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JOURNAL OF PROPERTY MANAGEMENT
MAY/JUN 2010

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EMPTY STOREFRONTS p36

UNITED FRONT

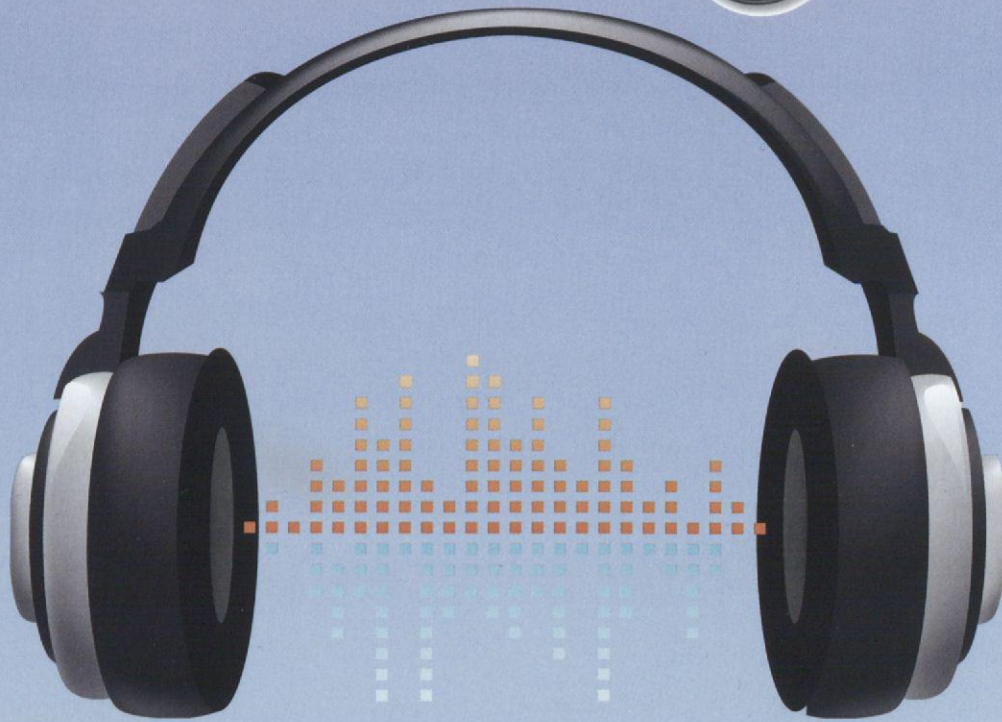
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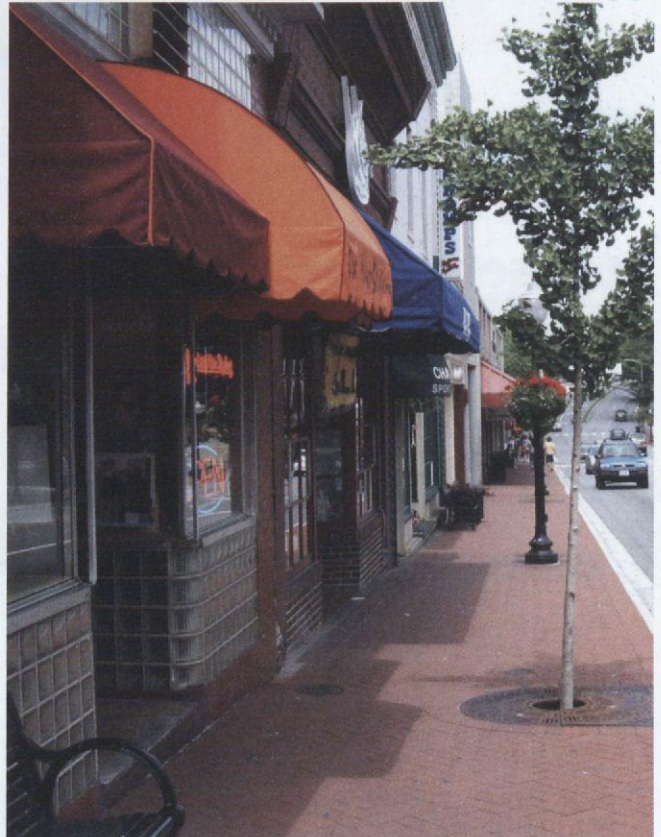
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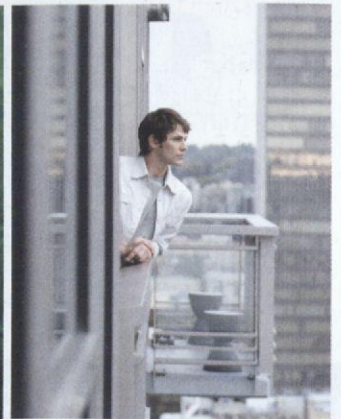
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Institute of Real Estate Management Diversity Statement | IREM encourages diversity. We welcome individuals of all races, genders, creeds, ages, sexual orientations, national origins, and individuals with disabilities. Our organization strives to provide an equal opportunity environment among its members, vendors, and staff. Adopted October 2008

Institute of Real Estate Management Sustainability Statement | The Institute of Real Estate Management (IREM) is dedicated to supporting real estate management strategies that advance an environmentally sustainable and economically prosperous future.

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COLLECTIVE CREATIVITY

Here we are in the second quarter of the year and many of us are still proceeding with caution as the economic recovery continues to draw out longer than we hoped. But despite the difficulties facing most of our markets, I see many of us seeking out creative ways to keep our properties and our businesses afloat.

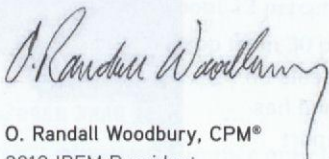
Currently, across the United States, as financial markets remain tight, we are continuing to work diligently to keep generating positive cash flow from our properties. This isn't easy to do, but as we share in articles this issue, it is possible to creatively ensure your properties survive these difficult times. In "Condo Conundrum" on p. 30, IREM Members provide new insights on the warning signs of potential bankruptcy for condominium association owners, and offer steps on how to work with these individuals to save associations from going under.

The article, "United Front: Real Estate Managers and Municipalities Tackle Empty Storefronts Together," on p. 36, showcases solutions from real estate managers and IREM Members for finding new tenants to fill commercial spaces throughout the country.

As we go to press with this issue, many of you will be in Washington, D.C. on May 1-5, as IREM Members gather on Capitol Hill to lobby for action on economic issues pertaining directly to real estate managers in our states and hometowns. Be sure to read the overview about our visit on p. 18 and then turn to p. 48 to find out how you can continue to connect with state representatives.

Although many of us have been busy responding to these and other economic challenges, we can't forget that hurricane season is just around the corner. After a tough winter season on the East Coast, it is hard to believe we already need to review insurance and disaster preparedness plans. On p. 24 of this issue, we provide a refresher on what you need to do to get ready for any disaster that may strike.

Despite these economically trying times, let's be glad we are part of a collective organization of individuals who can provide pragmatic and creative solutions to all our residents, tenants and owners. With our collective knowledge we have a real opportunity to shine no matter what the next economic forecast may be.



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NEW FEDERAL PROGRAM ENCOURAGES SHORT SALES

On April 5, a new federal program encouraging delinquent borrowers to avoid foreclosure and instead give up their homes in short sales was initiated by President Obama's administration.

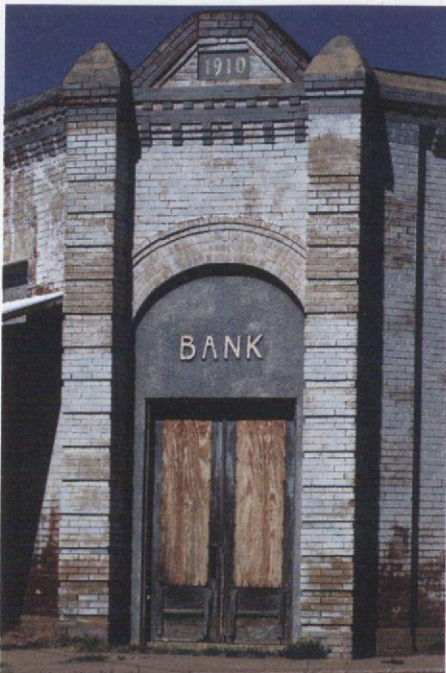
The program offers cash payment to the home owner, as well as to the servicer and second-lien holder, and protects borrowers from future lender lawsuits for the unpaid mortgage balance.

Lenders are required to consult real estate practitioners to assess home value and a minimum acceptable offer. They must then accept any offer that is equal to or higher than that minimum.

CBRE Forecasts Apartment Market Improvements in 2010

A new forecast by econometric advisors at CB Richard Ellis, AMO®, project the vacancy rate will drop to an average of 6.8 percent in 2010, down from an average of 7.4 percent in 2009. The analysis also foresees less severe declines in effective rents in 2010 as compared to 2009 as rent discounts and concessions become less widespread.

The 6.8 percent vacancy rate is still higher than the previous peak in 2003 when vacancy rate averaged 6.4 percent and higher than the long-term average vacancy rate of 5.3 percent.



FDIC REPORT INDICATES INCREASING BANK WOES

According to figures released by the Federal Deposit Insurance Corporation (F.D.I.C.), the number of banks in financial trouble has risen sharply and the rate of bank failures will likely increase. The report said more than \$1 in every \$10 that American banks have outstanding in loans is lent to a troubled borrower. Construction loans for single-family homes pose the greatest problems, as nearly 40 percent of the loans either are delinquent or have been written off as uncollectible. Mortgage loans for single-family homes, are also problematic, as \$1 in every \$8 of loans is troubled, the report said.

The F.D.I.C. also reported that the amount of outstanding loans and leases at all American banks was falling, even after adjusting the numbers for loans that were written off. The total volume of loans and leases outstanding at the end of 2009 was \$7.3 trillion. That figure peaked in mid-2008 at just under \$8 trillion.

Deals on Foreclosures Getting Harder to Find

Home buyers looking to find good deals on foreclosed homes are finding it increasingly difficult because demand has increased and supply is subsequently decreasing, according to a report by international investment banking firm, Barclays Capital. The number of foreclosures available for sale in the United States has fallen to 617,000, from 845,000 in November 2008, the report said.



PHOTOGRAPHY © JUAN CARLOS LATORRE, ARM®



EARTHQUAKES INCREASE INTEREST IN RISK PROTECTION FOR PROPERTIES

Property owners and investors in the United States have become increasingly interested in seismic risk due to the earthquakes that struck Haiti and Chile in recent months, according to an article in the *New York Times*. The two disasters killed more than 300,000 people and caused an estimated \$21 billion in property damage. As a result, property owners and potential investors in the United States are actively contacting experts to assess the vulnerability of buildings to earthquake damage.

Every year, 5,000 earthquakes hit the United States. Thirty-nine states over the past century have experienced quakes, according to the Insurance Information Institute. The report said a small percentage of property owners acquire earthquake insurance as a rider to regular property coverage. In California, the state most susceptible to seismic events, only about 12 percent of Californians purchased coverage, a drop from 30 percent in 1996.

For more information on disaster insurance options, turn to page 24. To read disaster preparedness recommendation by IREM International Members, turn to page 50.

QUOTABLES

“A positive attitude may not solve all your problems, but it will annoy enough people to make it worth the effort.”

—HERM ALBRIGHT, GERMAN PAINTER AND LITHOGRAPHER

“If you judge people, you have no time to love them.”

—MOTHER THERESA, ALBANIAN HUMANITARIAN

“For everything you have missed, you have gained something else, and for everything you gain, you lose something else.”

—RALPH WALDO EMERSON, AMERICAN POET

“One-half the troubles of this life can be traced to saying yes too quickly and not saying no soon enough.”

—JOSH BILLINGS, AMERICAN HUMORIST

“The learning person looks forward to failure or mistakes. The worst problem in leadership is basically early success.”

—WARREN BENNIS, AMERICAN SCHOLAR AND AUTHOR

“Impossible things are simply those which so far have never been done.”

—ELBERT HUBBARD, AMERICAN WRITER

“Great efforts from great motives is the best definition of a happy life.”

—WILLIAM ELLERY CHANNING, AMERICAN PREACHER



CERTIFICATION FOR ELECTRONIC WASTE RECYCLING GATHERS SUPPORT

The Natural Resources Defense Council recently announced its endorsement of the first certification program for electronics recycling. The new e-Stewards Certification relies on independent, third-party auditors to verify safe and ethical disposal of the hundreds of tons of unwanted electronics discarded every year in North America.

Electronic equipment contains toxics such as mercury, lead, cadmium, arsenic, beryllium and brominated flame retardants. When burned, even more dangerous toxics can be formed.

Created jointly by the environmental community and business leaders, the new e-Stewards Certification and Standard is held by the nonprofit Basel Action Network. The e-Stewards are North American electronics recyclers and asset managers who have been qualified as upholding the highest standard of environmental and social responsibility.

Report Finds Support for Green Decreases, But Remains Steady

Support for green construction and the Leadership in Energy and Environmental Design (LEED) certification developed by the U.S. Green Building Council dropped slightly in 2009 but remains strong despite the recession, according to the latest green building survey by Allen Matkins, Constructive Technologies Group and the *Green Building Insider*.

The 4th Annual Green Building Survey of more than 1,600 design and construction professionals in the United States, showed that 92.3 percent of respondents in 2009 said they endorse green building, compared with 93.5 percent in 2008. Sixty-two percent of the professionals surveyed in 2009 told researchers they support attaining certification under LEED standards.

PANEL SUGGESTS 100 WAYS TO MAKE NYC BUILDINGS GREENER

In February 2010, the New York City Green Codes Task Force released a comprehensive analysis of building codes. Convened at the request of Mayor Bloomberg and Council Speaker Quinn in July 2008, the task force—led by Urban Green Council—was charged with recommending green changes to the laws and regulations affecting buildings in New York. The 111 recommendations largely impact new construction and renovations, with many removing current impediments to green practices. The proposals would affect building codes as well as zoning, health, consumer affairs and environmental protection codes.

The recommendations are the city's latest attempt to reduce the greenhouse gases produced by buildings, which are estimated to be the source of about 75 percent of the city's emissions.

For more information visit www.urbangreencouncil.org/greencodes.

AF&PA Unveils Free Workplace Recycling Guide for Commercial Property Managers

Commercial property owners and managers concerned with sustainability have a new resource to help them build and improve upon their recycling programs, thanks to an updated recycling guide recently unveiled by the American Forest & Paper Association (AF&PA). The guide is free and available at www.paperrecycles.org as part of AF&PA's mission to increase paper recovery.

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The National Renewable Energy Laboratory (NREL) is the nation's primary laboratory for renewable energy and energy efficiency research and development. NREL's mission is to advance U.S. energy goals. The Web site offers competencies on renewable resources for energy, conversion of these resources to renewable electricity and fuels, and the use of renewable electricity and fuels in homes, commercial buildings, and vehicles.

www.bt.cdc.gov/disasters

This Web site from the Centers for Disease Control and Prevention offers visitors a wealth of credible, reliable information related to emergency preparedness and response to disasters, such as earthquakes, tornadoes and floods. You will find information, tips, data and statistics that can aid in planning for everything from severe weather to catastrophic events.

www.mashable.com

Mashable is a blog site focused exclusively on Web 2.0 and Social Media news. The Web site features a variety of reviews on new Web sites and services, publishes breaking news on what's new on the web and offers how-to resources, including guides to using social media to market your business. Mashable also offers a job board where you can post openings for social media, marketing and web development opportunities.

www.futureofrealestatemarketing.com

The Future of Real Estate Marketing blog examines the impact of Web 2.0 and the Internet on real estate and real estate marketing. The Future of Real Estate Marketing is a community-based Web site where members can post a variety of articles, news and information and comment about marketing strategies, tips and trends in the real estate industry.

fast facts

BATS always turn left when exiting a cave.

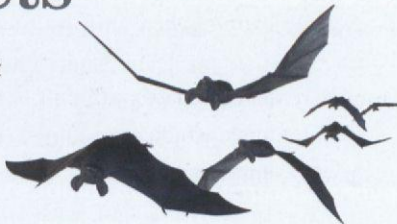
The color **BLUE** causes the brain to release calming hormones.

The plastic things on the end of shoelaces are called **AGLETS**.



The average person **LAUGHS** 13 times a day.

The only two animals that can see behind themselves without turning their heads are the **RABBIT AND PARROT**.



CHEWING GUM while peeling onions will keep you from crying.

There are approximately 618 **ROLLER COASTERS** in North America.

China has more **ENGLISH SPEAKERS** than the United States.

The biggest **DISCO BALL** in the world has 6,900 mirror squares on it.



RELATIONSHIP ADVICE Good ethics can help you avoid the pitfalls of manager/vendor relations



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WHEN YOU DEVELOP A GOOD WORKING RELATIONSHIP WITH A VENDOR, IT IS A WIN-WIN FOR EVERYONE INVOLVED, PARTICULARLY FOR YOUR CLIENT. However, should a conflict occur, you will be presented with a true test. As a property manager, you have been hired by your client to take care of whatever issues arise on the project, including vendor performance. Like any relationship, the manager/vendor relationship is ripe with potential pitfalls.

Pitfall 1: The Comfort Zone

We all have our go-to vendors; the companies or individual contractors we can count on for anything. In some cases, we may even think of them as friends. We must remain objective, however, to not slip into a “comfort zone,” and simply choose our favorites for every job. If the job requires someone with more experience or a larger crew, you must do what is best for that project. Your ethical duty is to use the vendor best suited for the project.

Pitfall 2: Blinded by the Bling

Accepting a gift of any kind from a vendor is unacceptable. If you do accept a small “perk,” it must be disclosed. You need to be cautious and make certain the perk is not a cover up for the job not getting done properly or at an inappropriate cost. We have all dealt with a vendor who is all talk and no action. As a manager you must recognize this and quickly remedy the situation, perhaps by telling the vendor that a job well done is the only reward you need.

Pitfall 3: The Underperformer

There are times when we must work with vendors who seem to have little respect for what we do, who think “their way” is the only way, or who never set foot on a property. It may appear the best way to handle any of these dilemmas is to move to a new vendor as quickly as possible. However, if the vendor is truly the best option for the job, or the client insists you use that particular vendor, then it is the responsibility of the manager to find a way to rise above unproductive behavior. After all attempts have been made without success, then you may have justifiable cause to make a change.

