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Credit and Credibility

As a board member for the University of Wisconsin at Madison's Real Estate Research Center and serving as an IREM officer—with opportunities to observe various real estate programs offered by many schools—I have seen firsthand the impact real estate management education is having on this next generation entering our profession.

Over the last 20 years, several colleges and universities across the United States have established formal real estate management degree programs. Nine schools now offer these programs in the form of majors, minors or concentrations.

Graduates from degree programs offering real estate management studies often come to us well-prepared for entry-level positions. They understand the nuts and bolts of the business, including financial, legal and business development aspects of real estate management.

They have participated in real estate competitions proving their business acumen. Many have also completed valuable internships in the industry—giving them an understanding of the profession and allowing us to gauge their abilities. These graduates are in essence more prepared for the real world of real estate management.

One of this issue's features, "Taking Real Estate to a Higher Degree," which begins on page 26, highlights these education programs and explores the impact college and university programs may have on the future of our industry.

Establishing internship programs is an excellent way to reach out to future members of the field. While it's not always easy to develop a plan for interns when you already manage a staff, internship programs end up being beneficial for both students and companies. We need to pass the torch and ensure we are leaving our industry in good hands.

At the end of the day, succeeding in this industry comes down to credibility—credibility coming from both credentialed programs and academic degrees. As IREM members, we can offer students another important kind of credibility—the credibility coming from experience.

Our IREM credentials signify we abide by ethical standards, have tangible experience in managing properties, and have completed a series of educational and examination requirements. These are all things we can pass on to the next generation of property managers through interacting and mentoring.

Mentoring students and establishing meaningful opportunities for them within our companies will enhance the knowledge they earned in the classroom, as well as infuse our companies with energy and ideas from the next generation of real estate managers.
Taking Real Estate to a Higher Degree: Industry-specific academic programs prepare the next generation for careers in real estate management. Karen Wagner

Breaking Tradition: Real estate managers look beyond managing traditional properties, spicing up their portfolios with exotic and unique developments. Darnell Little

Beginning of the End: Preparing for retirement can be complex and daunting, but structuring a succession plan early can help make the transition for business owners seamless and rewarding. Diana Mire

Screen Doors: Resident screening software helps managers determine which residents are top choice. Darnell Little

Learning from a Distance: Online learning provides opportunities for busy property managers trying to continue their education in spite of packed schedules. Aldrin Brown
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President signs tax-relief bill into law

In May, the U.S. Senate passed the Tax Relief Extension Reconciliation Act, H.R. 4297, by a vote of 54 to 44. The House approved the bill by a vote of 224 to 185. The act contains two key provisions impacting commercial real estate professionals—extended tax cuts on dividends and capital gains for an additional two years, through 2010; and extended relief for middle-class citizens from the alternative minimum tax. President Bush signed the legislation into law in May.

Federal natural disaster insurance is vital

IREM approved a new statement of policy stating its support of federal natural disaster insurance. When property owners cannot obtain insurance, the entire real estate market is at risk. A healthy real estate economy is vital to our national interest. IREM urges Congress to develop a solution to this problem. A federal reinsurance program that is funded through contributions from insurers or state catastrophic insurance programs would help communities recover from disasters while preventing taxpayers from bearing many of the costs associated with such disasters.

To view IREM’s statement of policy on this issue, go to the Public Policy section at www.irem.org.
Small business health plans bill stalls in Senate

The U.S. Senate did not end the filibuster on the proposal to create small business health plans in May. The cloture vote—the only procedure by which the Senate can vote to place a time limit on consideration of a bill and thereby overcome a filibuster—was 55-43, short of the 60 votes needed to thwart the filibuster. As a result, the vote on S. 1955 will not occur at this time. This is the first time in 11 years small business health plan legislation was debated on the U.S. Senate floor. The Senate is divided by partisanship on this issue. Sen. Michael B. Enzi (R-Wyo.), chief sponsor of S. 1955, will attempt to re-work the bill to attract the necessary support to win a future cloture vote.

IREM, in cooperation with the National Association of REALTORS®, has issued past “Calls to Action,” encouraging members to contact their senators’ offices and voice support for small business health plans.

Immigration reform proposals watched closely

In April, IREM approved a statement of policy supporting an employer verification system like the current federal system, ensuring all workers be verified for their legal employment status. The system should be free for employers, and employers should not be held responsible for errors made by the federal system. In addition, IREM supports a guest worker program that will allow employers to temporarily hire legal foreign workers when other qualified workers are unavailable.

The House, Senate and President Bush have varying proposals for immigration reform. The Comprehensive Immigration Reform Act of 2006, S. 2611, was considered on the Senate floor in May. The Senate bill would require employers to participate in an electronic eligibility verification system within 18 months. The Senate voted in favor of the amendment, providing illegal immigrants interested in a guest-worker permit must be sponsored by an employer. The House proposal, H.R. 4437, passed the House in December and remains in the Senate Judiciary Committee.

To view IREM’s statement of policy on this issue, go to the Public Policy section at www.irem.org.

IREM approves avian flu pandemic policy

IREM recognizes the possibility of the avian flu spreading to the United States and is aware of the potential economic and social disruption an influenza pandemic may cause. IREM recently approved a new statement of policy urging all real estate managers to familiarize themselves with the dangers associated with a possible pandemic and assess the impact one could have on their businesses, properties, employees and clients.

Managers should prepare their businesses and properties by establishing policies to implement during a pandemic, and determining what resources they would need to allocate to employees and clients at such a time. Consideration should be given to communicating with public health officials and other businesses in the community. Recent experience in preparing for, and recovering from, terrorist acts and natural disasters has emphasized the importance of emergency preparedness. Both the public and private sectors have seen how important preparation is in reducing damages.

To view IREM’s statement of policy on this issue, go to the Public Policy section at www.irem.org.
Hotel construction increasing

The halt on new hotel construction has finally come to an end after its several-year hiatus resulting from rising construction costs, and worries about traveling post-September 11.

PricewaterhouseCoopers projects hotel-room starts will jump 45 percent to 120,000 in 2006, up from 82,100 in 2005. The 2006 number is higher than any since 2000 and is well above the 20-year average of 96,000 starts a year.

With more people traveling, allowing hotels to up their rates, hotel profits are soaring and are expected to continue rising well into 2007. According to Jones Lang LaSalle, existing hotel property sales increased 63 percent to $21 billion in 2005, up from $12.9 billion in 2004.

Bursting bubbles

While more than 70 percent of U.S. consumers believe within the next 12 months the national housing bubble will burst and home prices will start to decline rapidly, 56 percent believe it will not happen in their own area, according to the Experian-Gallup Personal Credit study.

The study concluded consumers' perceptions are based on stories they hear about hot markets in cities like Manhattan, Washington, D.C., Miami, Las Vegas, Los Angeles and San Francisco, and they feel the success of those hot real estate areas can only last so long. However, people in more remote areas not experiencing a surge in home prices feel they won't be locally affected by the bubble.

Religion in, retail out

A growing number of churches—Protestant churches in particular—with regular attendance of more than 2,000 people are growing so large they need unconventional spaces to meet their needs.

To make room for their expanding congregations, many churches are moving into commercial and retail spaces like strip malls, big-box locations and commercial campuses. Some churches have renovated stores like Circuit City or restaurants like Macaroni Grill to accommodate all their members. Although these spaces may not be as appealing in design as other conventional churches, churches are saving loads of money in construction by renovating already-existing big buildings.

As this technique gains popularity, commercialized locations might help churches attract new members because people will already be shopping within the area. Some retailers, however, said they fear losing customers because churches seldom draw as much traffic as restaurants and stores.

The following states tout the highest number of churches with church attendance of at least 2,000 people:

- California: 178 churches
- Texas: 157 churches
- Florida: 85 churches
- Georgia: 73 churches
- Illinois: 46 churches
- Tennessee: 44 churches
- Ohio: 44 churches
- Michigan: 43 churches
- North Carolina: 39 churches
- Indiana: 31 churches

Source: Hartford Institute for Religion Research, 2005
China turns "green"
The new ministry of science building in Beijing, China, is an exception to the country's construction projects. It is one of the country's cleanest and most energy-efficient structures, and the first building in China to achieve Leadership in Energy and Environmental Design (LEED) certification.

Wise use of quality materials inside a simple, plain design made it far cheaper to build and maintain than comparable Beijing buildings. Sun and rain are its main energy sources. It uses 70 percent less energy than similar federal buildings, and saves 10,000 tons of water a year through rainwater collection.

