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PRINCIPLES OF REAL ESTATE MANAGEMENT

by James C. Downs, CPM


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Briefing This Issue

The President's Letter: Change Is the Name of the Game
William Walters Jr., CPM  Page 205
Without change, writes Mr. Walters, the business of real estate would be a very dull game. However, since the nature of things is to change, and as political, social and economic events shape the field of real estate activity, those with skill and experience should be ready to act and "play the game" accordingly, making for exciting and opportune challenges.

CPM Consulting Services:
Management Priorities for Low-Income Housing
William C. Haas, CPM  Page 206
The necessity for competent, understanding, daily building management for public and not-for-profit housing must not be neglected, for this is what keeps the property viable. The Certified Property Manager is best qualified to advise sponsors as to the varying needs of the tenant, the owner and of management itself in planning such housing.

Management Training Programs for the Hard-Core Unemployed
J. Clair Lanning, CPM  Page 211
Another role for the CPM is that of advisor in setting up programs to train so-called hard-core unemployables. Mr. Lanning details his experiences in establishing a series of training programs for resident managers and supervisory and maintenance personnel and advises how others can work with the JOBS Program of the National Alliance of Businessmen in developing similar programs.

More than Managing the Office Building (This Month's Cover)
Arthur W. Diemer  Page 214
As most major cities can attest, office building development has been booming. With the development, construction and leasing and management of these buildings, Mr. Diemer offers his comments on the role the management department plays in these projects. Staffing the building, personnel programs, contract services, and establishing good rapport with the tenant are all vital elements of the management program. One such office building presently under construction is the Marine Midland Center Tower in Buffalo, New York; a view looking out onto the Buffalo River and Lake Erie from its 34th topped-out floor is seen on the cover this month.

The Care and Management of Co-ops
Elton F. Young Jr.  Page 221
While from the outside a cooperative apartment building may appear similar in all respects to a rental building, it has its special needs and requirements. Mr. Young discusses some of them and how the management agent can work together with the cooperative association; he covers cooperative sales, documents, board of directors as well as general operating procedures.
Management Guidelines for Real Estate in Trust, Part I
Robert S. Thorne, CPM Page 226

For the property manager associated with a bank trust department, Mr. Thorne presents a comprehensive survey on the basic points of trust property management. The first of a two-part study analyzes the various types of trust accounts, insurance programs for the property, be it residential or commercial, and leasing techniques. Part II will be presented in the November/December 1971 Journal of Property Management.

Study in White: Snow Removal Tactics for Shopping Centers
Harry L. Dolan, CPM Page 232

Looking ahead to chillier days, Mr. Dolan provides some techniques for removing an over-abundance of that fluffy white stuff. He advises that obtaining the services of an excavation contractor is the best means of having a regular crew on hand to dispatch snow promptly from parking areas and malls. A well-thought-out means of attack will aid the manager in keeping merchants and customers appeased.

A Manager's Investment Strategy for the '70s
William Walters Jr., CPM Page 235

Mr. Walters looks ahead into the decade and predicts some of the trends which will shape real estate activity in the near future. The rising gross national product, the decrease in family size, the mobility of this generation as well as government influence and finance patterns will all affect the business of real estate.

Budgets: Test of Management Competence
Lloyd D. Hanford Sr., CPM Page 239

As the major tool of the professional manager, the operating budget is a means of examining past performance and forecasting a realistic picture for the future. Preparing the budget, therefore, is a careful exercise for the manager, and Mr. Hanford presents the elements of a typical budget.

Executive Talent Requisite for Property Management
Samuel M. Budwig Jr., CPM Page 242

Mr. Budwig discusses the importance of professionalism in the field of property management. He comments that "once a tenant occupies a building, he should be a client for life." In order to achieve this type of success, both executive and supervisory personnel must provide the best service possible.
Nothing is static in the real estate picture. That includes property management . . . and should include you. When the building's completed, the management job has just begun.

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We challenge you to look around, notice the changes—decide where you stand and just where you’re going.

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You can’t just stand there . . .
William Walters, Jr., CPM, is 1971 President of the Institute of Real Estate Management. He heads the William Walters Company and the Capital Real Estate Management Company, both of Los Angeles. For more than 12 years, Mr. Walters has been a member of IREM's courses faculty, serving as chairman of the Education Division during 1966-69. He is also a past president of the IREM Los Angeles Chapter. Mr. Walters is a graduate of the University of Southern California with a degree in business administration.

"Change" is an important word in the vocabulary of those of us in the real estate business and an essential element in our business lives. Our business is constantly changing . . . new ideas are introduced . . . old ideas are improved . . . we innovate, alter and modify as situations demand.

Those of us in real estate must look upon change as an opportunity. If it weren't for change, our business would be a very dull game, indeed. When we experience change in the cost of money; change in the supply of housing; change in population; change in the cost of operating property; and change in the government's regulations toward real estate, we are experiencing opportunities to compete in a very interesting and challenging game called real estate.

Changes during the last few years have created a shortage in real estate management talent. By this I am not referring to the rent collectors but rather to those people who have acquired the experience and have the ability to perform the executive management function.

Since 1960 we have developed an enormous amount of income property in the United States. Witness the office building construction in any city. Apartment construction is now outstripping single-family home production as we add to the nation's housing supply. Shopping centers, mobile home parks, industrial and office parks are all experiencing tremendous growth.

Our needs for new real estate during the next 10 years are going to be equally as great. However, the supply of professional property managers has not kept pace with the growing supply of real estate; there is now a shortage of competent real estate managers.

This supply must increase and those who are already in management must continually improve their capabilities if they are to meet the challenge of these new opportunities. One of the goals of the Institute of Real Estate Management since its founding more than 35 years ago has been the advancement of knowledge in the field of professional real estate management. Today, IREM offers many educational opportunities through its national courses program, local seminars and frequent publications, all of which are aimed at keeping us fully informed as to the changing real estate picture.

Take advantage of these learning opportunities to better adapt yourself to new attitudes, new viewpoints and new challenges in management. Those with experience have a head start on those who do not. The demand for management services is there—waiting to be filled.
The field of low-income housing is one that is going to become increasingly important for CPMs. We’re going to see more and more subsidized programs for multi-family housing in one form or another, and since 1967 efforts have been made to instill professional management techniques into these HUD programs.

For all of their programs in all of these years, HUD has very carefully and in minute detail told everyone connected with the program exactly how to build it, exactly how to design it, exactly how to cost it. They told you everything about it and then when it was completed, that was the end of it. Nobody ever talked about management. But it is only through management that these projects will be successful. Properties will go down the drain unless many aspects of professional management operation are instilled in all of the people involved in these programs.

We’ve come a long way in management. In the ‘30s management people were rent collectors and that’s all they were. Then IREM, through its distinguished members, started upgrading management to the point of our present professional status. But we have to go further than that.

In low-income housing we must add to professionalism a practicing art of being a sociologist or a humanitarian. We are involved in human dignity in these programs. Any of you who are going into the consulting business in low-income housing with certain fixed ideas, such as the profit that can be squeezed out of a piece of real estate, forget it. You’re injuring yourself and more importantly the people who are living in these projects.

I believe very sincerely that anyone representing himself as a consultant in low-income housing must abide by a motto from the YMCA that my sons have tacked up on the bulletin board of their bedroom: “God first, the other guy next, and me third.” That’s the kind of management necessary in this field. It’s the business of human dignity.
THE NEEDS OF THE RESIDENT

I'd like to describe a few criteria necessary for anyone setting himself up as a consultant, and they can be broken down into three main areas. The first deals with the needs of the resident.

There are three primary goals here: shelter, privacy and safety. In addition to that, the resident (not the tenant—change your terminology, put human dignity into it) wants a security of longevity. He wants to be sure that he can continue to live in a building if he properly conducts himself, is properly motivated, and has an interest in his overall community.

He is looking for a standard of living, another goal that you must have in the back of your mind. He is interested in a sense of community. He wishes to be involved.

Residents must know that they have not been isolated and set aside into some new ghetto area. They must be considered as customers. These people are customers at a retail establishment and we must respect them as such.

There has to be a fair rent and by that I mean the rent has to be adequate to maintain the property as these people want it to be maintained. We should not be intimidated by tenant councils. Residents should have a voice in management but not an overall controlling voice. Until adequate training of the residents is completed, their complaints should be heard and attended to but they should not have complete control of the property. There should be a system of redress for them. If the resident manager has set up rules and regulations that are contrary to all fairness, he should be corrected.

Finally, there should be a continuity of operation so that the residents know no matter who is in the management role, they will have a good residence in which to live.

THE NEEDS OF THE OWNER

As the consultant for the owner, let's look at the project—regardless of whether it's a not-for-profit or a limited profit project—from the owner's needs. The first item is a return on investment. This refers not only to dollars but also to people because this is an investment in people as well as property.

For those of you interested in the 236 Program, the 6 percent limited dividend is a misnomer. If you're going into the FHA programs and advise your clients that they're going to get 6 percent return on a calculated investment by the FHA, this is an incorrect assumption. There has been no satisfactory experience of operating expenses for these properties as yet. Perhaps in a few more years we will have this critical background, hopefully, through an addition to IREM's Experience Exchange made possible by cooperation of HUD and their national records.

If you turn loose a new 236 without a social director to instill in the people a pride of residence, the place will be beaten to pieces in a very short period of time and operating expenses will rise accordingly, possibly resulting in a negative cash position. The tax shelter will be there, which is what investors are buying, but don't let them expect a 6 percent return. There must be an enhancement of value—you can't have a downgrading of value.

We all know what happens when the cash flow on repairs is cut. The property gets progressively worse and unless there is spending to bring it up again, there is no enhancement of value over the years, only a decrease in value.

There should be a pride of ownership. Regardless of whether it's the XYZ church or a limited partnership made up of doctors from around the country, there must be a pride of ownership, coupled with a pride of residency on the part of the residents. There should be future benefits put into this, too, on behalf of the owner whether it is in dol-
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lars or in people. Lastly, the owner, like the resident, needs continuity of operation.

THE NEEDS OF MANAGEMENT

Now let's look at management's needs. You must counsel the project so that you put the property together with a consideration of others. Establish a management plan calling for a respect for the property, for a control of children and pets, for example. If the trend today shows projects having 50 percent of their residents under the age of 13, that's fine, but don't let FHA tell you they can't give you any funds for playground equipment. We've been through that once ourselves and now we're buying railroad ties and nailing them together—anything to keep the kids away from the storm doors and throwing mud at the walls of the building, etc. The FHA has come far but they seldom listen to management problems.

You should be sure that there will be reasonable use of utilities. Again, a word of caution and counseling. The FHA may want to tell you that the project will supply all utilities. In many projects the residents have never used air conditioning before. Have you ever seen a 90° summer day with the patio doors wide open and the air conditioner going? Who's paying for that? One suggestion is individual electric meters. One of these days FHA will change its policy, but don't let them sell you on $25 a month for all utilities when you know it's going to cost $40. That should be built into the rent and the FHA can do this.

There should be an understanding of management's role on the part of the owner and also of the residents. Generate a respect for housekeeping, not just by writing and handing residents a set of rules and regulations on how to operate a garbage disposal and air conditioner and how to turn on the hot water heater. The job calls for a resident coordinator, somebody who is sociologically oriented to assist these people.

I'm not saying the residents are ignorant people—quite the contrary—but they have problems that are not usual in higher rental conventional housing. Too many socially-oriented programs have used them as guinea pigs. Organizations come up with some kind of a program and they try it on them, and these people are getting tired of it. They need somebody to sit down and discuss an individual case and help them with it.

Up till now, not one FHA program, however, permits this expense for a resident coordinator; until this is built into an FHA 2013 you should recommend to the client that there be a resident manager and an assistant, and the assistant manager can function in this resident coordinator role. Until it can be laid out in the open, this is the only way you can do it.

Management should have freedom of action by ownership. It should not be hamstrung—"you can't spend this, you can't do that," etc. If we're professional managers, we should know what is best for the owner, the residents and the property.

Management should have the ability to make decisions and in this particular category, it should be charged with realistic financial goals. Those who have operated FHA projects and have seen the annual budget sheets know what I am referring to. Many local HUD offices are completely unrealistic in their consideration of these annual budgets. Management must also be responsive to mortgage requirements. You have to pay the mortgage and abide by government legal requirements.

We are working with HUD to require management that is professionally oriented and we are very enthused with the progress that's being made. But there must be training both for the on-site resident manager
and the management executive who sits in his office and has his employees take care of the property.

QUALIFICATIONS OF THE MANAGEMENT CONSULTANT

Let's take a look at the qualifications for this development counselor. He must understand the population that is to be served. He must have management experience. He must have a sociological perspective. Low-income housing isn't operated the same way we have done things in the past. This is an entirely new field. The old format of management, which is still good and highly successful for conventional property, is not successful for low-income management.