Pitfall 4: The Litigator

The requirement to review contracts can be very daunting but it is certainly necessary in the management world. A failure to follow up on a contractor discount, a cancellation clause or a change order can put you on a fast track to a conflict with the vendor, and may cause a loss for your client. Ensuring that all your t’s are crossed and i’s are dotted in any agreement will go a long way to keeping your vendors in line. This attention to detail will also keep you actively engaged with your client today and in the future.

While managing any relationship can have pitfalls, it is important to remember that the relationships you cultivate with your vendors can and will grow with each project. ■



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WHAT'S ON YOUR BOOKSHELF? Books are a great resource for new marketing ideas and strategies



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RECENTLY, I TOOK A LOOK AT A FEW OF THE MILLENNIUM'S TOP MARKETING BOOKS FOR SOME THOUGHTS ON HOW TO GENERATE NEW BUSINESS AND GAIN A FRESH PERSPECTIVE ON THE INDUSTRY. Marketing books can often offer you some new concepts and ideas you may not have tried. Here are just a few ideas I found in the texts I've read:

Get used to the new rules

It's fairly safe to say it isn't your parents' marketing world out there anymore. How many of us even heard of *LinkedIn*, *Twitter* or *Facebook* five years ago, much less considered social networking an integral part of our marketing plans? If you believe that it takes more than routine advertising to successfully market your properties and your company, then the new rules are for you. Now, more than ever, real estate managers have the opportunity to create visibility, credibility and loyalty—and generate new business—all through the Internet. If you are unfamiliar with e-marketing or you just want to take your e-marketing platform to the next level, books are a great resource for finding out how you can use the latest technology to generate new business.

Make it contagious

Whether you're starting a new management company or adding to your current client roster, don't underestimate the power of word-of-mouth. Contagious behavior has a compounding effect too. If a prospective tenant has a less-than-positive experience with your company,

will he tell other tenants, and possibly other owners? You bet! Similarly, if you give your client the best service on the planet, he is much more likely to sing your praises to colleagues and fellow property owners. I like this advice from Walt Disney: "Do what you do so well that that they will want to see it again and bring their friends."

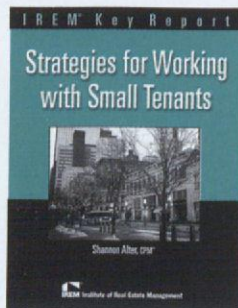
Think like a buyer

What's the secret to understanding buyers of real estate services today? Help them hire you by keeping some important points in mind. First, remember it's all about them. Clients today are in the driver's seat, so find out what they want and focus directly on their needs. Second, the ability to both problem-solve and implement solutions rests squarely on your shoulders. It's your job to ferret out a property owner's pain points and figure out how to resolve them.

Following my own advice to include social networking as part of my everyday marketing activities, I polled my colleagues on *LinkedIn* on which business books are "must-haves." Here are a few excellent choices to give your marketing plan a jump-start:

- *Made to Stick*, by Chip Heath & Dan Heath
- *The Tipping Point*, by Malcolm Gladwell
- *The New Rules of Marketing & PR*, by David Meerman Scott
- *Purple Cow: Transform Your Business by Being Remarkable*, by Seth Godin

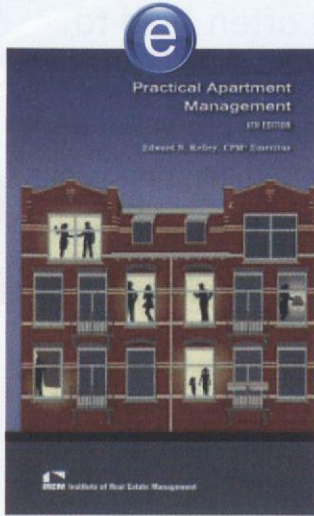
What's the best marketing path to follow? You may find some answers in the bookstore. ■



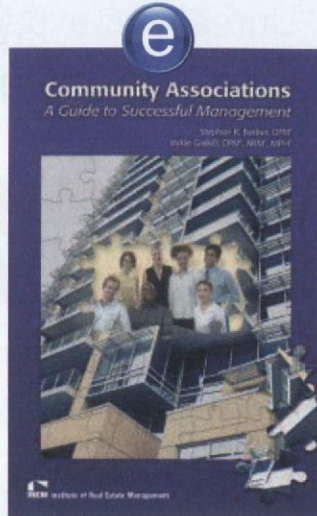
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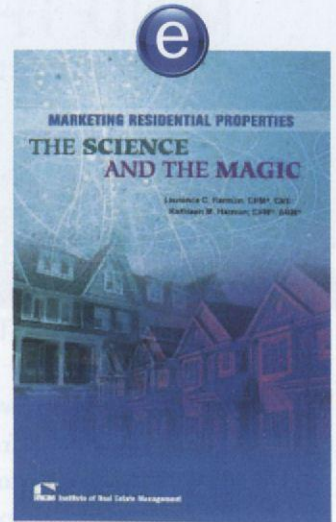
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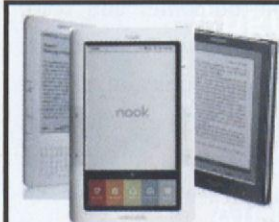
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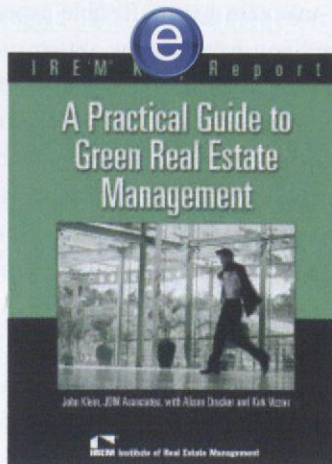
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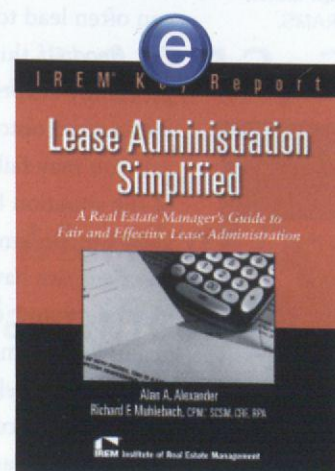
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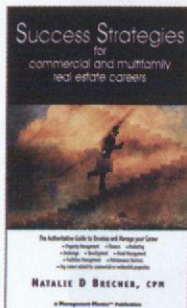
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MIND THE GAP

Unrealistic expectations can often lead to mixed consequences



NATALIE D. BRECHER, CPM® (NBRECHER@BRECHERASSOCIATES.COM) IS A MANAGEMENT-MENTOR™, A SEASONED AUTHORITY WHO HELPS FIRMS IMPROVE WORKPLACE PERFORMANCE AND MANAGERS OF EVERY LEVEL BECOME MORE EFFECTIVE LEADERS THROUGH CONSULTING AND PROFESSIONAL DEVELOPMENT PROGRAMS.



PURCHASE A COPY OF NATALIE'S PUBLICATION *SUCCESS STRATEGIES FOR COMMERCIAL AND MULTIFAMILY REAL ESTATE CAREERS* AT WWW.IREM.ORG.

IN THE 2006 FILM, *NOTES ON A SCANDAL*, CHARACTER SHEBA HART EXPLAINS "THE GAP" AS "THE DISTANCE BETWEEN LIFE AS YOU DREAM IT, AND LIFE AS IT IS."

When it comes to property management, we have expectations about almost everything, from employee behaviors and performance, to the boss's treatment, to vendor's work. Our expectations influence how we see things, the actions we take, our reactions and ultimately, what we believe and think. But how often do your expectations differ from the resulting reality? This gap between expectation and reality can often have a tremendous effect you and your business.

Unrealistic expectations, whether they are negative or positive, can often have mixed consequences. Below are some of the repercussions.

When we have negative expectations, they can often lead to:

The Good: If things turn out well, you may be pleasantly surprised. Caution: It's also possible that a good outcome may make you more critical. You may fail to see the good that came out of the situation because you were dead set on a negative outcome. No one likes to be mistaken.

The Bad: You have needlessly subjected yourself to anxiety and disappointment based on your negative presumptions.

The Ugly: You believe that having negative expectations is an acceptable outlook. Embracing this perspective means you will continually be negative.

When we have overly optimistic expectations, they can often lead to:

The Good: When you anticipate a positive outcome, you are exhilarated. Feeling optimistic

predisposes you to perceive life more positively and that's a good thing.

The Bad: When you are confident that an outcome will be positive, you may not proactively take steps to ensure a better result.

The Ugly: If things don't transpire as you envisioned, the let-down can range from disappointing to devastating. Caution: A disappointing outcome can contain some positive elements, but you may have trouble seeing the good parts because you were looking for bigger, better results.

So, given these possible outcomes and reactions, how should we handle our expectations? Ideally, we'd all love to have constant realistic presumptions, but that simply doesn't happen. That too is unrealistic. Instead, it's important to deal with expectations in measures.

Before the results of an event are determined, try to maintain broad, flexible expectations. If you find you have narrow anticipations, either overly positive or overly negative, add an equal tempered dose of the opposite. Think of the possibilities and don't assume probabilities.

Once the results of an event are determined, try to face the outcome realistically. Accept and adapt to any challenges, and enjoy the benefits—big or small. Should your expected outcome not come to pass, remember that although the result could be better, it could also be worse. You always have options, even after the fact.

As I begin my next project to help a firm improve the operations of its management department, I am putting my expectations on hold. The situation may be one I've never seen before, or it may be similar to what I often see. Only the work will disclose reality. There will be no gap here.



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LOOK TO THE LEASE

Understanding your agreements can help resolve commercial tenant issues



DAVID K. TAYLOR IS A PARTNER IN THE NASHVILLE, TENN. OFFICE OF BRADLEY ARANT BOULT CUMMINGS, PLC, AND HAS A NATIONAL CONSTRUCTION LAW PRACTICE. DAVID CAN BE REACHED AT DTAYLOR@BABC.COM OR 615.252.2396.

THERE ARE NO BLACK AND WHITE RULES WHEN IT COMES TO DEALING WITH PROBLEM TENANTS. OBVIOUSLY MUCH DEPENDS ON THE MARKET and whether it is better to have a continually late paying tenant or an empty space. Often, the only hope landlords have to receive payments owed is to bend the rules. The important part, however, is that they keep up with "work out" agreements which are mutual agreements between landlords and tenants to reschedule payments or modify payment terms. Landlords should document these agreements and make sure the lease provisions are adhered to in all respects.

The inclusion in a commercial lease of a clause permitting the property manager to terminate a lease due to a breach of contract is no assurance that a court will enforce the clause. Under most state laws, "forfeitures" of leases are not favored and judges are normally reluctant to terminate leases. To justify termination, the general rule is that a breach by the tenant must be a substantial violation. Abandonment, failure to pay rent and property taxes always justify termination.

It goes without saying that landlords must read the lease and comply with the default provisions before placing a tenant in default or terminating the lease. Any court, in a subsequent action, will look favorably toward the tenant, and construe the lease (usually drafted by the landlord) against the landlord. This includes, but is not limited to, giving notice to the proper

people at the proper address in the lease, specifying the section of the lease which the tenant has violated and giving the tenant the requisite time to correct the violation called for within the lease. If a "default" notice does not clearly state that the lessee is in default, a court may hold the notice as insufficient. Some courts hold that an improper and premature default letter can be a constructive eviction of the tenant, ending any future liability for rent.

All commercial landlords have had situations where a tenant "goes dark." If landlords are concerned about collecting damages in the form of future rent, then they must be very careful in an abandonment situation. If they unqualifiedly accept such surrender, then the general rule is that liability for future rent and damages is terminated. To constitute abandonment of premises, there normally must be an absolute relinquishment of the premises by the tenant and intent to abandon.

Landlords should always proceed according to the terms of a lease. They should notify a tenant in writing that they are accepting possession after abandonment, for the benefit of the tenant only. Leases should contain "survival clauses," which allow the landlord to re-let and retain liability in cases of abandonment. Without such a letter, or such a provision, the general rule is that a landlord releases the tenant from all future liability by accepting the abandonment. ■



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2010 IREM and CCIM Capitol Hill Visit Day

AT PRESS TIME, THE 2010 CAPITOL HILL VISIT DAY WAS JUST AROUND THE CORNER, to be held in conjunction with the IREM Leadership and Legislative Summit beginning May 5, 2010. During this exciting and educational event, IREM and CCIM Institute members were scheduled to meet with Congressional members and staff to discuss important issues that affect the real estate industry. Issues for discussion included:

- Increasing short-term business lending, moderate term capital improvement loans and longer term financing or refinancing of commercial property. Having a proper “commercial property toolbox of options” is a great way to address today’s needs in the area of capital markets.
- Accelerating depreciation of properties to generate commercial property cash flow. By shortening the recovery period and providing passive loss relief at the same time, a very important incentive would be provided to those owning/managing commercial real estate.
- Providing additional financing through the use of funds from credit unions. Existing law limits credit union business lending at 12.25 percent of total assets. By moving the limit to 25 percent of total assets—a current proposal in the U.S. Congress, additional funds could be provided for commercial property lending.
- Providing a mortgage insurance program for commercial debt. This concept would support insurance from the government or private sector that would cover the difference between the current value and the debt service amount which could free up capital for other purposes.
- Extending federal tax codes, along with new proposals that would ultimately incentivize investors’ participation in the real estate industry and thus create jobs and promote economic stability.
- Keeping capital gains rates at the 15 percent level to encourage investors to participate in the commercial real estate market. The loss of capital gains treatment for real estate investment ownership would turn long established buy-and-hold procedures upside down.
- Re-proposing or extending other current or past tax incentives, including the 15 year leasehold improvement depreciation and the extension of the current 50 percent bonus depreciation, which allows property owners to deduct 50 percent of the cost of qualifying property in addition to the regular depreciation allowance. The current \$1.80 per square foot energy tax credit for commercial property owners who achieve 50 percent energy savings through energy retrofits is another incentive that needs to be extended.
- Discussing legislative proposals that would change existing law so that income generated from carried interests would be taxed at a rate of ordinary income (at 35 percent or more), as opposed to the current capital gains rate (15 percent). Most general partners with existing carried interests will be penalized under this proposal and be devastating to these businesses.

» To learn more about other issues affecting IREM and CCIM Institute members or to find out how you can get involved in next year’s Capitol Hill Visit Day, please visit www.irem.org/publicpolicy for more information.



UPDATE ON THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009

Congress passed the American Reinvestment and Recovery Act (ARRA) on February 17, 2009 to create new jobs and save existing ones, spur economic activity and invest in long-term growth, and provide accountability and transparency in government disbursement of funds. To accomplish these goals, Congress allocated \$787 billion in economic aid through spending and tax cuts. As of February 26, 2010, roughly \$287 billion (or 37 percent) of the package has been spent, with nearly \$500 billion remaining in tax benefits, contracts, grants and loans and entitlements. Below are few updates on agencies and their programs created through the ARRA:

The Environmental Protection Agency (EPA) announced in October 2009, that the Energy Star program is off to a slow start. Despite the high interest in the program, which offers a roadmap to grow green job opportunities, boost energy savings and reduce emissions, a series of barriers have prevented a self-sustaining retrofit market from forming. The Recovery Through Retrofit report recommended a series of actions be taken for the successful implementation of the program, including comprehensive training programs for workers, reducing upfront costs and increasing awareness of the program. As of February, 2010, the EPA still has over \$5.9 billion (of the original \$7.11 billion) of funds available to spend on various programs.

In January 2010, the Department of Transportation (DOT) kicked off construction on a project that will give drivers using the Caldecott Tunnel near Oakland and San Francisco two additional lanes to alleviate traffic congestion. The \$420 million project, which will create a fourth tunnel, will use \$197.5 million from the ARRA. The DOT has roughly \$27.4 billion dollars of the allotted \$36.8 billion in stimulus funds still available as of February 2010.

The Department of Housing and Urban Development (HUD) awarded \$95 million in competitive grants in September 2010. This funding will allow public housing authorities throughout the country to make necessary improvements to communities that address the needs of seniors and persons with disabilities. As of February 2010, HUD has approximately \$10.2 billion in funds available of the initial \$13.3 billion arranged through the ARRA.



States Continue to Struggle with Budget Shortfalls

Despite hopes that the worst economic recession since the Great Depression would end quickly, the U.S. economy continues to struggle and its effects are still being felt throughout all 50 states. Unemployment rates at 10 percent in some states, decreased sales tax revenues, decreased income tax revenues, and increased costs have combined to create gaping budget holes.

Unlike the federal government, states are not permitted to run budget deficits. They must balance their budgets prior to the start of their fiscal year. Budgets are balanced according to projected revenues and projected costs, and fluctuations in actual revenue and expenses can severely alter the financial outlook for the states.

In order to reconcile a collective \$158 billion in revenue shortfalls prior to the beginning of the FY2010 business cycle, 48 states employed a strategy of spending cuts combined with tax and fee increases. Despite efforts, 41 states are facing \$38 billion in new revenue shortfalls this fiscal year.

Funding from the economic stimulus package has provided temporary relief for states. States have been able to fill 30 to 40 percent of their budget deficits with money from the \$787 billion economic stimulus package. However, of the roughly \$250 billion of the stimulus package set aside for states, most will have been distributed by the end of 2010, which will only cover about 20 percent of state budget shortfalls for 2011.

Total shortfalls for states in 2010 and 2011 are likely to reach some \$375 billion.

IREM will continue to monitor the national fiscal condition and advocate for fiscal policies that are in members' best interests.

A GATEWAY TO GREATNESS Part Symbol and Part Architectural Masterpiece, the Gateway Arch Defines St. Louis

DIANA MIREL IS A CONTRIBUTING WRITER FOR JPM. PLEASE SEND QUESTIONS REGARDING THIS ARTICLE TO MARKISAN NASO AT MNASO@IREM.ORG.

ALTHOUGH THE GATEWAY ARCH IN ST. LOUIS WAS COMPLETED IN 1965, THE IDEA FOR THE 630-FEET STAINLESS STEEL MONUMENT WAS FIRST PROPOSED IN THE EARLY 1930S.

PHOTOGRAPHY © DAVID PRESTON

Few cities are lucky enough to have a landmark that has become a national icon. Enter the Gateway Arch in St. Louis. The 630-foot stainless steel monument has been a defining symbol of the city for the more than 40 years. As the nation's tallest monument, the Gateway Arch was built as part of a memorial to westward expansion.

"People tend to either appreciate the Arch as a symbol of St. Louis or they appreciate it as a work of modern architecture and engineering," said Bob Moore, historian for the Gateway Arch and the National Park Service.