Many more buildings in China are expected to turn green as a result of an edict issued in March by China's construction ministry. It requires all new construction be 50 percent more energy efficient. But because of aggressive developers, impatient construction firms, quick money, and an estimated population of around 400 million workers needing housing in coming decades, few Chinese developers or experts feel the nation will meet the edict.

Bio-based material reigns supreme
DuPont, a scientific company, is now using a new eco-friendly material called Sorona to develop its clothing fibers. Sorona is created from a bio-based method that requires less energy, reduces emissions and employs renewable resources instead of traditional petrochemical processes. The key building block of Sorona is produced using a proprietary fermentation and purification process based on corn sugar. While clothing is the main use for Sorona, the product has also been used for upholstery and as a resin for drinking containers.

Green paint shop
BMW Manufacturing Co., partnering with Durr Systems—a system integrator specializing in developing and implementing energy performance projects in industrial facilities—has developed the first green automotive paint shop. It uses recycled methane gas generated by the nearby Palmetto landfill in Spartanburg, S.C., as its primary energy source.

By utilizing this toxic gas contributing to local air pollution when released from decomposing waste, BMW is reducing area emissions of carbon dioxide by approximately 17,000 tons and is recovering enough energy to heat 10,000 homes per year. About half of BMW Manufacturing's energy is now provided by this renewable resource, saving the company at least $1 million per year in energy costs.
Inspired by the Pantheon in Rome, the Rotunda at the University of Virginia in Charlottesville, Va., has maintained its iconic presence for almost 200 years. More than just an exquisite university building, the Rotunda symbolizes the university's rich history and progressive educational ideals.

The University of Virginia was founded and designed by Thomas Jefferson in the early 1800s. It was the first university in the country to separate church and education, and the first to offer students a chance to study non-traditional specialty subjects like architecture, astronomy and philosophy.

The Rotunda, completed in 1826—shortly after Jefferson's death—was the last of Jefferson's designs to be built at the school. He wanted the Rotunda to represent the "authority of nature and power of reason." The university's rich history and progressive educational ideals are also reflected in the building's architecture.

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The Rotunda at the University of Virginia in Charlottesville, Va., has maintained its iconic presence for almost 200 years. More than just an exquisite university building, the Rotunda symbolizes the university's rich history and progressive educational ideals. While the Rotunda is still the most recognizable building on the campus, it is just one of the Jefferson-designed buildings in a complex known as the Academical Village. The Academical Village is one of four man-made sites in the United States named as a World Heritage Site by the United Nations Educational, Scientific and Cultural Organization.

The buildings are widely recognized as one of the greatest architectural achievements in universities to date," Hogg said. "They are treasured partly because they are just wonderful buildings, but also because they provide a direct and tangible link to the creation of the university, to Thomas Jefferson and to the ideals behind the founding of the university. But through the years, the Rotunda has seen many physical and functional changes. In 1885 the building caught fire, gutting the interior and destroying the dome. The university then brought in architect Stanford White, who drastically changed the interior of the building, but kept the exterior of the building in the spirit of Jefferson's design. One of White's major interior changes was shifting Jefferson's three-story design to a simpler two-story configuration. In the late 1930s, the university moved the library to a new location, but classes and educational events still met in the building. In anticipation of the Fourth of July bicentennial in the 1970s, the university decided to return the Rotunda's interior appearance to its Jeffersonian design. White's interior was removed, and the floor he eliminated was reinstated. Despite its many facelifts and transformations, the Rotunda has maintained its stature on campus, Hogg said. "All this time, it really is the symbol or the icon of the university," he said.

Today, the 77-foot building, in both height and diameter, is used for a variety of public functions. The Dome Room—the former library space—is used for lectures and dinners. Several of the former classrooms are used as meeting rooms for the board of trustees. Ph.D students defend their dissertations in a room within the Rotunda.

The building is also a tourist attraction. The university offers scheduled tours of the building, as well as allows tourists to walk through the building on their own. To date, the university has not made any solid decisions about new renovations and repairs for the Rotunda, but if history is any guide, the changes will combine the best of modern technology and skill with the best of Jefferson's vision. "It is hard to over-emphasize the importance of this building as a symbol of this institution," Hogg said. "Because it is so important, everyone has worked really hard to tend to it carefully and that shows. An icon really does get its due."

Diana Mirel is a contributing writer for JPM. Questions regarding this article can be sent to kgunerson@irem.org.
**Fast Facts**

- The world's first **skyscraper** was the 10-story Home Insurance office, built in Chicago in 1885.
- Half the world's population is under 25 years of age.
- **Camping** is the number one outdoor vacation activity in America. One third of U.S. adults say they have gone on a camping vacation in the past five years and only 6 percent of people who have gone camping said it was not for them.
- The one place where a flag flies all day—never goes up or comes down, and does not get saluted, is the moon.
- July 4, 1776, is the official date when the United States was born, but it actually was not one country until 1788.
- The **can opener** was invented 48 years after cans were introduced.
- The first **train** reached a top speed of only 8 kilometers or 5 miles per hour.
- The U.S. Census Bureau projects the U.S. population will be 309 million in 2010, estimating a net gain of one person every 12 seconds. The estimated current population count is 299 million.
- The U.S. nickname **Uncle Sam** was derived from Uncle Sam Wilson, a meat inspector in Troy, N.Y.

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Workforce online provides information on all aspects of human resources with its HR Channels, Research Center, Commerce Center and Community Center. Users can read articles on various cases dealing with benefits, harassment and workforce development, and can find information on topics like recruiting and staffing, compensation, and training and development.

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**Pulse Points**

Log on to www.irem.org/jpm to answer this issue's online survey. Real-time results will appear on the site, and a final tally will be published in the next issue.

**Question**

How much have you thought about or are prepared for your personal retirement plans?

A. Haven't even thought about it
B. Thought about it, but haven't taken action
C. In the process of making plans
D. Succession plan is in place

The results are in from last issue's poll

Which tenant service listed below would benefit property managers the most if offered online via a tenant portal or Web site?

<table>
<thead>
<tr>
<th>Service</th>
<th>Percentage</th>
<th>Votes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building community</td>
<td>9.45%</td>
<td>(41 responses)</td>
</tr>
<tr>
<td>Rent payment</td>
<td>51.15%</td>
<td>(222 responses)</td>
</tr>
<tr>
<td>Maintenance requests</td>
<td>33.87%</td>
<td>(147 responses)</td>
</tr>
<tr>
<td>Common area reservations</td>
<td>5.53%</td>
<td>(24 responses)</td>
</tr>
</tbody>
</table>

Vote Total: 434

jul/aug 2006
Masters of their domain
Master-planned communities are popping up around the country, particularly in the West

by Aldrin Brown

The sales pitches tout a variety of floor plans, meticulously arrayed amid lush greenbelts, great schools, quaint commercial districts and walk or bike paths winding endlessly through protected wilderness areas. In some places, amenities include breathtaking views and championship-caliber golf courses. But above all, the sense of identity attached to living in master-planned communities drives their popularity.

"People like the concept that there's more than just a house. They're buying a lifestyle," said Charles Kubat, a planning expert and consultant, currently advising on the development of Estrella Mountain Ranch, a 3,400-home master-planned community situated on 20,000 acres in Goodyear, Ariz.

Master-planned communities are often defined as cities within cities. They combine commercial with residential development, and are strategically set up so both necessities and luxuries are at the fingertips of their residents. The proliferation of these developments, particularly in the West, comes as no surprise to veteran planners like Ray Watson, a U.C. Berkely-educated architect and planner, and one of the American pioneers of master planning.

YEARS OF PLANNING
Master-planned communities took off in the 1960s in the United States. The Irvine Company was a major developer of such communities—modeling its approach in part after popular new town development efforts in Great Britain after World War II.

In 1960, Irvine Company proposed a visionary approach to developing Irvine Ranch, a 93,000-acre swath of prime real estate it owned in Orange County, Calif. It offered 1,000 acres to the University of California if the university would build a campus there. In turn, Irvine Company promised to surround it with a community supportive of the university. To help spearhead the effort, Irvine Company reached out to Watson, who along with other American planners traveled to Europe to glean ideas they could apply in southern California.

“The company decided we were going to plan all of the property and decide what it was going to be ahead of time," said Watson, now retired after serving as chief executive and vice chairman of the board at Irvine Company. "None of us knew how it was going to go."

