®

**In lease negotiations,** we strategize how to negotiate the best possible deal for our client—the landlord. When the market is strong, we focus all our attention on the needs and concerns of our client, but often lose sight of the concerns of our tenants. In a robust economy, tenants have limited options and are likely to accept our offer with little negotiation. However, in a weak economy or

recession, it is in the best interest of our client to consider each tenant's concerns and needs.

Office tenants are concerned with low occupancy costs and relocation costs, while retail tenants are concerned with low occupancy costs and the ability to close their store if it does not become profitable. These issues are counter to what the landlord is able to achieve in a strong market.

In today's weak economy and depressed real estate market, property managers and leasing agents must be prepared for some of the toughest negotiations in decades. As the property manager or leasing agent, you will be



required to negotiate several lease provisions that are onerous to the landlord but necessary to complete the lease transaction. The provisions must be skillfully negotiated to mitigate their impact on the cash flow and value of the property.

#### NEGOTIATING WITH OFFICE TENANTS

Office tenants know that in a weak real estate market they can negotiate several issues that can save them thousands of dollars. The first issue is the base rent. The best way you can be prepared to negotiate the rent is to have a complete understanding of the market and competing buildings. This can be achieved by periodically conducting a market survey which will provide rental and vacancy data needed to determine the market range of rents for competing buildings. You can use this data to compare the subject building to its competition, and then recommend the rents and concessions for the subject building.

Next, you must know the landlord's "bottom line," or how low a rent the landlord will accept. This will be dependent on what other concessions may be offered. When you meet with the property owner to review and discuss the market survey and your recommended rental rates for the building, he or she will make the final determination for both the rental rates and the parameters of lease deals.

One component of negotiating the base rent is rent step-ups, which are increases to the base rent during the term of the lease. You and the property owner will decide if there will be rent step-ups, and if so, how much and how often.

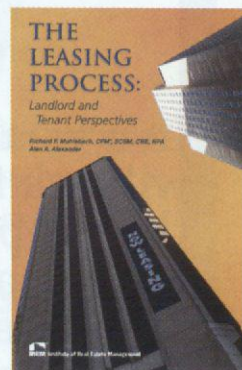
Free rent for a month or several months of a lease term is the first concession a tenant is likely to ask for. In a typical market, free rent is not usually offered. When it is, it is for a limited period of time. You need to determine how much free rent will be granted and if it will be provided at the beginning of the lease term or spread out over the lease term. In most cases, free rent is provided at the beginning of the lease so it is "burned off" as soon as possible.

In a weak economy, many buildings may have cash flow challenges that prevent the landlord from giving several months of free rent in the first year. In hard times, a common concession is to spread the free rent over the lease term by offering one month of free rent at the beginning of each lease year, or spreading the free rent equally over each lease year.

The tenant's next request is likely to be for a cap on the annual percentage increase of the pass-through expenses. If this concession must be offered, you will need to negotiate the maximum percentage rate increase and determine whether the non-controllable expenses, such as real estate taxes and snow removal, are capped. The tenant is also likely to ask for above standard tenant improvements. Again, you must do your homework and review your market survey to find out what the market is offering in tenant improvements. Because tenant improvements are very expensive, the base rent may be tied to the amount of tenant improvements provided.

Moving is expensive for tenants and disruptive to their businesses. Most office tenants do not need to relocate, but during a weak real estate market, some building owners will present very attractive offers that encourage tenants to move to their buildings. Tenants may be offered a moving allowance or the entire cost to move, for example. Costs for moving a tenant can add up quickly. They often include moving equipment and furniture, as well as removing wiring in the space the tenant is moving out of, installing computer and phone systems and ancillary costs. It is important to get cost estimates before negotiating any moving allowance.

The sophisticated tenant and knowledgeable tenant representative will also negotiate for the reimbursement of the ancillary cost of moving, which includes new stationery and business cards, notifications to the tenant's customers, free rent while setting up the new office and more.



Purchase a copy of the IREM publication *The Leasing Process: Landlord and Tenant Perspectives* at [www.irem.org](http://www.irem.org).



## NEGOTIATING WITH RETAIL TENANTS

Retail tenants have the same concerns about occupancy cost as office tenants, but they are also concerned about operating in a location that isn't profitable—or operating at a loss. To help alleviate these concerns, some retail tenants will negotiate for a tenant improvement and equipment allowance. This is a fixed dollar amount which can be a few thousand dollars for a small retailer, to hundreds of thousands of dollars for a very successful retailer or restaurant chain.

In addition to negotiating the base rent, rent step-ups and pass-through charges, the retail tenant will often attempt to negotiate a percentage rent provision as well. As the property manager, you need to determine if the tenant's sales would ever achieve the level to pay percentage rent. You can determine this by reviewing the sales trends of a prospect's other stores and comparing the tenant's sales breakpoint to the national sales

averages for this category of retailing, found in the Urban Land Institute's bi-annual publication, *Dollars & Cents of Shopping Centers*.

If the shopping center has similar retailers or restaurants, their sales can be compared to the prospective tenant's breakpoint. The sales breakpoint is the amount of annual sales the tenant must generate before it starts to pay percentage rent. If this is not likely, you may be able to acquiesce and use it to gain a concession from the tenant. If the percentage rent provision is negotiated, the tenant is likely to request a lower percentage rate and possibly a high artificial breakpoint. An artificially high breakpoint is a sales amount above the natural sales breakpoint. The natural sales breakpoint is determined by dividing the tenant's percentage rate into its annual rent. The resulting number is the natural breakpoint and the tenant pays percentage rent on all sales above the natural breakpoint. If the breakpoint is negotiated higher than the natural breakpoint, the tenant pays less percentage rent.

Again, you should determine what the tenant's sales are likely to be and how much this request will cost the landlord in lost percentage rent. Using the tenant's average sales in its other location is a good starting point to determine what its sales would be after a start-up period. The tenant may negotiate for a percentage rent-only lease and no base rent. If this is agreed to, you should then negotiate the percentage rate a couple of points higher. Another counter would be to make the lease percentage rent only for the first year or two, and then have it revert to a base rent.

Retailers may also negotiate to cancel their lease if their sales are below their projections. This is an added concern for retailers who are leasing space in a weak shopping center or mall, or when the economy is in trouble. The better retailers may negotiate for the right to lease cancellation. You should resist giving this right, but if it becomes a deal breaker for a good retailer, the cancellation right should be negotiated to lessen the chance the tenant will cancel the lease. First, you need to make sure the lease cannot be cancelled unless the retailer's sales do not exceed a specific volume during the third calendar year of the lease. The sales volume should be a realistic number and no less than the average sales of the tenant's other stores after three years of operations, and no less than the national averages.

The national average sales for dozens of types of retailers are published in *Dollars & Cents of Shopping Centers*.

● ●

**In a weak market, tenants will ask for the moon. As the property manager or leasing agent, you must be prepared to respond to that request.**

● ● ●



The retailer must have at least three years, including three holiday seasons, to generate these sales. The cancellation is a one-time right during January, following the third calendar lease year. The tenant must also give the landlord a 120-day notice of cancellation. It is not likely the tenant will pay a cancellation fee, but it is good to ask for one.

The retailer may also ask for a co-tenancy provision as a cancellation right. This allows the tenant to cancel a lease if a specific anchor tenant goes out of business, or the occupancy of a shopping center drops below a specific percentage. This is another provision you should not agree to because it can create a domino effect on losing tenants. If the property owner must agree to this provision, a counter is to have the tenant's lease convert to percentage rent only during the time the anchor tenant's space is vacant. Just because one anchor tenant closes does not mean the other retailer's sales will decline. You can also create a condition that says a tenant cannot exercise its rights under the co-tenancy provision unless its sales decline more than 10 percent.

In a weak market, tenants will ask for the moon. As the property manager or leasing agent, you must be prepared to respond to that request. The reality is that concessions are needed to make most lease deals work in a weak economy and a soft real estate market. You should develop, with your building owner, a lease negotiation strategy that includes the landlord's response, along with fall-back positions to all the lease provisions the tenant is likely to negotiate. You also need to determine the cost of each concession, and whether it is to be paid up front or will be a cost over the term of the lease. Knowing the cost to the landlord of each negotiated lease provision will enable you to negotiate the best possible deal. ■

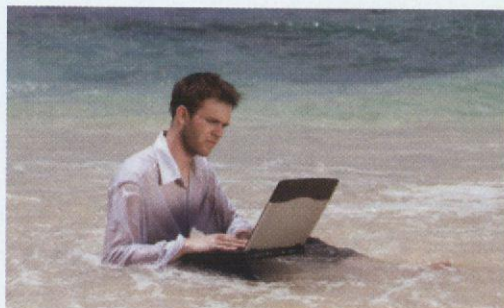
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Alan Alexander ([aaacon@cox.net](mailto:aaacon@cox.net)) is president of Alexander Consultants in Scottsdale, Ariz. He co-authored *The Leasing Process: Landlord and Tenant Perspectives* and several other commercial real estate publications.