VISION QUEST

The idea for the memorial came about in the early 1930s, when a St. Louis lawyer named Luther Ely Smith came up with the idea to create a memorial on the St. Louis riverfront, which was the oldest part of the city and had fallen on hard times.

"[Smith] thought that if all the buildings were torn down, a memorial to westward expansion and St. Louis' role in the trans-Mississippi west would benefit the city and put people back to work during the Great Depression," Moore said.

Smith presented his idea to the city fathers, who embraced the idea and eventually took it to Washington and secured federal support and funding. Before World War II, all of the buildings in a 37-block span along the riverfront were torn down to prepare for the memorial. However, when the war started, the funding disappeared and the riverfront remained empty.

After the war, Smith resumed his quest to realize his vision. He obtained enough private donations to launch an architectural competition to decide what the memorial would look like. From the 172 anonymous entries, the expert jury chose a design by Eero Saarinen, a first generation American from Finland.

"[Saarinen's] entry was for a gigantic stainless steel arch standing on the riverfront," Moore said. "It was a magnificent idea, but no engineers or architects knew how to build it."

The project then stalled once again due to a lack of federal funding. However, in the late 1950s the federal government found the funds to proceed with the project. Saarinen's firm solved the engineering problems for building the arch and designed a complementary landscape for the surrounding riverfront park. The Arch was constructed between 1963 and 1965. Sadly, Luther Ely Smith did not live to see it completed.

ARCH ATTRACTION

Today, the Gateway Arch Riverfront is comprised of the stainless steel arch, a 90-acre park and an underground complex that houses the Museum of Westward Expansion and a visitor



center. The Old Courthouse, located just three blocks away from the Arch, was brought into the park in 1940. This historic courthouse was built in 1839 and served as the site of the infamous Dred Scott slavery case. The entire Gateway Arch Riverfront has been a National Park Service area since 1935.

"The Arch, because of its sheer size and visual beauty, has really overtaken what the original purpose of the memorial was supposed to be," Moore said. "It is this magnificent piece of international architecture. Because it is so front-and-center on the St. Louis downtown skyline and right there on the riverfront, it quickly became the symbol of the city."

When it was built, the residents of St. Louis immediately embraced the Arch, and still today residents refer to it as the St. Louis Arch.

The landscape for the 90-acre park surrounding the Arch was designed by Saarinen specifically to augment and reflect the characters of the Arch itself. The landscape employs the same catenary curve of the arch through the park's walkways and stairways. Rose Hill Ash trees line the walkways and serve as the dominant species in the park. An additional 20 species of plantings on the grounds further complement the park and the Arch. As a National Historic Landmark, the entire site has been preserved according to Saarinen's original plan and vision.

The Arch, along with the original Busch Stadium, played a pivotal role in revitalizing downtown St. Louis. After the addition of the Arch and the stadium, major hotels started to move into the downtown area, corporations moved their headquarters downtown and further development followed.

Currently, the Arch still draws people downtown. In fact, visitation to the landmark has increased in the past year. Recently, however, local critics have expressed discontent with some of the connections between the park and the city. The top concern is that the highways that have been built around the park make it difficult to access. To address these issues, the National Park Service launched an international



design competition to improve how the park is keyed into the city.

"All of this has generated tremendous interest and excitement among St. Louisians," Moore said. "It reaffirmed our understanding of how important the Arch is to the community."

While a steady influx of domestic and international tourists visit the Arch, the National Park Service is currently focusing on drawing locals back to the park.

"Our research has shown that the average St. Louisian visits the Arch once in every 10 years; we're trying to improve that ratio now," Moore said.

To attract more St. Louisians the National Park Service is creating smaller events with a local focus. For instance, the park has held Park Palooza, an outdoor event with different family-friendly activities such as archeological digs, climbing walls and kayaking. Further, the Museum of Westward Expansion recently displayed local artist Sheila Harris' exhibit of riverfront building paintings from the 1930s which illustrated the history of the area and the plot of ground where the Arch is, Moore said.

While the Gateway Arch symbolizes many things, one of the most important is the fact that this magnificent monument owes its existence to one man's dream to revitalize and beautify a city with a rich history. ■

THE GATEWAY
ARCH RESTS
WITHIN A
90-ACRE PARK IN
ST. LOUIS.

PHOTOGRAPHY ©
DAVID PRESTON

NORTH TO THE FUTURE

Alaskan Property Managers Focus on Cost Savings and Efficiency in a Downturned Economy

JANICE ROSENBERG IS A CONTRIBUTING WRITER FOR JPM. SEND QUESTIONS ABOUT THIS ARTICLE TO MARKISAN NASO AT MNASO@IREM.ORG.

SINCE THE UNITED STATES BOUGHT ALASKA FROM THE RUSSIAN EMPIRE IN 1867, RESIDENTS OF THE LOWER 48 STATES HAVE VIEWED THE VAST EXPANSE AS A LAND OF OPPORTUNITY. The current economic downturn hasn't changed that attitude.

"People with friends or relatives here are coming up looking for jobs," said Maureen Chandler, regional director for Alaska at Weidner Apartment Homes in Anchorage.

Alaska's long-term economic outlook is optimistic. Indicators include *Business Week* magazine which named Anchorage as the number one "best place to start over" in 2009. Continued progress toward the creation of a new gas pipeline under the Alaska Gasline Inducement Act of 2007 and the recent doubling of the state's military population have also helped to boost the state's economic forecast.

Specific figures also are positive. For instance, the tight housing market has kept the 4,200 residential units managed by Chandler's company at a 96 percent occupancy rate through March 2010, up from the typical winter rate of 93 percent.

But not everything is rosy for property managers in Alaska. In Anchorage—the state's largest city (population 279,243)—the multifamily residential construction market is constrained by land availability, land use restrictions and a lack of financing, said consultant Michael Browder, CPM®.

According to a 2010 forecast by the Alaska Department of Labor and Workforce Development, Anchorage may experience the

loss of 1,500 jobs following 20 years of steady growth, a slight rise in the city's home foreclosure rate and a drop in home sales—from 2,804 in 2008 to 2,411 in 2009.

COMMERCIAL APPEAL

With commercial financing tight, construction is down in Anchorage, said Laura Cantrell, CPM, a broker at Wiley Brooks Co., Inc. Currently, vacancy rates remain at 4 to 6 percent, a figure Cantrell called average for the city.

The number of building permits issued by the city fell from 802 in 2006 to 451 in 2009. Commercial property development in 2006 and 2007 addressed a shortage and is just now becoming fully leased.

As for further expansion, plans for re-zoning in Anchorage, (currently being considered in the state assembly) may be making property developers cautious.

Nevertheless, business is good for Pfeffer Development LLC, a commercial real estate development and property management firm managing 600,000-square-foot of space in Anchorage, said Matthew Fairbanks, FMP, the company's facility director. The company builds properties to suit specific customers, and finds a real advantage in including both Fairbanks and property manager, Howard Levine, CPM, in the process.

"In Anchorage there is a definite need for property managers," Fairbanks said. "Even when construction slows, there are older buildings here that need to be properly addressed."

Unfortunately, in Juneau (population 30,988) commercial development has come to a stand-

still, said Larry Bauer, CPM, Bauer & Associates. The vacancy rate for office space ranges from 6 to 8 percent, a number that "could be worse," Bauer said.

"Juneau is the capital, so we rely on a lot of state offices here," Bauer said. "That's the stable part of the economy for us. The down side is that people who have office spaces now, aren't going to make any moves. In past years, businesses moved to nicer locations where parking was easier, but now my tenants just want to renew their leases rather than relocate and deal with the expenses of moving."

SILVER LININGS

Alaskan real estate managers interviewed for this article maintain a realistic outlook on the current economy, noting its pros and cons. Although Chandler's company drops rent prices during most winters, the tight housing market has allowed it to raise rents this winter. But it's not a good idea to get too comfortable.

"We're a military-dependent town, and if a battalion leaves, we lose out so we have to factor that into our budgets," Chandler said.

Difficult economic times can serve as a reminder to real estate managers that increased marketing may be necessary to promote the benefits they provide. Alaska may be the land of opportunity, but many residential and commercial property owners remain unaware of the ways in which property managers can help them add value to their businesses, Cantrell said.

"Because our commercial industry is so small, it's tough getting contracts to manage properties," Cantrell said. "New developments have their own in-house managers. But I'm working hard to get us moving and picking up new contracts."

In Alaska's current economic climate of rising costs, property owners are being forced to look for operational efficiencies, Browder said. Property owners need to know how the professional skills of a CPM can give them a competitive advantage.

For instance, the state of Alaska has grant

funding available for the weatherization of residential housing. A property manager who understands the application and eligibility process for these grants has a strong tool for promoting his or her ability to accomplish operational efficiencies by reducing energy costs, Browder said.

Creative property managers can offer other green ideas that save money. At the Anchorage Rental Car Center, facility manager Fairbanks was able to save money on electricity. To do that, one of three lamps in each lighting fixture was disconnected, resulting in the need to use only one of the two electrical ballasts (also known as control gears) in each fixture.

"Some renovation projects in older buildings cost more money upfront, but if you can demonstrate that you'll save money and get a good turnaround time on that investment, owners are willing to spend the money to be more cost efficient in the long run," Fairbanks said.

Similarly in Juneau, Bauer is picking up some new jobs from owners who are stumped on how to minimize their cash flow and cut expenses.

"There are always a few people who think they can't afford us," Bauer said. "But if we have ideas on how to fill vacancies, they'll want to use us."

IN 2009,
ANCHORAGE
ALASKA WAS
NAMED THE
NUMBER ONE
"BEST PLACE TO
START OVER" BY
BUSINESS WEEK.



The background is a textured, olive-green color. Scattered throughout are stylized, light-colored buildings of various heights and shapes. Several large, dark blue umbrellas are open, their white poles extending upwards. The overall style is minimalist and illustrative, suggesting a rainy day in a city.

RISKY BUSINESS

by Kristin Gunderson Hunt



IREM Members and Experts Discuss the Importance of Property Insurance for Disaster Preparedness

Property insurance can make or break real estate management companies, depending on their coverage in the event of a disaster—whether it's a hurricane blowing in from the coast town, a flood unleashing its wrath or an earthquake rattling windows and walls.

Yet, the complicated nature of property insurance, along with the multitude of other responsibilities real estate managers face, hinders many from investing the time and resources needed to ensure their properties are adequately protected.

"The problem with insurance is it keeps you up at night and you don't know why," said Lou Nimkoff, CPM®, president of Brio Properties in Winter Park, Fla.

He said many real estate managers, particularly those at small management companies, are "defacto" risk managers, thrown into the responsibility of determining a property's level of risk and finding adequate insurance to mitigate that risk.

"Insurance is very legal and very detailed," Nimkoff said. "Most of us are asked to take on the duty when we're ill-prepared to do so."

Being prepared means understanding the types of coverage available, the coverage a property already has in place or needs, exclusions in policies that can be damaging, and how to handle insurance claims in the event of a disaster.



PREVALENT PERILS

Should disaster strike, the major form of insurance on most real estate managers' minds is property insurance.

Standard property insurance protects against risks to a property, such as fires, some weather damage and theft. Coverage for floods, earthquakes and windstorms is often available via an endorsement to a property policy or as an entirely separate policy.

Property insurance can come in the form of an all-risk policy, also called an open peril policy, whereby all the causes of loss are covered unless they are specifically excluded; or a named peril policy, which covers only specifically listed risks.

All-risk policies are the most broad and comprehensive, said David Mistick, CPM, president of Circumspec LLC, a company that provides a web-based disaster planning and recovery application for property managers. He said the only reason companies would select a named peril policy is if a risk is expressly excluded in their all-risk policy.

"If the all-risk policy excluded flood or earthquake, the property owner would want to buy a named peril policy to cover these if he was exposed to those risks and the likelihood of occurrence was significant, said Mistick."

Named perils like flood or earthquake are limited in sales and coverage. For example, flood is all underwritten by FEMA but distributed by private insurance companies. Earthquake is often underwritten by risk pools of companies to spread the exposure.

As far as limits go, wind, earthquake and flood limits are based on models that analyze a location's sus-

ceptibility to particular disasters and estimate a probable timeframe for the next occurrence. Clients usually buy to the 250-year event level for earthquake and wind, based on the probability, according to Al Tobin, managing director and national property practice leader for Aon Risk Services in New York.

He shared that fire limits are set against values in the simplest way: For example, if your largest building has replacement cost and rents of \$100 million, \$100 million may be your limit. Lenders might also require a certain limit based on any building debt.

"A property manager, with a broker's assistance, should be able to acquire the right combination of coverage," Mistick said. "The key will be getting them at a price that fits the budget."

INDECENT EXPOSURE

Deductibles are of course a big part in deciding what fits the budget. Different deductibles apply to different disaster perils, said Ann Butterworth, director of property underwriting in Weston, Mass., for Liberty Mutual Property. Some are percentage based, where one pays a percent of the loss, and others are a flat amount that must be paid upon a loss.

Regardless, Butterworth said owners and managers need to take into account the deductible when budgeting and determine if they could afford to be financially responsible at that level if a loss was to occur.


Acquiring adequate property insurance at the right price hinges on a thorough assessment of portfolios, the appropriate valuation of properties, and owners' and managers' appetite for risk.

"There is no right or wrong," Nimkoff said. "It's a property by property and owner by owner strategy."

Owners and managers should assess a multitude of variables when determining risks to a property, such as the proximity of a building to a chemical plant that could have a spill, the possibility of a property being targeted by terrorism, the use of their buildings and the associated risks with those uses, and the geography of their properties and whether they are in areas prone to natural disasters.

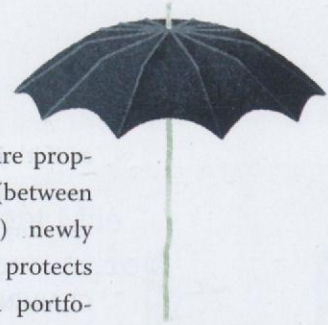
"The insured should know where their exposures are and what perils they are subject to," Butterworth said.

Aside from an owner's or manager's analysis of a property and its risk, insurance companies have modeling tools that will help determine a property's risk profile.



"There is a universe of different types of coverage out there. The question to ask is, 'How exposed are you now'?"

—MIKE HALVEY, REAL ESTATE PRACTICE LEADER FOR ZURICH NORTH AMERICA



“One of the most popular of these tools is Risk Management Information Systems,” Tobin said. “Both earthquake and windstorm are very technical products, and your broker should be giving you direction as to what type of limits are available to be purchased based on your modeling.”

Just as important as determining a property’s risk profile is determining a property’s value, which is the replacement cost value, Butterworth shared. It is important not to make the mistake of thinking a property’s market value and replacement cost value are the same.

“If you want to be truly indemnified, having the appropriate values is important,” she said.

Charles Bauroth, account engineering manager at Liberty Mutual Property, also in Weston, Mass., said companies should do a valuation of their properties every three to five years. He suggested an outside appraisal service do the valuation for accuracy. He also shared that managers need to be aware of how their portfolio changes annually, taking into consideration whether any new properties have been added, whether they’ve been reported to the insurer, and where those new properties are located.

Once valid risk profiles and values are in place, owners and property managers, along with their broker, should determine the level of coverage that would be most appropriate.

“There is a universe of different types of coverage you can get out there,” said Mike Halvey, real estate practice leader for Zurich North America. “The question to ask is, ‘how exposed are you right now?’”

GAPS IN COVERAGE

Owners and managers need to assess their risk tolerance to determine if they are at ease with their policies, said Halvey. They should also understand what their out-of-pocket costs would be in the worst-case scenario—a total loss—and ask themselves if they are comfortable with that amount.

Policies need to be scrutinized for gaps in coverage and exclusions so those items can either be negotiated, or supplemental coverage can be purchased to ensure assets are fully protected in the event of a disaster.

One area to consider is whether a property’s landscaping would be protected under the policy, whether there would be specific limits per tree or shrub, or if a flat sub-limit would exist for all the landscaping. For properties with green rooftops, it should be taken into consideration if the entire vegetative roof would be covered in a loss.

For companies that acquire properties on a regular basis (between property policy renewals) newly acquired location coverage protects any properties added to a portfolio despite not being accounted for when the policy was initially put in place. Exclusions like California earthquakes or Florida wind should be noted if the new properties might be impacted by those events.

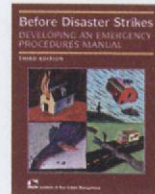
Ordinance or Law Coverage is another key component to consider in a property policy. In many jurisdictions, the insured must pick up any additional expenses incurred with renovating or rebuilding a property up to code with local ordinances or laws, even if the cause of loss is covered by the policy.

Owners and managers can get into trouble if their projected replacement cost value only accounted for building or renovating to original, and probably less expensive, standards. The ordinance or law endorsement covers the expense of updating the property to any building, zoning or land use laws, since restoring a building to its previous condition is disallowed if it is not up to code.

Other coverage property managers sometimes consider to further protect their assets in the event of a disaster include service interruption, tenant emergency evacuation, as well as tenant relocation and move-back expenses, which pay for the moving costs of tenants who temporarily vacate a building due to damage from a disaster that is covered by the insurance.

Halvey said knowing and understanding a property policy is critical to avoiding surprises down the road.

“When things aren’t covered, it’s not



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as if it's just something hidden in the small print," he said. "It's just understanding what's in the contract."

CLAIMING IGNORANCE WON'T HELP

Understanding what's in the contract goes a long way when the time comes to actually file a claim. Some claims are denied solely because filing stipulations laid out in the policy weren't followed, often because the insured was unaware of the stipulations.

A common stipulation is that a claim must be submitted within a certain period of time. Some policies require insureds to provide insurance carriers with certain information before they are even allowed to contain the loss, Mistick of Circumspex said.

Not readily having that information could stall the loss containment process, which can be costly. Mistick saw a loss jump from \$400,000 to \$1.3 million because a building went unattended while insurance issues were being worked out. Additionally, in the event of a fire, damage costs can be reduced by between 30 and 40 percent, if promptly contained.

"Having an organized to-do list can have a huge impact on property loss and the amount of time you spend out of commission," Mistick said.

Tobin also emphasized the importance of having a plan for filing claims, and said calling the broker is usually the first step.

"It's important to have some type of procedure in place for claim filing purposes as to make sure your prop-

erty—whether it's commercial or residential—continues to generate revenue," Tobin said.

He added that having a good broker to call and walk you through the process is a valuable asset.

"Claims are never easy," Tobin said. "You need to have a good advocate on your side."