The development counselor should be comfortable with statistical analyses in order to study populations trends, job centers, government reporting forms, etc. He must be innovative and a self-starter.

Additionally, he should have some detailed construction background. Too many of these projects being built are knocked apart in a short period of time. How many times have we seen architects and the FHA architectural divisions agree on a set of plans that turned out to be completely wrong from a living standard.

Maintenance innovations as well as social service innovations are necessary so this man must be adept at reading and interpreting blueprints. What do you do when you have four or five kids living in one apartment? How do you design the stairways? Somebody must be able to interpret drawings. Performance skills also must be acquired along with the ability to apply the latest technical progress.

The property management consultant has to be involved from the original inception of the project. He should pass on the site selection. There's no sense constructing low-income housing where there are absolutely no transportation facilities just because someone wants to spot these buildings around the community and let them all be upgraded by a rubbing-off effect.

The management man must be able to create the feasibility report. He must be in on all of the predevelopment counseling with the architect and the sponsor. He also must be around during construction so that he can make slight modifications, and he must be involved in the rent-up program. This is the background and areas in which the consultant and his expertise can be most effective.

CONCLUSION

I want to conclude by quoting from an essay written by a man in my office who has been with us approximately one year. He is 28 years old and has a degree in education. He has had no management training other than what we've given him. This is what he wrote:

"The question constantly arises when managing low or moderate income housing to the effect that why don't they, the tenants, take care of this new apartment when it's better than anything they've ever lived in before. It is a question asked many times before and it is a vital one which must be answered if management is to be successful in its goal and ownership interests protected.

"The answer goes deeper than the often heard 'they don't know how to.' That answer is somewhat pertinent but only touches the frosting on the cake. To a low or moderate income tenant a good apartment is one that is a vital one which must be answered if management is to be successful in its goal and ownership interests protected."

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"The answer goes deeper than the often heard 'they don't know how to.' That answer is somewhat pertinent but only touches the frosting on the cake. To a low or moderate income tenant a good apartment is one that will provide shelter from what is often ruled an adverse climate and an adverse social environment. They feel the environment controls them rather than being in control of the environment in which they live. Because they feel they have little control over the
environment, their attitude toward themselves and others takes a very marked stance. "It is this attitude toward life in general which we must understand and hopefully change to one more in consonance with society in general. We would do this not only with the idea of bettering our chances of matching the management goals but also modifying life styles so that the tenant will feel he is more the master of his ship.

"Just what is this life style that poses such a challenge to us as owners and managing agents? We've already mentioned a lack of control over the social environment. This leads to feelings of hopeless futility regardless of what one attempts. The tenant feels he will either 1) fail or 2) be taken advantage of. This in turn encourages an attitude of—to put it in the vernacular—'I'll get you before you can get me.' In addition to hopelessness, the tenant feels hostile. The owner/agent is the establishment. He IS the immediate environment. Therefore, he is the one who will take advantage of you, the tenant, and so he is to be resisted as a member of the status quo.

"We as owners, therefore, never start out on neutral ground in the tenant's eye. We begin on a par with them. 'Those who repress us ought to be resisted.' It is understandable that there is in general a great lack of trust on the part of the tenants. You don't trust that which you don't respect or understand or fear. This, then, is the attitude and life style we face. The problems and conceptions or misconceptions are not unique to this group, just more prevalent and persuasive and suffocating.

"The one gleam of hope in this matter is that our tenants, beset by the overpowering environment surrounding them, do want help. This is a nebulous type of observation since they may seek help, someone to listen or offer advice on what to do, yet may not really believe help will be forthcoming. But they do come, opening the first door for us to respond. Our immediate response may be to help in the solution to the problem at hand while our larger goal will be to instill 1) confidence in the self so that one may begin to manipulate the environment and 2) a belief that the owner, the establishment, can be trusted. In this way at least the tenant begins with a neutral attitude toward ownership, and a positive or negative response will be generated by what ownership does or doesn't do for the tenant rather than what ownership represents."

When you talk to sponsors, whether private and profit-oriented or not-for-profit oriented and low-income, this should be the main thrust of your management as a professional.

William C. Haas, CPM, is owner of William C. Haas & Co., Inc., Kansas City, Mo., a real estate management and consulting firm. In 1968 he served the Institute of Real Estate Management as its national president and presently serves on its Governing Council. Mr. Haas has been a director of the Real Estate Board of Kansas City and is also a past president of the Building Owners and Managers Association of Kansas City. He is a graduate of New York University.
Management Training Programs For the Hard-Core Unemployed

by J. Clair Lanning, CPM

Our firm became involved in establishing training programs for the so-called “hard core” unemployed in a round-about fashion. For the past six years our community of St. Petersburg, Florida has had a State Statute requiring a referendum vote before the construction of any public housing and it was impossible for a referendum to be held at that time which would permit public housing.

Therefore, it was necessary for the Mayor to appoint a Minority Housing Committee to comply with the “city’s workable program” so that federal funds could be obtained. He challenged the community to work with private industry and charitable groups to provide housing for the economically disadvantaged groups.

In our community we have two minority groups which were desperately in need of “good housing” within their economic capabilities. One minority group is the black people (over 21 percent of our population is black); the other minority group consists of those over 65 (which comprises 35 percent of our population). These two minority groups added together, of course, made a majority of our population. It was necessary to survey and decide how many units would be needed. After much consideration, it was decided that 2,000 units of some type of federal housing would be necessary. Fortunately, with the 1964 Housing Act and its subsequent programs, we have been able to meet the needs of our community through private enterprise and charitable organization sponsorship.

Early in this program, our firm had to decide where we fitted in the over-all picture. Up until 1968, we had assumed one thing, that the 1964 Housing Act meant integrated housing. We went on this premise, which was very difficult to accept in a southern city. However, most of our population have agreed with the premise that they must comply with the law.

Much to our surprise, late in 1968 we had riots. We found out that some of the black people did not wish integrated housing as we had thought; the people in our black community wished to manage their own property. So it was necessary to change our planning and accept this new challenge.

Fortunately, at this moment, a New England charitable foundation contacted us because of its interest and willingness to invest in a home ownership program for members of our black population who were unable to obtain housing in any other manner. It was also willing to subsidize some of our training program. We contacted the National Alliance of Businessmen and through their JOBS program we were able to obtain training contracts subsidized by the Department of Labor.

In recruiting for our training program, one
Consulting Services con’d.

of the first problems we found was that our normal employee application form was absolutely worthless. Too many people had police or prison records, too many needed assistance in filling out the forms because they couldn’t read or write. We felt the latter could pose many problems—if a load of janitorial supplies was sent to a building, the employee would be unable to tell, for example, whether the invoice was for nine brooms or three brooms.

Therefore, it was necessary for our Federal Government contract to start with an education program. We were able to make an agreement with our local school system to teach reading and writing in our employee training program and those needing this training spent approximately ten hours per week learning to read and write.

We also find that many of the people in our training program need constant motivation in order to fulfill their training requirements; therefore, our contract called for a psychologist and/or social worker to assist them. The social worker was able to reach and communicate more quickly, for we found that although we could talk and talk and talk, we got little results because someone was talking at them and not with them. The social worker worked out such things as babysitters, what transportation was necessary to get to and from work on time, absenteeism, etc.

We set up four training programs. The maintenance program, lasting for a period of seven months, takes the trainee through all phases of work needed in the residential apartment building including elementary plumbing and electrical maintenance. We receive $2,230 from our JOBS contract for the training of each maintenance employee.

The resident manager training program takes the trainee through the process of general maintenance of the building, supervision of personnel, the preparation of reports, showing vacant apartments, collection of rents, the reconciliation of money, and making of bank deposits. We are paid under our JOBS contract $1,818 for the training of each person.

The third program is a general office training program, where the girls are taught to answer the telephone, accept monies, file, and use the various business machines. We are reimbursed under our JOBS contract $1,883 for each person trained.

Our last program is called an upgrading program. We take graduates from our training program and give them an additional 20 weeks training to advance them to what the government calls a two-position level rise. In other words, a resident manager may become a building supervisor having several buildings under his jurisdiction.

So far the graduates of our training program have successfully held jobs with increased responsibility. These people came from urban areas that had no opportunities whatsoever. Most of them had not completed their education and many not even elementary schooling. Some had police or prison records and long histories of being unemployed. I am not trying to tell you that these people now are qualified to become CPMs but they are on the payroll. They are paying their own way and are not charity cases.

We are very proud of the accomplishments of one woman who went through our program. Before coming to us, she was a motel housekeeper. Today, after completing all phases of our training, including that of resident manager, she manages three offices and sits on the executive committee of our
organization. After four years she has advanced herself tremendously and has become a person of real attainment.

I am not saying that every person we have ever hired or trained turned out this way but we find that one out of every four completes our program. If you take a national average of any program for hard-core unemployables, we are sure that 25 percent is a high ratio for completion.

Our motives for going into this program were not all altruistic. For a number of years we have built under FHA's 221(d)(3) rent supplement program and BMI projects, as well as the 236 Program. We have also worked with senior citizens groups on retirement housing and, of course, we enjoy a 1 1/2 percent fee on the total cost of construction as a consulting fee.

In regard to senior citizen housing, we first of all found out there were no available trained personnel to manage the completed housing. Secondly, even though a senior citizen had been a successful businessman, it did not necessarily follow that he would be a good housing manager (although they all felt that they could be). So we also have a special training program for retirement housing.

We have recently employed two college graduates, one a social worker and the other a business administration major. We hope that their training in our office and various programs will orient them so that they will be of assistance in training other personnel in this field. Our only problem is retaining trained personnel because their new expertise is in demand by other employers.

We feel that our training program is a simple operation. Anyone in the management field who is willing to take the time and is motivated to get into this program can do so by signing a contract with the JOBS Program of the National Alliance of Businessmen. You will find that you are courted tremendously to set up a good program for this kind of work. We found that the private sector—nonprofit charitable foundations, etc.—were all anxious to be of help and perfectly willing to underwrite more than our cost.

We also found in our lower rental housing where our trainees are placed that maintenance costs have dropped from 37 percent to 22 percent in a matter of four years. I am not that smart—I know better than that! It was these people and what they have learned and have taken back to their jobs.

So I suggest that you consider these programs and join with us in employing and training the so-called hard-core unemployable.

J. Clair Lanning, CPM, heads both Real Estate Management Company, St. Petersburg, Florida, and C. Lanning Associates, Management and Industrial Engineering. He has been an advisor on management to the government on several of its housing programs and his experience has encompassed over 40,000 such housing units. He has served as chairman of the St. Petersburg Housing Committee and has been a director on his local Real Estate Board. He is the immediate past president of the Tampa Bay Chapter of IREM and this year serves the Institute as chairman of its Seminars and Accredited Programs Committee.
More than Managing the Office Building by Arthur W. Diemer

It's been said that we live in a world of rapid change. No longer do we accept trite, stereotyped ways of doing things. Even the real estate industry is being challenged to conjure new approaches to improve the plight of those we serve, whether it be in housing, urban renewal, or revitalization of the industrial/commercial properties in a community.

Further, we are being confronted with a highly competitive society, not only internationally but regionally within our own country. Economically, there are many areas that have been hard-hit during the current business slump. In order to attract industry to a particular area, we must be able to counteract negative influences for a healthy economy. Growth depends upon a vibrant national economy and particularly in the locality in which we are working.

Lowering the cost of doing business is vital to our economic survival. We must find ways to lower taxes; slow down the galloping inflation in the construction industry; allow a liberalization of building codes, and achieve better cooperation among construction trades in accepting factory-made building components. These are but a few ways to proceed.

This preface may seem to be a circuitous route to get to the subject of office building management, but I want to put it into a bigger perspective—it's more than managing the office building. It is a dedication to the idea that all of us who are in the real estate industry should endeavor to make our communities better places for all citizens in which to live, work and prosper.

In developing a property management department to service any property type, be it office building, industrial park, shopping center or residential complex, some objectives must be established. What is the expected volume of business? Must you manage only one building or 20? Will it be concentrated in a two-block area or extended to several cities? Will the manager be involved with leasing the space? These are but a few of the questions that must be considered in organizing a property management department.

Our firm, which is a national developer of industrial parks, office buildings, shopping centers and now residential property, has established a property management department to service these properties and here are some of the goals we have set for the department:

- To operate and maintain newly developed office buildings.
- To lease space that becomes vacant after the initial leasing (the initial tenancy is handled through the commercial sales department).
- To serve as consultants to the commercial development department in reviewing drawings and specifications and to assign a member to the design development team.

PERSONNEL

Once the objectives are established, then organizational structure and staffing are considered. Each building must have a building manager. The ideal candidate for this position is a graduate engineer with a business degree who has Dale Carnegie's ability to win friends and influence people! (When you find such a person, let me know.) He, in turn, has as his key assistants a chief operating engineer, who is responsible for the mechanical operation, and a night superintendent in charge of the security and cleaning functions. The need for a capable secretary is a foregone conclusion.