Arrival of the University of California, Irvine, was followed by the construction of what Watson described as a series of villages that spurred growth throughout the Irvine Ranch until the eventual incorporation of the City of Irvine in the early 1970s.

“I think the university had a lot to do with the early growth of Irvine," Watson said. “The university gave credibility to the builder and to the concept.”

SUSTAINABLE CONCEPT
Master planning did not just take off in Irvine, Calif., in the 1960s. An explosion of master planning is occurring today in places like the Phoenix metropolitan area and the suburbs surrounding Las Vegas.

In fact, some local governments require master planning as a way to help manage growth and provide cities with schools, parks, police and fire stations, and other infrastructures necessary to accommodate the burgeoning populations.

One such city is Henderson, Nev., one of the nation's fastest-growing communities, located near Las Vegas. In recent years, Henderson has been hailed as a model of managed growth. It has received national acclaim for its quality of life and number of parks and recreational locations. Many of the improvements were built by developers and conveyed to the city as part of master-planned communities.

Officials there have leveraged the massive influx of new residents to the
Las Vegas area to draw developers willing to abide by the city's pre-conceived land use intentions. Henderson's first master-planned community was approved in the early 1990s. Since then, more than seven others have received the go-ahead.

"We find the master plans are the most sustainable form of development in our area and provide amenities that make for a suitable place to live and contribute to the quality of life," said John Rinaldi Jr., manager of the city's office of property management and redevelopment.

And though demand for new land suitable for this type of development continues at a torrid pace, the supply around Henderson is beginning to dwindle, prompting ever-more fierce competition among buyers. Last year, the city approved a 1,940-acre development. A year earlier, the property was appraised at $125 million, but an auction by land-hungry bidders ultimately netted more than $250 million.

City officials estimate roughly 5,000 acres of leftover land is suitable for new communities. The success of its master-planned developments are blamed—or credited—for the rush on parcels.

**GAMBLING PROBLEM**

While master planning has been successful in several areas, the concept is not without failures. In some cases, master-planned developments failed because planning and architectural ideas were too innovative, to the point of impracticality, Watson said.

In other cases, developers were undercapitalized, leaving them vulnerable during economic downturns. In the early 1970s, the U.S. government launched a new community program to encourage and support the development of master-planned communities. Of the 13 firms launched as a result of that effort, 12 ultimately went bankrupt.

"It is horribly expensive to build all the infrastructure that you need for a master-planned community before you make a single dollar," Watson said.

Critics of the concept said the approach is financially risky and can lead to a patchwork of suburban sprawl. Other risks include whether home buyers will pay for the identity that comes with living in a master-planned community with its own village-style center.

"As metropolitan areas become larger and larger, people still want a town center," Watson said. "You don't want to say you're from Los Angeles or the San Fernando Valley; those places are too big. We all have this nostalgia for this small town from the movies. I think it fits into the need and desire of people to fit into the identity of where they live." □

Aldrin Brown is a contributing writer for JPM. Questions regarding this article can be sent to kgunderson@irem.org.
Technical Disaster
Using technology can ward off devastating impacts of disaster

by Scott Morey

In today’s world, we are subject to a range of concerns with the potential to affect us negatively on both personal and professional levels. From possible power outages at a property to dirty bombs being left at company headquarters, I’ve considered all disaster possibilities as chief information officer at a large real estate company.

Technology can play an important role in preparing for and responding to disasters. Additionally, the types of systems and applications one would put in place for disaster recovery already align with improving a company’s operations, whether or not a disaster occurs.

Content and document management systems are now a common solution for business owners looking to streamline operations as well as protect against business interruption should a disaster occur. These systems took off in the 1990s with the emergence of the Internet and communication technology. As a result, storing, retrieving and managing content became much easier.

When companies decide to implement content and document management solutions, they often start off by managing tenant files online. But before tenant files and executed leases can be placed online, organizations must consolidate and reconcile the various files’ contents: Multiple copies of tenant files and executed leases electronically through the various internal approval steps. This approach makes tenant audits easier since all relevant invoices can be provided to a tenant by the push of a button.

After deciding to enforce a content or document management system, determining what type of application to purchase can be complicated. The various solutions can be categorized as self-hosted applications, applications only available via application service providers and applications offering content or document management as part of a broader solution.

A number of self-hosted solutions are on the market, but OpenText and Documentum seem to be more commonly deployed in the real estate industry. By typing “real estate document management” into any Web search engine, a variety of available application service provider solutions will become apparent. Lastly, portal products, ERP applications and other systems offer content or document management as part of a broader solution.

Regardless of which direction you choose, it’s important to first understand what you are looking for and the specific needs of the organization. Based upon that, begin to evaluate the various applications and find the appropriate solution for your company.

Planning for disasters in today’s world is important. Having the means and wherewithal to recover from disasters is even more important. Using technology to protect against the devastating impacts of a disaster is key.

Scott Morey (scottmorey@realfoundations.net) is managing director of RealFoundations’ London office.
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Interns are no longer just warm bodies to cover summer staffing needs. Internships are no longer just working vacations for students' resumes.

Internship opportunities in real estate management represent an experience-based educational opportunity intended to integrate student academic preparation with a supervised work experience providing practical knowledge and skills. Additionally, an employer can evaluate a student's potential for a career in this field.

Furthermore, internships are cost effective for managers. The Wall Street Journal, (February 18, 2005 "America's A-List Internships") reported the cost of recruiting one full-time position can run as high as $30,000 including travel, labor, marketing, overhead and background checks. An intern can be evaluated and later hired for much less, even when wages and furnished housing are provided.

More colleges and universities are offering specific real estate management programs, majors, minors and graduate programs. Internships are required by some of these programs, making work experience almost a prerequisite for getting a job.

College graduates with internship experience have a leg up in the job market, according to a 2004 National Association of Colleges and Employers survey. The survey reported employers extended full-time employment offers to 58 percent of their student interns, and more than one-third of interns accepted positions with their respective internship companies.

In addition to the association’s data, several internship providers, including two REITs and two major regional companies in the Mid-Atlantic and Midwest markets, were surveyed for a data comparison. Among the companies, 75 internship opportunities were offered. Approximately 70 percent of those students received permanent job offers and 44 percent accepted offers with their internship employer.

A high correlation clearly exists between real estate management internship experiences and job offers.

Howard Campbell, CPM (hcampbell@bsu.edu), is an assistant professor for Ball State University's residential property management program.
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Speaking the Truth
Great leaders delegate and empower employees

by Natalie Brecher, CPM

Ask successful leaders what enables them to achieve great things and one common trait will become apparent—getting the best performance from their staff. By delegating and empowering employees wisely, employers create a committed and proactive staff that will produce exceptional results.

To gain insight into your ability to get the most from your people and produce positive results, consider seven leadership truths influencing delegation and empowerment:

**Truth 1: You cannot succeed alone; your staff determines your success.** Do you recognize your success as a manager is dependent on the success of your employees and treat them accordingly? Are you helping them succeed by assigning appropriate duties to the right people?

**Truth 2: The desire for perfection hinders your success by blocking delegation.** How often do you think if you don't do the work, it will not be done correctly? Are you being realistic? Can one result truly be perfect, or do several positive outcomes exist?

**Truth 3: Cooperation produces greater results.** Are you involving your employees in issues, making them a part of the processes and solutions, and working together as a team so everyone succeeds? Do you reward team results as much, if not more, than individual results?

**Truth 4: Talents vary.** Have you identified people's strengths, and are you using them to parlay their success to your organization's advantage? How are you helping your people combine their strengths and improve their skills?

**Truth 5: You are not the best at everything.** Have you identified your strengths and weaknesses so you know when you should ask for help or delegate your work to someone with stronger skills? Do you believe your way is not always the best way? What are you doing to improve your skills?

**Truth 6: A leader is not always right.** Have you freed yourself from the need to always be right and acknowledged your employees have the right answers, too? Do you admit when you have made a mistake and use it as a learning experience so your employees believe it is acceptable for them to make mistakes, too?

**Truth 7: Involvement breeds responsibility.** Are you involving your employees in creating policies and procedures so they are fully committed to the outcomes? Are you combining involvement with delegation so employees feel responsible and in control?

Do your answers indicate you take the time and effort required to develop your staff's strengths through delegation and empowerment? How would your staff answer these questions on your behalf? Do they think you are as strong as you believe yourself to be? What is more important, your perception or theirs?