MAKE THE PIECES FIT

Good brokers are also valued assets beyond the claims process, because they can help you find your way around the risk management and insurance process, Butterworth shared.

Halvey said owners and managers should ensure they have a quality broker by asking: What percentage of their book is comprised of commercial real estate? How long have they been writing this type of business? And how many accounts do they have in this line of business?

Just as a good broker is needed, a good insurance carrier is needed too. Know the carrier's claims philosophy and whether or not the carrier has a reputation for being aggressive or reasonable when it comes to denying or covering claims, Halvey said. Consider whether the carrier has a catastrophe unit that will come on site in the event of a disaster. Review the carrier's history, too. Did it weather the storm after the last disaster or did it exit the market? Will it be around when you need a claim paid?

"It's not just price. It's what the insurance company brings to the table in terms of services and its ability to help you with disaster planning beforehand," Butterworth said.

And while being able to rely on a broker and carrier is important, real estate managers and owners also need to rely on their own disaster planning to further protect their assets. Being proactive can keep the losses from being larger, allowing the insurance to go further.

"The pre-planning (owners and managers) do benefits them multifold," Butterworth said.

Mistick believes the value of a disaster plan cannot be dismissed as it addresses risks and offers direction, property insurance is really part of the disaster plan and not a remedy for a plan not being in place.

"Property insurance is truly one of the pieces to the puzzle of being prepared," Mistick said. ■

Kristin Gunderson is a contributing writer for *JPM*. If you have questions regarding this article or you are an IREM Member interested in writing for *JPM*, please e-mail Markisan Naso at mnaso@irem.org.

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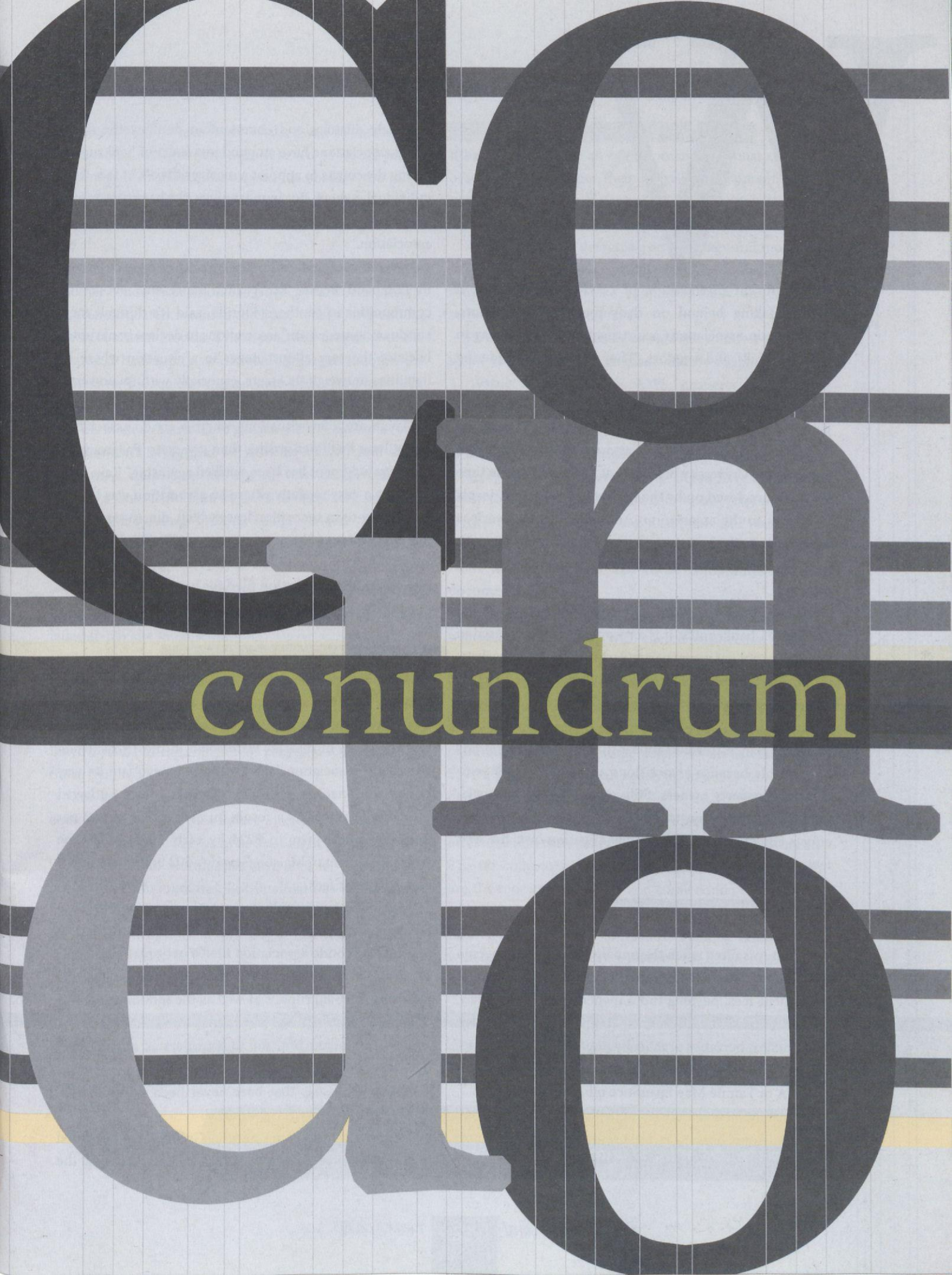
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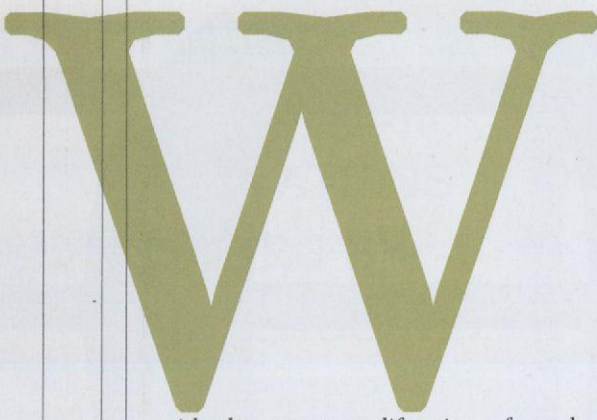




Q O

conundrum

Q O



With the recent proliferation of condo foreclosures and owners falling behind on their monthly assessments, many condo associations are struggling to find a way to pay their bills and vendors. They are even considering bankruptcy.

"When people start to go under financially, they stop paying condo assessments before they stop paying the bank," said Evan C. McKenzie, attorney and associate professor at the University of Illinois at Chicago. "By the time they get foreclosed on by the bank, they're already deeply in arrears to the association. And when banks foreclose on a condo unit, they routinely refuse to pay assessments, past or present. That's breach of contract, but they do it anyway."

While it's not the norm for condo associations to file Chapter 11 bankruptcy, it is a recourse that's increased in the past couple of years, particularly in overbuilt markets. California, Arizona, Nevada and Texas are the markets where most condo foreclosures are occurring, McKenzie said.

At first glance, it would appear that Chapter 11 wouldn't be available because associations are pass-through vehicles, not property owners. Still, more and more associations are finding ways to test bankruptcy law—and their efforts could lead to considerable litigation over the next few years.

DILATORY, DISALLOWED OR DISASTROUS

The tipping point whereby associations start considering bankruptcy is often when the remaining solvent owners in a building have to pay far more than their proper share in assessment fees, pushing more owners into delinquency. McKenzie said when more than 20 percent of owners are delinquent it becomes practically impossible for the association to borrow money. It also becomes impossible to get FHA or Fannie Mae insurance on sales of units.

Ultimately, he said association bankruptcy "is a disaster," and should only be used as a last resort—in extremely rare situations. In general, the effect of association bankruptcy

is merely dilatory, and courts often disallow the filing. Some associations have stopped just short of bankruptcy, asking the courts to appoint a receiver to collect fees from individual owners. But in most cases, the bankruptcy process is too complicated and costly to be useful to a condo association.

Robert Kaye, partner at the law firm of Kaye & Bender in Pompano Beach, Fla., which represents about 700 communities in southern Florida, said it's difficult for a condo or homeowners' associations to declare bankruptcy because they are almost never in a situation where its liabilities outweigh its assets, especially with its power to require a special assessment in order to lessen debt.

"There are a few situations where a condo association might have liabilities greater than its assets. For example, if a large judgment has been entered against it," Kaye said. "We saw a case recently where an association was locked into a long-term recreation lease which, due to significant foreclosure issues, became unmanageable. That 50-plus-year liability was draining the resources of the remaining owners, so the association filed for bankruptcy to get out of it."

SHOULD WE OR SHOULDN'T WE?

Fort Lauderdale, Fla.-based attorney Mark Schorr represented Maison Grande, a condo association in Miami Beach involved in a long-term recreation lease case. He said the seeds of disaster were sown in the 1970s, when the condo association failed to buy or negotiate its way out of the onerous lease after Florida courts outlawed escalation clauses. As a result, an assessment of \$40 per unit, per month rose to \$224 by early 2010—at a time when 25 percent of Maison Grande's 502 units were delinquent on their fees.

Schorr said it was useless to put a lien on a unit because the bank was about to foreclose on the first mortgage. As a result, the condo association filed a petition for Chapter 11, in order to get out of the lease. He said the lessor is opposing the bankruptcy, as well as the motion to release the lease, because the condo association doesn't have any assets in its name, and the unit owners as a whole still have assets.

"These are issues that have never been raised before, that need to be raised," Schorr said.

So far, the judge in the Maison Grande case has ruled that each owner is liable for his pro rata share of the

recreation lease—but not for what's owed by delinquent owners. The association is thus relieved of its obligation to go after the delinquencies, and it's possible the judge will also rule that the remaining unit owners aren't liable, which would make bankruptcy very worthwhile, Schorr said.

Other cases, however, might not be as worthwhile. Another condo association bankruptcy that's been attracting attention lately is tied to the Boca Village Association, also in southern Florida. The association proposed to file Chapter 7 bankruptcy to dissolve the organization, then create a new association that would take over the condo. However, the courts rejected that idea.

"This looked at first like a garden-variety case of a roofer who wasn't being paid for work he'd done," said Carla M. Barrow, counsel to the firm of Weiss Serota Helfman Pastoriza Cole & Boniske in Coral Gables, Fla., who represents Best Roofing—a Boca Village vendor. "We made a settlement, but before the association paid it all off, it went into bankruptcy. The association argued that this was an executory contract that had obligations on both sides. We argued it wasn't executory: Boca Village simply failed to pay the judgment."

The courts agreed, and Best Roofing was able to compel an assessment against the unit owners, on pain of a single action of foreclosure against all units that didn't make their pro rata payments. Many of the units are paying, Barrow said, but the company is prepared to foreclose on those that don't.

"The owners know this," she said. "And if they have equity in those units they'll have incentive to pay."

Barrow said she knows of at least eight condo associations in southern Florida that have filed for some sort of protection from creditors. But in situations where delinquencies are threatening the interruption of essential services, bankruptcy will only buy a little time—and may not be cost-effective.

STAY VIGILANT, BE TOUGH

If bankruptcy is not an option, managers must consider other ways to protect their overall developments. This can be difficult in today's market where condo units have depreciated in value since the market crashed.

Many owners are defaulting on both fees and mortgage payments, and lenders are delaying foreclosure because they don't want to take properties back and assume responsibility for condo fees.

Several real estate managers said the solution is simple, if not always easy: stay vigilant and be tough. Matthew T. Watne, CPM®, CMCA, AMS, property manager at Chicago-based Courtelis Co., said foreclosures and delinquencies are inevitable, and clear policies and procedures to deal with them are essential.

"Keep reminding your owners, 'If you have a problem, come to us,'" he said. "Let owners know you're there to work with them, not to strong-arm them. But you need to be paid because you have to pay, so stay on top of them. Don't harass, but there has to be communication and documentation."

Watne said if a property has a high rate of delinquency, managers should speak with their most-needed vendors and put together some sort of payment agreement so they don't have to cancel services.

"Call the water company and ask, 'What if nine of my 10 units stop paying their dues?' and work out a contingency plan," he said. "Set up some reserves—an assessment of \$500 a year from 100 units adds up to a lot—to maintain defunct or non-paying units."

If an individual unit owner goes bankrupt, Watne said an association can't collect more than the courts say it can. The tax collectors are the number one lien-holders. Next are the mortgage lenders—and some condo owners have two or three mortgages. Then, comes the condo association. Watne said he recommends building relationships with banks that will work with both the condo association

and individual owners; preferably local banks that don't have high exposure to subprime loans.

"That way, if an owner comes to you with a problem, you can offer options, rather than just throw him overboard," he said. "Work with vendors, too, to secure pricing and to put together financing packages for larger projects, so that expenses don't outweigh income. Get legal representation. Identify those owners who are on the verge of permanent delinquency, and work something out because foreclosure is expensive and the lawyers get paid regardless of whether you do."

Another Chicago-based manager, Tom Taylor, CPM, head of the condo division at Draper & Kramer, AMO®, said he hasn't seen any association bankruptcies yet, but he has seen many with significant foreclosure issues. Invariably, an owner will stop paying condo dues before he stops mortgage payments, so it's critical to stay on top of delinquencies.

"Our delinquencies, after the second month, are turned over to an attorney and pursued diligently," he reported. "We urge clients to act promptly and don't let an owner say 'Please don't turn me over; I'm gonna pay.' Work something out, and keep everyone informed."

DAMAGE CONTROL

Banks hate to foreclose, because they hate to own real estate, but when they do foreclose they're often reluctant to sell the property because today's prices are so depressed. Some condo boards are taking legal action however, forcing lenders to auction off foreclosed properties in order to put a solvent, fee-paying owner in place. Washington, D.C.-based attorney Benny L. Kass, of the firm Kass, Mitek & Kass, said this tactic can be effective.

"In some states," he said, "If a lender forecloses on a condo unit, that lender has to pay up to six months' worth of delinquent condo fees to the association. Lenders don't like to do this, but at least foreclosure stops the hemorrhaging."

A condo association could, itself, foreclose on an owner who doesn't pay the fees, Kass said, but that's seldom recommended. The mortgage will still have to be paid off

and then the association will have to deal with the current owners of the unit—either evicting them or arranging a temporary lease. And once the association owns the unit, it will have to pay the real estate tax, just like any other owner.

"And the association still will not have collected the delinquent assessments, nor will future fees be coming in for the unit," he said. "The association could sell the unit and the new owner would start paying the fees, but there's no guarantee that you'll sell quickly in today's market. Additionally, should the unit be placed on the market for sale, it would compete with, and alienate, other owners trying to sell their units."

Government might take action on this issue as well. States particularly hard-hit by condo foreclosures may pass legislation to relieve condo associations. The Florida Supreme Court has made mediation a mandatory part of the foreclosure process, but that has yet to be implemented by the circuits, and its effectiveness remains questionable. The main burden of dealing with troubled condo associations will fall on local governments, which are seldom experienced in such matters, said McKenzie of UIC.

"The focus so far has been on trying to make the banks pay the back assessments when they foreclose, and there have been proposals to give the association 'superlien' status over the first mortgage," he said. "But with the banking industry hanging by a thread as well, how far do you think these proposals will go?"

While many property managers agree the current proliferation of bankruptcy actions by condo associations is unsettling, some see it almost as an insult to their profession. Saadat Keshavjee, CPM, managing director of Amhurst Property Management in Calgary, Alberta, Canada, said today's situation calls for higher standards of management that should control almost any contingency if met.

"By their nature, condo corporations should not go bankrupt, because the manager and the board should see the writing on the wall and ensure that owners pay their charges," he said. "Professional managers don't sink ships. Their job is to find solutions and communicate them." ■

Joseph Dobrian is a contributing writer for *JPM*. If you have questions regarding this article or you are an IREM Member interested in writing for *JPM*, please e-mail Markisan Naso at mnaso@irem.org.

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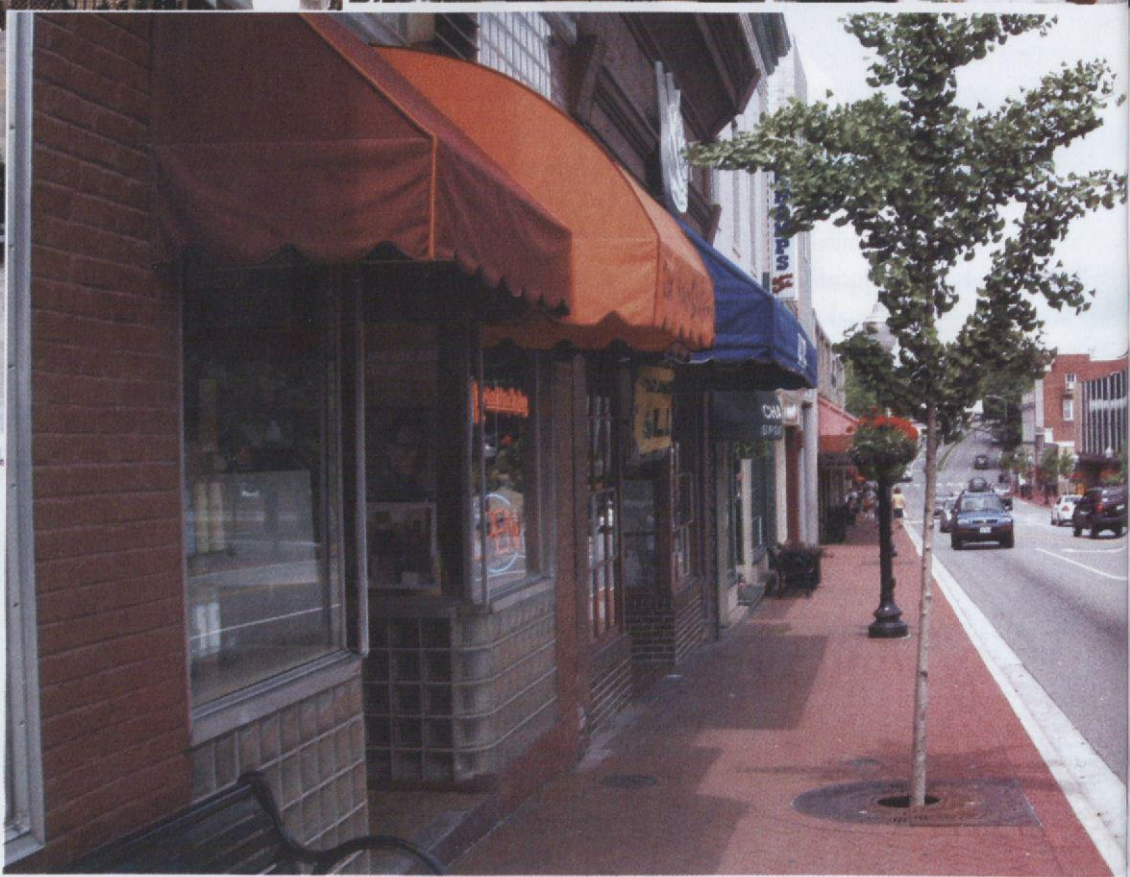
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FORMING RELATIONSHIPS WITH VARIOUS GROUPS TO SOLVE RETAIL VACANCIES HAS HELPED PROPERTY MANAGERS AT (CLOCKWISE FROM L TO R) CIRCLE CENTRE MALL IN INDIANAPOLIS, HOUSTON CENTER IN HOUSTON AND DOWNTOWN BLACKSBURGH, VA.



united front

REAL ESTATE MANAGERS AND MUNICIPALITIES TACKLE EMPTY STOREFRONTS BY WORKING TOGETHER • BY DIANA MIREL



Nothing indicates economic downturn like empty storefronts.