If the building is large, the building manager can justify having a tenant construction coordinator on his staff. This person provides assistance to the tenants in coordinating and implementing their extra service requests, such as office alterations, authorized by the tenant on a work-order basis. All of the above-mentioned people are located in the building for which they are responsible.

The general administrative offices of the property management department consists
of an officer in charge of the entire department. He in turn has one or more staff consultants, experienced in mechanical-electrical functions and overall custodial and security problems. They are on call by any of the building managers to assist in setting up their staffs or to trouble-shoot any difficult problems.

A separate accounting department provides the back-up services required by the management department.

We space our projects so that a new building comes on stream about every year and a half. This allows for good planning of personnel development and advancement and allows us to train people with basic qualifications to our methods and procedures.

Stimulate and encourage your employees to further their education in subjects that will help them advance in their job. Demonstrate the company's sincerity by paying for part or all of the tuition. Seek suggestions from them as to how a building can be run smoother and more economically. They will welcome your interest and confidence in them. They will be far more cooperative in having new programs implemented if they take part in the discussions and development of these ideas and procedures.

We have instituted a bonus plan for all of our property management department employees. Essentially, it is a distribution of up to 50 percent of the profits that the property management department generates. These profits come from two sources: management fees in excess of our cost for providing managerial services and the profit from markup on work orders we do for extra tenant service. The exact amount of the bonus distributed depends on our ability to keeping operating costs below what normal escalation or inflation would cause them to go and upon ratings that tenants make on our performance.

We send a Performance Evaluation Sheet to each of our tenants, asking them to rate us on the various facets of our operation. This affords an excellent opportunity of communicating with the tenants and being better able to understand our weaknesses and strengths as well as some of the deep-rooted gripes annoying the tenants.

This approach towards our personnel has been most rewarding to everyone. Our personnel are highly dedicated and loyal; they know that they will be liberally rewarded commensurate with the effort and cooperation they put forth. They take the initiative in proposing new ideas because they are highly motivated.

**CONTRACT SERVICES**

Our policy has been to contract for services such as cleaning, security and elevator maintenance while maintenance mechanics and watch engineers are on our own payroll. The reason for this split is that much more managerial time is required in hiring and administering the large number of personnel required for cleaning and security. The turnover in this group is usually very high, creating an inordinate amount of paperwork.

On the other hand, we want to be personally involved in selecting a highly competent maintenance staff which will give us the assurance that millions of dollars of mechanical equipment are being properly operated and maintained at peak efficiency 24 hours a day, seven days a week.

Using contract services requires keeping close control over the contractor. In cleaning, for example, the night superintendent should work out an annual schedule reflecting when various periodic cleaning is to be done; this is to be initiated by the cleaning contractor when the work is actually done. Random inspections by the night superintendent can verify whether this work was done when claimed.
Soaring office towers such as the Marine Midland Center Tower (left) and the New England Merchants Bank and Boston Company buildings, Boston (below) demand efficiency in management as well as in design and construction.

It is also important that a Standard Cleaning Quality Level Rating Form be developed which allows the night superintendent to inspect and rate the overall quality of cleaning on any one floor. This scoresheet is used in a penalty formula in the contract. Our contract for cleaning is based on a firm price, with credits allowed for any office vacancies. It also provides a penalty for unsatisfactory performance. In essence, the penalty is 5 percent of the billable amount per month for each point below the acceptable quality level rating of 85. This approach aids in motivating the contractor to perform at acceptable levels.

RECORD KEEPING

Cost budgeting and control are vital to good management. The building manager is responsible for establishing the operating budget. We have a standardized accounting format for all of our buildings. Monthly we receive a computer print-out of current month’s actual expenses vs. budget vs. a year.
**STANDARD CLEANING**

**quality level rating form**

**Building Location:**

<table>
<thead>
<tr>
<th>ELEMENTS</th>
<th>CLEANABILITY</th>
<th>REMARKS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FLOOR:</strong></td>
<td>Standard</td>
<td>Deficiency</td>
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<td>Proof of Quality</td>
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<td>Carpet</td>
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</tr>
<tr>
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</tr>
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**SAFETY & COMFORT LEVEL:**

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<th>Overall</th>
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<td>2.0</td>
<td>3.0</td>
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<tr>
<td>1</td>
<td>Tenants Area</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>2</td>
<td>Public Area</td>
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</table>

**OPERATIONAL EVALUATION CHECKLIST**

- **ITEM NO.**
- **REMARKS**
- **CODE**: "E" EXCELLENT; "A" ADEQUATE; "D" DEFICIENT;

**ARCHITECTS/E ENGINEER:**

**BUILDING BEING EVALUATED:**

**PROPERTY MANAGEMENT OPERATIONAL EVALUATION CHECKLIST**

<table>
<thead>
<tr>
<th>LOCATION:</th>
</tr>
</thead>
<tbody>
<tr>
<td>ARCHITECTS/E ENGINEER:</td>
</tr>
<tr>
<td>EVALUATED BY:</td>
</tr>
</tbody>
</table>

**CODE LEGEND:**

- **1. BUILDING**
- **2. LOCATION**
- **3. SITING OF BLDG.**
- **4. WATER SUPPLY**
- **5. SEWERAGE**
- **6. ELECTRIC POWER**
- **7. FIRE PROTECTION**
- **8. POLICE PROTECTION**
- **9. PUBLIC TRANSIT**
- **10. POWER**
- **11. STREET LIGHTING**
- **12. WALKS**
- **13. CURB**
- **14. MATERIALS**
- **15. ALUMINUM**
- **16. BICKEN**
- **17. BRICK**
- **18. INMETAL**
- **19. STAINLESS STEEL**
- **20. STEELWORK**
- **21. WOOD**
- **22. COPPER**
- **23. CONSTRUCTION**
- **24. HARDWARE**
- **25. STEPS**
- **26. FIRE**
- **27. WINDOWS**
- **28. FIXED**
- **29. INSULABLE**
- **30. FRAME**
- **31. WORKING FOIL**
- **32. WALLS**
- **33. FINISH**
- **34. WATERPROOFING**

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"CABOT CABLE & FORBES PROPERTY MANAGEMENT "

Evaluation of performance, be it of the cleaning staff, of general management or of the design of the building itself plays an important role in setting guidelines for the successfully leased office building."
ago the same month; it also shows year-to-date actual vs. budget. A report of rent receipts is also issued monthly. Utility costs and usage are graphed monthly to note trends and to highlight any unusual savings or excesses.

The chief operating engineer must maintain a complete set of records on every piece of mechanical and electrical equipment. These cards show all of the pertinent information about the equipment such as model number, manufacturer, year installed, electrical and/or mechanical characteristics. The reverse side of the card shows the recommended frequencies of preventive maintenance and estimated manhours to perform the task.

By estimating the total annual manhours for routine preventive maintenance, the engineer can determine his staff size. He also will be able to master-schedule the work over a 12-month period and achieve a balanced work load. The repair record card is kept current to reflect the total history of repairs on each piece of equipment.

**TENANT SATISFACTION**

Obviously, the success of our business depends on having satisfied tenants. It is best to develop a good rapport with the tenant prior to his moving into the building. Since this will be a very difficult and trying time for him, show him that you are interested in helping him get settled.

Many tenants might have been comfortably entrenched and endeared to the building they’ve occupied for the last 30 years. Now, if the old building is being razed for a new skyscraper, they will be in a state of turmoil about moving. It takes a lot of hand-holding with these people because they haven’t experienced such problems in many years. They need guidance in selecting new accommodations and in dealing with their space planner and moving companies.

The tenant may also become resentful and distrustful during the leasehold improvement stage. He often feels that the costs for these improvements are excessive, and the construction punch-list items never seem to be done fast enough to satisfy him. It is all the more important for the building manager to be extremely tactful in developing and maintaining the tenant’s respect and confidence at the outset and to be especially attentive to his needs in the early move-in stages and building shake-down period.

The building manager should help in coordinating the tenant’s move by making sure moving vans for several tenants won’t be competing for the limited loading dock space at the same time. Send the tenant flowers with well wishes for success in their new space in your building. Personally inspect the tenant’s premises on opening day to be sure his needs are provided for, and see to it he gets a packet of pertinent information about the building and instructions for emergency situations.

**SUMMARY**

Property management is more than managing the office building. Our management department endeavors to collect all vital information regarding construction and operating costs for the buildings under our supervision. We analyze this data and then determine which design and system will give us the best product at the lowest possible cost.

Shortly after we open a new building, we complete a five-page operational evaluation checklist which lists all the good points or deficiencies experienced with the design and construction of the building from an operating standpoint. This information is forwarded to the building manager, to the architect and contractor and to our design development team. This team is comprised of a representative from the management department and the commercial development department and the general contractor. It sifts and sorts all of the information on past experiences in outlining specifications for new buildings.

I would be remiss if I did not discuss briefly the concept of escalation formulas in leases. These are absolutely necessary to protect the owner’s financial position. The conventional formula used in recent years is that the tenant pays his pro rata share of the tax and operating cost increases above an established base. The operating expense is generally defined as all expenses entailed with the operation and maintenance of the building, except for items such as capital
improvements, which are excluded. This method becomes difficult to administer, particularly if there are variable vacancies in the building throughout the year.

I prefer to use the Consumer Price Index for an escalation formula. For every one percent increase in the current Consumer Price Index over the base Consumer Price Index, the rent would be increased 3¢ per square foot. The advantages of this method are that it is simple to administer; it eliminates controversy over charges to be made to operating expense; it ignores the fluctuations in expense of major equipment repairs; and it allows the building manager greater incentive to make capital improvements, such as installing a heat exchanger in order to reduce the steam costs. The latter would justify the landlord's making a capital investment if he could benefit from the savings in operating costs. Another new flair to escalation formulas is to utilize the Consumer Price Index to increase the value of the owner's equity investment.

In addition to managing an office building, an apartment house or any other type of real estate, the property manager should have a deep-seated sense of responsibility to society and the community as well as to his client. He should apply his energies and talents toward these responsibilities to help build and manage better housing and office buildings that will enhance the community. He should help keep the cost of these improvements to a minimum by exhorting the cooperation of government officials, planners, builders and labor unions in working toward this goal. Finally, he must recognize the need for motivation of people, whether it be his own building staff or others.

Arthur W. Diemer is vice president of the property management department of Cabot, Cabot & Forbes, Boston. He joined the firm in 1967 to establish its property management division. Prior to this, he was building manager for Union Carbide Corporation's headquarters building in New York City and manager of engineering and construction for the realty division of Union Carbide. A graduate of Dartmouth College, Mr. Diemer is a member of the American Society of Civil Engineers and former director of management division of the Real Estate Board of New York City. Currently, he is president of the Building Owners and Managers Association of the Greater Boston Real Estate Board.
One source has said that the first truly cooperative housing unit in the United States was started in 1918 by a group of Finish artisans in the Bay Ridge Section of Brooklyn, N. Y. A number of buildings were constructed or converted for cooperative use at carrying costs of less than half of comparable rentals.

At the present time there are more than a million Americans living in mutually-owned housing valued at over $5 billion and the growth rate of 10 percent per year shows no sign of abatement. Indeed, development of giant housing units such as Co-op City in New York indicates a more rapid expansion in the future than in the past. This then is an important, growing field in which the professional property manager must become intimately acquainted and one in which more and more opportunities will exist for on-site management.

COOPERATIVE CONSTRUCTION

The highest possible quality of construction should be insisted upon during the construction phase by the developers and purchasers. Although this would, of course, be a desirable feature for any new apartment construction (economics notwithstanding), it is particularly important in the cooperative. Air conditioning or heating installed below required capacity; poor materials utilized in bathroom construction; or cost cutting in plumbing or electrical installations will haunt the cooperative owner in increased costs for years to come.

The cooperative owners are responsible in toto for the repair, replacement or modification of common plant equipment, the structure, roof, recreational facilities, etc. It is now generally accepted that the cooperative association is obligated to repair faults in individual apartments which subsequently occur due to faulty or substandard construction. Often these faults occur en masse after the builder's guarantee has expired and he is long gone from the project.

These costs result in increased assessments to the cooperative owner who, of late, is already burdened with rising taxes and inflationary operating and maintenance costs. Many cooperative owners are retired people with fixed incomes and these persons often cannot economically sustain this type of assessment.

In regard to operating costs, close study should be given to a design which will reasonably insure compatibility of residents. It
is a mistake to construct within the same project units which sell for $100,000 per unit and those which sell for $40,000 or less. Both groups will share common areas such as lobbies, gardens, the swimming pool, etc., as well as maintenance, which may be considered minimal by one class and excessive by the other.