Richard Muhlebach CPM® ([rmuhlebach@comcast.net](mailto:rmuhlebach@comcast.net)), is a real estate consultant and educator with offices in Woodinville, Wash. He co-authored *The Leasing Process: Landlord and Tenant Perspectives*, as well as several other publications. Muhlebach teaches nationally and internationally, and serves as an expert witness and arbitrator.

## LOST IN A SEA OF ONLINE INFORMATION?



Get Rescued by **IREM**FIRST.org!

Share what you know.  
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Enjoy these *life-saving*  
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**IREM** Institute of Real Estate Management





understanding  
EPA's new  
renovation,  
repair &  
painting  
rule.

NOW IS THE TIME TO PREPARE  
FOR COMPLIANCE BY JACK ANDERSON



## In April 2008,

the U.S. Environmental Protection Agency (EPA) published its Renovation, Repair and Painting rule in the *Federal Register*. This law, which becomes fully effective on April 22, 2010, will create new regulatory requirements for renovations that professional residential real estate managers and residential rental property owners must comply with. In the first year, EPA estimates that approximately 8.4 million renovation events will be impacted by the rule.

Whether you plan to tackle renovations in-house or hire outside contractors to complete projects, now is the time to gather information, assess your responsibilities and prepare to meet the requirements.

### BASICS OF THE RULE

The rule will affect paid renovators who work in pre-1978 housing and child-occupied facilities. Under the rule, child-occupied facilities are defined as residential, public or commercial buildings where children under age six are present on a regular basis. The requirements apply to renovation, repair or painting activities. They are generally triggered when paint that hasn't been certified lead-free is disturbed by any renovation, repair or painting project. The rule does not apply to minor maintenance or repair activities where less than six-square feet of lead-based paint is disturbed in a room, or where less than 20-square feet of lead-based paint is disturbed on the exterior.

Renovation, repair and painting projects that will only disturb surfaces and building components that have been tested and found to be free of lead-based paint are excluded from the rule.

Owners and occupants of target housing and child-occupied facilities must obtain information on lead-based paint hazards before projects begin. Certain lead-safe standards must be met during the work and a "cleaning verification" must be performed by EPA-certified renovators before the work area can be reoccupied.

### CERTIFICATION

Beginning on October 22, 2009, any firms that renovate, repair or paint target housing or child-occupied facilities must submit an application, including a proposed \$300 fee to EPA in order to become a Certified Renovation Firm. Certification is good for five years and requires



firms to:

- Fully comply with applicable rule requirements.
- Ensure that all personnel are either Certified Renovators or have received on-the-job training from a Certified Renovator.
- Meet pre-renovation education requirements before the renovation, repair or painting project begins.
- Assign at least one Certified Renovator to each renovation, repair and painting project.
- Ensure that contractors and subcontractors working on renovation, repair and painting projects are also Certified Renovation Firms meeting the same requirements.

- Ensure that lead-safe work practice standards and "cleaning verification" are followed on each renovation, repair and painting project.
- Meet record-keeping requirements, including maintaining renovation, repair and painting project records for at least three years.

Individuals who work for Certified Renovation Firms must be properly trained and EPA certified as renovators, or be trained and supervised on the job by Certified Renovators. These newly trained renovators will need to be assigned to each regulated renovation, repair and painting project. Once trained and certi-

fied, individuals will be required to pass a four-hour Certified Renovator Refresher course every five years.

EPA estimates that 210,000 organizations will apply to become Certified Renovation Firms and EPA-accredited training providers will train 235,000 individuals as Certified Renovators within the first year that the rule is in effect.

#### "Cleaning Verification"

As mentioned, the new rule makes it mandatory for a firm to follow a "cleaning verification" for each renovation, repair and painting project. This verification must be performed by the Certified Renovator after final cleaning of the work area surfaces and components. The procedure involves individually wiping floors, countertops and windowsills with commercially available cleaning cloths and then comparing each cloth to a "cleaning verification card," which EPA will produce and supply to EPA-accredited training providers and to others upon request. Before this procedure can be performed, the Certified Renovator must conduct a visual inspection of the work area and look for visible dust and debris. If any are observed, the work area must be re-cleaned and a visual inspection conducted again. Once the visual inspection is completed, the Certified Renovator can perform the cleaning verification.

Separate wet cleaning cloths are used, respectively, for windowsills and for countertops (if any) within the work area. For floors in the work area, one wet cleaning cloth is used for each 40-square-foot section. If the wet cleaning cloth is darker than the cleaning verification card

## know the definitions

Along with the rule requirements, it is important to familiarize yourself with the following key rule definitions:

**Target housing** means housing constructed prior to 1978 unless it is specifically designed, constructed and/or designated for the elderly or for persons with disabilities (unless a child under age six resides there or is expected to reside there), or if it is a zero-bedroom dwelling.

A **child-occupied facility** is a building constructed prior to 1978 that has been visited regularly by the same child under age six on at least two different days within any week, so long as each visit is at least three hours, combined weekly visits are at least six hours and combined annual visits total at least 60 hours.

**Renovation** means "modification of any existing structure, or a portion thereof, that results in the disturbance of painted surfaces, unless that activity is performed as part of an abatement." Renovation can include removal, modification or repair of painted surfaces or building components, weatherization projects, and converting a building (or a portion of a building) into target housing or a child-occupied facility.

**Compensation** means pay for work performed by contractors, wages paid to employees and rent.

**Firm** means a company, partnership, corporation, association, sole proprietorship, individual or other business entity, or a federal, state, tribal, local government agency or a nonprofit organization. Firms can include a myriad of organizations that perform "renovations for compensation," such as trade contractors, painters, third-party property management companies, multifamily apartment complex owners and public housing authorities.



after wiping a particular surface, the Certified Renovator must re-clean that surface and then re-wipe it with a new wet cleaning cloth. If the second wet cleaning cloth is still darker than the cleaning verification card, the Certified Renovator must wait at least one hour and allow that surface to dry completely. Then, the surface is wiped for a final time with a dry electrostatic cleaning cloth, which essentially completes the cleaning verification procedure.

#### PREPARING TO COMPLY

To implement the rule's requirements, the EPA recommends that third-party property managers, multifamily property owners, and others responsible parties should:

##### *Develop a compliance plan*

- Determine which of your apartment communities were constructed prior to 1978.
- Determine which of your apartment communities have already been tested and found to be lead-based paint free.
- Determine which individual surfaces and building components in your apartment communities have already been tested for and found to be lead-based paint free.
- Identify the untested apartment communities, individual buildings, apartment units, surfaces and/or building components that will be subject to the EPA rule.
- Develop or expand your lead-based paint testing program to limit the apartment communities, buildings,

## To view the complete rule and additional information, visit [www.epa.gov/lead/pubs/renovation.htm](http://www.epa.gov/lead/pubs/renovation.htm).

apartment units, surfaces and/or building components that will be subject to the EPA rule.

##### *Develop a training strategy*

- Identify maintenance technicians and/or maintenance supervisors who work by themselves who will require Certified Renovator training from an EPA-accredited training provider.
- Identify maintenance technicians who, on a project-by-project basis, will work under the direct supervision of a Certified Renovator and who may be eligible to receive on-the-job training from that Certified Renovator. (Caution: Non-certified maintenance technicians are limited in the EPA rule as to the level of work they can perform.)
- Identify key contractors and subcontractors that will need to send their employees to Certified Renovator training from an EPA-accredited training provider.

##### *Develop a certification strategy*

- Submit an application and fee to EPA to become a Certified Renovation Firm on or after October 22, 2009.
- Instruct key contractors and subcontractors to submit applications and fees to EPA to become Certified Renovation Firms on or after October 22, 2009.

##### *Develop record-keeping procedures*

- Establish a procedure to ensure that all affected work orders or paint disturbance activities are only assigned to Certified Renovators.
- Establish a procedure to track or link the Certified Renovator, non-certified but trained workers, lead-safe work practices, and a cleaning verification procedure to each affected work order or paint disturbance activity and maintain related project records for at least three years.
- Establish a procedure to track or link your contractors' and subcontractors' Certified Renovators, non-certified but trained workers, lead-safe work practices, and a cleaning verification procedure to each affected work order or paint disturbance activity and maintain related project records for at least three years.
- Establish a procedure to track firm and renovator certification renewal dates along with the original accredited training provider, class date, and final exam grade, and maintain related records for at least five years.