Retail vacancy rates are closely tied to unemployment: As unemployment rises, retail vacancies spike as well. Such vacancies are not only a concern for property managers and owners struggling to fill empty stores; these vacancies affect the entire municipality in which they are located.

"If a retail location goes vacant, the city is going to generate less tax revenue off of that," said John Fox, principal of Fox Realty Advisors in Indianapolis. "The area in which these properties are [located] may also become blighted or challenged, and that can be very contagious."

Thus, many municipalities are getting more aggressive and proactive in helping property owners, managers and developers identify and execute solutions to combat retail vacancies.

"With the changing and challenging economic picture, it is more important than ever that the public and private sectors cooperate with each other to promote future retail development," said Frances Spencer, SCSM/SCMD, principal of the Pendulum Partners in Chicago. "Neither sector can have success without the cooperation of the other."

VEXED BY VACANCIES

At the end of 2009, U.S. retail vacancy was 7.6 percent and availability rates were around 10 percent, according to CoStar Group Inc. Retail vacancies are particularly troubling for the Midwestern United States and selected areas in the South and Southwestern parts of the country. Detroit, for example, is one of the most notorious cities for retail vacancies because of the struggling auto industry.

The auto industry's woes have also affected retail

vacancies in other Midwest cities such as Columbus and Dayton, Ohio and Kansas City, Mo. which all have strong ties to heavy manufacturing and automotive suppliers.

Phoenix, Las Vegas, Birmingham, Ala., Memphis, Tenn., and Atlanta also make up the top 10 U.S. cities with retail vacancies. While the Midwest's struggles can be directly attributed to the state of U.S. manufacturing, the vacancies in these areas are tied more closely to oversupply of retail development relative to demand.

"Places like Las Vegas and Phoenix and the Southeast markets had low barriers to entry for retail development and previously had high rates of population growth," Fox said. "Of course, that has fallen off now."

Looking ahead, CoStar forecasts vacancy to improve slightly to 7.5 percent at the end of 2010. A real recovery from vacancy is forecasted to begin in 2011, improving consistently on a quarterly basis to finally end 2012 back at the 5.5 percent recorded in 2006.

"We think we're cresting," said Suzanne Mulvee, a real estate strategist from PPR, a CoStar Company. "We think that by the middle of 2012 we'll see a decline back to where we were when we went into the recession."

Painful as this economic downturn has been, analysts predict that the recovery will be swifter than in the past—a result of the lack of available financing hindering the construction pipeline, Mulvee said.

"Construction will stay muted in this cycle longer than it has in previous cycles," she said. "That allows any increase in demand to accrue to vacancy, which will allow the vacancy rates to come down faster than we saw in previous cycles."

NATURAL PARTNERS

Still, despite the projected eventual recovery, property owners, managers and developers should take advantage of the growing interest among municipalities across the country to be more flexible, and to partner with the private sector—an interest stemming from the economic downturn and its impact on the municipalities.

"Realizing that the city derives revenue from sales tax, we are natural partners," said Lauri Greenblatt Hines, CPM®, president of Promus Commercial, AMO®, in San Diego.

The key is to be proactive. As Fox noted, "You're not going to get anything if you don't ask for it. You have to reach out to people in the executive office, the planning

and zoning departments and economic development people—and get these people on board. They are stakeholders in what is going on in your particular area.”

Forming relationships with the planning and zoning departments can help property owners and managers fill vacancies quicker. Municipalities might be more open to reconsidering the zoning restrictions in their retail districts, Greenblatt Hines said.

“For example, auto dealers have been hit hard by the recession, and many have closed,” she said. “A responsive, flexible municipality that will consider alternative uses for the site such as redevelopment or zoning changes will help the city and the property owners regroup and backfill the space more quickly.”

When dealing with local government, however, it is important to keep expectations in check.

“Don’t ask for a pie in the sky and be insulted when you get just a little piece,” said Spencer, who spent 12 years as assistant commissioner in the City of Chicago’s Department of Planning and Development. “Be realistic in what you’re asking and try to understand what the other sector is going through...Cities know that their success and tax revenues are directly tied to the properties that property managers manage. Both sides need to be able to work with each other to keep that asset strong and competitive.”

One way property owners and managers can form relationships with local governments is through the International Council of Shopping Center’s Alliance Program. The program started in 1996 as a way to bring about a greater understanding of the shopping center industry and its economic impact on communities across America.

Today, it brings together local governments and property owners, managers and developers to revitalize communities through retail. It sponsors local and regional meetings and deal-making sessions, which serve as forums for introducing the intricacies of the shopping center industry to state and local governments, and community-based organizations.



To get involved with the International Council of Shopping Center’s Alliance Program, visit the ICSC Web site at www.icsc.org.

TAKING THE TEAM APPROACH

Alongside forming relationships with local municipalities, teaming up with associations, universities, businesses and other groups to solve retail vacancies is key.

When downtown Blacksburg, Va., started experiencing higher vacancy rates, and some of its buildings were falling into disrepair, the local government partnered with a number of groups, including Virginia Tech, the retail and arts communities, downtown merchants and economic development professionals to establish a downtown revitalization committee. The committee determined ways to make the downtown successful, attract new retailers and help existing retailers.

“We focused on safety, parking and the cleanliness of our downtown. Then we tried to come up with financial incentives that may help retailers,” said Diane S. Akers, CPA, CEcD, president of the Blacksburg Partnership, the economic development arm of the committee.

The financial incentives include a façade improvement grant, a revolving loan fund for small business development projects and a marketing fund to promote the downtown retailers. To further attract new retailers, the local government also offers a number of financial incentives for new businesses, like waiving business license fees.

Most of these incentives are being funded by the local government, while the Blacksburg Partnership funds the marketing and promotion. Currently, five businesses have taken advantage of the façade improvement grants, helping property owners recruit new retailers with more modern buildings and properties, Akers said.

“It is about being more business friendly,” said Akers.

In Houston, the public and private sectors joined forces through the Downtown Management District, an entity set up by the state of Texas and comprised of a board of elected officials, many of whom are real estate professionals.

The Downtown Management District has a grant program funded through an assessment put on all office buildings in the downtown. The grants are typically used for tenant improvements, with the board awarding three to five grants per year.

“They are inclined to propose new projects and select historical buildings that they think will make an impact on part of downtown,” said Frank Staats, CPM, vice president of property management for Houston Center, and a Downtown Management District board member.

Through its 20 years in Houston, the Downtown

Management District has become a more prominent and powerful force. It not only acts as a liaison between the city and downtown corporations and retailers, but it also utilizes city funding to manage everything from waste management to landscaping.

"It is hard for the city to do it all," Staats said. "It is easier for the Downtown Management District to say, 'Here is an area of downtown that we're going to assess ourselves, we're going to manage the money ourselves and we're going to prioritize it ourselves.' It gets done more efficiently than trying to work through a large bureaucracy."

Teamwork has also been critical to the success of Circle Centre Mall in Indianapolis. The mall has a strong partnership with the city that began in the development phase, with the common goal of creating a destination-oriented shopping environment downtown in already-existing buildings, said Steve Kingsley, regional vice president of property management for Simon Management Group in Indianapolis. In developing Circle Centre, Simon worked closely with the city and the Indianapolis Historical Society to preserve the historical building storefronts.

"The plan involved including historical elements into the design of the exterior of the center," said Kingsley. "The purpose was for it to look as if it had always been there. That goes a long way in maintaining the character of the city."

Today, the mall also partners with the Indianapolis Convention and Visitors Association (ICVA), which focuses on attracting new businesses and growing existing businesses downtown. For example, the mall recently worked with ICVA to create a window display to showcase some of the Indianapolis Zoo's premier exhibits.

"We created synergy between the zoo and downtown Indianapolis," said Kingsley. "It was a great partnership, and it paid off for both of us."

MUNICIPALITIES MAKE GREAT TENANTS

Many cities are also taking an active role in filling vacancies by becoming tenants themselves. For instance, when Promus Commercial was trying to fill vacancies in Pier View Plaza, a mixed-use development in Oceanside, Calif., the city opted to lease a storefront for its redevelopment agency.

The agency moved into a visible storefront within the center and set up the space similar to a visitor's center. The center is open to locals and tourists, who are looking for sights to see and things to do within Oceanside. Additionally, prospective retailers come in to get advice and guidance on redevelopment opportunities and incentives. The redevelopment agency also began hosting a street fair outside the center every week, which helped draw traffic to and increase the visibility of the center.

As both a tenant and a partner, the redevelopment agency was a valuable resource for Promus Commercial in terms of referring tenants.

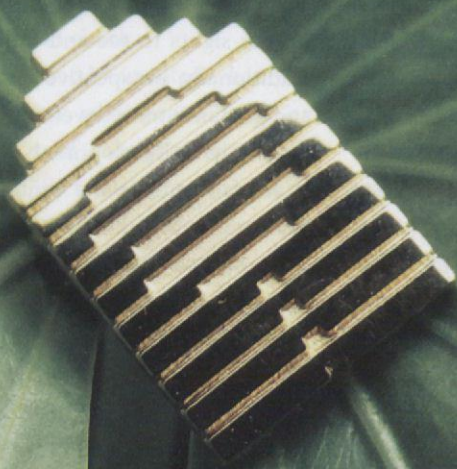
"They would give us leads, saying this retailer is looking for space so you might want to talk to them," said Greenblatt Hines. "They are also such a great resource for our tenants, most of whom are mom-and-pop operators looking to open a new business."

Finally, many municipalities are developing programs to encourage landlords to maintain properties and retain tenants such as façade rebate programs, tax increment financing (TIFs), special loan programs and focused marketing programs, according to Spencer.

"It takes the total involvement of each of the players to achieve a positive outcome," said Spencer. "The property owner has to be open to improving its asset and not just accepting rent checks from struggling tenants; the municipality has to be creative with their zoning, planning and financial incentives; and the retailer has to develop formats that address the urban footprint or the needs of the specific community." ■

Diana Mirel is a contributing writer for *JPM*. If you have questions regarding this article or you are an IREM Member interested in writing for *JPM*, please e-mail Markisan Naso at mnaso@irem.org.

(in step with sustainability)



Bentall LP Applies State-of-the-Art Technology and Best Practices to Green Properties in Canada

by Cheryl A. Gray, CPM®

Sustainable property management is currently at the forefront of industry thinking in Canada. The move toward more energy-efficient buildings has presented my organization, Bentall LP, with an opportunity to not only reduce energy costs, but to evaluate the very criteria by which we measure the value of an asset. This progression in thinking represents the natural evolution in responsible property investing (RPI).

As a real estate advisory and services organization, we view the tenets of RPI as a framework to assess risks, identify opportunities, deploy continuous improvement thinking into our practices and operations, and create long-term value for our clients and their assets. This view, along with the many questions we receive from clients, tenants and colleagues, such as, "How do you measure sustainability?" and "What is sustainability worth in dollars, in energy, in preservation of the asset and in reputation?" have continually shaped our green efforts since we began evaluating properties in 2006.

(establishing a baseline)

In order to answer the questions above, we had to prove that lower utility costs realized through energy-efficient programs, tools and technology, operational best practices and social responsibility initiatives, in combination with a well designed and well located building, offer a competitive leasing advantage.

We developed and deployed Eco-Tracker, our online utility, waste and GHG tracking system for streamlining our assessment, measurement and reporting practices. Through this technology we are able to get real-time views of energy performance at properties. Eco-Tracker analyzes and compares the performance of our properties with other buildings, and benchmarks against performance averages over multiple years. Reporting can be consolidated at regional, portfolio and client levels.

When it comes to benchmarking sustainable building initiatives, we know we're not alone. The Canadian federal government has dedicated funds and resources to greening the government, including the pursuit of sustainable and efficient buildings. Currently, the government is assessing buildings under BOMA Canada's Building Environmental Standards (BEST), a certification program with standards for energy and environmental performance based on independently verified information. It is also renovating the Canada Green Building Council's Leadership in Energy and Environmental Design (LEED) standards and updating the Model National Energy Code for Buildings, a benchmarking, labeling and rating system aimed at creating parity and standardization in assessment criteria.

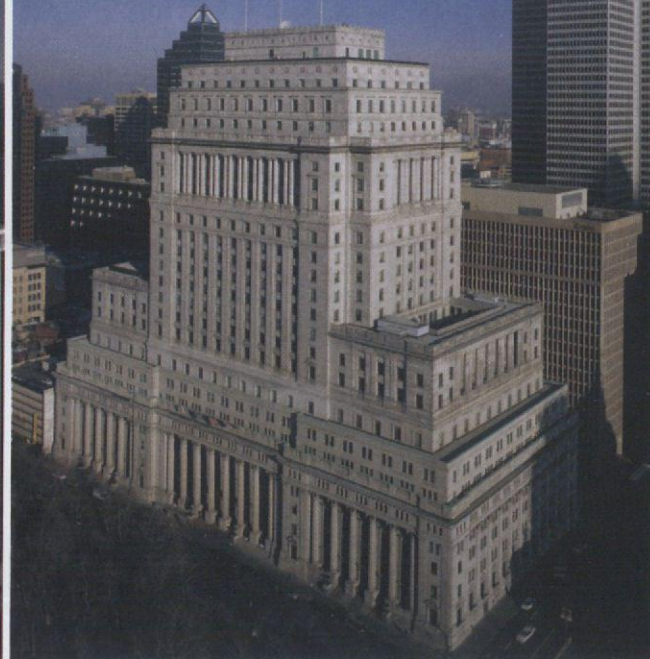
Establishing a baseline through benchmarking, measuring, monitoring and reporting are paramount to enabling detailed evaluation, thoughtful consideration and finally, systematic action. At Bentall, we invest in tools, technologies, design policies and best practices, so our actions yield results, as evidenced by the following property case studies:

THE BUSINESS CASE FOR GREEN: *The Sun Life Building in Montreal, Quebec*

When it comes to sustainability, whether it's altering your business practices, developing new technology, retrofitting existing properties or constructing new buildings, the discussion of cost always comes up. While the initial costs of retrofitting a building's systems can be expensive, a more energy-efficient property can result in tremendous savings.

The Sun Life Building is jointly owned by Sun Life Financial and SITQ (a subsidiary of the Caisse de dépôt et placement du Québec) and managed by Bentall LP. Originally constructed in 1918, the Sun Life Building was widely rumored to have been the secret hiding place of the Crown Jewels of England during the Second World War. Our goal was to improve the energy efficiency of this historic place through a combination of straightforward and state-of-the-art sustainable options.

The building's HVAC system is comprised of over 1500 heat pumps. One of our initial steps was to employ a



THE BENTALL CENTRE [LEFT] AND THE SUN LIFE BUILDING [RIGHT] BOTH OFFERED SUSTAINABILITY CHALLENGES FOR BENTALL LP.

heat pump replacement program using newer and more efficient equipment. All HVAC controls for the 1500 heat pumps were upgraded, including a new building automation system. Air quality was enhanced by injecting fresh air at a rate of 10 liters per second into the inter-ceiling space, which is then circulated by the heat pumps.

We also optimized the heat pump loop. In addition to creating a well-balanced heat exchange system, excess heat is used to pre-heat the fresh air ventilation systems. With this new operation, the need for steam consumption for heating was eliminated. This resulted in a 30 percent reduction in overall steam consumption annually.

In addition, the lighting system of the building was also completely overhauled using fully automated technology, divided into zones on all floors.

After these retrofits were implemented, unadjusted electrical consumption at the Sun Life Building was reduced by 14 percent in 2009 (over the base year of 2004). In 2004, consumption was 33 million kilowatt-hours (MkWh) annually versus 29M kWh in 2009. Occupancy in the base year was 86 percent compared to 97 percent in 2009. In addition, the tenant mix changed to include a 24/7 call center operation and gaming centers.

Overall, our sustainability efforts surpassed expectations. Building staff and tenant engagement was enhanced, measurable and quantifiable energy cost reductions were achieved and the building's rich history was preserved.

MORE THAN A CAPITAL INVESTMENT: *Bentall Centre in Vancouver, British Columbia*

Energy is a large portion of operational costs for build-

ings so there is significant value in investing in efficiency systems to manage this cost. But systems are only part of the equation. Landlords have access to a large pool of strategic partners that have a huge impact on a building's energy performance—tenants.

The Bentall Centre consists of four office towers occupying an entire city block in the heart of the financial district. Bentall Centre is jointly owned by SITQ and The Great-West Life Assurance Company. The four towers are connected via a 52,000 square foot underground retail concourse. It is the largest integrated office complex in Western Canada comprising over 1.4 million square feet.

The towers became the first commercial buildings to be certified under the BOMA BEST program. As early adopters, a clear commitment to reducing the environmental impact of the towers was established. For us, an obvious and logical next step was to engage our tenants. The ForeverGreen Tenant Team was created and soon a landlord-sponsored initiative transitioned into a tenant-driven community.

Activities centered on engagement and behavioral change. One example is a monitor shutdown challenge, in which 45 tenants competed to see who could leave the fewest percentage of monitors on in a one-month period. When the competition concluded, the average percentage of monitors left on dropped from 70 percent to only 13 percent. The winning tenants received trophies, but more importantly, all the participants developed a greater awareness of energy conservation.

Another initiative at the centre involved spreading the word about sustainability to the larger tenant community.

The ForeverGreen Tenant Team created a toolkit and hand delivered it to people in the neighborhood. The toolkit provided tenants with a business case for going green, as well as tips on how to save energy in their offices.