Use these truths to elevate your ability to get the best work from your staff through effective delegation and empowerment. They bring both high-quality work and increased productivity to your organization.

**Natalie D. Brecher, CPM** (nbrecher@BrecherAssociates.com), is a performance improvement specialist, providing consulting, speaking, and educational resources relating to workplace performance and individuals' professional skills.
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Americas Business Unit
A number of legal challenges routinely arise while managing a real estate project, regardless of property type. For those new to real estate management, a few “must know” subjects will help keep everything in check and minimize liability.

The privacy quagmire: Property managers must understand and manage risks associated with obtaining and storing tenant or resident information to minimize liability risks relating to identify theft. Property managers must establish systems and policies preventing access to private information contained in paper and electronic tenant files, and must develop data retention policies and systematic requirements concerning destruction of confidential information.

The ADA and its enforcers: The Americans with Disabilities Act states a property’s public accommodations must be accessible to persons with disabilities. If these facilities are not accessible, property managers must make reasonable accommodations. To manage these risks, property managers should consider conducting ADA surveys of their properties to provide evidence of intent and effort to make the ADA-required reasonable accommodations. An audit of practices at each project may be a preventive investment.

New employment law challenges: The U.S. Department of Labor issued final regulations under the Fair Labor Standards Act, governing overtime eligibility for white-collar workers. The rules also include sections on overtime protection for blue-collar workers. Property managers should familiarize themselves with these new rules and how they impact exempt and non-exempt pay, and how they impact on-site and off-site management personnel.

Being cautious when it comes to legal risks is key to property managers protecting themselves and their assets.

Liquidated damages provisions in leases: Property owners and managers should focus their attention on risks associated with improperly drafted late fee provisions in their leases. Carefully consider lease provisions requiring payment of early termination fees if a tenant or resident wants to terminate a lease before the stated expiration date or requiring a customary late fee imposed on delinquent rent payments.

To be enforceable, these required lease payments must be properly written as liquidated damage clauses. A properly written liquidated damage clause must satisfy the following criteria: (a) the parties to the lease must both intend the provision constitutes liquidated damages, rather than a penalty; (b) the resulting actual damages the property manager would suffer from late rent payment or other default must be difficult to determine at the time the lease is signed; and (c) the amount of liquidated damages to be paid must be reasonable and proportionate to the loss that would be suffered by the property manager.

Paying attention to these legal issues and being cautious when it comes to legal risks is key to property managers protecting themselves and their assets. □

Pamela V. Rothenberg (prothenberg@wcs.com) is a member of the Real Estate Development and Real Estate Technology Groups at Womble Carlyle Sandridge & Rice, PLLC, and the managing member of the firm’s Washington, D.C. office.

Lisa Ruddy (lruddy@wcsr.com) an associate in the Real Estate Development Group at Womble Carlyle Sandridge & Rice, PLLC, substantially assisted with the preparation of this column.
MEET Ted

Theodore Williams III, CCIM

7:30 AM
Ted attends CCIM networking breakfast. Leaves with two hot leads.

9:24 AM
Ted wows an existing client with satellite imagery of a property using CCIM's Site To Do Business.

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Many people define ethics by the dramatic consequences ethics violations can have on individuals and employers alike.

Fair housing ethics violations in particular can, and often do, result in devastating losses and regretful consequences—like civil lawsuits. It seems every month, across the country, real estate managers and owners are losing money or facing the humiliation of bad publicity because of fatal flaws or bad policies relating to fair housing.

The Department of Housing and Urban Development reviews thousands of fair housing discrimination cases each year. Fortunately, in my two years of serving on IREM's ethics and discipline committee, I have not been exposed to any hearings over fair housing ethics disputes. Still, real estate managers are not immune to the issue and need to be aware of potential problems.

No degree of training can fully eliminate the perception a real estate manager or one of his or her employees has done something wrong. When a violation occurs, intention to harm need not be proven. In most cases, a violation of the law or an established policy resulting in damage is evidence enough. Any policy allowing members of a protected class to be treated differently—intentional or not—may be violating the law and the IREM Code of Professional Ethics.

Ethical disputes are often the result of someone determining short-term, personal gain is more important than the long-term impact of his or her decision. Perhaps someone made a decision he or she viewed as correct, not recognizing, or even worse, disregarding its consequences.

Ethical conduct is a personal choice of values each of us makes. The Merriam-Webster Dictionary of Law defines ethics as, "the principles of conduct governing an individual or a group." Collectively, we may be aware of laws, policies and codes of conduct, but ultimately our actions are based upon personal choice.

Fair housing experts generally advise managers to document actions, prove consistent treatment exists in all the company's dealings, and base policies and personal conduct on the golden rule—treat others as you want to be treated.

CPMs can earn and retain their designation by meeting strict ethical requirements spelled out in the IREM Code of Professional Ethics. Articles 10, 11 and 12 in the code clearly affirm IREM's obligation to adhere to fair housing laws.

Fair housing ethics violations in particular can, and often do, result in devastating losses and regretful consequences—like civil lawsuits.

John C. Maxwell wrote in his book, Ethics 101, "A person of responsibility can trust himself to choose the right thing over the easy thing."

With a strong personal commitment to ethical conduct, you are sure to comply with all applicable fair housing laws and set an example for those around you.

Carl York, CPM (York@sentinelcorp.com), is a vice president with Sentinel Real Estate Corporation and is the vice chair of IREM's ethics, hearing and discipline board.
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IREM Institute of Real Estate Management
Real estate managers look beyond managing traditional properties, spicing up their portfolios with exotic and unique developments by Darnell Little
For most real estate professionals, real estate management means running the day-to-day operations of an apartment building, a high-rise condominium or an office complex. A shopping mall may be the most exotic locale found in a typical portfolio.

But more and more property managers are finding themselves in charge of atypical properties like ski resorts, shipping ports and golf courses. These properties are slipping into an increasing number of real estate portfolios, bringing with them a unique set of financial opportunities and operational challenges.

"We see our clients getting more and more involved in projects outside traditional real estate," said Dennis Yeskey, leader of Deloitte & Touche LLP's real estate capital markets practice. "We see a lot of investors going into secondary and tertiary markets, places where they previously may not have had management operations."

With a booming real estate market across the country, opportunities in traditional property markets are becoming more scarce—causing imaginative investors to explore less chartered territory, Yeskey said. He said investors who make the effort to investigate these specialty markets can reap profits in areas most other real estate speculators don't even know exist. And while owning a golf course or ski resort may be foreign to most investors, he said a lot of the basic property management fundamentals still apply.

"A ski resort, for example, has condominiums, and there's a certain amount of retail," he said. "And there are also restaurants—things along those lines. So even though it's a resort, it's not that alien."

DEVELOPMENT NEARLY DERAILED

CPM Dennis White spent a good portion of his career managing a unique property. From 1977 until 2004, White managed real estate at the Port of Oakland, which sits on 19 miles of waterfront along the San Francisco Bay.

The port owns and operates Oakland International Airport, as well as the fourth busiest seaport in the country. Railroad and trucking operations exist at the port, along with office buildings, restaurants, retail space, a golf course and an industrial park.

For nearly 30 years, White juggled
the responsibilities of developing commercial enterprises on the port, analyzing leases and managing real estate. He said the job was often a whirlwind of activity.

"There was hardly a boring moment," White said. "There was a new challenge every day. It was one of the most exciting jobs I could imagine."

One of White's most vivid career memories is when the Department of Defense decided to shut down a 500-acre military base adjacent to the port. White saw an opportunity to snatch up the land and use it for commercial development.

But to annex the former base into the port's property, he first had to remove a Union Pacific rail yard sitting near the water's edge. White said he soon discovered this was no ordinary rail yard. It was where the historic transcontinental railroad ended on the West Coast. White said the rail yard is an interstate-commerce protected transportation asset of national and international significance. It's a major piece of transportation linking the East Coast to the West Coast. At first, the task of developing the land seemed unfathomable, White said.

"I expected to be laughed at," he said. "But with some imagination, and the willingness and courage to pick up the phone to say we're interested in talking to you about moving your rail head, it actually ended up happening."

In 1998 the port began tearing down around 15 million square feet of military buildings and used the space for international container berths—doubling its geographical size. As a result, White said the port's business started booming.

He said it takes a unique blend of skill sets and abilities to handle running a port.