By establishing and then implementing a plan to comply with the new EPA rule, your organization will be well equipped and prepared to meet the new requirements once they become fully effective in April 2010. ■

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Jack Anderson is Vice President of Governmental Operations at CONNOR, a national real estate due diligence, environmental assessment and inspection, and training organization headquartered in Baltimore.



# KNOW YOUR IREM CODE OF PROFESSIONAL ETHICS

## Article 9. Duty to Former Clients and Former Firms or Employers



MARJEAN POUNTAIN, CPM® (MARJEAN@TDS.NET), IS A LICENSED REAL ESTATE BROKER FOR POUNTAIN PARTNERS LLC (WWW.POUNTAINPARTNERS.COM) IN ELKHART LAKE, WIS. SHE CURRENTLY SERVES AS VICE CHAIR OF THE ETHICAL BOARD OF INQUIRY FOR IREM.

*A MEMBER shall act in a professional manner when, for whatever reason, relationships are terminated between a MEMBER and a client and firm or employer.*

Never burn a bridge in life because you just never know when you might need that bridge again. In the world of real estate management there are many stories of property managers who are eventually employed by former tenants, clients or even employees.

A property manager is privy to financial and other confidential information concerning properties and clients that should not be divulged, especially when the manager ceases to work with the property. A CPM® has a professional duty to exercise caution in not divulging information that could have a negative impact on the property or its owners. For example, one should not share information that cannot be obtained publicly. Lease terms, such as expiration dates and rental rates of commercial tenants, could enable unethical solicitation of business with a competing property, giving unfair advantage that might cause the former client's building to lose rental revenue and face other hardships.

A CPM also has a duty to companies or employers for whom he or she has worked and pledges not to unethically solicit customers or clients. If a property manager has signed a non-compete agreement with an employer, he is bound to the terms of that agreement for whatever time period and terms stated.

In the absence of a non-compete agreement (or once it has expired), a CPM may make his

services known to the public, including former clients, if done in a professional manner and not using information that isn't available from public sources. At no time may a CPM solicit business away from a current employer while still employed as an agent of that company. If a current client learned that the CPM was leaving and asked to follow, it is the CPM's obligation to inform the client that it would be inappropriate to discuss until (a) after the last day of employment, or (b) at the end of any employment contract in place that includes non-compete provisions.

A client may choose to follow a CPM to a new place of business at the expiration or within the terms of any current contract(s) in place at that time. Nothing restricts a CPM from enjoying free trade and normal healthy competition for customers. It is not unusual for a competent CPM to eventually enjoy continuance of client relationships that develop throughout his career. A CPM should always follow the proper protocol of maintaining loyalty and any employment contract terms, written or verbal, throughout a business relationship and beyond, relative to confidentiality and professionalism.

A CPM should always reference the positive aspects of previous jobs and maintain affirmative business relationships with former colleagues going forward. Bridges are expensive and often difficult to rebuild. Under the IREM Code of Professional Ethics, a CPM is directed to protect that infrastructure, regardless of the controversy or personality conflicts that may take place along the way.



VISIT [WWW.IREM.ORG/ETHICS](http://WWW.IREM.ORG/ETHICS)

TO VIEW THE IREM ETHICS PAGE



## CAREER MOVES



Stephen Donell, CPM®, ARM® and vice president of Jalmar Properties, Inc., AMO®, in Los Angeles, has been appointed to the board of directors of the Los Angeles/Orange County Chapter of the California Receiver's Forum. Donell has more than 20 years of experience in commercial real estate and has administered over 300 receivership cases in the western United States.



Robert M. Dominy, CPM, will serve as president of the newly established Merion Realty Management, LLC, which will provide property management services for CMS Companies in the Southeast and Mid-Atlantic regions of the United States. Dominy previously served as President of PRG Real Estate Management Inc., AMO, in Philadelphia.



Twin sisters Tanya Little, CPM, and Angel Benschneider, CPM, have formed Hart Advisors Group, LLC, a full-service business and real estate advisory company specializing in commercial property, asset management and business advisory services. Based

in Dallas, Hart has a national reach working with owners, institutional clients, venture capital and pension funds, high net-worth individuals and banks looking to outsource management of retail, multifamily, office and industrial properties.



Robert Stark, a 25-year commercial real estate industry veteran, has joined the Global Client Solutions Group at Cushman & Wakefield, AMO®, in East Rutherford, N.J., as senior portfolio manager. Stark is responsible for several major accounts and is currently heading management for Wachovia Bank N.A.'s North East regional portfolio, which includes 30 office and data center locations totaling 3.2 million square feet, as well as properties for TIAA-CREF, USAA and others.



James L. Helsel, Jr., CPM, and principal with RSR REALTORS®, was re-elected treasurer of the National Association of REALTORS (NAR®) for a third year. Helsel is also a past president of the Greater Harrisburg and Pennsylvania Association of REALTORS, and has been REALTOR of the Year for both organizations. He has served

for nearly 20 years on NAR's Board of Directors, Executive Committee, Finance Committee and, most recently, as chairman of the association's Real Property Operations Committee. He also serves on the newly chartered REALTORS Federal Credit Union board of directors.

## IREM Chapters recognized for contributions to IREM Foundation

The following chapters were acknowledged at IREM's Leadership and Legislative Summit in Washington, D.C. in April.

**IREM Dallas Chapter No. 14** was recognized as the chapter whose members contributed the greatest amount of support in 2008.

**IREM San Joaquin Chapter No. 85** was recognized as the chapter with the greatest percentage of members giving to the Foundation in 2008.

**IREM Utah Chapter No. 33** was recognized as the chapter with the highest average gift per member in 2008.

## IN MEMORIAM: Irving "Bud" Truitt, Jr., CPM Emeritus



Irving "Bud" Truitt, Jr., CPM Emeritus, of Century 21 Nachman Realty, passed away March 30, 2009. A native of Norfolk, Va., Truitt was active in real

estate for over 50 years. He was a veteran of World War II, having served in the U.S. Army and later in the U.S. Naval Reserve.

Truitt was a member of IREM Virginia Tidewater Chapter No. 39. He served as chairman of the board of the Norfolk Board of REALTORS® in 1966 and remained active until his passing. He was recently awarded Emeritus Membership status by the National Association of REALTORS® (NAR) and was inducted into the Omega Tau Rho fraternity of the Virginia Association of REALTORS® (VAR). Bud will be missed by all who knew him.





## Cagan

COMPANY HEADQUARTERS LOCATION Skokie, Ill.  
NUMBER OF EMPLOYEES 60

DATE THE COMPANY BECAME AN AMO FIRM  
1/1/2005

COMPANY WEB SITE [www.cagan.com](http://www.cagan.com)

Michael Daniels, CPM®, is director of asset management of Cagan Management Group, a firm that manages properties in Illinois, Florida, Louisiana, Indiana, and most recently, Texas. Daniels oversees all management functions of the firm and currently manages over 300 buildings in the Chicagoland area. He has been with Cagan for 25 years and is also a member of IREM Chicago Chapter No. 23. *JPM* talked to Daniels about his company and the AMO® accreditation.

### WHAT FACTORS HAVE ALLOWED CAGAN TO CONTINUALLY GROW ITS BUSINESS FOR 35 YEARS?

The first, perhaps the most important, is through quality business referrals and word-of-mouth from our existing clients. We pride ourselves on our hands-on property management style and hard work ethic, which lends itself to providing our clients with a broad spectrum of knowledge and expertise in every area of property management.

### HOW HAS THE INDUSTRY IN CHICAGO CHANGED?

During the 1980s our primary focus was managing personal assets for various types of investors from attorneys to doctors. In the 1990s the market changed with a financial crisis within the banking industry, which allowed us to work with financial institutions and banks. After the bank-owned assets sold, we continued working with the new owners as the managing agent. At the end of the 1990s, and into the 2000s, the real estate market swung in favor of all the investors, as owners started managing their own assets. This transformation made it especially hard for third-party management firms to take on new business. As the market was changing gears and the rental portfolios were being managed by their owners, we started transitioning into managing homeowner and condominium associations. The most recent change,

which again presents a new opportunity for us, is partnering with financial institutions and bank-owned properties to manage their troubled assets.

### WHAT OPPORTUNITIES DOES CAGAN'S RECENT EXPANSION TO HOUSTON, TEXAS OFFER?

The expansion of our overall business, more specifically in Houston, Texas, has provided us with the opportunity to obtain concentrated expertise in the Southwest region and other markets in the United States. We have and will continue to become exposed to new business practices, vendors and clients, which will allow us to broaden our overall property management services and expertise.