Affluent owners of higher-priced units expect and are willing to pay for more luxurious furnishings, better services, etc., whereas those in the lower-priced units resent and become downright angry about expenditures which they feel are unnecessary. In a co-op, expenditures are a matter of public record so that close scrutiny of the financial statement by the less affluent can be expected. Management is always in the middle if the co-op design permits residence of persons with widely divergent incomes.

In all matters pertaining to design and construction it would be wise for the owners to engage early the services of a property management consultant. A professional manager experienced in apartment operation can provide invaluable knowledge in avoiding the common pitfalls of parking inadequacy, security weaknesses, elevator insufficiency, excessive maintenance and operating costs, etc.

COOPERATIVE SALES

Even while the development is in its early stages and apartment units are being sold from blueprints and or models, it is important that the sales force be trained, first in cooperative ownership and secondly as to the quality of construction, furnishings and services expected upon occupancy. Experience indicates that the sales force is likely to paint a rosy picture: they oversell the advantages of cooperative housing, indicate services to be provided that are not in fact anticipated, and overemphasize the quality of furnishings and fixtures which turn out to be only average or for which substitutions are later made.

Overselling results in owner dissatisfaction which manifests itself in many ways; the manager generally bears the brunt of the owners' ultimate disillusionment. Many misleading or incorrect statements on the part of the sales staff stem from ignorance of cooperative ownership and lack of understanding of the project and its management rather than the production of deliberate fabrications. Constant training of the sales force by the managing agent is most desirable to promote a harmonious and satisfied residential community, which should be the ultimate cooperative objective.

DOCUMENTS

Professional preparation of the certificate of incorporation and by-laws, operating rules and policies, lease agreements, membership agreements, etc., is essential prior to occupation by the first owner. The by-laws are particularly important because it is the key document for future operation of the corporation. Considerable care should be exercised in wording provisions pertaining to meetings of members, authority of officers of the board, tenure of office, and defaults in contracts, among other provisions. Ambiguous statements or slip-shod preparation can result in much confusion at membership meetings and a considerable waste of time in attaining membership approval of essential courses of action on required amendments.

The general house rules are also important. These are the rules by which owners must generally conduct themselves within
the confines of the housing complex. Are pets allowed? Can grills be utilized on balconies? What are the provisions for care of public corridors, use of swimming pool and many other common facilities? Although violation of the house rules by a tenant in an ordinary apartment complex can mean cancellation of a lease, violation in a cooperative can result in termination of the ownership contract, a serious situation for all concerned.

In addition to these documents, it is well to prepare standard contracts for parking lease agreements, storage room utilization, etc. This standardization in as simplified form as possible will relieve management of many later headaches.

BOARD OF DIRECTORS

The Board of Directors is the elected legal representation of the owners for all matters pertaining to the operation of the cooperative; their power is limited only by by-law provisions.

The number of board members is somewhat dependent upon the size of the corporation but could be expected to be between 4 and 12. For a small cooperative, a president, vice president, secretary and treasurer are necessary. Larger cooperatives usually have, in addition, a 1st and 2nd vice president, corresponding secretary, assistant treasurer and other officers that appear to be required.

The two most important board members are the president and the treasurer. A strong president (regardless of the qualifications of management) is essential to the successful operation of a good co-op. Residents who for one reason or another feel they are not getting satisfaction from management turn to the president of the board for assistance.

Whether handling an individual, a group or a general meeting, the president must be a diplomat, patient of and respected by those whom he serves.

There is no single item of more importance to a cooperative than its financial affairs. It is essential that the officers include individuals of adequate background to analyze the balance sheet, the annual financial report and operating statements. The treasurer is probably as important in his position as the president.

Once elected to the board, a board member must spend time, time, time. Running a multimillion dollar establishment of any type requires a lot of planning, thinking and consideration. Particularly in a new co-op many decisions must be made which affect a number of owners. Such decisions must withstand the test of time, and in order to achieve acceptance, considerable care and thought must go into each decision.

MANAGEMENT

Much has been written and said about the advantages and the disadvantages of self-management vs. agency management. Looking from both sides of the fence, the solution is very clear. The best management for a cooperative is a good agency and a good policy-making board.

There can be only one management element. The board must stay out of the nitty-gritty and confine itself to policy-making and management evaluation. The tendency of board members to get into the specific operation must be discouraged; otherwise, distrust and frustration will ensue. It is absolutely essential that the board and the management agent work together. When they do, a cooperative will prosper.

Cooperatives of any size must have a resi-
dent manager. The resident manager of a large co-op should have an assistant and whatever staff is required depending on the size and complexity of the operation. Owners of cooperatives expect more from management. The service must be good and personal in nature; within reason it must be available 24 hours a day.

Therefore, the resident manager should have an assistant live-in manager to help cover the early evening hours and weekend problems. The rest of the staff in terms of size and type of positions is the same as would be found in any first-rate apartment house.

In a cooperative, however, there are differences in personnel matters that are worth noting. The pay is often higher for some positions and, consequently, the quality of employees is generally higher. The need for quality personnel to meet owner expectations calls for higher salaries. Another reason is the relationship between employees and residents (owners); owners have a habit of becoming possessive about “their” personnel. They become actively interested in the individual’s pay and protective about his employment.

There have been cases where management’s personnel policies were frustrated by the efforts of a small group of owners who pressured management into granting pay raises and retaining personnel against management’s wishes and good judgment. These are not serious situations as long as management maintains good personnel policies but they nevertheless do happen and cause a certain loss of personnel control.

As stated earlier, the authority of the Board of Directors over the cooperative and management is clear. The relationship between the committees of the board and the manager is also clear in principle, but not in practice. Ideally, a committee chairman would report to the board, that body making a decision on policy matters or providing guidance to the manager. From a practical standpoint, the manager and the committees work together constantly. On routine matters, the manager must follow the committee chairman’s instruction within policy framework. The cooperative manager then is not only dealing with members of the board but also with several committees.

The manager must also deal with a large number of owners. Although a tenant’s desires and a co-op owner’s desires are similar in nature and scope, a tenant will tolerate some maintenance, housekeeping and operating policies that a co-op owner will not. The reason for this is not necessarily pride of ownership, it is the leverage put on each owner of an “assessment” to cover operating costs. Human nature being what it is, each owner wants to be sure that he is getting his dollar’s worth and that his next door neighbor isn’t getting more than he is. The cooperative manager will find his “tenants” much more demanding of his own time and of that of his staff.

The handling of complaints of one owner against another requires delicacy on the part of management personnel. Although most complaints are trivial, animosities among owners can develop totally out of proportion to the situation. The wise manager will try not to let himself take sides but to investigate fully the complaint before taking any action and then to adopt a position supported by the Board of Directors and good logic. Trivial complaints are best disposed of by forgetfulness.

It is important that management or the board keep the cooperative members advised of matters of general interest. It is best to get the facts out before rumors get started. Cooperative members like to know that management and the board have their best interests at heart and they need to be routinely assured that this is the case.

Communications can be conducted in many ways. Annual meetings are open to all members. Some boards find it desirable to have occasional membership meetings to
discuss security, fire protection, finances, etc. A monthly newsletter to all members of the cooperative in larger projects is desirable.

MAINTENANCE RESPONSIBILITIES

There are basic differences between building and maintaining a cooperative and an apartment building. As a general rule, the cooperative association is responsible for maintaining the structure (including walls, doors, and roof) and individual owners are responsible for their units' interior and general upkeep.

Many of the facilities' services will probably be done by contract—for example, landscape maintenance, specialized engineering, swimming pool maintenance, security, etc. These services can also be provided if management hires its own personnel in these areas. Contract services may prove to be somewhat better than those provided by management. Most of the services contracted for are specialized in nature and some expertise is necessary. Also, many of the special services do not warrant hiring a separate employee; therefore, it is preferable for a contractor to provide for such work.

FINANCES

The most critical aspect of cooperative management is its finances. The initial budget is estimated on the basis of similar housing operation. It would be well for the initial board to obtain consulting services in this respect. Subsequent budgets are prepared in the fall for the next year. Preparation should include time for two board reviews.

Management has the responsibility for budget preparation as well as for monitoring expenditures as the budgeted year progresses. I know of no more important aspect of management than that of closely watching expenditures as related to the budget. Miscalculation can be detrimental to confidence in management as well as create the obvious problem of meeting obligations as they become due. At the inception of cooperative development a reserve fund should be established to meet unexpected obligations.

The treasurer of the cooperative must work closely with management in both budget preparation and expenditures. His astuteness, financial knowledge and planning ability are key factors.

The source of funds for meeting financial operating requirements is principally the "assessment." The assessment is a levy on cooperative members based on a per share evaluation of the cooperative buyer's unit. Most cooperative assessments have continually gone up the past few years as has everything else. A raise in assessment should be well considered and the owners should be advised of the reason for such increase before it becomes effective.

SUMMARY

This discussion highlights some of the more important matters pertaining to cooperative organization and management. It is a demanding commitment in terms of time and quality of performance. However, it is a field which will continue to grow and in which professional management can expand its opportunities.

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Managing properties held in trust for others places responsibilities on the manager that he would not have were he acting for himself or under direction of an owner. To this end, the following article is intended to serve as an introduction to the fundamentals encountered in handling real estate in trusts.

**TYPES OF ACCOUNTS AND PROPERTIES**

Before a property can be effectively discussed or dealt with, someone—be he called a trust administrator or a property manager—must ascertain the kind of account in which it is held. The manager must also determine what authority the bank has over the property, which can be determined from the type of account and the provisions of the instrument creating the account.

Property in a guardianship account is subject to court control. Property in a probate account may or may not be subject to court control. If the executor is given non-intervention powers in the will, the property is not subject to court control; if he is not given such power, the property is subject to court control.

The bank’s authority over property in a trust or an agency account is set forth in the provisions of the agreement. Normally, a trust agreement provides that the bank, as trustee, has all the rights, powers and duties given by law.

Some of the questions which must be answered before a manager can deal effectively with a property are:

1. When will the trust terminate?
2. Does the agreement give full power to deal with the property?
3. Are there any specific instructions in the trust instrument regarding the property?
4. Who are the beneficiaries, legatees, and remaindermen?
5. What are the other assets of the account and are they sufficiently liquid to provide additional funds as needed to maintain or improve the property?
6. Whose approvals (trustor, co-trustee, etc.) are required before final action can be taken?

Information concerning the property may usually be obtained, in the case of probates, from the will, the surviving members of the family, official records and the decedent’s attorney. After the information is researched and the real estate assets inventoried, the property manager in charge of the trust becomes responsible for the care, custody, maintenance, continuance of income pro-
duction and, possibly, disposal by sale of the property until such time as it is to be distributed as directed by the terms of the governing document.

It is axiomatic that adequate records be set up for the payment of insurance, taxes, and operating and other recurring expenses. Provisions are also made for rental collections and mortgage and contract receipts and payments. The property is to be inspected as soon as possible to determine its kind and character, and appropriate arrangements made for management and insurance coverage. Any leases or rental agreements in evidence must be examined and if vacancies exist, steps taken to obtain tenants.

Almost every type of property comes into the hands of a trust department property manager and the problems each presents require different approaches. Some of the usual types most likely to be encountered are residential, residential-income (single-family, duplexes, apartments, hotels), shopping centers, theaters, markets, warehouses, industrial buildings, office buildings, farms and ranches, and unimproved lots and acreages.

This wide gamut of property types requires varying degrees of knowledge and experience. While a manager should be experienced enough to handle the usual problems, he should seek expert advice and counsel when meeting a problem he is not prepared to assume. To proceed without full knowledge of the consequences of his acts can cause embarrassment to the manager and the bank. When in doubt, seek good counsel.

INSURANCE

After assignment of an account, it is first necessary to survey the property for adequacy of insurance. Trust property should be protected in accordance with standards expected of a prudent person. Consideration should be given to liability, fire, casualty and special types of coverage against hazards incidental to the particular type of property involved.

A physical inspection should be made, considering the following points as a minimum; the list can be expanded as needed:

1. Type of property.
2. Occupied or vacant.
3. Lease information (from leases).
   a. Hold harmless agreement.
   b. Insurance requirements.
   c. Fire clause.
4. General condition of property.
5. Type of construction and occupancy, including adjoining buildings.
7. Boilers and/or pressure vessels (horse power and pressures).
8. Rental income protection.
9. Other unusual hazards or loss potentials.
10. Plot plan and photograph—include distances between more than one building, square footage of each building.
11. Employees, including names, social security numbers, duties and salaries.

Most banks carry blanket public liability and property damage coverage and blanket employers liability coverage. Properties should be reported to the insurance clerk for coverage as soon as the details of the property are known. The existence of hazards such as swimming pools or elevators should be reported to the liability carrier as discovered. Liability insurance carried separately by the account in lieu of the bank's blanket coverage should be in line with the bank's limits.