"The person needs to be very creative, [but] at the same time be technical enough to be able to critically analyze the possible results," he said. "And you have to be courageous enough to be laughed at. You have to think you can do something different and really expect that those around you may or may not understand, or may not be able to see [your] vision."

DIAMOND IN THE ROUGH

Max Farash, founder of Rochester, N.Y.-based Farash Corporation, had his own vision when he saw a 400-acre parcel of available land in Canandaigua, N.Y., about 20 minutes outside of Rochester.

His vision lead to the development of Centerpointe Country Club—apartments, townhouses and a business park with a 160-acre, 18-hole golf course right in the middle of the property. Almost all the townhouses and 50 percent of the apartments are around the golf course, creating a potent visual effect that is a real selling point to new residents, said Jerold Watkins, president of marketing and development for Farash.

"You have a park for a backyard—a lot of nature right behind your home," he said.

But maintaining this golf course is no easy game. Employee retention is a challenge because the golf season is not year round: It lasts from April until November. Farash has a golf pro with a staff, a clubhouse restaurant staff and a crew of groundskeepers the company must work hard to bring back each year.

"Our big issue is getting quality people back so we don't have to start at zero to re-train them," Watkins said. "To get a decent chef that's going to be with you five or six months a year, that's a tough thing to do."

Another challenge, he said, is maintaining 160 acres of turf.

"Out here the average lot for a house is probably a third of an acre," Watkins said, "so take the work required to maintain your lawn and magnify that by 500 percent."

Learning the ropes of golf turf care and dealing with the unpredictability

The 7th hole of the golf course resides in back of the townhouses at Centerpointe Country Club.
of mother nature has been an ongo-
ing education. Farash recently updat-
ed a 30-year-old irrigation system
with a new, state-of-the art system.
After the new system was installed,
Rochester had one of the wettest sea-
sons on record.

“We were going through some real-
ly dry seasons here, and the old irriga-
tion system was constantly breaking
down,” Watkins said, “and if you don’t
get water to the greens every couple of
days, you’ve got a big problem. So we
spent all this money to put our irriga-
tion system in, and the next season we
used it three times.”

While Watkins said being a golfer
is not necessary to successfully man-
age a property with a golf course, he
said a manager needs to have a broad
set of skills.

“I am a golfer, so I understand to a
point what goes on, on a golf course,”
hed. “But you need someone with a
business sense, who knows how to
watch your costs, keep employee reten-
tion and look to the future to keep the
business up and running.”

MIXED BAG

Stephen Bilan said finding a property
manager who deals with a greater
mixed bag of properties than what’s in
his portfolio would be challenging. He
is the general manager of USS Real
Estate, a division of United States Steel
Corporation, which develops real
estate for sale or lease on discontinued
domestic steel operation sites.

One of Bilan’s properties is the
Keystone Industrial Port Complex,
located off the Delaware River in Bucks
County, Penn. The complex has the
farthest inland deep-water port in the
Eastern United States. It’s also home to
a railroad yard, a couple of power
plants, a sewage facility and a Spanish
windmill manufacturer.

Bilan said his job warrants a Harvard
Business Review case study. He has a
civil engineering degree, plus an MBA,
and he said sometimes those are not
enough to get him through the day.

“It is more than a full-time job,” he
said. “I’d like to [say] I am smart
enough to put in a 40-hour week. But
we put in long days. While we’re trying
to attract businesses, we still have to
operate, maintain and make improve-
ments to the site to accommodate the
businesses already here.”

Bilan has a staff helping him meet
his customers’ varied needs. He said
his staff’s educational background
encompasses nearly all engineering
disciplines, but the job requires far
more than that.

“It’s important to recognize people
have to have not only the technical
ability, but also the financial where-
withal to do things cost effectively,” he
said. “The other key ingredient is we
look for the expertise we need, and
that may take the form of special stud-
ies needed to operate the port or to
provide waste water treatment more
effectively. And we draw on consult-
ants very heavily here.”

Property managers and investors
willing to look off the beaten path will
find a number of possibilities ranging
far beyond the usual residential condos
and office buildings. And as the real
estate market continues to expand,
those opportunities are expected to
grow even further.

“There’s so much money afloat in
the commercial real estate market look-
ing for return, investors have to find
other outlets for their money,” said
Deloitte’s Yeskey. “So the niche markets
are very popular. With all the money in
the market now, it’s attracting a lot of
interest, and that’s not expected to end
anytime soon.”

Darnell Little is a contributing writer for JPM.
Questions regarding this article can be sent to
kgunderson@irem.org.
TAKING REAL ESTATE TO A
HIGHER DEGREE

Industry-specific academic programs prepare the next generation for careers in real estate management by Karen L. Wagner

TO FIND OUT MORE about the real estate management field firsthand, Carla Earhart, program director for the residential property management program at Ball State University in Muncie, Ind., took a semester-long sabbatical to observe six different property management firms and their operations. Her experience was not what she expected, and circumstances required her to be less of an observer and more of a hands-on worker.

On her way to observe the first firm, what should have been a 30-minute commute took two hours because of an ice storm. Things didn't improve once she arrived at the company. One leasing agent couldn't make it into the office. Another agent took a long lunch to accommodate a class she was taking. Meanwhile, the firm's full-time property manager left to take care of her school-aged daughter who broke her arm.

"And I ended up in charge," said Earhart, who had just wanted to get a feel for the industry and share her experience with her students. She got more than she bargained for when she had to show apartments to potential residents, despite lack of training. "[Property management] is a balance of an administrative side—fulfilling paperwork and leasing responsibilities—and a people side—taking care of residents' needs. In trying to get all that done, it can be very difficult."

Earhart said her harried first day in the industry provided some insight into what her students go through as they embark on their careers. She said she realized the value of industry-specific experience and education, and their role in preparing students for future jobs.
“New hires now have education and experience,” Earhart said. “They know what they’re getting into. They know the challenges. There aren’t any surprises.”

As more real estate firms look for job candidates with bachelor’s and master’s degrees, schools across the country are adding real estate classes or developing entire real estate programs. Students, in turn, are entering the programs with long-term careers in mind, and property management—once considered a job—is turning into a profession.

**Class Act**

With the industry evolving, a shift in values is occurring, and employers are putting more emphasis on education and professional training rather than solely on on-the-job experience, said David Funk, director of the real estate program at Cornell University in Ithaca, N.Y., which offers a master’s of professional studies in real estate. Funk said a monumental shift is occurring from the real estate world of 15 years ago when virtually no one entered the industry with academic training.

“We’ve noticed that employers now more than ever are recognizing the need for comprehensively trained, sophisticated real estate professionals,” he said.

The need for qualified real estate professionals has spurred the launch, as well as the restructuring and advancement of several real estate programs at colleges and universities nationwide. An Institute of Real Estate Management database lists 164 real estate degree programs at 87 institutions in the United States. Of these programs, 30 offer one or more courses in property management, while 10 offer majors, minors or concentrations in the discipline.

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**TRADE OFF**

**Bentley College sophomore considers education, career in property management and real estate**

A sophomore at Bentley College in Boston, 19-year-old Stephen Somers has never taken a course in real estate. As a corporate finance and accounting major, he won’t graduate with a real estate degree. Even so, Somers is certain property management is key to his future.

“I used to be interested in the stock market,” Somers said. “I became interested in real estate because the way I look at it, you can change the world.”

Somers said real estate offers the opportunity to build something tangible and make a real difference.

“And, to me, that’s more interesting than trading stocks,” he said. “You see a product that you’re delivering to a customer.”

Somers is so enamored with the field, he co-founded the Bentley Real Estate Group, a student-run organization promoting interest in real estate at the college. One of the group’s goals, Somers said, is to persuade Bentley to offer a minor in real estate in the undergraduate program. The school recently began offering a master’s of science in real estate management.

Somers plans to take a couple of undergraduate real estate courses and will most likely apply for the master’s program once he completes his bachelor’s degree. His ultimate goal is to head his own real estate development company, ideally in southern California. However, before he heads for the opposite coast, Somers said he wants to study property management because the first step in becoming a successful developer is becoming a successful manager.

“I see starting the company as a real estate management company and then growing it,” he said. “You can build the most beautiful building in the world, but if you can’t manage it, you’re going to lose money on your investment because management is probably the most important aspect of it.”
The curriculum varies within each university’s real estate program. Course loads often include classes in finance and investment banking, development, marketing and market analysis, as well as property and asset management.