### WHAT ARE THE BENEFITS OF BEING AN AMO FIRM?

One of the primary advantages of being partnered with a nationally recognized and acclaimed property management institution is the high quality of educational resources offered to us and our employees. IREM has a large repository of information which lends itself to superior training, seminars and courses, and in return allows us to incorporate learned skills and traits that ultimately benefit our clients. Another benefit is that our clients recognize we are partnering with a proven property management institution, which allows us to gain the trust of future clients.

### WHAT IS YOUR OUTLOOK FOR PROPERTY MANAGEMENT IN THE CHICAGO AREA?

Even though the current economy has put certain stresses on the property management business, our outlook is positive. The necessity for homeowner and condominium association property management continues, allowing our business to grow at a steady rate. At this time we do not foresee any downturn in demand. ■

*To earn the ACCREDITED MANAGEMENT ORGANIZATION (AMO) designation from IREM, a company must demonstrate a high level of performance, experience and financial stability, and have a CPM in an executive position. AMO firms must meet high ethical standards and other stringent requirements, proving their value to the industry.*



## ETHICS BOARDS ACTIVE AT 2009 IREM LEADERSHIP & LEGISLATIVE SUMMIT

The Board of Ethical Inquiry reviewed six new complaints. Three of the complaints were dismissed as the issues raised were not ethical violations. Three of the complaints will be investigated to determine whether there is reasonable cause to forward them for hearing.

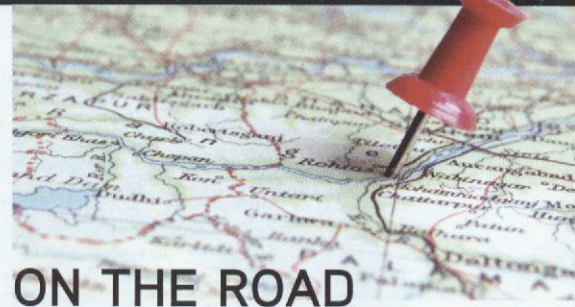
1. A CPM® Member evicted a tenant who was also a former employee. The eviction was allegedly in retaliation for the tenant's alleged reporting of problems with the property to the health department.
2. A security deposit dispute brought by a tenant leasing a house from a CPM Member in which required receipts allegedly were not provided.
3. A complaint filed by the board of directors of a cooperative against a CPM Member whose firm managed the cooperative. The complaint alleged the firm gave lists of renters, including personal contact information, to unit owners who solicited those renters directly.

The Ethics Hearing and Discipline Board conducted one hearing. The Complainant, a condominium owner whose main residence is in another state, alleged negligence and lack of fiduciary responsibility on the part of the CPM Member whose firm managed his property. The Complainant received a call from the AMO® firm requesting permission for a plumber to enter his condo to search for a water leak to the unit below. The Complainant then heard nothing from the AMO firm until he returned to the condo, finding the kitchen pipe had burst, flooding the condo. The Complainant telephoned the plumber, who had repaired the pipe and had reported the leak to the AMO firm, advising that the condo needed immediate drying and cleaning. According to the Complainant, he and the community association officers made repeated attempts to resolve the matter, which the executive CPM ignored. Due to the CPM Member's lack of response, the condominium owner fired him.

The Hearing Board found the CPM in violation of the IREM Member pledge and three articles of the IREM Code of Professional Ethics having to do with loyalty to client, managing the assets of a client, and the duty to protect the health and safety of tenants (Articles 1, 8 and 12). The CPM Respondent will be issued an unpublished letter of censure and will be required to successfully complete the IREM Ethics 800 course in the next year, or membership status will be suspended until the course is completed.

## Awards & Recognition

Levin Management Corporation, AMO®, was named "Firm of the Year" by the IREM New Jersey Chapter No. 1, in recognition of its outstanding performance and contributions to the field of retail leasing and management.



## ON THE ROAD

JULY 6

Alaska Chapter No. 97

Location: Anchorage, Alaska

Visiting Officer: Pam Monroe, President

JULY 10

Rochester-Western New York Chapter No. 58

Location: Rochester, N.Y.

Visiting Officer: Pam Monroe, President

JULY 21

Idaho Snake River Chapter No. 107

Location: Boise, Idaho

Visiting Officer: Randy Woodbury, President-Elect

JULY 23

San Diego Chapter No. 18

Location: San Diego, Calif.

Visiting Officer: Ron Goss, Secretary/Treasurer

AUGUST 18

California Central Coast Chapter No. 102

Location: Santa Barbara, Calif.

Visiting Officer: Pam Monroe, President

AUGUST 19

Greater Los Angeles Chapter No. 6

Location: Los Angeles, Calif.

Visiting Officer: Pam Monroe, President



ROSE EVANS, CPM® AND VICE PRESIDENT OF PROPERTY MANAGEMENT (LEFT), ACCEPTS THE AWARD WITH HER LEVIN COLLEAGUES.





# INSIDE IREM COURSE LISTINGS

## JULY

RES201	July 14-16, 21-23	Las Vegas
CID201	July 17-19, 24-26	Honolulu
ASM603	July 27-28	Omaha, Neb.
ASM603	July 27-28	Portland, Ore.
ASM604	July 29-30	Omaha, Neb.
ASM604	July 29-30	Portland, Ore.
ASM605	July 31	Omaha, Neb.
ASM605	July 31	Portland, Ore.
RES201	July 27-August 1	St. Louis

## AUGUST

FHS201	August 5	Cranberry Township, Pa.
RES201	August 5-7, 12-14	Houston
ETH800	August 11	St. Louis
ASM603	August 17-18	Addison, Texas
MKL405	August 17-18	Oakbrook, Ill.
ASM604	August 19-20	Addison, Texas
HRS402	August 19-20	Oakbrook, Ill.
ETH800	August 20	Cleveland
ASM605	August 21	Addison, Texas
MPSAXM	August 24-27	New York
MPSAXM	August 24-27	Portland, Ore.
RES201	August 24-29	Memphis, Tenn.
ETH800	August 25	Phoenix

CPM001	August 28	New York
CPM001	August 28	Portland, Ore.
CPMEXM	August 28	New York
CPMEXM	August 28	Portland, Ore.
ASM603	August 31- Sep 1	San Francisco

## INTERNATIONAL

MKL405	July 3-4	Sao Paulo, Brazil
ETH800	July 12	Kiev, Ukraine
REM001	July 12	Kiev, Ukraine
ASM603	July 13-14	Kiev, Ukraine
ASM604	July 15-16	Kiev, Ukraine
ASM605	July 17	Kiev, Ukraine
BDM602	July 23-24	Shanghai, China
ETH800	July 25-26	Osaka, Japan
MPSA01	July 25-26	Shanghai, China
ETH800	July 28-29	Fukuoka, Japan
CPM001	July 28	Shanghai, China
CPMEXM	July 29	Shanghai, China
ETH800	July 31-August 1	Tokyo, Japan
MNT402	August 8-9	Fukuoka, Japan
MNT402	August 14-15	Sao Paulo, Brazil
MNT402	August 22-23	Tokyo, Japan
MNT402	August 29-30	Osaka, Japan



FOR THE MOST UP-TO-DATE COURSE LISTINGS, PLEASE VISIT [WWW.IREM.ORG/EDUCATION](http://WWW.IREM.ORG/EDUCATION).

## COURSE CODES KEY

- ARMEXM // ARM Certification Exam
- ASM603 // Investment Real Estate Financing and Valuation - Part One
- ASM604 // Investment Real Estate Financing and Valuation - Part Two
- ASM605 // Investment Real Estate Financing and Valuation - Part Three
- BDM601 // Maximizing Profit: Growth Strategies for Real Estate Management Companies
- BDM602 // Property Management Plans: The IREM Model (international only)
- CPMEXM // CPM Certification Exam
- CPM001 // CPM Certification Exam Preparation Seminar
- ETH800 // Ethics for the Real Estate Manager
- EE800 // Real Estate Professional Ethics (international only)
- FIN402 // Investment Real Estate: Financial Tools
- HCPEXM // HCCP Exam
- HRS402 // Human Resource Essentials for Real Estate Managers
- LTC401 // Housing Credits: Compliance Challenges and Solutions
- MKL404 // Marketing and Leasing: Retail Properties
- MKL405 // Marketing and Leasing: Multifamily Properties
- MKL406 // Marketing and Leasing: Office Buildings
- MNT402 // Property Maintenance and Risk Management
- MPSAXM // Management Plan Skills Assessment
- RES201 // Successful Site Management



# RVP CORNER

## Troubled Times/ Troubled Properties



*In RVP Corner, JPM shares the thoughts and opinions of an IREM Regional Vice President on a single topic covered in the current issue of JPM and how it affects the region he or she oversees.*



**JESSE HOLLAND, CPM®**, OF ALBANY, N.Y., SERVES AS THE 2009 AND 2010 REGIONAL VICE PRESIDENT FOR REGION 2. During his two-year term, he has oversight for the activities of IREM chapters in Delaware, New Jersey, New York and Pennsylvania. Holland is the founder and president of Sunrise Management & Consulting, AMO®, headquartered in Albany.