If the account has insurance with a carrier other than the bank's carrier, the bank may continue such coverage to the expiration of the policy, provided that the limits of the policy can be raised to those of the bank's blanket liability policy. Other such policies should be continued for a new term only if their cost is comparable to that of similar coverage under the bank's blanket policy.

As far as commercial buildings are concerned, after the physical survey, a review should be made of existing insurance to determine if the coverage is adequate both as to amount and type. Staff appraisals are usually sufficient for small commercial buildings. For large buildings an insurance appraisal should be purchased to determine the insurable value as well as the replacement value of the building. If the existing policies are not adequate, coverage should be increased to conform to the recommendations contained in the insurance appraisal.

Existing policies should be reviewed to be certain that the rates give proper credit for the type of construction, automatic sprinkler systems and other factors that affect insurance ratings. If buildings are equipped with elevators and/or boilers, these hazards should be adequately covered. Rental insurance covering at least six months rental should be considered.

If the present tenants took possession of the building after the insurance policies in effect were written, it should be determined whether or not the present type of occu-
pany would violate any provisions of the policies. Consideration should also be given to the desirability of carrying insurance on the basis of replacement rather than on insurable value and whether the policies should contain a clause to provide for demolition insurance in the event of a fire loss.

A percentage of residences coming into an estate or trust are found to be underinsured. This is sometimes very apparent even before any kind of an appraisal has been made. In such cases it may be advisable to increase the coverage pending receipt of an appraisal. This can be done by arranging for temporary coverage at a more realistic amount.

Package policies, usually called "homeowner policies," only apply where the dwelling is owner-occupied. They can be used in voluntary trusts and in some testamentary trusts where the occupant is the income beneficiary. These policies should be endorsed to show the bank in its fiduciary capacity as the named insured as to buildings and should specify the insured as to other coverages. Package policies in probate estates usually can be kept in force during the probate period, providing the house is being bequeathed to the occupant. In other cases, the package should be cancelled and a separate policy issued pending sale or distribution.

On notes and deeds of trust secured by improved property, the executor or trustee should have evidence of fire insurance with a loss payable endorsement attached in favor of the bank in its fiduciary capacity. The coverage should be at least equal to the amount of the loan; in cases where the coverage is written with an Average Clause, all policies that are in force should be obtained. Where the fiduciary is first mortgagee, original policies should be secured.

On unimproved real estate, whether a city lot, farm or grazing land, proper liability insurance should be carried. Fire insurance on range land may be important when there has been a prolonged dry spell and the danger of fire is great. If land is rented to another person on a crop-share basis for field crops, crop insurance may be required.

Other types of insurance coverage to consider include:

Demolition Insurance—designed to insure against the additional cost of demolition of a partially destroyed building.

Earthquake Insurance—this insurance is added to the fire policy and must be written in the amount of the fire contract and contain a mandatory deductible amounting to 5-10 percent of the building value. The cost of this insurance is extremely high in proportion to the cost for fire insurance and as a result not written on a wide scale.

Burglary Insurance—designed to cover loss arising out of burglary or theft either on or off premises.

Business Interruption Insurance—this form of insurance pays for loss of income and continuing expense brought about by an insured peril. Coverage is usually confined to fire and allied occurrences. Premium is predicated on gross receipts, and if payroll is included, on the amount of payroll expense.

Extra Expense Insurance—designed to pay additional expense over the normal operating expenses of a business. The perils insured are again for fire and allied perils which render the premises untenable and require the insured to seek another location. The resultant additional expense over his normal operational expense is paid for under this form.

Rental Income Insurance—provides coverage for loss of rents resulting from perils insured against and in an amount representing a percentage of the total annual rental income. The amount of rental income received is determined by the time required to replace or repair the damaged property.

Plate Glass Insurance—provides for replacement of plate glass due to cracking or breakage other than through fire loss.

Sprinkler Leakage Insurance—provides coverage against damage to property including merchandise and fixtures arising out of the accidental discharge of automatic sprinkler systems.

There are a number of commonly used clauses and conditions; the following are a few examples:
Average or Co-Insurance Clause. This is a warranty in the policy whereby the insured agrees at all times during the term of the contract to maintain insurance in a specified percentage of the actual cash value of the insured property. In consideration for maintaining this specified amount, the insured is allowed a considerable reduction in rate.

If during the term of the policy the insured does not maintain the amount stipulated in the Average Clause, the insured becomes a co-insurer for the deficiency. In the event the insured fully complies with the clause, there is no deficiency and he would collect the full amount of the loss.

The Average Clause deficiency applies only in partial losses. If a total loss occurs, the insured would collect the full amount of the contract, even though he is deficient in the amount of insurance carried.

Actual Cash Value. The obligation under the standard fire insurance policy is that the company will repair and replace the damaged property with like kind and material, subject to exclusion for depreciation and obsolescence and specifically excluded property.

Replacement Cost. The insurance company’s obligation is to repair and replace with materials of like kind and quality with no consideration given to depreciation or obsolescence. This coverage is many times referred to as depreciation insurance since it in effect insures the depreciated value. This becomes very advantageous in partial losses since there would be no contribution on the part of the insured for payment due to depreciated value. One of the conditions in replacement cost insurance is that the insured structure must be rebuilt on the same site.

Contract of Sale Clause. Insurance policies covering property sold under a contract of sale should include a contract of sale clause naming the vendor and vendee, in addition to any loss payable clause which might also be a part of the policy.

Upon acquisition of a real estate mortgage or contract, the manager should immediately review the fire insurance coverage. All policies covering the property should be con-
current as to form and coverage. Consideration should be given to the Average Clause and any other conditions that might limit or nullify the coverage. Amount of insurance in force should be checked to see if the insured is in compliance with the Average Clause warranty and to determine if the loan balance is adequately protected. Fire insurance policy or policies should be endorsed with a loss payable clause to the favor of the bank in its trust capacity. Should there be more than one mortgagee, it would be well to make certain that the policy contains an order of precedence clause indicating the first and second mortgage.

LEASING

Negotiating a lease most advantageous to the trust is undoubtedly one of the most challenging and rewarding accomplishments for the property manager. Of all aspects of real estate activity, leasing is the most complex, especially when it involves highly diversified properties as are found in a large metropolitan area. Obviously, there can be no hard and fast rules to follow but a few general guidelines will be helpful.

Notwithstanding that the objectives and/or limitations under the specific trust sometime complicate the selection of a particular type of lease, it is the property manager's duty to negotiate a lease which will provide the maximum yield from the investment. This applies not only to current market value but also to the future so that it will continue to yield a reasonable return when conditions and values change.

For this reason in particular, a manager must become and remain fully informed on local economic trends and influences, construction costs, land values, taxation changes, depreciation methods, labor costs, comparable rentals and a host of other factual data which serve as working tools in putting a lease together.

These data should be compiled and updated periodically, and the manager should avail himself of reference material. Membership in and attendance at meetings of local real estate organizations will help keep him current with leasing trends and changing conditions.

A lease is a contract between an owner and his tenant, stating the lease rent, terms and conditions and length of time the tenant may occupy the premises. Some of the more common types of leases and points to consider in selecting the proper lease to produce maximum benefits to the trust are:

1. Month-to-month tenancy.
2. Lease on a fixed basis for a term of years.
3. Lease with a step-up of the amount of rent at specific times.
4. Net lease in which tenant agrees to pay all expenses, such as taxes, insurance, repairs, etc.
5. Escalator lease in which the tenant agrees to pay all or a part of increased taxes and other operating expenses.
6. Lease in which the initial rent is fixed and revised upward or downward periodically, depending on the change in value of the property or in a recognized cost of living index.
7. Percentage lease in which a minimum fixed rent is provided plus a percentage of the tenant's gross.
8. Expense participating lease in which tenant agrees to pay a fixed rent plus a specific portion of taxes, insurance and repairs, but excluding capital expenditures.
9. Agricultural lease where the consideration can be on a share-crop basis, a per acre per annum basis, or, in the case of livestock, a per head per acre per annum.

In addition to the types of leases described above, a property manager should become familiar with expressions given to leases when they are used to describe their functions or kinds of property they are used with; i.e., short-term, long-term, net-net, triple-net, ground, industrial, commercial, residential, percentage, service station, agricultural, office space, dairy, oil and gas, etc. Each of these has terms and conditions peculiar to itself.

A lease of short duration, say, three years or less, does not present much problem. Future fixed and operating expenses can be judged with reasonable accuracy. Beyond three years, an area of uncertainty enters
the picture with respect to values, fixed charges and other factors which cannot be foreseen. It is important that the lease provide protective clauses to compensate for such contingencies.

Every lease should recite: (1) names of all parties; (2) a full and complete legal description, preferably supplemented by a map or drawing of the space, if in a building; (3) a demise, letting or leasing of the property; (4) amount of rent, how payable and to whom at what address; (5) the commencement, duration and ending date. A lease should fix with certainty the date the term begins and its duration. Avoid using “from” and “to”; use “commencing on” and “ending on” a certain day.

Additionally, a lease should contain such other provisions as will incorporate the full agreement of the parties because the court will give effect to the intent of the parties and consider all of the terms and conditions of the lease. The following points should be considered as to the concern and intent of all parties:

1. The lessee’s intended use of the property.
2. Who makes what repairs and at whose expense.
3. Whether improvements may or must be removed and premises restored, or must remain a part of the premises and the property of the lessor.
4. Who pays utilities, taxes, insurance and any increase in taxes or insurance by reason of lessee’s use of premises.
5. Right to sublet or assign.
6. Option to renew.
7. Acts of both parties which will constitute breach and default.
8. Security deposit, condition in which premises are to be left.
9. Unusual types of leases sometime require counselling and tax advice. If you use a standard printed form of lease, be sure it is applicable to the transaction.
10. If lessee is married, have both spouses sign the lease.
11. If lessee is a corporation, be sure to obtain a certified copy of the Resolution of the Board of Directors authorizing the execution of the lease by its officers.
12. In the case of a partnership, articles of co-partnership should be examined to ascertain the authority and identity of partners signing.
13. A holdover clause should set forth a specific or determinable amount of rent.
14. Provide insurance coverage adequate to comply with provisions of a hold harmless clause.
15. Percentage leases should provide for the furnishing of a periodic sales statement with the right to audit lessee’s books.
16. Tenant shall notify landlord of any improvements prior to work being done so that proper notice relieving lessor of liability can be filed.

Needless to say, the above are only some of the considerations necessary to drafting a good lease. It will tax the experience and knowledge of the property manager to make sure he has included all the provisions to fit the circumstances of the case at hand.

A word about lease negotiations. Leasing is a two-way street. Rarely does the situation present itself where all the cards are in one hand. In the give and take of a business deal, the property manager must keep one goal before him: to obtain the highest return to the trust account and to preserve the asset for continued creation of income.

Next issue: Mr. Thorne concludes his article on real estate in trust, covering maintenance, legal description, appraising and the sale of trust property.

Robert S. Thorne, CPM, is vice president and manager of the Trust Real Estate Department, Seattle-First National Bank. Previously, he served 15 years as a real estate officer for the Corps of Engineers and for several years was actively engaged in his own real estate business. He is a member of the Seattle King County Board of Realtors and this year is serving as president of the IREM Western Washington Chapter. He is a graduate of Whitman College with a B.A. in economics and business administration.
Snow Removal Tactics for Shopping Centers
A newly fallen snow is a beautiful sight to millions of children and skiers, but it immediately brings tears to the eyes of the most hardened of shopping center managers. While the children are out building snowmen and the skiers racing downhill, the manager must have crews and equipment plowing thousands of parking stalls and miles of roads and aisles. Where do you start when you face acres and acres of snow-covered surfaces?

The task is compounded because every snowfall presents unique problems: the day of the week, the time of the day, the quantity and duration of the snowfall, the outside temperature and the weather forecast are all elements that must be weighed and evaluated. Whether to salt or plow adds more tangibles to the decision.

No regional shopping center is wealthy enough to own sufficient plowing equipment to take care of its needs. Plows, graders, trucks, jeeps and snow blowers can represent millions of dollars of equipment which is needed only a dozen days a year. Therefore, the shopping center manager can contract with a local excavation contractor to provide the equipment and skilled operators needed to handle the job. Winter generally is a slack period for the excavating contractor, and this gives him an opportunity to keep his men busy and his machines productive.

The contract is typically set up on a rate-per-hour, per machine basis. The cost will include the skilled operator as well as all maintenance, insurance, etc., on both the machine and operator. A supervisor will be supplied while the equipment is being used and his cost will be absorbed by the cost-per-hour of the equipment.