Ball State’s residential property management program offers a combination of housing courses; business courses including marketing, management and accounting classes; specialized courses in residential property management including leasing and maintenance classes; and niche market courses including classes on elderly and government housing.

“We want the students to come out with a very well-rounded education,” Earhart said. “We want them to get the big picture. Ultimately we hope the graduates will go on to the corporate level, and they need to understand what’s going on at the site level if they’re going to move up the career ladder.”

In addition to the varied education students can get in the classroom, they can get real-world experience and networking opportunities through the internships required by many real estate programs. Interning helps students understand the field they are about to enter, and it helps them apply what they’ve learned in the classroom, Earhart said.

“It opens the eyes of the students,” she said. “There is only so much they can learn in the classroom and through the textbooks. It is so valuable for them to match up the classroom experience with the application of that information.”

**Reality Check**

Students aren’t the only ones getting a dose of reality. The industry is coming to terms with a talent shortage as experienced real estate professionals near retirement age. The average age of certified property managers is 49, according to a 2004 Institute of Real Estate Management survey.

As the industry works to creatively fill the experience gap, real estate industry associations are pairing up with educational institutions to start or enhance their real estate education programs.

### MONEY, MONEY, MONEY

Scholarships for students interested in real estate programs are available from a variety of sources, including schools and the industry. Local, regional and national professional associations also provide assistance. Here are a few scholarship opportunities:

**Institute of Real Estate Management**
- The IREM Foundation offers the George M. Brooker College Scholarship for Minorities, which provides tuition assistance to minority college students who are majoring in a field related to real estate. Two $1,000 undergraduate scholarships and one $2,500 graduate scholarship are available annually.
- IREM has endowed a scholarship at Virginia Tech in Blacksburg, Va., supporting the school’s residential property management program.
  
  Find more information at www.irem.org.

**Appraisal Institute**—The institute offers $2,000 scholarships for undergraduate and $3,000 scholarships for graduate students majoring in real estate appraisal, land economics, real estate or allied fields.
  
  Find more information at www.appraisalinstitute.org.

**International Council of Shopping Centers**—The ICSC Educational Foundation July Scholarship program is offered to American and Canadian graduate students enrolled in master’s of retail or real estate programs. Students are nominated by department chairs at real estate schools and may receive an award of up to $10,000.

Find more information at www.icsc.org/scholarships/index.php.

**Society of Industrial and Office Real Estate**—The SIOR Educational Foundation matches scholarships of up to $3,000 granted by SIOR chapters to students in undergraduate and graduate real estate and business-related degree programs.

Find more information at your local SIOR chapter or at www.siorda.com/sioref/scholarships.asp.

**Ohio Association of Realtors**—The OAR Charitable and Educational Foundation offers scholarships of at least $1,000 for undergraduate and graduate students enrolled in real estate or related programs at Ohio colleges and universities.

Find more information at www.ohiorealtors.org.
For the past few years, the Institute of Real Estate Management has been working with schools around the country to establish real estate programs, scholarship opportunities and advisory boards—all in an effort to produce real estate professionals who, once armed with their degrees, can hit the ground running. In 2005 IREM began offering student and academic memberships, including full membership benefits at discounted rates.

The National Apartment Association recently funded a grant for Ball State to help its recruiting efforts at the high school level. Associations are trying to thwart the shortage and reduce the traditionally high turnover rate by getting students interested in real estate industry careers early on through sharing information and facilitating job shadowing experiences, Earhart said.

Teaming up with industry associations has helped give real estate programs a much-needed boost, she said. And while the funding and scholarship money are great, industry professionals can also provide invaluable resources by offering internship, mentoring and networking opportunities, and by serving on program advisory boards, she said.

“What the associations bring to the table is real-world practical knowledge,” said Karen Kazmierczak, manager of academic and organization outreach for the Institute of Real Estate Management. “Members of the associations help colleges and universities keep the curriculum relevant to the real world. The continuing partnership also gives students the networking and mentoring needed to get in the business.”

Kazmierczak said one of the institute’s main goals in reaching out to college students is to portray property management as a viable career—more than just something job seekers fall into.

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**TAking Charge**

**Virginia Tech gives industry what it wants**

Back in 1986, Virginia Tech in Blacksburg, Va., was the first school to offer a degree program in residential property management. The reason it started the program was simple: The industry asked for it.

Rosemary Carucci Goss was teaching in Virginia Tech’s Department of Apparel, Housing and Resource Management when a state housing official she met at a conference told her about the great need for property managers with good people skills and strong business acumen.

It took a while, but six years after their initial conversation, Virginia Tech began offering a couple of courses in residential property management.

Today Goss serves as Virginia Tech’s residential property management advisory board professor. She said she is not surprised by the number of real estate programs springing up at schools across the country. Television and cable shows, and the success of real estate investment trusts have made real estate a popular field, she said—suggesting reasons for the proliferation of academic programs. More specifically, she said during the past two decades residential property management has evolved from a job into a profession requiring more skills.

“It’s not just knowing how to go into the computer and setting it up so everything reminds me about my lease expiration,” Goss said, noting how four-year programs teach students more analytical and problem-solving skills.

“These people have really had an opportunity to think.”

Goss said this generation of degreed property managers reflects the industry’s demand for college graduates. Moreover, a job candidate with a degree focusing on residential property management definitely has an advantage over someone with a more general degree, she said.

“What I’m told from industry people is, ‘We love coming to this career fair [at Virginia Tech] because we know that everybody knows what property management is, and we don’t have to start by talking about what it is we do,’” Goss said. “I think that’s why students in these programs are so much in demand.”
“First and foremost, we’re trying to get the information out that it is a valid career choice,” she said. “That’s very much the primary goal.”

### The Pay Off

Nothing screams validity like big pay checks and excellent growth opportunities. Salaries for on-site community managers range from $40,600 to $57,300, depending on the number of units at the property. Salaries for a top property management executive range from $151,300 to $204,400, according to a 2006 survey by Los Angeles-based Cel & Associates Inc.

Earhart said more students are enrolling in real estate programs and entering the field because they like the compensation packages, the ability to move up the corporate ladder, the independent decision making and the high-energy level the positions require.

Sarah Atkinson graduated from Ball State’s residential property management program in May and has since accepted a position as a leasing agent in Richmond, Va., with Edward Rose LLC. She will also be in the company’s management training program.

Atkinson said she hopes to eventually specialize in marketing or training and development. Although she said a graduate degree is likely in her future, for now she trusts her undergraduate degree will provide ample opportunity.

“I think it will help me advance more quickly and open a few doors early on in my career,” she said.

Some might say those doors have already started opening. Atkinson received eight job offers before graduating—including the offer from Edward Rose. She said most students graduating from the program had multiple job offers.

“Our students have no problems getting jobs,” Earhart said. “The industry is recognizing the need for quality, trained individuals. We can save companies a lot of time and a lot of money with students going into the industry already knowing what it might take someone else three or four years to [learn].”

And once graduates find those jobs, the hope is they’ll keep them longer. Tracking the 60 alumni of Ball State’s residential property management program, which started in 1999, Earhart said at least 50 are still working in property management and only seven have changed jobs.

Atkinson said her exposure to industry professionals through the program and having networking, interning and job shadowing opportunities undoubtedly prompted her success.

“I feel very fortunate that I’m catching the beginning of the wave,” Atkinson said. “[Education] is going to have a significant impact not just on real estate management but on changing the public face of real estate management as a viable career opportunity.”

Karen Wagner is a contributing writer for JPM. Questions regarding this article can be sent to kgunderson@irem.org.

Young professionals and students interested in real estate management can go to www.getrealgetready.org for more information on getting started in the industry.
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Preparing for retirement can be complex and daunting, but structuring a succession plan early can help make the transition for business owners seamless and rewarding by Diana Mirel

After 30 years in the property management business, Ed Boudreau, CPM, and the then president and chairman of the board for Capital Consultants Management Corporation, decided it was time for a change and new focus.

At 58, Boudreau opted to retire from his position at Capital Consultants—trading time managing community associations for time with his family.

“This is a very tough segment of the property management business,” Boudreau said. “Homeowner association work is strenuous, and I decided it was time to really focus more on my family, particularly my wife.”