Holland has been active in IREM both at the local and national levels and is concluding a three-year term as president of IREM New York Capital Region Chapter No. 93. He is a licensed real estate broker in New York, New Jersey and Massachusetts. In addition to earning the CPM designation, Holland is certified as an assisted housing manager and a tax credit specialist.

### **What are the biggest impacts of the recession on property management in your region.**

The housing crisis is in full swing and the impact in commercial real estate is just getting started. Property budgets are tighter, staffs are being cut and there is more scrutiny than ever.

We—the property management community—are the front lines in fixing what has been broken. New value is being placed on ethics and professional designations. One of the biggest positive impacts has been the effect of IREM membership. Several members in our region were laid off but were able to find new employment through IREM networking and contacts.

### **What are property managers in your region doing differently to continue their businesses?**

Property managers are reaching out to the different

players in the real estate market. They are paying more attention to how their property is performing relative to the market and aligning operating metrics with market demands. They are providing more oversight to contractors and vendors, more support and training for key frontline staff, and more relevant reporting to owners.

### **Many members have expressed a need for property managers to get “back to basics.” Do you think this is important?**

It’s more “sticking to the basics.” Professional property managers always work really hard on “the basics,” and that means focusing on people—the tenants, the staff and the service providers.

However, the definition of basics may be expanding. I think that the manager who also understands basic finance, investment theory, regulatory changes, use of social media and a host of other topics will bring much more value to his property than the traditional “tenants and toilets” manager.

### **What do you think the long-term effects of the recession will be on Region 2?**

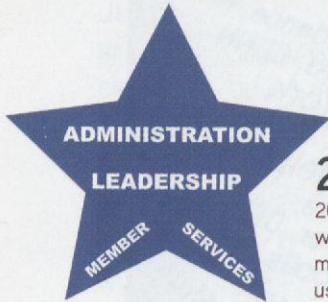
For the first time, property management is getting a seat at the table. Developers and investors are realizing there is more to real estate investment than the value of brick and mortar, and analysis of financial statements. They are getting their property managers involved at the beginning of the process, instead of as an after-thought.

The reality now is that deals will have to be held for a period of time; and professional property management is a key factor in that long-term investment. There has never been a better time to be in property management.

FOR MORE ON HOW TO HANDLE TROUBLED TIMES AND TROUBLED PROPERTIES, READ “GETTING BACK TO BASICS” ON PAGE 38.







## 2008 CHAPTER AWARD WINNERS

Congratulations to the IREM 2008 Star Chapters that were acknowledged at the Leadership & Legislative Summit. Eighty-two chapters were recognized as One, Two, Three, Four and Five Star Chapters, demonstrating IREM's focus on growing membership, providing leadership opportunities and getting members involved. The Chapter Star Program reminds us of the importance of teamwork and volunteer leadership to provide worthwhile member services.

### Five Star Chapters

New Jersey Chapter No. 1  
**Delaware Valley Chapter No. 3**  
 Boston Metropolitan Chapter No. 4  
**Michigan Chapter No. 5**  
 Greater Los Angeles Chapter No. 6  
**Western Pennsylvania Chapter No. 7**  
 Greater Metropolitan Washington Chapter No. 8  
**St. Louis Chapter No. 11**  
 Nebraska Chapter No. 12  
**Milwaukee Chapter No. 13**  
 Dallas Chapter No. 14  
**Kansas City Chapter No. 15**  
 Maryland Chapter No. 16  
**San Diego Chapter No. 18**  
 South Florida Chapter No. 19  
**Memphis Chapter No. 20**  
 San Francisco Bay Area Chapter No. 21  
**Sacramento Valley Chapter No. 22**  
 Chicago Chapter No. 23  
**Indianapolis Chapter No. 24**  
 Greater New York Chapter No. 26  
**Western Washington Chapter No. 27**  
 Houston Chapter No. 28  
**Oregon-Columbia River Chapter No. 29**  
 Utah Chapter No. 33  
**North Florida Chapter No. 35**  
 Central Virginia Chapter No. 38  
**Virginia Tidewater Chapter No. 39**  
 Western North Carolina Chapter No. 40  
**Northern Ohio Chapter No. 41**  
 Columbus Chapter No. 42

**Alabama Chapter No. 43**  
 Florida West Coast Chapter No. 44  
**Minnesota Chapter No. 45**  
 Greater Phoenix Chapter No. 47  
**San Antonio Chapter No. 48**  
 British Columbia Chapter No. 50  
**Southern Colorado Chapter No. 53**  
 Edmonton Chapter No. 54  
**North Carolina Piedmont Chapter No. 56**  
 East Tennessee Chapter No. 57  
**Rochester-Western New York Chapter No. 58**  
 Kentucky Chapter No. 59  
**Central Florida Chapter No. 60**  
 Austin Chapter No. 61  
**Arkansas Chapter No. 64**  
 Wichita Chapter No. 65  
**Georgia Chapter No. 67**  
 Greater Nashville Chapter No. 71  
**Northern Virginia Chapter No. 77**  
 Mississippi Chapter No. 80  
**El Paso Chapter No. 84**  
 Greater Rhode Island Chapter No. 88  
**Orange County Chapter No. 91**  
 West Central Maryland Chapter No. 92  
**New York Capital Region Chapter No. 93**  
 Las Vegas Chapter No. 99  
**Southern New Jersey Chapter No. 101**  
 Kentucky-West Virginia Chapter No. 104  
**Eastern North Carolina Chapter No. 105**  
 Japan Chapter No. 110

### Four Star Chapters

Greater Cincinnati & Dayton Chapter No. 9  
**Louisiana Chapter No. 55**  
 West Michigan Chapter No. 62  
**Northern Nevada/Tahoe Chapter No. 89**  
 Northern Indiana Chapter No. 100

### Three Star Chapters

Northern Colorado Chapter No. 17  
**Connecticut Chapter No. 51**  
 South Carolina Chapter No. 72  
**Poland Chapter No. 108**  
 Russia Chapter No. 109

### Two Star Chapters

Inland Northwest Chapter No. 49  
**Fort Worth Chapter No. 103**

### One Star Chapters

Tulsa Chapter No. 10  
**New Mexico Chapter No. 46**  
 Iowa Chapter No. 63  
**Tucson-Southern Arizona Chapter No. 73**  
 Central Illinois Chapter No. 78  
**Southern Calif. Inland Empire Chapter No. 106**  
 Idaho Snake River Chapter No. 107  
**Brazil Chapter No. 111**  
 South Korea Chapter No. 112





## SNEAK PEAK AT SUCCESS SERIES 2009

Here is a preview of just a few of the education sessions offered at Success Series 2009 in Hawaii this October! Visit [www.CCIMIREMSuccessSeries.com](http://www.CCIMIREMSuccessSeries.com) for the full schedule and registration information.

### Successful Women in Real Estate

About 36 percent of commercial real estate professionals are now women. Throughout the industry, women are chief executives and financial officers, and of course, brokers and real estate managers. But, as in other industries, fewer than 25 women hold CEO positions within the Fortune 1000. It's clear that women have a long way to go before achieving parity with men at the highest levels of commercial real estate. The panel discussion will include:

- The driving forces behind the progress women have made
- Their ability to create value for their companies
- What must be done to achieve real equality



### Bridge Over Troubled Assets

Make money in a weak economy—discover the opportunities! During this session you will learn from expert practitioners on how to be successful with distressed assets in today's market. Understanding how the commercial real estate market got to where it is today is essential for figuring out what to do next. Avoid common risks associated with managing distressed properties. In this session, you will learn how to:

- Restructure debt and find capital solutions
- Reposition the asset to maximize its value
- Obtain new business
- Preserve asset value through effective operations
- Avoid risk and prevent costly legal issues

### A Year of Living Dangerously and of Opportunity

Chris Lee and his associates have been actively involved in the real estate industry for more than 30 years. They pride themselves on being current with the emerging trends, innovations and events that will likely impact the real estate industry. Now, more than ever, Mr. Lee's insights are invaluable to helping leaders of this industry plan for future prosperity. While there are few indicators of calm seas ahead, there are incredible opportunities that exist for those organizations with a strategic plan and proactive posture. Attend this session and gain perspective on:

- When the next growth cycle will begin
- Ten cornerstone strategies you must deploy to achieve success
- Why real estate is poised for major growth through the year 2030
- New real estate markets and products that will prosper in the years ahead

## IREM Member Honored for Contributions to Real Estate Management Education

IREM faculty member Stephen Cary, CPM®, vice president of NP Dodge Management Company of Omaha, Neb., was recently honored



by the IREM Foundation with its Lloyd D. Hanford Sr. Distinguished Faculty Award. The Hanford award is presented periodically to a member of the IREM faculty who has shown extraordinary dedication to the educational process and the advancement of knowledge in the real estate management profession. It commemorates the direct contributions of Lloyd D. Hanford, Sr., one of the Institute's early presidents and a founder of the IREM real estate management education program.