The contractor expects to be paid a minimum price per season as a retainer. This guaranteed amount is negotiated between the manager and the contractor and is paid with the understanding that the contractor will give the center his first and full attention. The decision whether or not to plow has to be made by the shopping center manager since the cost of plowing can easily exceed $100 per hour. While the responsibility rests with the manager, his decision should be made only after consultation with the maintenance foreman and the excavating contractor.

Unless the contractor is extremely close to the center, the bulk of his equipment should be stored at the center for which the manager must provide adequate facilities. Because the center’s hours are typically 9:30 to 9:30, the only effective time when plowing can be done is after the center closes and before it reopens in the morning.

There is no hard and fast rule as to how much snow should be on the ground before plowing commences. If it is a wet snow, with the temperature hovering at or above freezing and warmer weather with no more snow forecast, then the manager usually can be safe in salting the lots, roads and aisles. However, if it is a dry, powdery snow, with the temperature well below freezing and more snow possibly due, there is no other way of handling the situation except to plow.

The ideal snowfall begins in the afternoon and ends just as the center closes. The plowing contractor comes in at 10 p.m. and by 8 a.m. the next morning everything is clean. Unfortunately, this situation rarely occurs. Typically, snow starts in the evening and continues all night. While it would be nice to wait until the snow has stopped before starting to plow, this cannot always be done. If you are going to do your plowing before the center reopens, you have to start by midnight or shortly thereafter.

Where to pile the snow is another question the manager must answer. In outer lots surrounded by open areas of land, the solution is quick and easy: just push the snow over the edges of the parking areas. However, in the inner lots, the problem is more acute. Almost all center operators windrow the snow into long hedges along a line dividing opposite stalls. This allows the manager to retain his full parking capacity and also to remove the snow, if it is substantial, the following night.
During a typical night of snow plowing, our contractor will use three or four Hough Payloaders with blade attachments as well as two road graders and three or four jeep trucks with blades. All of his vehicles are radio-equipped and he supervises the operation from his radio-equipped automobile, following the equipment around and keeping track of the progress being made.

Snow can be removed by front-end loaders feeding into dump trucks, or, using the system our contractor has devised, snow-blowing the windrows into waiting dump trucks. The custom-made snow blower our contractor has is so effective it can totally fill a dump truck in less than a minute. The blower is attached to the front of a front-end loader and a procession of dump trucks accompanies it on its rounds. The snow is hauled to the nearest grassy area and dumped, and the truck then repositions itself at the end of the line of trucks. One snow blower and eight or ten dump trucks working all night can do an amazing job of removing acres of windrowed snow.

To prevent snow-covered curbs from being damaged or inflicting injury to the plow operators, snow posts are sunk into the ground on the many landscaped islands in the lots. These four-foot steel posts are painted a reflective orange. To keep aisles and windrows straight, ropes threaded with bright yellow cork balls separate parking lanes. These are kept up all year around and prevent motorists from pulling in too far or cutting across aisles.

Sidewalks and malls are cleared by the center's own maintenance crew. Small machinery in the form of tractors and motor-driven walking plows is used wherever possible. Where this equipment cannot be maneuvered, hand equipment has to be utilized. Depending on the snowfall, brooms, shovels and pushers are put into use. Our landscape superintendent has devised a "pusher" for a one- or two-inch dry snow, consisting of a six-inch by three-foot piece of flat wood affixed to the end of a long broom handle. The man simply pushes the snow off the sidewalk. For light dry snows, we attach reel-type brooms to the front of our tractors as well as to our motorized walking plow. For heavy wet snows, we use blade attachments.

Although we use several hundred tons of salt annually to handle light snowfalls for parking lot areas, we do not use salt in the mall areas since it is dragged into the stores on shoppers' shoes and ground into the carpeting in most stores. Instead, we use a chemical ice melter in the mall with much greater success. It has the capacity to melt snow and ice even if the outside temperature is below freezing. It is applied using a spin-type fertilizer spreader. The cost is much greater than salt but the specialized usage makes it worthwhile.

A word of caution in using chemical deicers: if they contain ammonium nitrate or ammonium sulphates, they should not be used on concrete. According to the Portland Cement Association, these chemicals are extremely corrosive and will attack any concrete, including air-entrained concrete.

In parking lot areas, salt is spread with tractor-mounted spreaders. Although many centers spread salt with a dump truck, we have found we can get tractors into the lots much faster and hit critical areas on a more selective basis. We store bulk salt in a garage type of room and load out spreaders from a hopper. The hopper is loaded from the bulk pile by tractor bucket.

Summarizing snow removal operation, we have learned through experience that we are subject to a great deal more criticism for not plowing than for doing a little more plowing than might have been necessary. Merchants do not want to jeopardize thousands of dollars in sales to save a few dollars in plowing costs.

Since all lots cannot be cleaned at the same time, it makes sense to clean the lots of the major tenants first since these have the heaviest use. In order of importance, the employee lots would be cleaned first, major tenants' customer lots second and the balance of the center third. Needless to say, entrances and roadways have to be plowed out first to let cars into any of the lots.

Although a closed mall center has eliminated the bulk of hand plowing required in open mall centers, until developers start building centers with enclosed parking, snow removal will remain the number one headache for any shopping center manager in a cold winter climate.

Harry L. Dolan, CPM, is vice president and general manager of Woodfield Development Corp., Chicago, a commercial leasing and management firm. Previous to this appointment, he had been project manager for three years of Oakbrook Center, a regional shopping center in suburban Chicago, for Draper & Kramer, Inc. He is a graduate of Loyola University.
It's an established pastime for economists to examine each new decade and predict what is in store for the economy during the next 10 years. This is always an interesting and provocative exercise because it focuses our attention on some long-range planning and tells us a great deal about our own business future.

We are already well into the decade of the 1970s, and it might be of interest to report on the findings of economists and relate their predictions as they apply to income-producing real estate, at least from the property manager's point of view.

When discussing long-term economic trends, it must be remembered that the future is not only the result of certain economic forces but also of political, social and cultural forces as well. It is because these political, social and cultural forces are so much more important now that there is greater uncertainty about the long-term economic future of this country than during any other decade of the post-war period.

As a nation, we are testing new values toward work and life. There is a growing search for meaning and purpose in our lives. The things that are happening on university campuses, the political attitudes of young people, the drastic changes in moral values, the growing practice of questioning authority and the increasing emphasis on credit spending (even banks are in the credit card business, asking us "Why wait?") all point to this.

We do not yet know how far these changes in values will go, how profoundly they will take hold or what their economic effects will be. It will be some time before a definitive judgment can be made as to whether these "new values" represent a clear break with the past or are no more than an acceleration of a pattern we have been experiencing all along.

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### Table 1.—Gross National Product in Current and Constant Dollars (1.1, 1.2)

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A Manager's Investment Strategy for the '70s

by William Walters, Jr., CPM

It's an established pastime for economists to examine each new decade and predict what is in store for the economy during the next 10 years. This is always an interesting and provocative exercise because it focuses our attention on some long-range planning and tells us a great deal about our own business future.

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We do not yet know how far these changes in values will go, how profoundly they will take hold or what their economic effects will be. It will be some time before a definitive judgment can be made as to whether these "new values" represent a clear break with the past or are no more than an acceleration of a pattern we have been experiencing all along.
It is for these reasons that economists are finding it considerably more difficult to make qualitative economic predictions for the '70s. Fortune Magazine has labeled this decade as the "Age of Uncertainty." However, there are some predictable economic changes that will appreciably affect the real estate business. These changes will bring loss to some and opportunity for others. Let's focus on some major economic changes that will occur during the '70s.

- Inflation. The uncertainty as to whether or not inflation can be halted without creating greater unemployment than this nation is willing to tolerate is a major economic problem. The President's plan to stop inflation by slowing down the rate of economic growth did not work so more stringent controls were placed on the supply of money. The planned result was for a mild recession in order to create a surplus and, therefore, halt rising prices.

  We have reached a point of more than 6 percent unemployment (officially, that is a recession; 10 percent is a depression), and a satisfactory level of inflation has not as yet been achieved. A further surplus of labor (or more unemployment) is something that neither the President nor the nation can afford at this time.

  Controlled inflation by itself has treated real estate well over the past 40 years because it has enabled investors to buy properties, mortgage them and pay off these mortgages with inflated dollars. Later, when they sold, they received a profit. All of this has caused a great deal of real estate activity over the years.

  In a recent poll taken by the National Association of Business Economists, it was their consensus that the economy will be cool through most of 1971 and then will take off again in a direction of inflationary excesses during the next five years, as happened during the last five years. Therefore, our Manager's Investment Strategy for the '70s indicates that the continued practice of buying real estate with long-term, fixed-dollar mortgage payments will provide an investment advantage not available to other forms of investment.

- National Income. The economic planners and forecasters have provided some interesting statistics as to what is expected to happen to the gross national product during the '70s. The GNP is, in part, a reflection of job statistics. In 1971, the GNP is expected to reach $1 trillion and by 1980, we will have a $2 trillion economy. Another way of saying this would be that if you measure the increase in GNP from the time of the founding of this country until 1971 (195 years), this figure will double itself in the next nine years.

  These planners also tell us that during the '70s the typical family income will increase from $9,000 per year to $16,000 per year. After discounting for inflation and tax increases, the expected gain in "real income" will be 32 percent. Therefore, we can safely say that the GNP statistics for the '70s are extremely attractive toward real estate investment.

- Population. The rate of population growth has slowed down appreciably in the United States. However, the 1970s will expose us to a new market that is unparalleled in our real estate experience. The "war babies" are now young adults: 25-34 years old. This age group will increase in population by 46 percent, as compared to the same age group of the previous decade. In contrast, the number of people in the 35 to 44 age bracket will increase only 11 percent and those between 45 and 54 will actually decline by 5 percent.

  Therefore, the big housing market for the '70s will be young homemakers in the 25 to 34 age group, and their life style is different from many of us. This generation is bet-
ter educated and it is already a proven fact that they are a harder working, more competitive generation. Although they knock the Establishment and, to some degree, its ethics with its emphasis on hard work, self-reliance and self-denial, a great majority of young Americans are seeking all of the leverage they can to increase their incomes. More than half of the married men have working wives; 40 percent of the men work overtime and 10 percent moonlight. They work harder than the Establishment.

This generation will have fewer children. Demographers expect young parents to continue to want smaller families than their predecessors. Recent government surveys indicate an average of 2.5 children per family whereas previous surveys have always indicated more than three children per family. This is almost a 20 percent decrease—a significant statistic for home builders.

It will be a more mobile generation. Fewer children, more working wives, larger family income all are contributing factors toward a more mobile generation.

They have a greater social conscience. There is a growing search for meaning and purpose in their lives. For example, leading law firms and major corporations are finding that they can attract and hold the best of young professional talent by giving them time, at company expense, to work and contribute toward solving urban, racial and economic problems. They are also extremely environment conscious.

All of this clearly shows that the housing market of the ’70s is going to be substantially different from previous decades. We will need more condominium town houses and apartments than single-family dwellings. The market will not be a luxury market but rather a very strong one for young, middle-income families.

• Government Influence. This decade will experience a tremendous increase in new, government-financed housing. Of course, this housing will be built for low- and middle-income families. Federal, state and local agencies are establishing new standards for the protection of the public. Through legislative action, they are raising health and safety standards, changing zoning laws and, in a few cities, discussing rent control legislation. Tenant-landlord law is also being drastically changed. The thrust of these two forces will cause more rapid social and economic obsolescence in pre-World War II properties.

It may seem natural to want to shy away from these older properties that are rented to families whose income is in the lower one-third bracket. However, there should be considerable economic opportunity for people with management skills to apply their talents for the rehabilitation of these older properties when they come under a government-financed program.

It is also becoming more difficult to rehabilitate older office buildings and make them pay.

• Finance. A year ago, there was an intense demand for loans, money was scarce, credit was being rationed to the banks’ best regular customers, and the prime rate was 8 1/2 percent. Today, savings and loans are recording the highest inflow of savings in their history. The prime rate has dropped since a year ago. This has not, however, been fully reflected in mortgage interest rates.

The change in the supply and demand factors of mortgage money is never immediate. There is an inevitable lag between changes in supply and the interest rate charged by lending institutions. For example, when money was tight two years ago, it took six months for interest rates to adjust fully to a price lenders could have charged for prime loans. It will take lenders a good six months to realize fully the down side as well.

Because of this increase in money supply,
we are bound to see a big increase in new housing starts, both apartments and single-family homes. Then the supply will exceed the demand and we will experience a greater vacancy factor in the new apartment market.

Most experts in the field of finance expect this surplus in the money supply will last for only a short period of time. The demands placed upon credit by government, industry, business and housing will again cause interest rates to climb. If this prediction proves right, we are now in a fairly short-term period when it would seem advisable to refinance apartment houses, office buildings and shopping centers that have loans more than five years old. It is also a period when we should experience considerable increase in real estate sales activities because of this favorable money market.