Boudreau, now exclusively chairman of the board for Capital Consultants, is not alone in his pursuit of interests outside of work. Thirty percent of the federal workforce will be eligible to retire in five years, and an additional 20 percent could seek early retirement, according to the U.S. Office of Personnel Management.

Despite the masses nearing retirement, few will likely go from business owner to retiree over night. Like most major transitions in life, retiring requires a plan in order for the transition to be close to seamless. Thus, succession planning—determining who will take over when a business owner retires, how the sale will be structured and how the transition will occur—is a prominent part of today’s business environment.

THE SOONER THE BETTER

While planning for retirement might seem exciting, the process often elicits as many questions as it does dreams for the future. Moreover, because succession planning involves so many decisions, creating an ideal plan takes time.

“The sooner the process gets started, the better. It makes for a much smoother transition,” said Jim Rabe, managing director of Willamette Management Associates, a valuation consulting, economic analysis and financial advisory services firm. The more planning you do increases the chance of the business surviving.”
Business owners should begin thinking about an exit strategy about five to seven years prior to their intended retirement, succession planning experts say. Boudreau began considering his company's succession plan about eight years before his planned retirement.

"That would be 30 years of owning the company," Boudreau said, "and I felt like after 30 years, it would probably benefit from having some new direction and some new leadership."

Boudreau began planning by consulting with peers who had sold their businesses; determining his motivation for selling; evaluating the risks of different buy-sell options; deciding the level of involvement he wanted in the business after officially retiring; meeting with lawyers and accountants; making sure his books were in good shape; and establishing a formal valuation.

Ultimately, Boudreau developed and enacted a detailed plan to sell the company to current employees. He made minority stock interests available to key employees via stock bonuses and purchases. Employees owned 21 percent of the company at the time of final sale.

"There are a lot of buyers out there for different strokes," he said. "But you only get one chance to do this right, and so it needs to become a major, major focus in your last few years. I am very fortunate so far, and I wake up every day and thank myself."

FOR WHAT IT'S WORTH

Before Boudreau decided to sell the company internally, he explored several other possible succession scenarios, including selling the company to a third party, merging with someone else, selling to venture capitalists or developing an Employee Stock Ownership Plan. Deciding to sell his business to employees offered Boudreau the involvement he desired and a sense of comfort.

"These are people I have known for decades, so I felt better selling to them than I did selling to a total stranger," he said. "In almost all sales of management companies, you're going to be asked to have some sort of contingency, pro
form or [promissory] note, but you're not going to be in control. This way, I still have some element of say over what goes on with the company in terms of the agreement with my note.”

When weighing their options, business owners should consider how much money they would get from liquidating their assets—selling all their tangible company assets including land, inventory, patents, etc., piece by piece, for cash. They should then determine how much paying off their liabilities—loans, outstanding debts, etc.—would cost.

If they can make more money by liquidating assets after paying off the liabilities than they can make by selling the business to a prospective buyer, business owners may want to close the business. However, if the business' going concern value—the value of a business enterprise expected to continue in the future—is worth more than the liquidated assets, the owners may decide to keep the company in operation.

A small business owner's largest asset is often the market value of the business, Rabe said. Its market value takes into account future growth, which is important in determining the company's value for a prospective buyer. While no specific formula for valuing the company exists, business owners can determine a value with accountants or valuation consultants.

“The book value of a company's stock—the value reported on the company's financial statements—would only equal market value by coincidence,” Rabe said. “Most intangible assets of a company don't even show up on a company balance sheet. So it is important to get an accurate estimate of market value.”

GOOD HOUSEKEEPING

Getting an accurate picture of a company's worth requires financial housekeeping, which should be monitored and adjusted throughout the succession planning process.

“To maximize the value of the business, if you're doing a sale to an outsider, you have to start doing a little cleanup of the company,” said Jeralyn Seiling, special counsel in Farella Braun & Marrell's family wealth practice in San Francisco.

Documenting the business in a manner potential buyers will understand is important, said Richard Salomon, partner at Wolf, Block, Schorr and Solis-Cohen LLP in New York City. He said buyers doing due diligence will likely ask for corporate records and material contracts.

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Questions to ask before selling a business

by Chris DeVany, president of Pinnacle Performance Improvement Worldwide

1. If I were hit by a truck tomorrow, who would I want to succeed me?

2. Who else would I want on the management team and why?

3. Are there people who have worked at the company who might be ideal candidates for running the business?

4. If yes, might they be interested in making an offer to purchase the business?

5. Ask those you trust, “Who do you know that might be interested in purchasing the business?”

6. Who are the attorneys and accountants who specialize in handling business sale agreements? Ask your own attorney and accountant or check with your business owners' association(s) for referrals. You are best off identifying teams of attorneys and accountants who have worked together on this process previously.

7. What venture capital firms might consider purchasing my business? Ask your local chamber of commerce and nearest major city business journal to identify the venture capital firms.

8. Which angel networks—similar entrepreneur investors who focus on buying businesses—might be interested in buying? Identify the angel networks via local business schools and chambers of commerce.

9. Who are all the principals who would be on a new management team?

10. What criteria qualify these individuals as potentially effective managers?
“Look at your company the way a buyer would look at it,” Salomon said. “Does it look like a company run by a single, strong personality, or does it look like a durable enterprise?”

A business owner may have to take care of looming litigation claims and employment issues prior to presenting the business to a prospective buyer. The owner may also need to review the business insurance and the books to ensure the books are clean.

“It was not an issue for my business, but my advice would be to clean up the company if you need to,” Boudreau said. “A lot of small business owners have their families on the salary, and they run cars and the country club through [the business]...But all that stuff needs to be cleaned out of the purchase price. So clean it up and make sure you have good books.”

**FUNDING SOURCES**

Having clean books will also help when determining how to fund the company’s sale. Depending on the type and size of the business, several options—aside from traditional bank loans—exist for funding buy-sell agreements.

Most often, a buyer’s personal capital and the business seller’s financing fund the purchase and sale of a small business, Rabe said. When a seller finances the sale, the seller may allow the buyer to pay some of the purchase price in the form of a promissory note.

The buyer and seller could structure a loan in which the buyer makes monthly interest and principal payments to repay the note. Typically, the buyer must personally guarantee to pay the seller the remaining amount due if the business goes under before the purchase is completed.

Buyers may also opt to gather groups of investors at some guaranteed rate of interest, posing another set of challenges. When a board of investors is involved, the buyer is accountable to the board and cannot make decisions for the company without its approval.

“It is far cleaner to have someone redeem their life insurance policy for the cash or go to a bank and get the money,” said Jan Margolis, managing director and owner of Applied Research Corporation, a human resources consulting firm in Metuchen, N.J.

“You want to have as few hands in the pot as possible.”

**IT TAKES A VILLAGE**

While having fewer investors involved in transitioning a company can be beneficial, having plenty of experts to advise a business owner throughout the succession planning process is helpful.

“This is not something a business owner should try to do themselves,” said Seiling of Farella Braun & Martell.

“Hire the best professionals you can because it will pay off in maximizing the value you get for the business.”

The team of advisers might include an accountant, valuation consultants, attorneys, insurance agents, investment advisers, board members and perhaps a business broker. Each adviser plays a crucial role in the succession plan.

Attorneys draft buy-sell agreements laying out how ownership will be transferred, what the company’s value is, how the sale will be funded and how the company will continue without the current owner. Board members often guide company management. Life insurance agents become essential when insurance policies are needed to fund paying off estate taxes and buy-sell agreements.

Like-minded entrepreneurs often offer the best advice, though, Boudreau said. He said he gained succession planning expertise from his peers in the National Advisory Board, a national group of real estate executives.

“A number of these folks had gone through exactly what I went through, so at each stage I would run what I was thinking past these other executives,” Boudreau said.

**CHOOSING A SUCCESSOR**

Just as having an experienced decision-making team surrounding business owners during the succession planning process is important, having experienced successors in place once the owners step down is invaluable.

“Usually you can’t just decide to hire someone on the eve of your retirement,” said Salomon of Wolf, Block, Schorr and Solis-Cohen LLP.

“You have to bring people into various roles, try them out and have multiple terms.”

Boudreau said one of his top concerns was choosing which employee would be the company’s new leader.

“The key thing in any plan is who’s going to be the bus driver,” Boudreau said. “It’s your entire financial future you’re dealing with, so you have to take it seriously.”