Cary heads the multifamily management division of NP Dodge Management, a wholly owned subsidiary of the NP Dodge Company, a fifth-generation family business founded in 1855.

IREM Foundation President Robert Click, CPM, in presenting the award to Cary, noted that "he teaches all levels of IREM courses; has participated in a number of ad hoc task forces focusing on curriculum and education; is an IREM faculty trainer; has handled many international teaching assignments; and has served in several other capacities on national committees and boards."



## JPM ARTICLES TRANSLATED FOR INTERNATIONAL MEMBERS

IREM translates one article from each issue of *Journal of Property Management* into multiple languages to serve our members throughout the world. You can find the translations of the article "Is Your Tenant Heading for Trouble?" by Shannon Alter, CPM®, from the May/June 2009 issue of *JPM* by going to the foreign language pages of the IREM Web site at [www.irem.org](http://www.irem.org).



### español (Spanish)

Usted puede encontrar la traducción al español del artículo "¿Esta su inquilino metiéndose en problemas?" por Shannon Alter en la publicación de Mayo/Junio 2009 de *JPM* yendo a la página de la lengua española del sitio web de IREM: [www.irem.org/international/spanish/intro.cfm](http://www.irem.org/international/spanish/intro.cfm).



### français (French)

Vous trouverez une traduction française de l'article «Votre locataire s'embarque-t-il dans une situation difficile?», de Shannon Alter, tiré du numéro de mai/juin 2009 de *JPM* en visitant la page française du site Web de l'IREM au [www.irem.org/international/french/index.cfm](http://www.irem.org/international/french/index.cfm)



### Русский (Russian)

Перевод на русский язык статьи «Грозят ли вашему арендатору неприятности?» (автор Шеннон Альтер) из выпуска Журнала по управлению недвижимостью (*JPM*) за май-июнь 2009 года можно найти на русскоязычной странице сайта Института IREM по адресу: [www.irem.org/international/russian/index.cfm](http://www.irem.org/international/russian/index.cfm).



### wersja polska (Polish)

Polskie tłumaczenie artykułu, "Czy twoich najemców czekają kłopoty?" autorstwa Shannon Alter z majowoczerwcowego wydania *JPM* (2009) znaleźć można na polskich stronach internetowego serwisu IREM [www.irem.org/international/polish/index.cfm](http://www.irem.org/international/polish/index.cfm).

### português (Portuguese)

Você pode encontrar a tradução do artigo "Seu inquilino esta prestes a encarar dificuldades?" de Shannon Alter referente a edição de Maio/June 2009 do *JPM* na página de Português do site do IREM: [www.irem.org/international/Portuguese/index.cfm](http://www.irem.org/international/Portuguese/index.cfm)



### 한국어 (Korean)

*JPM* 2009년 5/6월 호에 게재된 Shannon Alter 씨의 "귀하의 세입자들이 불황으로 어려움을 겪고 있는가?"라는 기사를 IREM 웹 사이트, [www.irem.org/international/korean/index.cfm](http://www.irem.org/international/korean/index.cfm) 의 한국어 웹 페이지에서 한국어로 검색하실 수 있습니다.



### 日本語 (Japanese)

*JPM* 2009年5-6月号のシャノン・オルター著、「お宅のテナント、大丈夫?」の日本語訳は、IREMウェブサイト [www.irem.org/international/japanese/index.cfm](http://www.irem.org/international/japanese/index.cfm) でご覧になれます。



### 中文 (Chinese)

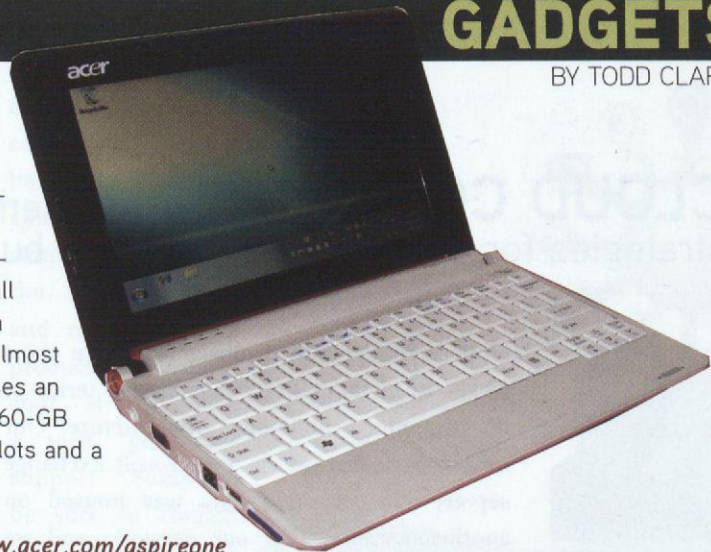
进入IREM网站的中文网页 [www.irem.org/international/Chinese/index.cfm](http://www.irem.org/international/Chinese/index.cfm)), 您可以找到刊登在《资产管理期刊》(*JPM*) 2009年5-6月号上的“您的租户会遇到麻烦吗?”(作者莎嫩·阿尔塔)一文的中文翻译。





## ACER ASPIRE ONE NETBOOK

To achieve greater portability, many computer users have chosen to make their primary computer a laptop. Historically, that portability has come at an increased premium; but in 2008 laptop makers began to drive the component pricing for small laptops, or "netbooks," down relentlessly. Today a \$300 netbook such as the Acer Aspire One can almost entirely replace a laptop. The Acer Aspire One uses an Intel Atom processor and offers 1 GB of RAM, a 160-GB hard drive, Wi-Fi, two SD memory card storage slots and a Web cam—all in a petite, 3-pound format.



Price **\$299** (for model as configured) Buy at [www.acer.com/aspireone](http://www.acer.com/aspireone)

## MIMO LCD PORTABLE MONITOR

One of the keys to a successful paperless office is having enough "screen real estate" to manipulate all of your documents, and this is often achieved through multiple monitors. While on the road, many people seek to replicate this office setup—but without the extra weight.

The recent discovery of the Mimo LCD USB monitor has been a major boon to productivity on the road. This monitor's 7.8" display offers 800 × 480 resolution and swivels from portrait to landscape; it is powered from a USB port and requires no additional hardware to function. The display can even be attached to the side of a laptop, making it very portable and easy to use on the road.

Price **\$149 to \$179** (depending on model)  
Buy at [www.satechi.net](http://www.satechi.net)

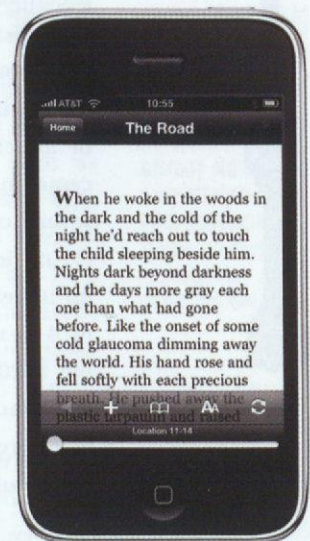


## KINDLE READER FOR IPHONE

Not sure if you are ready to take on a digital book reading device? Why not try out the free Kindle application provided by Amazon for your iPhone? Quickly download the application to your iPhone, visit the [Amazon.com](http://Amazon.com) Web site to purchase your first digital book, and you're off and reading with an online reader!

The iPhone's diminutive size does make it considerably smaller than a paperback book, but it does offer a feature lacking in most of today's e-readers: the screen is backlit, making it ideal for nighttime reading. Best of all, you have access to the 275,000 books available from the world's largest bookstore, Amazon.com; and your e-books can be stored on multiple Kindle Readers.

Price **Free** (for the iPhone application; e-book prices vary) [www.amazon.com](http://www.amazon.com)



Todd Clarke, CCIM ([tclarke@nmapartment.com](mailto:tclarke@nmapartment.com)), is a 20-year veteran broker, consultant, international speaker and instructor who covers technology and its use in commercial real estate on his technology blog [www.nmapartment.com/tech](http://www.nmapartment.com/tech).