Those in the business of selling income properties are now going to have more forces working for them in the sale of these properties than anything they have experienced in many years. For instance . . . There was a great deal of real estate developed between 1960-66. Money was available, the economy was strong. Any time this type of situation develops in a free enterprise system, the entrepreneurs will soon correct it with over-production. We overproduced shopping centers, apartment buildings and office buildings.

In the late 1960s this oversupply was absorbed and in 1969 and '70, rents started moving up. Then we hit a shortage in money and people who bought previously could not sell because the lender was exercising his "acceleration clause." By the time a prospective new buyer paid the higher interest, the profit had disappeared. Now, at 8 percent (instead of 6 or 6 1/2 percent) many properties do show a profit on sale.

The economic outlook for this decade, from a property manager's point of view, is extremely bright. We should not only experience great opportunity through the strong, long-range economic factors that affect real estate but we will also experience some challenging new opportunities. The real estate gains for the '70s will be much different from those of the past, and the manager's particular professional capabilities will be much more important in the years ahead.

William Walters, Jr., CPM, is 1971 President of the Institute of Real Estate Management. He heads the William Walters Company and the Capital Real Estate Management Company, both of Los Angeles. Additionally, he serves as a consultant to several corporations and institutions for the development of apartment houses and office buildings. For more than 12 years, Mr. Walters has been a member of IREM's courses faculty, serving as chairman of the Education Division during 1968-69. He is a past president of the IREM Los Angeles Chapter, a member of IREM's Executive and Finance Committees and, as 1970 President-Elect, he supervised the Institute's financial affairs. He is a graduate of the University of Southern California, with a degree in business administration.
Editorial:

Budgets: Test of Management Competence

by Lloyd D. Hanford, Sr., CPM

Beyond any reasonable doubt, the operating budget is a major tool of the professional manager. The arithmetic of estimating anticipated income and expenses creates the opportunity for re-examining past economic performance and forecast realistic operating behavior for the coming year.

Budgeting must not be confused with stabilization which is an informed guesstimate of an average economic performance for a selected period of years. The budget is created as a reliable guide and checkpoint for all income and expense items and from which deviations must be adequately explainable. The budgeting process is not an off-the-cuff procedure nor is it an instrument of wishful thinking. Rather, it is based upon a detailed analysis and an informed estimate of what can be expected.

Preparing budgets is an exercise in careful investigation and is a time-consuming process. Its reward lies in that it contemplates reality from which the manager and owner can evaluate performance. It shows what the professional manager can live with and each budget item should be conservative with only nominal “cushions” if any.

Income estimates are usually predicated upon the month immediately preceding the budget year unless variations are already established. Remember that wishful thinking can destroy budget utility; it is better to end the budget year with an increase over budget than to fall short of the programmed estimate.

In estimating operating expenses, the manager must utilize his knowledge of current trends and proven experience. Capital expenditures or major repairs and replacements are not budgeted unless they will beyond doubt be completed and paid for during the budget year. In expense budgeting today there are two major factors which must be considered: 1) the inflationary effect of rising costs for labor and materials; and 2) the historic increase in the cost of government as reflected in real estate and other taxes, both of which will probably occur during the budget year.

To demonstrate the budget process, the itemized tabulation on the following page has been developed.

Unless the budget is used regularly and intelligently, the time and energy in developing it are wasted. Monthly comparisons are important for recognizing variations and the reasons for such variations. Budget differences can indicate many things: wastefulness of labor and materials; avoidable or corrective use of utilities; possible changes in income structure; and possible errors in budgeting judgment.

Although somewhat fixed in concept, the budget is not a rigid document; it is a performance guide that may be adjusted from time to time but only for good and explainable reasons beyond normal management control. The manager must rigorously conform to each budget item within his reasonable control but he should not resist ap-
### Income

<table>
<thead>
<tr>
<th>Description</th>
<th>Latest Month</th>
<th>For Succeeding Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rents</td>
<td>$6,000</td>
<td>$6,200 (a)</td>
</tr>
<tr>
<td>Escalator for taxes</td>
<td>250</td>
<td>257 (b)</td>
</tr>
<tr>
<td>Other Escalators</td>
<td>375</td>
<td>325 (c)</td>
</tr>
<tr>
<td><strong>Total Receipts</strong></td>
<td>$6,625</td>
<td>$6,782</td>
</tr>
</tbody>
</table>

(a) Rent increases already a fact.
(b) Allowance for 5% tax increase during second half of year.
(c) Adjusted escalator (mostly from percentage rents) due to some decline in business activity.

### Operating Expenses

<table>
<thead>
<tr>
<th>Description</th>
<th>Monthly Average</th>
<th>Monthly Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Prior Year</td>
<td>For Succeeding Year</td>
</tr>
<tr>
<td>Management</td>
<td>$310</td>
<td>$320 (a)</td>
</tr>
<tr>
<td>Legal &amp; Accounting</td>
<td>40</td>
<td>45 (b)</td>
</tr>
<tr>
<td>Other Administrative</td>
<td>20</td>
<td>21 (c)</td>
</tr>
<tr>
<td>Water</td>
<td>15</td>
<td>16 (d)</td>
</tr>
<tr>
<td>Fuel</td>
<td>35</td>
<td>37 (d)</td>
</tr>
<tr>
<td>Power &amp; Electricity</td>
<td>50</td>
<td>52 (d)</td>
</tr>
<tr>
<td>Telephone</td>
<td>6</td>
<td>7 (d)</td>
</tr>
<tr>
<td>Rubbish Removal</td>
<td>25</td>
<td>35 (d)</td>
</tr>
<tr>
<td>Elevator Maintenance</td>
<td>42</td>
<td>45 (d)</td>
</tr>
<tr>
<td>Snow Removal</td>
<td>15</td>
<td>16 (d)</td>
</tr>
<tr>
<td>Supplies</td>
<td>10</td>
<td>11 (e)</td>
</tr>
<tr>
<td>Repairs &amp; Replacements</td>
<td>50</td>
<td>52 (e)</td>
</tr>
<tr>
<td>Net Salaries</td>
<td>350</td>
<td>385 (f)</td>
</tr>
<tr>
<td>Salary Charges &amp; Withholding Taxes</td>
<td>70</td>
<td>77 (f)</td>
</tr>
<tr>
<td>Insurance Premiums</td>
<td>52</td>
<td>54 (g)</td>
</tr>
<tr>
<td>Taxes</td>
<td>1,020</td>
<td>1,046 (h)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$2,110</td>
<td>$2,219</td>
</tr>
<tr>
<td>Actual Gross Income</td>
<td>$6,625</td>
<td>$6,782</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>$2,110</td>
<td>$2,219</td>
</tr>
<tr>
<td><strong>Net Operating Income</strong></td>
<td>$4,515</td>
<td>$4,563</td>
</tr>
</tbody>
</table>

(a) Fee based on increased cost of management at 3%.
(b) Based on announced increased charges.
(c) Based on 3% inflation cost increase.
(d) Based on approximately 5% programmed increase at commencement of year.
(e) Based on inflation cost increase.
(f) Based on announced increase of 10%.
(g) Based on increase of net insurable value and announced premium changes.
(h) Based on 5% increase during second half of year which follows a historic pattern over the past three years.
proved adjustments if the welfare of the property is at stake.

There are bound to be some variations in the budget on a monthly basis resulting from periodic payments of taxes, insurance and budgeted repairs and replacements or from seasonal variation in some utilities and contract services. However, regular analysis permits forecasting averages which should conform to the total budget for the subject year.

Many properties are encumbered with mortgage loans, most of which require constant periodic payments of interest and principal. As a budget supplement, based on amortization tables, the actual interest and principal amounts (segregated) should be shown as a deduction from the budgeted net operating income to indicate anticipated cash flow before income taxes. In the amortizing loan, the periodic payments include declining interest charges and corresponding increases in principal payments; this is another area of monthly variables where the full-year payments will conform to budget.

Most owners will agree to budget reserves to be accumulated monthly for foreseeable major expenditures in years beyond the budget year. In these situations, the agreed monthly reserves should be deducted from cash flow to indicate the net monthly remittances to ownership.

Budgeting approaches an exact science if it is done carefully and judiciously. Overall variances of more than 2 percent in each budgeted item should not occur except under totally unforeseen circumstances. The budget is a test of management competence; use of the budget exhibits competent performance.

An indirect benefit from budgeting is the opportunity to compare with and estimate for other similar properties. This applies to new accounts, evaluation of similar properties for sale, appraisal estimates of economic value; management surveys, and financing and feasibility studies.

Every managed property should have the benefit of comprehensive budgeting. This is the crux of expert management.

Lloyd D. Hanford, Sr., CPM, principal in the firm Hanford-Freund & Co., San Francisco, was IREM national president in 1958. He is currently a member of the faculty for IREM Course II and Course III. He also serves IREM as Editor of the Journal of Property Management. Mr. Hanford holds membership in the American Society of Real Estate Counselors and the National Institute of Real Estate Brokers as well as Lambda Alpha, honorary land economics fraternity, and the San Francisco Advisory Council of the American Arbitration Association.
Executive Talent Requisite For Property Management

by Samuel M. Budwig, Jr., CPM

The stature of building management has grown substantially during recent years. Once it might have appeared that management was the stepchild of the real estate business, largely because real estate people preferred to make a sale or sign a large lease and realize a smashing commission. Or, they wanted to buy a property, finance and develop it until there was big money involved.

Management fell some place in the middle. When fees were discussed with building owners, it was a matter of haggling over percentages. An owner might acknowledge that five percent of a building’s gross income was the recommended rate but would agree to pay only three percent. Despite this, somebody would take the job—it would mean added gross income for a real estate firm.

Today, as professionals, we are applying new methods and looking for ways to improve a building, increase its income and reduce expenses—while still providing tenants with maximum service. Instead of signing for three or four percent of an income—and arguing over that—we prefer to be paid our costs. From that point on, we want to realize a percentage of what we can make for the building. We believe that once a tenant occupies a building, he should be a client for life. If we provide him with good service, we’ll always be able to keep him in one of “our buildings.”

EXECUTIVE ATTENTION ESSENTIAL

Putting these beliefs into practice requires capable managers and attention at the executive level. We put the properties we manage—whether office buildings or apartments—on headquarters organization charts. One of our executives supervises each property. In his supervisory capacity, he doesn’t merely make out the budget; he also goes through the property itself and determines what should be done to make it better.

We try to instill in every manager the attitude that “I own the property myself.” With this kind of an interest, he is able to say to the owner, “I have prepared a budget and given you my thoughts. On the income side, I’d like to raise rents with the following justifications . . . I’d like to do this with operating expenses . . . I want to add two men in this area and decrease one here. I’d like to add a sauna to your swimming pool area and perform these other services for our tenants.”

Since we no longer treat overseeing properties as stepchildren, we have found that management fits perfectly into the total view of real estate; purchase, sound management and then, possibly, sale of the property. All are of equal importance.

SELECTION OF ON-SITE MANAGER VITAL

Selection of an on-site manager is vital—and we don’t limit recruiting to men and women with real estate management experience. We look for an intelligent person, someone who can work into our system. Primarily, we seek someone who has the mind to observe, analyze, communicate with tenants, personnel and the executive management office.

In the long run, important questions are:

• Can you see that your building is maintained properly?
• Can you establish a good rapport with the tenants?
• Do you know how to lease apartments, how to introduce the prospect to an apartment and convince him that this is the place he should live?
• Do you know how to hire the proper personnel—doorman, receiving man, elevator operator, cleaning men, pool man—all the different people who can become assets of the building?
• Can you indoctrinate personnel in the courtesy they must give tenants—and each other?
Can you prepare and implement an efficient work schedule?

Formerly, we advertised “Wanted—Building Manager.” Today, it’s “Wanted—Intelligent, Alert, Sharp Person.” Many men and women fall into this category; they want to use their heads, to come up with answers, and help in every aspect of management. They like to deal with people and are able to communicate on a person-to-person basis without losing their cool.

Recently, we sought a new manager for one of our buildings and had 19 applicants the first day. This has been our experience right along, regardless of economic conditions. These are exceptional jobs because there is no limit to how far an alert, conscientious person can go: promotion to supervision or to head of a management department.

At our buildings frequent personnel meetings help convince each person that he or she is an important part of the building. Top management is involved, too. We used to feel that if someone from the main office visited a building every few months, that was enough supervision. Today, it’s much different. We like to get to each building at least once a week. The manager is there every day, of course, but we like to “walk the building.” Forget the paper work for a while and see what happens when you, as management, actually walk into an apartment.

You want to see what it looks like. Are your people treating the facilities properly? Are they keeping them up? What happens when you walk the corridors or into the laundry room? Or what do you find when you go up to the swimming pool or out on the deck? Are your people giving tenants everything they deserve and expect as if they were in their own homes?