By combining the operational with the inspirational, not only was the environmental impact of the towers reduced, but a cohesive tenant community with a mandate for continuous improvement was built.

SIMPLE TECH LOWERS THE BILL: *Capilano Mall in North Vancouver, British Columbia*

Choosing the right technology, or program to maximize energy savings is highly dependent on the unique attributes of a property. We had to be flexible in our thinking in order to innovate, as was the case with Capilano Mall.

Capilano Mall is a fully enclosed center comprising 400,000 square feet of retail and 20,000 square feet of office space owned by British Columbia Investment Management Corporation (bcIMC) and managed by Bentall LP. Responsible property investing is a key consideration, and as part of a shared commitment, so is improving energy efficiency, water usage and waste management systems.

Bentall initiated a review of lighting alternatives with BC Hydro, which resulted in a \$40,000 incentive to complete a lighting retrofit in the mall's parking structure. The retrofit will pay for itself in less than two years, demonstrating an average 15 M kWh per month in energy savings.

To reduce the use of water for exterior landscaping, rain water sensors were added to the irrigation system. This simple, yet smart technology ensures that watering does not occur on rainy days, which occur often in the lower mainland. In addition, the mall adopted xeriscaping principles, replacing conventional outdoor plants with a drought-resistant combination of rhododendrons and roses. Drought resistant decorative grasses were also added among the boxwoods and dogwoods, with bark mulch used in planting beds.

An on-site compost facility now lets visitors enjoy the 120 or so large deciduous trees in bloom, without the environmental impact or cost of trucking the leaves or blooms offsite. Since the program started in the fall of 2007 it has yielded tremendous results—approximately 40-50 yards of rich, composted soil were produced to improve soil conditions and expand existing planting areas at the property. The rich top soil serves as a fertilizer, and acts as a soil conditioner and natural pesticide. It is expected that this facility will produce an excess of composted soil beyond the needs of the mall, creating an opportunity to give back to the local community.

(measuring the future)

When enacting sustainability efforts like those in the case studies above, measurement, monitoring and tracking must be our watchwords. There is an emerging shift toward the disclosure of energy performance here in Canada and around the globe. Whether it's a sticker on the front door of your building, emerging regulations or voluntary emissions reporting, the public sharing of energy performance at properties is fast becoming an expectation of property managers and owners.

In the Canadian provinces, Ontario is currently leading the charge with the Green Energy Act, a 20-year proposed plan to reduce pollution and greenhouse gas emissions, to create meaningful jobs for Ontarians and to enhance community economic development for rural, remote and First Nations communities. Although details of the program are still being ironed out, the act will see residential sellers and renters of real property disclose energy consumption and efficiency to buyers.

By embedding state-of-the-art monitoring, measuring and tracking technology and implementing best practices at every property, Bentall LP aims to stay ahead of the sustainability curve and continue to lead clients, tenants and investors in the right direction. ■



Cheryl A. Gray, CPM® (CGray@Bentall.com), is senior vice-president, national real estate services for Bentall LP.

If you have questions regarding this article or you are an IREM Member interested in writing for *JPM*, please email Markisan Naso at mnaso@irem.org.



TOP

Automation and Integration Can Pay Dividends for Utility Billing by Joel R. Nelson, Yardi Systems

AS RECENTLY AS 10 YEARS AGO, HARDWIRED BUILDINGS AND DOS-DEPENDENT COMPUTERS REPRESENTED STATE-OF-THE-ART UTILITY BILLING TECHNOLOGY FOR MULTIFAMILY PROPERTIES.

Data collection was slow, the wiring was vulnerable to inadvertent slicing, and proprietary utility-billing software made it difficult for clients to change their billing service provider.

Over the subsequent decade, utility usage data gathering and transmission became faster and more reliable, as hard-wiring gave way to wireless technology. Wireless technology enabled utility-billing service providers to provide much more reliable service, and the elimination of proprietary software made it easier for multifamily companies to switch utility billing providers. But the technology evolution wasn't complete. Billing service companies still had to create utility tracking files and send them to their clients, who filled in the resident information and returned them. This involved time-consuming manual processing of invoices, cost allocation calculations, and resident billing with interfaces required to transfer data between billing systems and resident information databases.

Today, in a difficult

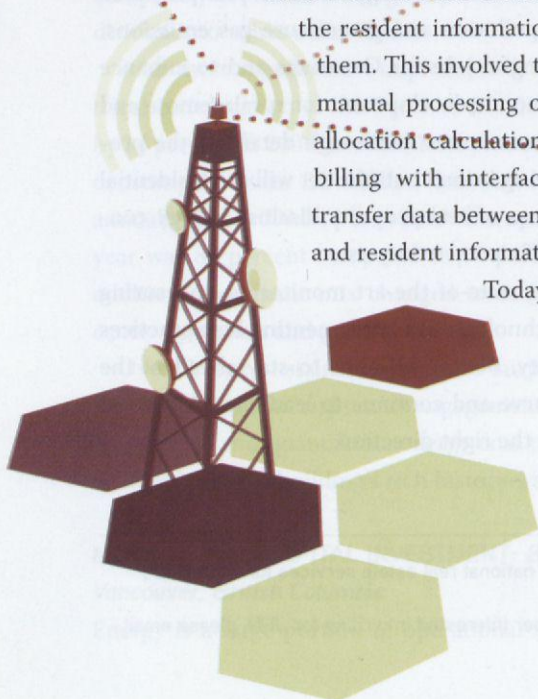
economic environment, multifamily property managers want to maximize efficiency and minimize technology vendors, software and IT costs. Many are considering the benefits that might be gained from full-business solutions that consolidate multiple business functions into a core property management and accounting platform with little or no interfacing.

In recent years, the multifamily industry's march toward complete, single-platform integration has encompassed processes such as rent payments and check processing, invoice processing, supply and services procurement. Now, utility billing is being integrated, as property managers facing increasing cash flow and bottom-line pressures seek new ways to maximize recovery of their utility costs.

CENTRALIZING YOUR SYSTEM

A number of multifamily managers are adopting integrated utility management solutions that automate the utility billing process. Automated utility billing processes encompass all elements of utility billing management—invoice processing, meter reading, consumption analysis, submetering and ratio utility billing system (RUBS), online payments, and vacant unit cost recovery. System integration and automation allows for accurate calculations of utility consumption and direct billings to residents. This improves cost recovery, which then increases net operating income (NOI) and property value. By integrating utility usage information with information on existing residents, units, occupancy and square footage in a central property management database, multifamily property managers can increase control over their utility billing cycle and collection success rate.

Integrated utility billing services and technologies combine automation, paperless processing, and resi-



BILLING

at Multifamily Properties

dent self-service technology. The payables reside in the property manager's centralized accounting system, along with scanned images of the invoices. They can be auto-approved and ready for immediate payment to the utility companies by check or through the Automated Clearing House (ACH), helping property managers avoid utility shutoffs or fees for late payments.

An integrated billing system also measures consumption by submetering and/or RUBS. The system auto-calculates resident utility charges and calculates individual resident utility charges. Convergent bills, which are key to ensuring timely utility payment, are auto-generated and sent electronically, by hard mail, or made available via a portal. Resident payments are collected and processed either online through the resident portal or by check-scanning automation for bills paid by check. All measurements, allocations, calculations and processing are performed directly in the central database, so no data transfer is required. Convergent billing payments are processed once, eliminating third-party processing, reducing overhead costs and maximizing cash flow with faster payments. Paperless invoice processing and payments also promote sustainability initiatives while reducing paper handling and postage costs.

PROACTIVE WARNINGS

By leveraging integrated utility data with resident data in the property management system, the resulting automation provides an early warning for potentially costly abnormalities, such as spikes in usage, leaks or broken

meters. The system captures anomalous data and sends automated e-mail notifications to property managers.

This integration makes utility usage trends accessible to property managers by generating utility consumption graphs. The information is instantly available at the manager's fingertips. No interfaces are needed because resident and utility system data are in one place rather than on multiple platforms. Other potential features of utility billing systems are 24/7 call centers from which residents can obtain assistance on utility questions or problems by phone or e-mail.

Convergent billing isn't new to the multifamily marketplace, but integration into one platform of property operations, accounting and utility management, is. With a central utility management system, final bills can be generated in real time, avoiding delays of up to three weeks for departing residents and improving chances to collect money owed. Given the current economic climate, residential property managers may wish to consider the potential benefits of billing services that completely integrate with their property management systems. ■



Joel R. Nelson is a senior writer at Yardi Systems.

YARDI

IREM Industry Partner



KNOW YOUR IREM CODE OF PROFESSIONAL ETHICS: Maintaining Loyalty



LARRY BAIAMONTE, CPM® (BAIAMOL@NATIONWIDE.COM), IS A SENIOR INVESTMENT PROFESSIONAL, REAL ESTATE EQUITIES, WITH NATIONWIDE INSURANCE IN COLUMBUS, OHIO.

SPANISH PHILOSOPHER, GEORGE SANTAYANA, ONCE SAID, "THOSE WHO CANNOT LEARN FROM HISTORY ARE DOOMED TO REPEAT IT." This famous quote reminds us that there are lessons to be learned from studying cases heard before the Ethics Hearing and Discipline Board. One of the most cited infractions of the IREM Code of Professional Ethics is the accusation of "stolen clients," which violates Article I: Loyalty to Client, Firm, and/or Employer. Article I states:

A CERTIFIED PROPERTY MANAGER®, CPM® Candidate, ACCREDITED RESIDENTIAL MANAGER®, ACCREDITED COMMERCIAL MANAGER or Associate Member (herein referred to as Member) shall at all times exercise loyalty to the interests of the client and the employer or firm with whom the Member is affiliated. A Member shall be diligent in the maintenance and protection of the interests and property of the employer and of the client. A Member shall not engage in any activity that could be reasonably construed as contrary to the interests of the client or employer. If an activity would result in a conflict between the interests of the firm or employer and the interests of the client, then the interests of the client shall take precedence.

This Article states that members cannot conduct any activity that would not be in the best interests of their current firms or employers, such as discussing the terms that a new firm or employer may wish to offer a client. Here are a few examples of cases involving stolen clients:

- A CPM and a CPM Candidate were suspended for soliciting the clients of their employer in violation of Article I. The CPM was under an

employment contract at the time and assisted the candidate in forming a new management firm using the current employer's clients.

- A CPM Candidate was suspended for failing to disclose to the employer knowledge of a client's intention to discontinue its management agreement. The board was clear in its decision that the candidate's formation of a new management company in itself was not a violation and that the candidate did not solicit the client's business.
- A CPM Candidate was suspended for soliciting clients from the employer to start a new management business. The candidate had proposed a business plan to the employer suggesting dividing the management into two firms. Although this plan was not formally accepted by the employer, the candidate moved ahead with formation of a second firm and contacted clients to move to the new firm.

In each one of these cases, the accused members did not act in the best interests of their current firms or employers. They failed to disclose, or acted secretly, to solicit clients for a new management company or attempted to manage properties independently. Forming a new management company was not itself viewed as a violation, but rather the act of soliciting clients from the members' current firms, or failing to inform current employers of a client's intention to terminate a current management account.

So what can we learn from these cases? You should always keep the best interests of your firms or employers, as well as your clients, at the forefront of your actions. Stay loyal by not discussing or otherwise soliciting a client's business until you are no longer affiliated with your current firm or employer.

Career Moves



Mildred Gray, CPM® Candidate, has been promoted to real estate manager at CB Richard Ellis of Virginia, Inc.,

AMO®. Gray has over five years of experience in the commercial real estate management industry. She joined CB Richard Ellis in 2004 as an assistant property manager for their Forest Office Park location, where she assisted in managing over 1 million square feet of commercial and residential property.



Lindsay Spencer has been promoted to assistant real estate manager at CB Richard Ellis of Virginia, Inc., AMO. Spencer has

over three years of experience in the commercial real estate management industry. She joined CB Richard Ellis in 2007 as a receptionist and maintenance coordinator.

CORRECTION:

The Mar/Apr 2010 JPM feature "Conventional Wisdom" on page 46, inaccurately named Michael Hunt as the definer of the term, *Naturally Occurring Retirement Communities (NORCs)*. The term was actually defined by Robert Goldberg, senior director of legislative affairs, The Jewish Federations of North America (JFNA). It refers to properties that were not planned or designed for older residents, but where 40 percent of the heads of households are older individuals, or a critical mass of older individuals exists, allowing an organization to achieve efficiencies in health and social services to those living in the community. A corrected version of this story is available at www.irem.org/jpm. More information on this model of service is available at the JFNA Web site at www.norcs.com.



ON THE ROAD

MAY 10

El Paso Chapter No. 84
Location: El Paso, Texas
Visiting Officer: Jay Windsor,
Senior Vice President

MAY 19

Carolina Piedmont Chapter No. 56
Location: Piedmont, N.C.
Visiting Officer: Jim Evans,
Secretary/Treasurer

MAY 20

New York Capital Region Chapter
No. 93
Location: Clifton Park, N.Y.
Visiting Officer: Ron Goss,
President-Elect

MAY 21

Japan Chapter No. 110
Location: Tokyo
Visiting Officer: Randy Woodbury,
President

JUNE 4

Virginia Tidewater Chapter No. 39
Location: Chesapeake, Va.
Visiting Officer: Jim Evans,
Secretary/Treasurer

JUNE 15

Greater Cincinnati & Dayton Chapter
No. 9
Location: Cincinnati
Visiting Officer: Jim Evans,
Secretary/Treasurer

JUNE 15

Idaho Snake River Chapter No. 107
Location: Boise, Idaho
Visiting Officer: Randy Woodbury,
President

JUNE 16

Oregon-Columbia River Chapter
No. 29
Location: Portland
Visiting Officer: Joseph Greenblatt,
Senior Vice President

JUNE 16

Connecticut Chapter No. 51
Location: Colchester, Conn.
Visiting Officer: Ron Goss,
President-Elect

JUNE 16

Northern Virginia River Chapter
No. 77
Location: Glen Allen, Va.
Visiting Officer: Russell Salzman,
Executive Vice President and CEO

JUNE 24

Sacramento Valley Chapter No. 22
Location: Sacramento, Calif.
Visiting Officer: Lori Burger,
Senior Vice President

JUNE 24

British Columbia Chapter No. 50
Location: Forth Langley, British
Columbia, Canada
Visiting Officer: Randy Woodbury,
President

TAKING ACTION AFTER CAPITOL HILL VISIT DAY

IREM Texas Chapter Leaders Meet with State Representatives



JEFF BURCK, CPM®, IS A PROPERTY MANAGER FOR BROOKFIELD PROPERTIES IN HOUSTON. HE CURRENTLY SERVES AS IREM REGION 7 VICE PRESIDENT, OVERSEEING THE ACTIVITIES OF SEVEN IREM CHAPTERS IN TEXAS AND OKLAHOMA.

THIS MAY, IREM MEMBERS HAD THE GREAT OPPORTUNITY TO VISIT CAPITOL HILL IN WASHINGTON, D.C., FOR THE IREM LEADERSHIP & LEGISLATIVE SUMMIT (LLS), which gives attendees a chance to meet with congressional members and their staff to discuss important issues that affect the real estate industry. Although the summit has ended, it is important for chapters to continue connecting with state officials. One of the ways your chapter can do this is by scheduling visits with your state representatives.

Opening a dialogue with state officials can help to facilitate a greater understanding of IREM and the issues that concern the real estate industry. I say this from personal experience. In September 2009, several Texas chapter presidents and legislative chairs from Austin, Dallas, El Paso, Fort Worth, Houston and San Antonio, along with myself, IREM Past President Pam Monroe, CPM®, and IREM Vice President of Legislative

and Research, Chuck Achilles, met with Texas Governor Rick Perry's office advisors.

The face-to-face meeting was exciting and multifaceted because the participants were able to talk about national legislative matters, as well as state and local real estate issues related to budgeting, planning and financial services, such as state property appraisal concerns, state property tax relief concerns, sustainability, regulations and mortgage/state financing assistance. To help facilitate discussions, IREM materials were prepared and forwarded to the state representatives in advance of our meeting.

After an engaging discussion of these topics, we allotted time to discuss IREM and its benefits to the state of Texas. First on the agenda was to raise awareness of IREM. We did our homework and found that the state of Texas manages 10 million square feet of office space that they either own or lease. But not one of the managers is a CPM. This led to discussions about improving the state's net operating income (NOI), facility operations and sustainability through leading edge educational programs and other resources available through IREM.

We also shared IREM's role and affiliations with the National Association of REALTORS® (NAR), our partnership with the Texas Department of Housing and Community Affairs, and our collaboration with Texas public colleges/universities, by providing real estate management curriculum expertise and assistance.



« PICTURED FROM FROM LEFT TO RIGHT IS JEFFREY BURCK, CPM; KELLY BLASKOWSKY, CPM; RAY BACA, CPM; SAMMIE BAKER, CPM; CHUCK ACHILLES; SUSAN HOLLAND, CPM; PAM MONROE, CPM; GEORGE GRIFFIN, CPM; TAMMY HENDRIX, CPM; SHARON HADDAD, CPM; AND JIM SEAL, CPM.

« TURN TO PAGE 18 TO SEE A SUMMARY OF THE LEGISLATIVE ISSUES DISCUSSED AT THE 2010 IREM LEADERSHIP & LEGISLATIVE SUMMIT.

The allotted hour for the meeting went by very quickly, but we left knowing that the representatives of Texas have a better understanding of IREM and the legislative issues that concern us. We plan to continue our visits on a regular basis and look forward to establishing a viable presence on real estate matters within our state government.

Reaching out to state representatives about issues does not need to begin and end with LLS and Capitol Hill Visit Day. The chapters in your state can continually make their voices heard on the issues that affect real estate management. It starts simply by making contact. So I urge every chapter to call, write or e-mail your governor's office and set up a meeting with their staff.