## CLOUD COVERAGE IREM Member shares software strategies for economizing your tech budget



JOE THOMAE, CPM®, ARM® (JTHOMAE@CARDINALCAPITAL.US), IS AN ASSET MANAGER FOR CARDINAL CAPITAL WHERE HE MONITORS THE PERFORMANCE OF OVER 1300 UNITS OF LOW INCOME AND SPECIAL NEEDS HOUSING IN WISCONSIN AND IOWA.

Until recently, our company was like most small- to medium-size companies in terms of its computer technology infrastructure. Our e-mail was managed via a Microsoft Exchange server; our corporate data was housed on another server within our network; and we gained remote (out-of-office) access via a Citrix connection. There were some firewalls and routers thrown into the mix to complete the system. This is a very common server architecture, yet it is expensive to build, takes very specialized training to manage, and must be updated periodically as new Internet threats appear, or as holes in its software are exploited. Furthermore, servers—like all computers—age and break down over time. Because servers typically run 24/7 without rest, they might last only 3 to 5 years, depending on dozens of factors.

At my company, we were at the point when our servers were aging enough that we began looking for solutions for replacements. To accomplish this, I first solicited bids to replace the existing servers and migrate e-mails and data from the old system to the new. I walked away with sticker shock. A four-year analysis of anticipated server costs and maintenance came in at \$320,000! This analysis assumed several conditions that were unlikely to happen: (1) no increase in our maintenance costs; (2) no increase in the cost of replacement servers in 4 years; (3) no disasters. In other words, the \$320,000 cost estimate was low, probably by a factor of at least 15 to 25 percent. I therefore began searching for an alternative that would be as reliable but more cost effective.

### CLOUD COMPUTING

I found the solution in cloud computing, also called Software as a Service (SaaS). You may not know this but you may already be practicing cloud computing. For example, do you use Yardi or Onesite for property management? Is your payroll done with a common outside payroll service? In each case, you are cloud computing, or using other people's servers to run software that they own, update, manage and maintain instead of running it on your computers in your office. All it takes is an Internet connection. The best news about cloud computing? A five-year analysis showed a cost of just \$40,200 for using two cloud computing applications that will replace over 95 percent of our server architecture.

### *E-mail server*

In spring of this year, we completed our transition from our Exchange e-mail servers to a cloud computing e-mail service and document provider. We migrated approximately 150,000 e-mail messages as well as all folders and contacts for 50 users. Not a single message has been identified as lost. The migration will allow us to retain all of our e-mail addresses, all of our old e-mails and all of our contacts. The cloud service has a calendar that is more intuitive and more easily shared than the Exchange calendar we were using.

The few issues we did run into included archived e-mail files stored in odd locations on the network, which had to be manually migrated to users' in-boxes. A shared contact



folder with an odd file path did not make the automatic migration either but we were able to fix it manually.

We did extensive training with our staff to prepare them for the change to the new product. It helped ease the transition: There were a few users who needed crash-refresher courses on some aspects of the new products, but over 90 percent of the staff made the transition with few or no questions. This reflects both preparation on our part and the ease of using the new product.

The reward? We have avoided a 2009 hard cost of about \$110,000 for a new servers, software and support.

How secure is our new e-mail system? This provider has multiple geographic locations, real-time backup between their locations of our data and excellent virus filtering. A 99.9 percent up-time guarantee and 24/7 support round out their service. This will cost \$2500 annually. In the end, we don't have to do server software updates; we don't have to pay for expensive, highly trained and specialized computer support but we still get excellent performance, security and reliability.

If after your research you decide to make this leap too, you will be in good company. You'll be following in the footsteps of several universities, biomedical firms, a search engine giant and thousands of small to medium companies.

#### *Data and remote access servers*

As another step in the transition, our data (Microsoft Word and Excel files, along with correspondence, contracts, closing docs, etc.) will be moved to an online storage and retrieval provider. This provider has our data in three geographic locations, backed up in real time. It is accessible via the Internet and has about a dozen different services or ways you can manipulate the data to share it with others within or outside your company. This system is very easy for training weaker computer users and very intuitive to younger persons on your staff.

If you do research and decide to move toward these products, make sure you have

a robust Internet connection. Cutting back on a strong connection speed simply slows down the work process and diminishes the productivity of your staff. If you have a tech "guru" or support company, be sure to consult with them first, as the cloud computing system may not be consistent with your security or retention policies.

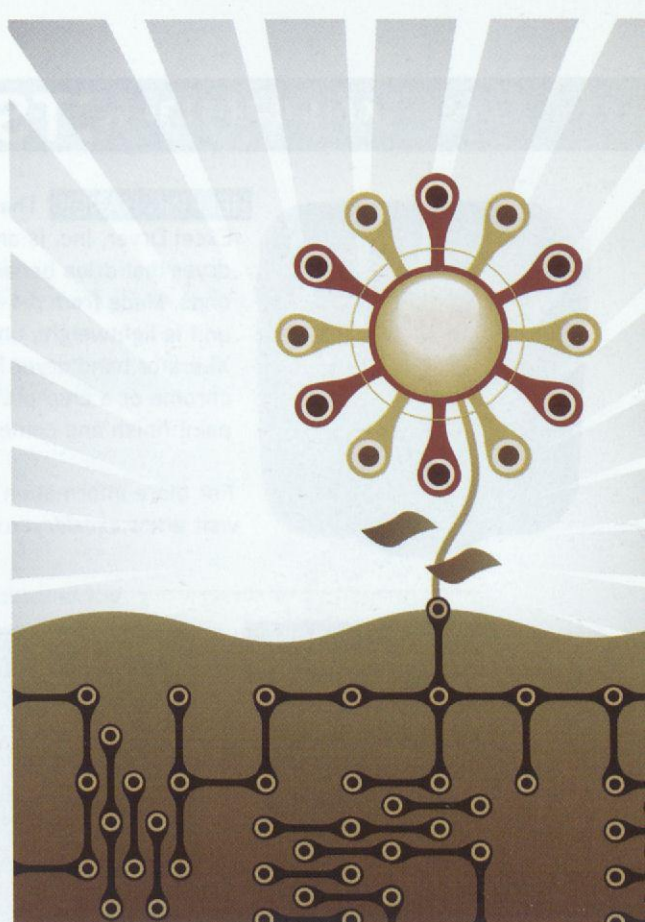
#### NETBOOK COMPUTERS

If you begin using cloud services and need to be or are a mobile worker, you will find you don't need to buy an expensive laptop with a huge hard drive because your data is stored on someone else's servers. There are more and more netbook computers that run anywhere from \$200 to \$400 each. They have small hard drives, but they are small and portable with fast processors.

Netbook computers often have operating systems that cannot be joined to a domain but can access network resources such as a printer. This means if you use this type of computer, you cannot reach internal company domain drives. This should not be a concern, however, as internal domains aren't needed once you are using cloud computing.

#### PARTING WORDS

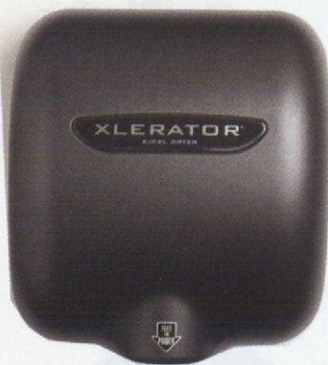
Spend your money where it matters most: allowing people to do their work efficiently. Provide meaningful productivity resources, like robust Internet connections, so you and your people are empowered to maximize the power of cloud computing. ■



FOR MORE INFORMATION ABOUT NETBOOKS AND OTHER NEW TECHNOLOGIES TURN TO OUR "GADGETS" SECTION ON P 59.



# NEW PRODUCTS



**HELPING HANDS** The XLERator hand dryer from Excel Dryer, Inc. is an infrared sensor activated dryer that dries hands completely in 10 to 15 seconds. Made from die-cast zinc alloy, the one-piece unit is lightweight, unbreakable and rustproof. The XLERator hand dryer is available in bright, plated-chrome or a chip-proof, electrostatically-applied paint finish and comes with a five-year warranty.