Office buildings are almost the same. We believe corridors must be swept often daily. Elevators should be cleaned no less than five times a day—after each rush hour and in-between. Security is essential in both office and apartment buildings. It isn’t enough that security systems are installed; for them to be effective, management must communicate with tenants on the measures taken and seek their cooperation.

Such communication is one of the major advances evident in today’s building management. As a landlord, we do not hide. As managing agents, we consider that we own the buildings. If we have a problem, we will let the tenants know that we are there and looking into it. We don’t promise an immediate solution, we don’t promise to give the building away, but we try to approach the problem squarely and work with a tenant, whether he’s in an office building or an apartment.

In any city, you can drive around and see many buildings that have been allowed to slip. Tenants complain—and wait for the next new building to be completed so they can move into it. It isn’t necessary. There are many delightful buildings, and if they had been maintained and managed properly, we’d be filling them today.

Management is a specialized business and all involved firms will have to develop the attitude that real estate management is the one thing that can make a building a good place in which to live or work. Meeting this challenge will enable the former sideline of the real estate profession to continue to gain in stature until even the most tight-fisted building owner will realize the stake he has in retaining the best possible management for his properties.

Samuel M. Budwig, Jr., CPM, is vice president and director of leasing and management activities for Romanek–Golub & Co., a Chicago-based real estate firm.
Profitable Real Estate Management Starts Here:

The real estate practitioner who believes that property management is little more than collecting rent is living in the past. We hope he isn't beyond help, but we realize that while our book, The Real Estate Management Department, may produce a wonderful revolution in some offices, it can't work miracles. What it can do, however, is provide you with a step-by-step, "how to do it" procedure when you find that you must or should set up a real estate management department. The cost is only $7.50.

Did you know that a properly operating management department in a brokerage office is a real source of benefit to the broker in ways other than the tangible management fees? Are you aware of benefits available to the client whose property is placed under the care of a professional manager? Your office can't really offer complete real estate service to the public unless you are grounded in this subject.

After you decide to set up a management department to augment your present services, will you be aware of the ethical responsibilities of the manager and the tested objectives and policies of the well-run management business? A "no" to any of these questions shows a need for the professional education available to you at modest cost—$7.50—in The Real Estate Management Department.

A bonus to the educational chapters is the extensive collection of business forms which has been reproduced at the end of the book. These forms are in use today by many successful offices in the real estate management field. A discussion of the use of time-saving, standardized forms in management is also included as the single topic of an entire chapter.

Other chapters included are: Budgeting the Operation of a Management Department, Management Procedures, Management Contracts and Fees, Insurance for the Property Manager, Management Policies, and Building a Management Business.

Because of the overwhelming demand for an updated book of this nature, this new and revised edition of The Real Estate Management Department is destined to follow its predecessor in becoming a desktop guidebook for the profession and a constant source of practical reference material. We know you'll use and appreciate the latest word in professional property management, The Real Estate Management Department.

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9-1 GRAFFITI REMOVER
For sidewalks, building walls, restrooms, or wherever graffiti is a problem, GT Products announces the availability of its GT Graffiti Remover that removes inks and paints without etching or harming surfaces. According to the manufacturer, Graffiti Remover is effective on brush and spray paints, epoxy, varnish, acrylics, poster paints, grease pencil, crayon, lipstick, marking pen inks, etc., and can be applied on horizontal, vertical and overhead surfaces.

9-2 AUTOMATIC HEAT REGULATOR
The Cleveland Fuel Saver, a product of Cleveland Controls, Inc., is an outdoor reset controller that continually adjusts heat comfort levels to meet building requirements and outdoor temperature changes. Programmed, automatic operation is designed to release custodial help from making continual heat adjustments. An outdoor element monitors weather changes, an indoor element monitors building heating conditions, and a control panel automatically adjusts heating levels to meet code and comfort requirements. A 24-hour timer, combined with day and night thermostats, increases heat during the day and lowers it at night.

9-3 CONCRETE RESTORER
"Compat Thinply Concrete" restores broken and worn concrete surfaces—indoors and out, under wet or dry operating conditions. Consisting of a dry powder and a gauging liquid, the powder hardens without becoming brittle and the liquid adds resiliency, impact resistance, and adhesion, according to the manufacturer, Hartline Products Co. Colored cement gray, Compat is furnished in 1-qt., 1-gal., and 5-gal. units.

9-4 FIRE RETARDANT PAINT
Consolite Fire Retardant Paint, with a Class A rating by the Underwriters' Laboratories, has been introduced by Consolidated Paint & Varnish Corp. to protect interior surfaces from fire damage.

When temperatures rise to about 400 degrees F., the paint film expands to form a barrier of millions of small cells. This barrier reaches an inch or more thickness and insulates the underlying surface from the heat, according to the manufacturer. At the same time, inert gases are released that help arrest the formation of smoke and noxious fumes.

9-5 LIGHTING BOOKLETS
Two pocket-size booklets—"Industrial Lighting Rules of Thumb" and "Office Lighting Rules of Thumb"—have been issued by General Electric's Large Lamp Department. They are designed to provide basic information to make preliminary lighting proposals, evaluate lighting plans, or answer routine lighting questions. Subjects covered include: visual comfort, lighting and appearance, amount of light to use, estimating lighting levels and number of fixtures required, light source application guidelines, cost of light, etc.

9-6 SHREDDER/COMPACTOR
The Series 900 Shredder-Compactor from Mil-Pac Systems, Inc., is designed to handle the solid waste disposal of apartment locations with up to 300 families. All kinds of refuse are handled without presorting—glass, plastic, wood, food, paper. Available with either automatic or manual operation, the Series 900 offers a choice of end product disposal methods; they include carousel can or bag arrangement, direct discharge into detachable containers or, in low volume locations, into individual cans or bags.

9-7 VINYL FLOOR SURFACE
"Slick," by Vinyl Plastics, Inc., is a vinyl floor surface that can serve as an "ice skating" rink, indoor game court and dance floor and for other recreational programs. The multipurpose recreational flooring can be maintained with the same equipment used for regular vinyl floors. A special conditioner is applied for ice skating. Square-edge panels 3-ft. x 3-ft. x 1/4-in. for permanent installation or tongue-and-groove panels for portable application are available.
9-8 STRIPING POWDER
Cat-A-Quik is an instant drying, flame-applied powder developed by Cataphote Corp. for striping applications in shopping centers, malls, motels, crosswalks, parking lots, curbs, etc. The reflectorized powder requires no mixing, thinning, or preheating, but is poured directly from

the package into the Cat-A-Quik striping machine. The striping, equipped with propane flame, melts the powder just above the surface, bonding it instantly to the pavement. It can make 4-in., 6-in., and 12-in. lines in white or federal yellow.

9-9 TRAVELING SPRINKLER
Melnor Industries makes available a full line of traveling sprinklers. The Super Traveler holds up to 325-ft. of 1/2-in. hose and can water up to 20,000 sq. ft. (approximately one-half acre) in one setting. Adjustable nozzles control spray areas from narrow strips up to a full 54-ft. diameter. Melnor Traveling Sprinklers reel in the hose as they water, turn corners, travel uphill or down, or all around the house—automatically. A special shut-off valve can be staked into the ground where sprinkler is to stop; the sprinkler will shut itself off upon contact.

9-10 LAMINATED ACOUSTICAL GLASS
The Amerada Glass Company has prepared an 8-page brochure entitled “Control Airport Noise,” which describes their noise-controlling laminated glass, “AcoustaPane.” Complete test reports and comparison charts on many airport installations, hotels, motels, businesses and industrial tests are included. A single glazing unit, AcoustaPane is installed like ordinary plate glass.

9-11 ANTI-SLIP FLOOR COVERING
Resotex from Wooster Products Inc. is an anti-slip floor and walkway covering made with aluminum-oxide and silicon-carbide abrasives. Adhesion is obtained with the specially developed pressure-sensitive adhesive. An edge sealer and supplementary adhesive are available for use in areas where moisture may be found and in exterior installations.
9-12 EMERGENCY LIGHT
A 6-page full-color brochure from Tele-dyne Big Beam introduces its Avanti® 100 percent sealed silicon solid-state fluorescent emergency light. Measuring 15½ in. x 31¼ in. x 4¾ in., it is edged in brushed structural aluminum and has a wide-angle butyrate lens and vinyl-clad woodgrain panel. When outside power fails, the unit automatically switches to its own internal battery-powered system to give 1½ hours of radiant emergency light for life safety. Avanti can be mounted horizontally or vertically on any flat surface.

9-13 TEXTURED FABRIC WALLCOVERINGS
A collection of textured fabric wallcoverings imported from Sweden has been introduced by Van Arden Products Corp.

9-14 BUILDING AUTOMATION
The Powers Building Automation System 290 is a centralized mini control center that incorporates a multiplex system with 500 separate addresses to command, indicate, monitor, report and communicate. A convergence scanning method locates and reports any function in alarm within two seconds, allowing the operator to take immediate corrective action. The system permits total building control by one man from one centralized location and it can be expanded.

---

TENANT SECURITY SERVICE

NEEDS AREA AFFILIATES

Tenant Security Service is now forming the only nationwide, computerized system of Tenant Responsibility for apartment owner’s protection. Through a totally new approach to rental security, TSS attracts and retains good tenants at the same time it keeps bad tenants out!

All apartment owners and managers need TSS protection. TSS representatives are still needed in many cities to handle supervisory, sales and service responsibilities. There’s no fee...no product. The TSS system is ideal for incorporation into an existing real estate or insurance business. A $2,000 to $5,000 local investment would be an asset, but is not a necessity.

You can qualify if you:
- have experience in apartment sales or management
- know your local apartment market
- are able to supervise and train others

For a closer look at Tenant Security Service, send summary of your capabilities by October 10, 1971, to:

TENANT SECURITY SERVICE
Suite 721, Bank of America Building, 625 Broadway, San Diego, California 92101 • (714) 233-1747
9-15 WASHER/DRYER BASE
A lightweight platform called the Podium has been introduced by Aquazyme Industries. The outer shell of plastic is filled with sound-absorbing expanded prethane foam to reduce noise transmission into the floor and adjacent rooms. The molded contour basin protects carpet and flooring by trapping accidental washer overflow. The single unit size which weighs 9 lbs. has an overflow holding capacity of 8 gals.; the 18 lb. double unit size, 16 gals.

9-16 TEMPERATURE CONTROL
Trol-A-Temp’s Bulletin #1200 describes and illustrates the installation of room-by-room temperature control on most residential and commercial air heating or cooling systems. It shows how the flow of heating or cooling air to each room or zone is automatically controlled by means of a thermostat-controlled motorized register; the system is controlled by a “Mastertrol” Panel that automatically opens all zone dampers when all zone thermostats are satisfied to provide continuous air circulation to any or all rooms as desired.

9-17 ELECTRONIC SECURITY SYSTEM
The “Super DeltaAlert Package” is a low-voltage alerting unit from Delta Products Inc. that plugs into a conventional 110-V outlet and utilizes the sonar principle to “catch” intruders entering a monitored area of up to 300 sq. ft. by setting off a horn, bell, or warning lights. As a silent sentry, the alarm unit can be pre-set to flash a red light at any entryway to warn of an unauthorized person in a home, office, plant, or store. A 12-volt standby feature automatically keeps the electronic sentry on duty during power outages or brownouts.

9-18 PORTABLE PRESSURE WASHERS
Two portable pressure washers for use in a variety of industrial cleaning and sanitizing jobs have been announced by Multi-Clean Products, Inc. Model 3500 pumps 3 gpm and is powered by heavy-duty 1 1/2-hp motor. Model 2500 pumps 2 gpm with a 3/4-hp motor and utilizes a bicycle-type grip handle with controls located on the main unit. Both compact washers are mounted on cart-frames of 1-in. tubular steel with two 10-in. wheels and can be used to wash buildings, trucks, fences, and floors.

NEW JOURNAL REPRINTS
Three new monographs based on articles from the Journal of Property Management are now available from IREM. Titles include:

- Apartment Marketing—Timetable for Success
  By Edward N. Kelley, CPM. A step-by-step guide to setting up a merchandising program for a new apartment development.
  PRICE: $3.00.

- Experience Profile: Management of Property for Lower-Income Residents
  A series of articles from JPM by property managers and others experienced in the facets of managing housing for low-income tenants.
  PRICE: $4.00.

- Feasibility Study Techniques: Apartment—Office Building—Shopping Center—Condominium
  Four separate articles, each defining the elements of a feasibility study for a particular property type.
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IREM's newest publication, *The Property Manager's Guide to Forms and Letters, Book One (Renting the Residential Unit)*, contains a selection of forms widely used in management offices today. Gathered from offices of Certified Property Managers around the country, these forms have proved their usefulness over many years. Book One contains 250 pages of sample

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