I would like to extend a special thank you to George Griffin, CPM, president of Houston Chapter No. 28, for initiating our first ever visit to the state capitol and Jo D. Miller, IAE Houston Chapter for assisting us in our planning and organizing of this event. Many thanks also to the following attendees for their participation:

- Ray Baca, CPM, vice president of legislative, El Paso Chapter No. 84
- Sammie Baker, CPM, president, Austin Chapter No. 61
- Kelly Blaskowsky, CPM, legislative chair, San Antonio Chapter No. 48
- Sharon Haddad, CPM, president, El Paso Chapter No. 84
- Tammy Hendrix, CPM, national co-chair of legislative and public policy
- Susan Holland, CPM, president, Fort Worth Chapter No. 103
- Jim Seal, CPM, president, Dallas Chapter No. 14

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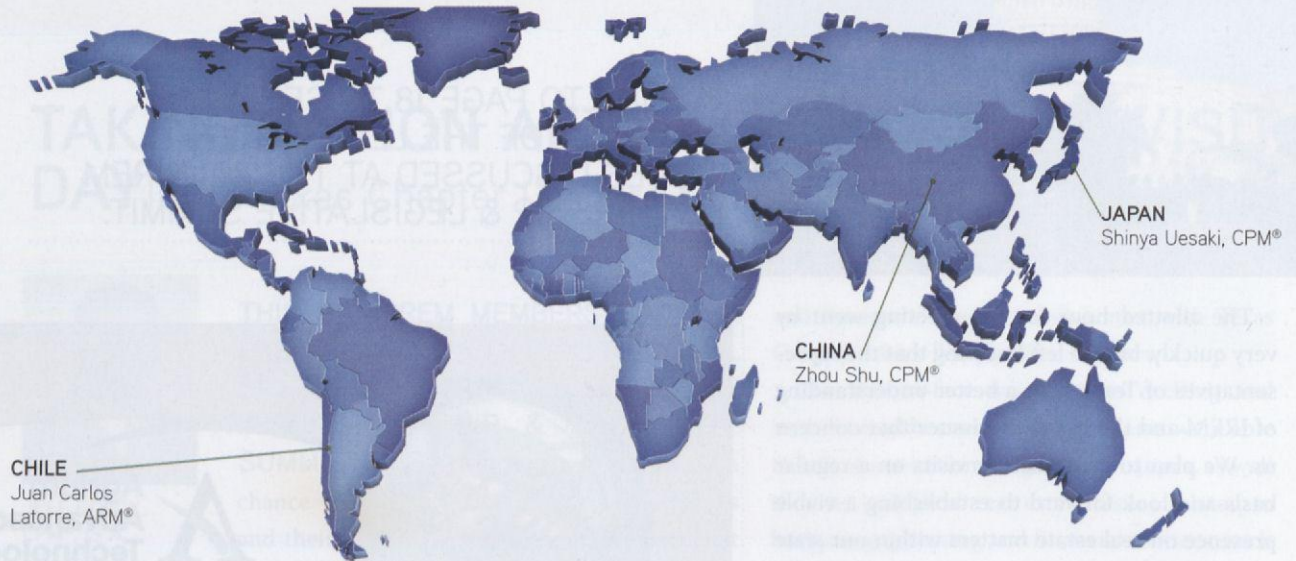
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IREM INTERNATIONAL MEMBERS RECOMMEND STRATEGIES BEFORE AND AFTER DISASTERS

Recently, devastating earthquakes in Chile and Haiti have heightened the awareness of emergency preparedness for property managers around the world. Based on their experiences, some of our international IREM Members shared their thoughts:



JAPAN

Japan is a very earthquake prone country, so being prepared for natural disasters is essential to property management. First, property owners should purchase earthquake insurance because fire insurance does not cover any damages caused by earthquakes. Earthquake insurance is the only tax deductible insurance for residential and commercial buildings. Secondly, property owners should only buy properties that meet the appropriate seismic standards. Though most buildings in Japan are generally earthquake-resistant, some of them were built before 1981 and were based upon old seismic standards. Finally, owners and managers need to periodically check the status of the property. Maintaining the property in good condition will prevent the property from any serious damages caused by any type of natural disasters.

Shinya Uesaki, CPM®, managing director of Tokyo Realtors KK



CHILE

On February 29, 2010, a massive earthquake hit the cities of Concepción and Santiago, Chile. All the formal emergency systems failed, so there was no alarm issued for the later tsunamis that demolished the remains of the villages. After a quake you should cut off gas and water, stop elevators, air conditioning, and check electrical wiring. It is important to do a thorough review of the whole building in order to declare it safe or evacuate it. Remember that tsunamis are not the only events to come after large quakes, but also hundreds of aftershocks, some of which can be similar in magnitude to the initial quake. An immediate inspection should be performed, but further and detailed ones should be left to the experts. Your team, as well as all the workers at the building, should have access to all contacts, in case communication systems fail. Keep radios as a back-up method.

Juan Carlos Latorre, ARM®, president of ALB International



CHINA

Although Shanghai is not located in a seismically active zone, major earthquakes have occurred in China and we strongly suggest property owners adapt measures to control and limit the possible losses incurred from these events. To make sure building designs are up to standard, qualified structural engineers should be hired to evaluate the archived data and parameters of property structures, including major load points and foundation. Other systems to examine are the major utility systems, electrical and drainage systems, and the available status of standby power units. An emergency management team should be created to implement emergency response plans, and assume prescribed roles and responsibilities to assist with evacuation, self-protection, loss control and report, hazard signals, after-disaster site protection and system restoration. Property managers should formulate business continuity plans to restore the operations after disasters as quickly as possible. Property managers should also publicize the safety measures they have taken by creating a universal risk control manual and a safety image to be used as a marketing tool for current and potential tenants and buyers.

Zhou Shu, CPM, general manager of Shanghai Hutai Real Estate Development Co. Ltd.



JPM ARTICLES TRANSLATED

IREM translates one article from each issue of *JPM* into 8 languages. You can find translations of the latest feature, as well as past articles, at www.irem.org/international.

Español (Spanish)

IREM traduce un artículo de cada número de la *Revista de Administración de Propiedades* en ocho idiomas para servir a nuestros miembros de todo el mundo. Usted puede encontrar las traducciones de los más recientes artículos así como los artículos anteriores, visitando la página de idiomas del sitio Web de IREM en www.irem.org/international/spanish/intro.cfm.

Français (French)

L'IREM traduit un article de chaque numéro du *JPM* dans huit langues, et ce, afin de mieux desservir nos membres partout à travers le monde. Vous pouvez trouver les traductions du plus récent article ainsi que des articles déjà publiés en visitant les pages en langues étrangères du site Web de l'IREM au www.irem.org/international/french/index.cfm.

Русский (Russian)

Для своих международных членов Институт IREM переводит на восемь языков мира по одной статье из каждого выпуска Журнала по управлению недвижимостью (*JPM*). Перевод статьи из последнего выпуска издания, а также архив переведенных статей, можно найти в соответствующем иноязычном разделе сайта IREM по адресу www.irem.org/international/russian/index.cfm.

Wersja Polska (Polish)

Z myślą o międzynarodowych członkach IREM jeden artykuł z każdego numeru Journal of Property Management tłumaczony jest na osiem języków świata. Polskie tłumaczenie ostatniego artykułu oraz artykułów archiwalnych znaleźć można na obcojęzycznych stronach internetowego serwisu IREM www.irem.org.

Português (Portuguese)

O IREM traduz um artigo de cada edição do Jornal de Gerência de Propriedade em oito idiomas para atender os nossos membros espalhados pelo mundo. Você pode encontrar a tradução do último artigo, tão como artigos passados, visitando as páginas de idiomas do site do IREM www.irem.org/international/Portuguese/index.cfm.

한국어 (Korean)

IREM은 부동산 관리 저널(*Journal of Property Management*) 매 호마다 기사 하나씩을 선정하여 8개 국어로 번역, 전세계 회원들에게 제공하고 있습니다. IREM 웹 사이트, www.irem.org의 외국어 페이지를 검색하시면 최근 번역 기사는 물론, 지금까지 번역된 기사들을 한국어를 포함한 8개 국어로 검색하실 수 있습니다.

日本語 (Japanese)

IREMは、各国の海外メンバーのために、不動産管理ジャーナルの各号の記事の一つを、8ヶ国語に翻訳しています。最新号の記事と、過去の記事の翻訳は、IREMのウェブサイト www.irem.org/international/japanese/index.cfm の外国語ページをご覧ください。

中文 (Chinese)

为了服务我们的全球成员，IREM从每期《资产管理期刊》中选出一篇文章翻译成八种文字刊出。您可以上IREM网站 (www.irem.org/international/Chinese/index.cfm) 的外文网页，找到最近及以往选译文章的译文。





INSIDE IREM COURSE LISTINGS

MAY

SRM001	May 6	Birmingham, Ala.	MPSAXM	June 7-10	Los Angeles
ASM603	May 10-11	Austin, Texas	MPSAXM	June 7-10	Austin, Texas
FIN402	May 10-11	Oakbrook, Ill.	RES201	June 7-12	Sharon, Penn.
FIN402	May 10-11	Alexandria, Va.	ASM604	June 9-10	Orange County, Calif.
MKL406	May 10-11	Albuquerque, N.M.	ASM604	June 9-10	Raleigh, N.C.
MPSAXM	May 10-13	Columbia, S.C.	HRS603	June 9	Chicago
MPSAXM	May 10-13	St. Petersburg, Fla.	MNT402	June 9-10	San Diego
MKL406	May 11-12	Columbus, Ohio	ETH800	June 10	St. Petersburg, Fla.
ETH800	May 12	Orange County, Calif.	BDM601	June 10-11	Chicago
ASM604	May 12-13	Austin, Texas	RES201	June 10-15	Southfield, Mich.
HRS402	May 12-13	Albuquerque, N.M.	ASM605	June 11	Orange County, Calif.
MNT402	May 12-13	Oakbrook, Ill.	ASM605	June 11	Raleigh, N.C.
MNT402	May 12-13	Alexandria, Va.	CML001	June 11	Overland Park, Kan.
RES201	May 12-17	Braintree, Mass.	CMLEXM	June 11	Overland Park, Kan.
HRS402	May 13-14	Columbus, Ohio	CPM001	June 11	Los Angeles
MNT402	May 13-14	Salt Lake City	CPM001	June 11	Austin, Texas
ETH800	May 14	Riverton, N.J.	CPMEXM	June 11	Los Angeles
ASM605	May 14	Austin, Texas	CPMEXM	June 11	Austin, Texas
CML001	May 14	Alexandria, Va.	FIN402	June 14-15	Albuquerque, N.M.
CMLEXM	May 14	Alexandria, Va.	MPSAXM	June 14-17	Quincy, Mass.
CPM001	May 14	Columbia, S.C.	MKL405	June 15-16	Hartford, Conn.
CPM001	May 14	St. Petersburg, Fla.	MNT402	June 16-17	Albuquerque, N.M.
CPMEXM	May 14	Columbia, S.C.	ETH800	June 17	Dublin, Ohio
CPMEXM	May 14	St. Petersburg, Fla.	HRS402	June 17-18	Hartford, Conn.
ASM603	May 17-18	Quincy, Mass.	ETH800	June 18	Houston
ASM603	May 17-18	Kirkland, Wash.	CPM001	June 18	Quincy, Mass.
HRS402	May 17-18	New York	CPMEXM	June 18	Quincy, Mass.
MPSAXM	May 17-20	Houston	FIN402	June 21-22	Dallas
RES201	May 17-22	Fishers, Ind.	MPSAXM	June 21-24	Milwaukee
RES201	May 17-22	Minneapolis	MPSAXM	June 21-24	Atlanta
MKL406	May 18-19	Dallas	MNT402	June 22-23	Philadelphia
ASM604	May 19-20	Quincy, Mass.	MNT402	June 23-24	Dallas
ASM604	May 19-20	Kirkland, Wash.	CMLEXM	June 25	Dallas
FIN402	May 19-20	Rochester, N.Y.	CPM001	June 25	Milwaukee
MKL405	May 19-20	New York	CPM001	June 25	Atlanta
RES201	May 19-24	Reno, Nev.	CPMEXM	June 25	Milwaukee
FIN402	May 20-21	Pittsburgh	CPMEXM	June 25	Atlanta
HRS402	May 20-21	Dallas			
ETH800	May 21	Overland Park, Kan.			
ETH800	May 21	Rockville, Md.			
ASM605	May 21	Quincy, Mass.			
ASM605	May 21	Kirkland, Wash.			
CPM001	May 21	Houston			
CPMEXM	May 21	Houston			
SRM001	May 25	Sacramento			

INTERNATIONAL

FIN402	May 13-14	Rio de Janeiro
ARMEXM	May 15	Rio de Janeiro
ASM603	May 22-23	Moscow
ASM604	May 24-25	Moscow
ASM605	May 26	Moscow
CPMEXM	May 28	Moscow
ASM603	June 15-16	Kiev, Ukraine
ASM604	June 17-18	Kiev, Ukraine
ASM605	June 19	Kiev, Ukraine
BDM602	June 24-25	Moscow
MPSA01	June 26-27	Moscow

JUNE

ASM603	June 7-8	Orange County, Calif.
ASM603	June 7-8	Raleigh, N.C.
FIN402	June 7-8	San Diego



FOR THE MOST UP-TO-DATE COURSE LISTINGS, PLEASE VISIT 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

Awards & Recognition

In January, IREM Chicago Chapter No. 23 featured a panel discussion at the Illinois Real Estate Journal's 8th Annual Commercial Real Estate Forecast. The panel, made up of CPMs and industry experts, was a Q&A session that highlighted the strategies top property managers are employing to help their commercial real estate owners maintain stability at properties in the current economy.

Moderated by Chicago Chapter Vice President of Communications, Yvonne Jones, CPM®, the discussion covered such topics as the types of changes needed to adapt to changing market conditions, the differences in negotiation tactics and style based on location, lease clauses that may be incorporated during tenant negotiation, how property managers are being trained to negotiate in today's market, and what challenges lie ahead for property owners and managers in commercial real estate.

The panelists, introduced by 2010 Chicago Chapter President, Paula Lewis, CPM, included: Phil Stafford, CPM, Colliers Bennet & Kahnweiler, Inc., AMO®; Kelly Gibbel, CPM, BPG Properties, Ltd., Robert Quast, CSM, Lincoln Property Company, AMO, Danielle Meltzer Cassel, Esq., Vedder Price P.C.; and Pearl Zager, Esq., Vedder Price P.C.

For more information on IREM Chicago Chapter No. 23 visit www.iremchicago.org.

Correction: The IREM Membership figures that appeared in the Mar/Apr 2010 issue of JPM were incomplete. The following are the correct numbers.

IREM MEMBERSHIP FIGURES

HERE ARE THE YEAR-END MEMBERSHIP NUMBERS, INCLUDING ALL MEMBERSHIP TYPES FOR THE UNITED STATES AND INTERNATIONAL CHAPTERS:

CPM MEMBERS:	8,772
CPM CANDIDATES:	3,250
ARM MEMBERS:	3,631
ACoM MEMBERS:	76
ASSOCIATE MEMBERS:	2,058
STUDENT MEMBERS:	323
ACADEMIC MEMBERS:	21
TOTAL MEMBERS:	18,131
AMO HEADQUARTERS:	524
AMO BRANCHES:	542

ON THE ROOFTOP Maintain Your Building Roof with Regular Inspections and Maintenance



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

WHEN WAS THE LAST TIME YOU WERE ON THE ROOF OF ONE OF YOUR BUILDINGS? DO YOU THINK YOU COULD INVITE PEOPLE UP THERE AND HAVE A PICNIC? Or would your party have to dodge bottles, cans and trash, along with abandoned equipment, nails, tools and other hazards?

The roof is often the most ignored and forgotten property component. But unfortunately, it is one of the most expensive items to replace. Routine, annual inspections are critical to mitigating damage. Some roof manufacturers suggest scheduling at least two inspections a year—one in the spring and one in the fall. But at minimum, a qualified roofing contractor should be called in once a year.

INSPECT & PROTECT

This inspection should cover the entire roof—flashings, sheet metal and drainage components. Look for leaking or missing condensation lines, as well as loose or missing equipment access panels that can blow off, puncture the roof and causes leaks or discharges. Also check for improperly installed equipment, antennas or satellite dishes; and inspect the roof for any other types of penetrations.

Be sure tenants are maintaining roof top grease guards, too. These should be cleaned routinely. Most grease guard manufacturers highly recommend quarterly cleanings at least.

The annual inspection should involve clearing debris from all gutters and downspouts, roof drain strainers and overflow outlets. The removal of small debris from the entire field of the roof should also be part of this inspection. An especially good roofing contractor will run a large magnet around all rooftop equipment,

picking up any loose screws, wire and other small, sharp debris.

Schedule and complete an annual cleaning if the above items are not included in your roofing contractor's annual inspection. A thorough cleaning, performed at least annually, will more than pay for itself. By cleaning your roof annually, you should save at least one leak repair expense per year. Failure to take this step can quickly shorten the life of any roof.

Following the roof inspection, get a detailed inspection report from your roofing contractor, including an overall assessment and report of all roof conditions. Obtain photographs of any conditions requiring maintenance or immediate repair. An estimate of the roof's remaining service life, and a separate description and cost breakdown by tenant of all tenant-related repair items should also accompany the report.

If your roof has less than five years of remaining life, your roofing contractor may also provide you with replacement cost estimates. This will help you prepare ownership well in advance of the looming replacement.

PONDERING POSSIBLE PROBLEMS

Without inspections and regular roof maintenance, expect to experience a variety of problems caused by weather, foot traffic and neglect. Uncleared debris can clog roof drains and drain pipes or cause punctures. Clogged drains can lead to ponding water, which can cause any number of issues and will definitely accelerate a roof's deterioration. Additionally, vegetation can grow in water. If that vegetation keeps growing, it will grow into the roof membrane and cause leaks.

If HVAC units continually drop their condensate onto the roof instead of into a pitch pan

and down into the plumbing system, this can also lead to ponding. Small dripping issues will most certainly become larger with time. Water is heavy and the weight could easily climb over your roof's load rate, causing it to collapse.

Pond patches, made from mixing powdered lightweight cement with water and pouring the contents over low-lying areas, typically don't work well, because they simply move the water from one location to another. Tapering insulation can be a repair for ponding, depending on the location. However, to best repair ponding issues, install puddle drains or interior drains.

Heavy snow can cause severe damage, but so can water. If standing water is allowed to freeze, it can lead to total roof collapse. The most common items requiring immediate maintenance are probably loose wall flashings, open vertical laps, under filled pitch pans and sealant failures. All of these will most assuredly lead to leak issues but are easily remedied with the proper repair.

SEEKING EXPERTISE

When it comes to finding a good roofer, check with other property managers in your area. Get a copy of the roofer's scope of work as it relates to inspections. If possible, get a copy of a couple of inspections they've done so you can see the level of detail they provide.

Roofers have separate personnel and crews for the service, sheet metal and re-roof areas of their business so ask questions relative to the appropriate department. For maintenance work, inquire about the service department. How many crews does it have and how many people are on each crew? What is the typical response time?