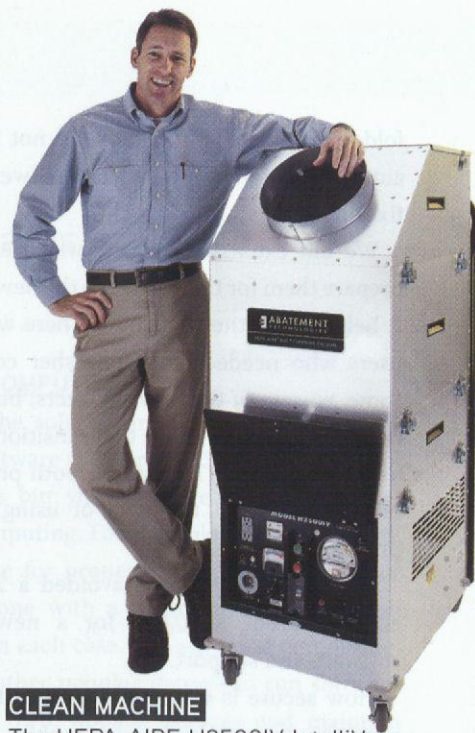
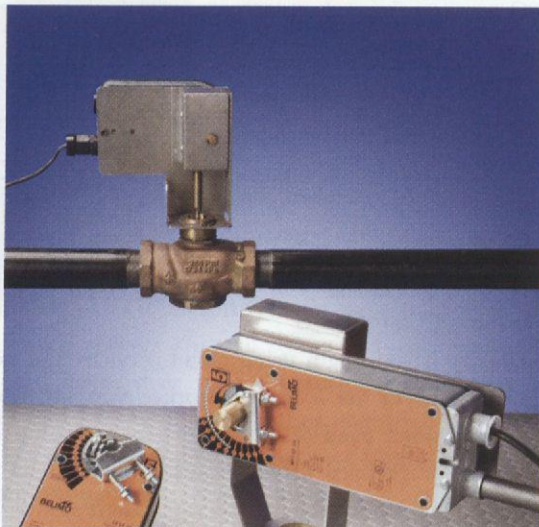
For more information on the XLERator hand dryer visit [www.exceldryer.com](http://www.exceldryer.com).

## KIT AND CABOODLE

BAI-Belimo Electronic Actuator Retrofit Kits allow heating, ventilating and air conditioning (HVAC) valves to be up-fitted without shutting down and draining the system. The kits feature an actuator that is compatible with many control inputs and all direct digital control (DDC) systems and includes the appropriate brackets and linkages. Available

at most butterfly valve manufacturers, BAI-Belimo Electronic Actuator Retrofit Kits permit total communication with building control systems. They incorporate a multi-functional technology (MFT) that provides the ability to program key characteristics of the actuator.

For more information visit [www.bostonaircontrols.com](http://www.bostonaircontrols.com).



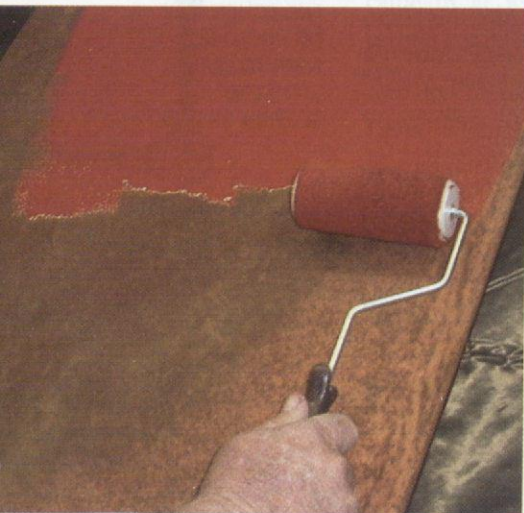
## CLEAN MACHINE

The HEPA-AIRE H2500IV IntelliVac by Abatement Technology is a portable vacuum for residential and commercial air duct cleaning. With its lightweight, four-module design, one or more of the upper modules can be quickly detached from the main power module and hand carried. This duct cleaner also includes performance-enhancing "smart" electronics with filter change indicator and audio alarm. The H2500IV also has a built-in stair climber that facilitates transport up or down stairs and features a high-efficiency particulate air (HEPA) filter that can remove 99.97 percent of micro airborne particulates.

Visit [www.abatement.com](http://www.abatement.com) for more information.

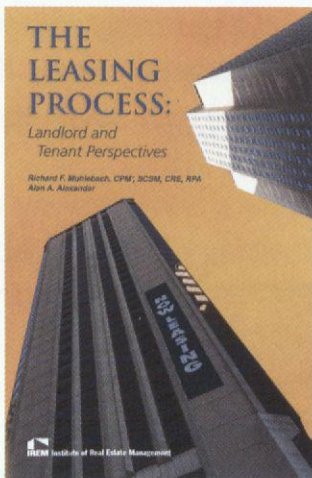
**GUARD DUTY** ICO-Rust Guard is a direct-to-metal coating by Rust Guard International Coatings Inc. It features a 100 percent solid, zero volatile organic compound (VOC) epoxy coating that provides an impervious barrier to protect metal in high humidity and damp conditions. Because ICO-Rust Guard is solvent free, it is especially suited for areas where minimization of odor is critical. The guard is applied by roller, brush or spray and has excellent adhesion, even to rusted steel.

For more information visit [www.InternationalCoatings.com](http://www.InternationalCoatings.com).





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IREM Chapter Leadership Conference	<a href="http://www.irem.org/clc">www.irem.org/clc</a>	IBC
IREM FIRST	<a href="http://www.iremfirst.org">www.iremfirst.org</a>	45
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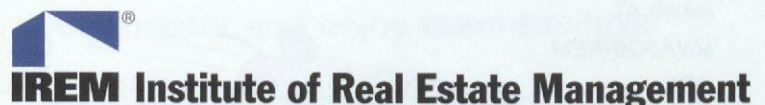
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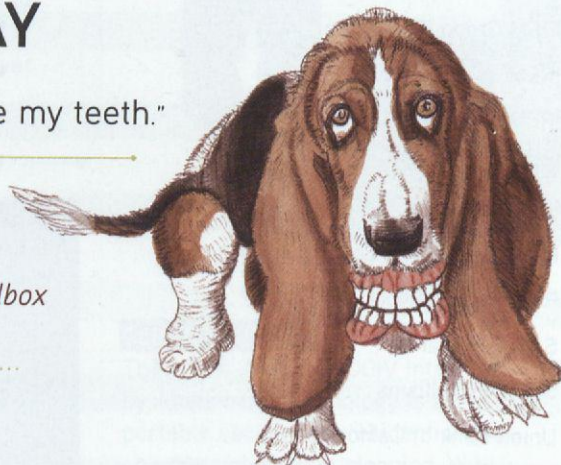
# CAN YOU TOP THIS?

ILLUSTRATIONS BY PAUL LUKAS

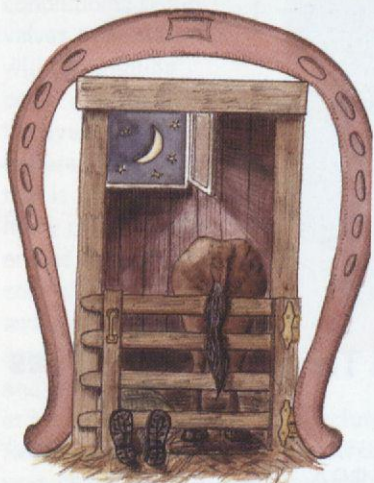
When it comes to collecting rent payment, property managers have often heard some strange and laughable excuses from tenants and residents. Here are a few of those excuses that IREM Members shared with JPM:

## EXCUSE OF THE DAY

"I can't pay my rent because my dog ate my teeth."



"I couldn't pay because the mailbox outside my office is broken."

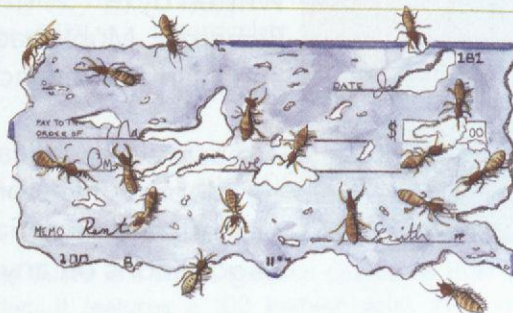


One tenant actually told me, "I couldn't pay the rent because I had to pay the stable rent for my horse." I suggested she might have to live with her horse if it wasn't paid.

"I can't pay my rent because I gave my rent money to help the homeless on the street."

An expectant mother came into the office to explain she did not have her rent money because she had to use it to bail herself out of jail. Apparently, middle school children were harassing her child while exiting the bus and she took it upon herself to thrash the children.

A tenant whose lease was expired and owed us about \$8,000 asked me if it was ok if he went out of town to see a friend who would potentially let him borrow some money to pay off his debt. Apparently, this friend also had great tickets to a Ravens game.



"Termites ate my checkbook."

» THINK YOU CAN TOP THIS TALE? SEND YOUR TRUE STORIES TO MARKISAN NASO AT [MNASO@IREM.ORG](mailto:MNASO@IREM.ORG).



One of our residents said he couldn't pay rent because he just made a car payment. He said he only had enough money to pay the rent or make the payment on his car in any given month, and he chose the car!



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