Ask if they have products that can stop leaks in the rain and if crews visit in the rain, as some don't, won't or can't. Ask what occurs after that initial repair in the rain. Do they come back after it's dry and do a permanent repair? And are there two charges? Also, know ahead of time what the warranty covers.

Additionally, check to see if the contractor is in good standing with the Better Business Bureau, and get credit references. Consider

whether the contractor is a member of a roofing association. Verify their experience, their insurance coverage and references. If you know what you need, you might see which roofing manufacturers have certified this roofer to work on their warranted systems.

Get a detailed, written proposal with complete descriptions of all work to be covered as it relates to your inspections and cleaning. Less is not always best, so don't hang your hat on pricing alone. Take all things into consideration.

ABOVE AND BEYOND

You can surely take additional steps beyond annual inspections, cleanings and maintenance to enhance and prolong the life of your roofs.

Limit access to your roof by installing a wall mount ladder with a lockable cage or keeping any other roof access locked. Limit foot traffic, and have walk pads installed if at all possible. If you, your maintenance personnel or your roofing contractor are on your roof routinely, you are in a much better position to hold other service providers accountable for damages attributable to their carelessness.

Preventive maintenance is the most important step toward extending the life of your roof. Regular inspections and frequent, thorough cleanings can not only add years to its life, they are a bargain when compared to new roofing costs.



VISIT WWW.IREMFIRST.ORG TO DISCUSS ROOF CARE AND OTHER MAINTENANCE ISSUES WITH MEMBERS.

PORTABLE POWER

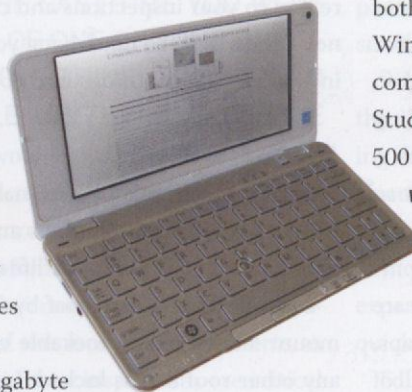
New Devices Offer On-the-Go Connectivity and Storage



TODD CLARKE, CCIM (TCLARKE@NMAPARTMENT.COM), IS A 20-YEAR VETERAN BROKER, CONSULTANT, INTERNATIONAL SPEAKER AND INSTRUCTOR WHO DISCUSSES TECHNOLOGY AND ITS USE IN COMMERCIAL REAL ESTATE.

SONY NETBOOK

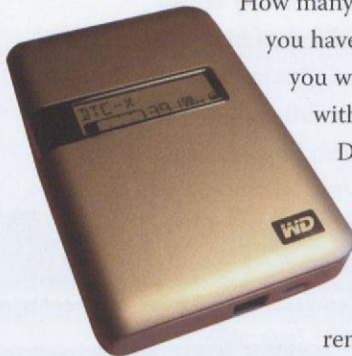
It is hard to believe this 1.4 pound netbook holds so much hardware! The Sony Netbook features and Intel Atom Processor, 60 gigabyte hard drive, 2 gigabytes of RAM, built in GPS, a webcam, Verizon Internet, Wi-Fi, Bluetooth, an almost full-size keyboard and a wide, 8-inch screen with an impressive resolution of 1600x768. This diminutive netbook retails for only \$899.00 and can be found at <http://b2b.sony.com>. Newer models with faster processors and larger hard drives can be found at www.dynamism.com.



hard drive. This hard drive is compatible with both Apple software and Windows, although Windows users will need to reformat their computer drives prior to initial use. The WD Studio Passport Hard Drive costs \$199.99 for 500 gigabytes of space and can be found at www.wdc.com/en/products.

WD STUDIO PASSPORT HARD DRIVE

How many USB sticks and hard drives do you have lying around your desk? Do you waste time trying to find one with some free space? Western Digital has the solution—the WD Studio Passport Hard Drive offers a display showing exactly how much space the drive has left. You can rename each drive and the built-in software offers an ability to encrypt the

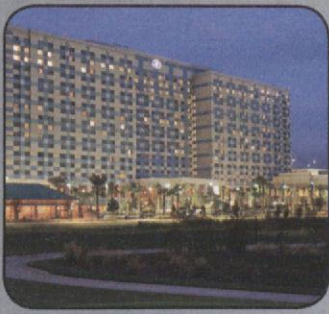


REDCROSS ETON FR160 MICROLINK

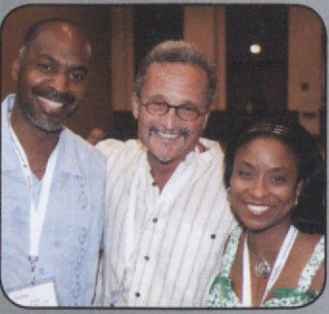
This digital version of the Swiss Army knife offers an am/fm/weather radio, flashlight, and most importantly, a standard USB charging port. Measuring a slim 1.5"x2.5"x5.5", this device has an internal rechargeable battery that can be recharged by its built-in solar panel or a hand crank. If you are in a remote location with limited access to conventional power, this might keep your Blackberry or iPhone running! My family gave one to me for Christmas and I keep it in the backpack I travel with. The RedCross Eton Fr160 Microlink is available for \$30.00 at REI. Visit www.etoncorp.com for more information.



READ TODD CLARKE'S TECHNOLOGY BLOG AT WWW.NMAPARTMENT.COM/TECH.



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October 19-23, 2010

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Start your experience NOW at www.IREMiCon.com!

NEW PRODUCTS

HYBRID HANDHELDS

Swisher, manufacturer of a full line of zero-turn mowers, string trimmers and edgers, offers E4 Hybrid Technology for its handheld lawn and garden products. Two-stroke engines, which feature outstanding throttle response, all position capability, simple maintenance and durability, have traditionally powered commercial handheld power equipment. But Swisher's E4 Hybrid Technology unites the best attributes of 2-stroke and 4-stroke motors into one unique hybrid engine. It reduces noise and fuel consumption while meeting today's toughest emission standards.

For more information, visit www.swisherinc.com.



USING GOOD SENSE

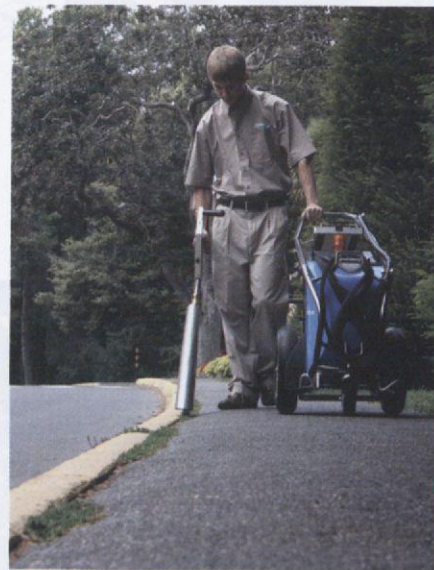
Delta has introduced its newest hands-free, sensing technology for faucets—Proximity Sensing Technology. When users' hands enter the 4" field around the body of the faucet, it turns on. When users remove their hands from the water stream, the faucet turns off within 2 seconds. The technology has been added to Delta's most popular faucet styles, the Arzo and the Grail, and is free of optics and infrared. The product self-calibrates once it has been installed.

For more information, visit www.DeltaFaucet.com.

STEAMY SOLUTION

GreenSteam Solutions has introduced a weed killer that uses blistering steam to eliminate pesky weeds in parking lots, sidewalks and other hard paved surfaces. The GS5000i is an alternative to spraying herbicides that often end up flowing into municipal storm drains. It shoots 650 to 930 degrees Fahrenheit (350 to 500 degrees Celsius) of scalding steam, which kills most new growth in one second. Killed weeds shrivel and disappear. No further clean up is required. The machines use less than \$15 of clean burning propane per day and less than three gallons of water per hour. GreenSteam systems are in use in Canada, Australia and the United States.

For more information, visit www.greensteam.com.



BYE BYE, BED BUGS

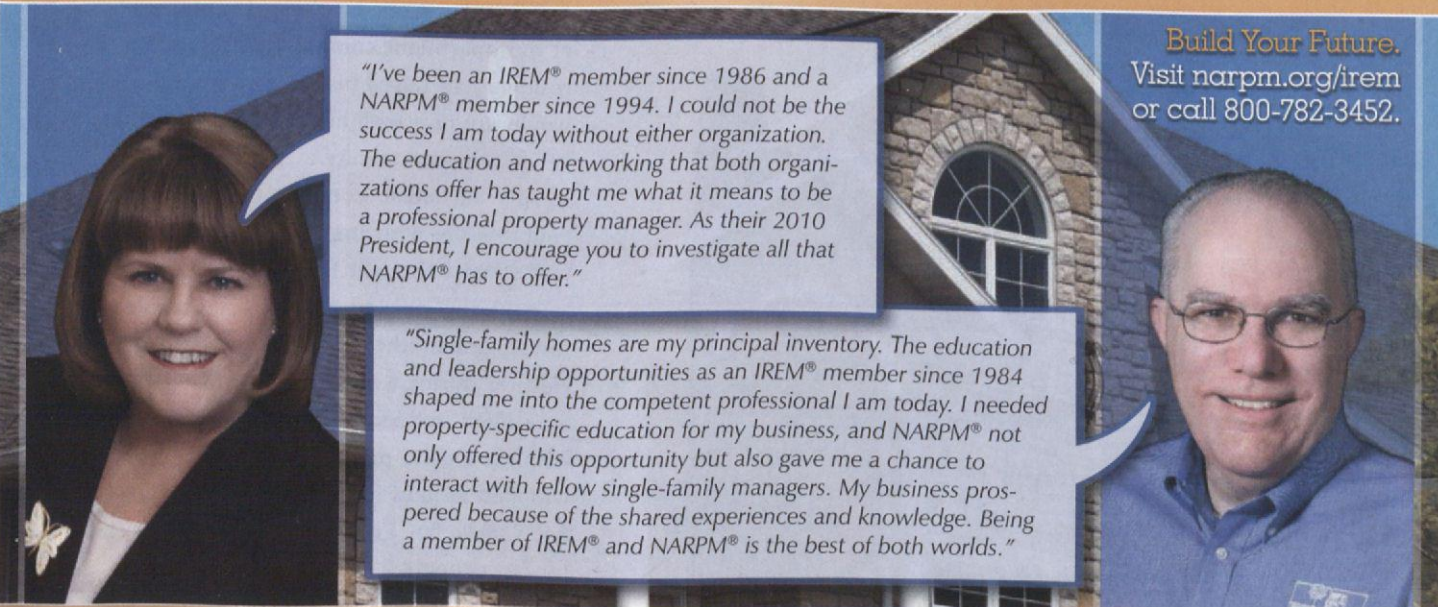
ActiveGuard mattress liners, manufactured by Allergy Technologies LLC, are patented, fitted mattress covers proven to kill bed bugs on mattresses and box springs. They simply go over mattresses like a fitted sheet. Material in the liners kills bed bugs within 72 hours, which prevents reinfestation. For best results, it is recommended the liners be removed after six weeks to vacuum any dead dust mites and their allergens from the mattresses. ActiveGuard, under the brand name Astex, is new to the United States, but the liners have been available in Europe and Asia for the last 10 years with over 40,000 units sold.

For more information, visit www.allergytechnologies.com.



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BuildingLink	www.buildinglink.com	1
IREM eBooks	www.irembooks.org	13
IREM Executive Exchange	www.irem.org/exec	29
IREMFIRST	www.iremfirst.org	IFC
IREM Foundation	www.irem.org/iremfoundation	IBC
IREMiCon	www.iremicon.com	57
IREM Leadership Conference	www.irem.org/leadershipconference	15
IREM Member-Get-A-Member	www.irem.org/referral	4
IREM New Publication	www.irembooks.org	17
IREM REALTORS® Federal Credit Union	www.realtorsfcu.org	35
London Computer Systems	www.rentmanager.com	BC
NARPM	www.narpm.org/irem	59
Yardi	www.yardi.com/jpm77	11

It Pays to Be a Member of IREM® & NARPM®



"I've been an IREM® member since 1986 and a NARPM® member since 1994. I could not be the success I am today without either organization. The education and networking that both organizations offer has taught me what it means to be a professional property manager. As their 2010 President, I encourage you to investigate all that NARPM® has to offer."

"Single-family homes are my principal inventory. The education and leadership opportunities as an IREM® member since 1984 shaped me into the competent professional I am today. I needed property-specific education for my business, and NARPM® not only offered this opportunity but also gave me a chance to interact with fellow single-family managers. My business prospered because of the shared experiences and knowledge. Being a member of IREM® and NARPM® is the best of both worlds."

Build Your Future.
Visit narpm.org/irem
or call 800-782-3452.

Vickie Gaskill, MPM® RMP® CPM® ARM®
Bell-Anderson & Associates, LLC, AMO®

Michael A. McCreary, MPM® RMP® CPM® GRI
McCreary Realty Management, Inc., AMO®



National Association of Residential Property Managers

CAN YOU TOP THIS?

Unbelievable or outrageous true stories about everyday experiences in real estate management BY BARBARA HOLLAND, CPM® | ILLUSTRATION BY PAUL LUKAS

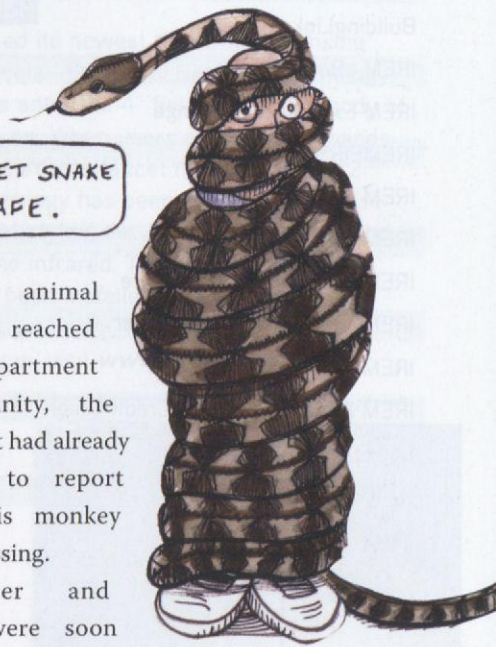


BARBARA L. HOLLAND, CPM®, IS PRESIDENT AND PRINCIPAL OWNER OF H&L REALTY & MANAGEMENT COMPANY IN LAS VEGAS.

MONKEY MOVES

ONE DAY WE RECEIVED A CALL FROM A RESIDENT CLAIMING SOMEONE HAD ACCIDENTALLY LEFT A MONKEY IN THE ELEVATOR. When we first received the call, we thought the resident was joking around with us and did not take his call seriously (and no it was not April 1). After receiving five additional calls, we reluctantly sent our maintenance technician to check out the elevator. Sure enough, there was a monkey. Our maintenance technician did not want to touch the monkey (you would not want to try to pick up a screaming monkey, either).

Since how to handle monkeys is not in our operating manuals, we contacted animal control to assist us. We placed a sign by the elevator door on each level that the elevator was out of service due to the monkey inside. Of course that caused more calls to come to the main office.



MY PET SNAKE IS SAFE.

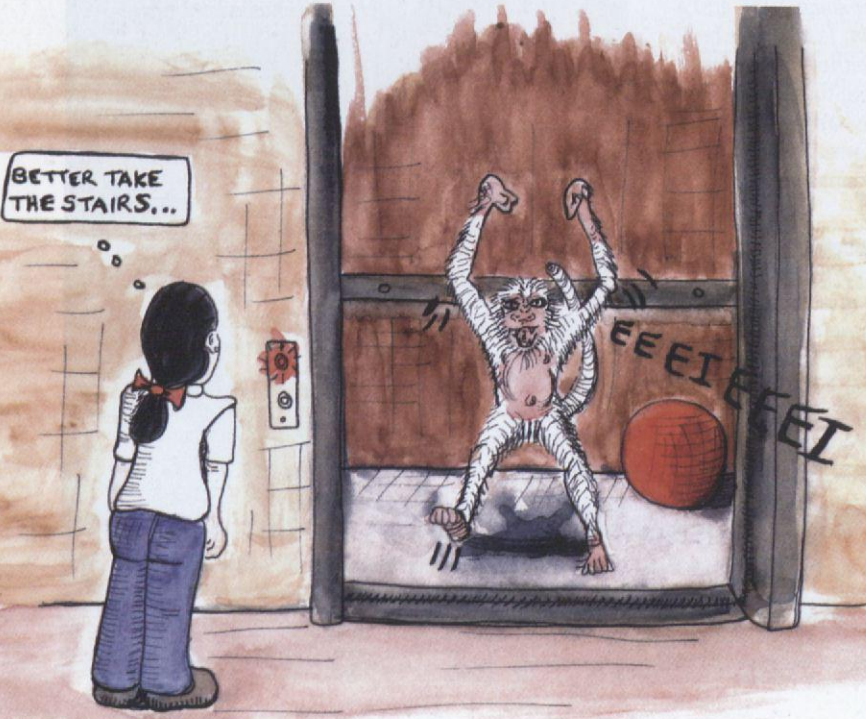
Before animal control reached the apartment community, the resident had already called to report that his monkey was missing.

“Father and son” were soon re-united. We then

reviewed our lease agreement to confirm that a monkey was not an accepted animal under the pet section and sent a letter informing the resident that he had a choice to continue living at our apartment community or vacating. The resident had raised his monkey from birth and would not part with him, so resident and monkey left the community.

This particular community actually had a couple issues with animals. A few months later, just when I thought there would be no more “monkeying” around with non-acceptable creatures, I got another surprise. I was riding in the elevator during a community inspection, when a resident suddenly entered the elevator car with the biggest python snake I have ever seen, wrapped around his body. I can tell you, I am not a snake fan. I could not jump off that elevator fast enough!

Think you can top this tale? Send your true stories to Markisan Naso at mnaso@irem.org.



BETTER TAKE THE STAIRS...



In 2010, the IREM® Foundation will continue in our mission of workforce development by attracting, developing, and retaining individuals for careers in real estate management. We will work to provide funding for scholarships and professional grants that enable students to attend IREM® courses.

Last year, thanks to the continued support of our members, we were able to approve and award 181 grants!

Wouldn't you like to help educate even more current and future property management professionals?

Your generosity is directly linked to the success of our endeavors. Every dollar is important to us. No amount is too small. In fact, small amounts can add up quickly!

Help us...help others.

***Make a contribution today...
Visit www.iremfoundation.org***

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