Two to three years before Boudreau’s planned retirement, he began having serious conversations with the candidate he had in mind for the takeover. He wanted to ensure the candidate was ready for the responsibility and his interests were aligned with Boudreau’s interests. Ultimately, Boudreau handed the business over to a 14-year company
“The key thing in any plan is who’s going to be the bus driver. It’s your entire financial future you’re dealing with, so you have to take it seriously.”

— Ed Boudreau, CPM, chairman of the board for Capital Consultants Management Corporation

STAYING INVOLVED

Even though they might find the right successor, many business owners remain involved in the company to some extent once the transfer is completed. Consequently, business owners need to protect themselves and their businesses when making the deal.

If a portion of the purchase price is deferred or contingent on an earn-out situation—a method for triggering changes in the purchase price based on future performance of the company—the company’s performance still directly affects the business owner.

Earn-outs can be determined by the business’ operating measures, like revenues and profits over a certain period. If the earn-out is based on the company’s future performance, the company’s performance after the transfer of ownership affects the amount the buyer pays the original owner. Business owners should be sure the deferred portion of the payout is within their control, Salomon said.

“If your job after the sale is to assure the continuity of customer relations, then you ought to be rewarded for assuring the continuity of customer relations and not penalized for things that are not in your control, such as the things buyers do that you wouldn’t have done,” Salomon said.

An owner’s involvement varies depending on the situation. Boudreau is technically still an employee of Capital Consultants in that he has insurance and some other benefits. In return, he provides a certain number of hours of service to the company by mentoring the president, acting as chairman of the board and helping to guide key decisions in the company.

“I have the best of both worlds,” Boudreau said. “I have an opportunity to watch over the balance of my investment while having lots of free time to pursue other interests outside the company. I also still have the companionship of people at the company. But ultimately, [succession planning] achieved the goal I set out to do, which was retire at 58.”

Diana Mirel is a contributing writer for JPM. Questions regarding this article can be sent to kgunderson@irem.org.

Look for a follow-up article on succession planning within a family business in the September/October issue of JPM.
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The days of traditional credit checks are long gone. Property managers and owners can now harness the power of the Internet to check potential residents' credit histories, criminal records, rental payment histories or any other legal proceedings in which they might have been involved.

Web-based resident screening software—which allows managers to dig deeper into applicants' histories—has become popular, especially among larger, multifamily housing management firms, said Geoff Ogden, director of residential and financial services for Southern Management Corporation. The company manages about 24,000 units and uses resident screening software.

"The top 50 [management firms] are all using it, and it's growing every year," Ogden said.

PAINTING THE PICTURE

Because of an expanding market, advanced technology and increasingly accessible applicant data, resident screening software companies have had to shift gears and expand services since their inception. Waltham, Mass.-based RentGrow Inc., a resident screening company, started out in 1989 solely running credit checks for its clients.

"Ten years ago it was harder to use multiple data sources," said Mike Lapsley, president of RentGrow Inc. "It was more expensive and the data was harder to get."

But with the arrival of the Internet, screening companies began migrating toward Web-based search engines in the late 1990s. The migration allowed for the almost instant retrieval of information contained in public records, Lapsley said.
Now, management firms can obtain information on applicants' credit histories—including the patterns of where they applied for credit and inquiries into credit they sought—as well as information on liens on applicants' properties and judgments involving applicants in civil court.

"In the last five years, the amount and quality of information that has become available is incredible," Lapsley said. "You have a more complete and accurate picture of who you're renting to."

**AVOIDING THE PROBLEM**

Because the software applications allow managers to obtain an accurate picture of potential renters, managers can avoid residents they might have to spend time and money evicting, said Nevel DeHart, executive vice president of First Advantage SafeRent. The Maryland-based consumer reporting agency assembles and evaluates consumer information and provides consumer reports to third parties for the purpose of residential screening.

"If you're not bogged down trying to get rid of people you never should have [accepted] in the first place, your whole management team can spend time on revenue-building decisions," DeHart said.

In addition to helping managers determine whom to avoid, the software applications are helping managers discover how to reach the residents they want. Most screening companies can run reports to help management companies evaluate how well their advertising strategies work. Draper & Kramer, a Chicago-based property management firm, uses First Advantage SafeRent to assess its marketing strategy.

Draper & Kramer can generate data showing how many of its good tenants stated on their applications whether they read about its apartments in a particular newspaper advertisement. Holly Hetzel, director of marketing and leasing for Draper, said while the software is not necessarily a marketing tool, the research data it provides is helpful.

"We could do the market research ourselves, but there is no sense in hiring people to do that when it's more convenient to use [software]," she said.

**A BETTER MOUSETRAP**

While resident screening software companies have access to the same information, each company has its own system for organizing all the credit, financial and criminal information to help property managers predict which applicants will be good residents.

ResidentCheck, a Dallas-based screener handling about 450,000 units nationwide, has its own proprietary model called AccuScore. A predictive risk model, AccuScore shows what type and amount of debt will most likely cause a resident to skip rental payments. To design the model, the company studied credit histories it compiled on its clients' residents over the previous several years and matched the information to residents who eventually became delinquent, said Charles Stroud, vice president of sales for ResidentCheck.

First Advantage SafeRent began building its current statistical model in 1996, DeHart said. The key to its model is combining information available on the Internet with the company database on landlord-tenant disputes, he said.

Since the early 1980s the company has been collecting records from housing courts across the nation on landlord-tenant disputes. Because landlord-tenant disputes are civil proceedings settled in a court system separate from criminal courts, the information is not as easy to obtain, DeHart said.

Criminal information is more accessible, he said, because around the year 2000 the federal government started helping the states establish electronic databases of all criminal data from their county courts. By 2002, screening companies could access criminal databases in about 40 states over the Internet.

DeHart said the information is telling because it shows which residents with whom property managers are likely to have problems. Ogden of Southern Management said the company uses the model, and the landlord-tenant data is especially important.
The software applications show which applicants have been cited for failing to pay rent in the past. Ogden said having such significant information up front is helpful. The company has attained a delinquency rate of less than 1 percent each month.

“We’re protecting everyone’s interest, including the residents’, by making sure they can afford [the rent],” he said.

**THE HUMAN TOUCH**

While technology has changed the landscape of resident screening, many companies have retained more traditional techniques in addition to the software screening.

“The software is really a tool our investigators use,” said Paul Prudente, vice president of Seattle-based Moco Inc. “We can return information instantly like [other vendors], but that’s what I refer to as a static search; it retrieves information using the Internet and that’s it.”

Moco is a screening company offering clients the option of having private investigators dig deeper. They will verify information Internet records can’t always prove—like employment history. Prudente said the more in-depth search takes around 24 hours.

Stroud said ResidentCheck plots a middle course. Staff members obtain the Internet search results and then go over the results with a team of private investigators—primarily to eliminate records attached to people with names similar to the prospective resident’s name. Typically, the company gets results to its clients within about 30 minutes.

Prudente said despite the convenience and efficiency of automated searches, the human touch will remain necessary for screening residents.

“It was very exciting in the early days [of the Internet] when [vendors] sort of promised you could extrapolate all the information you need,” Prudente said. “Unfortunately, if it sounds too good to be true, it probably is.”

Too good to be true or not, some users of resident screening software, like Ogden of Southern Management, said the software applications are invaluable—streamlining the labor-intensive task of checking out potential residents and filling properties with better, more financially apt renters.

“It fast tracks the whole process for all the parties involved,” Ogden said. “You’re getting more quantitative information using a scoring model, rather than just looking at a credit report. It gives you all the statistical data that can be used for determining marketing and performance status, and helps draw the best of the best within your market to get better applicants.”

Brian Regal is a contributing writer for *JPM*. Questions regarding this article can be sent to kgunderson@irem.org.
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Learning from a distance

Online learning provides opportunities for busy property managers trying to continue their education in spite of packed schedules

by Aldrin Brown
A couple years ago, Julia Paluka began kicking around the idea of becoming a Certified Property Manager—a move she believed could only help her career managing apartments in Denver.

“There was a whole world of knowledge out there I knew would help me do my job better,” said Paluka, 39, and now a CPM Candidate.

But as a working property manager spending more than 50 hours a week keeping up with a portfolio of roughly 250,000 square feet, Paluka was hard-pressed to find enough time for the eight college-caliber courses she would need to earn her CPM designation through the Institute of Real Estate Management.

To solve her problem of not having enough time for continuing education, Paluka resorted to taking the institute’s online courses. She could connect to the Web site at any time—day or night—and do coursework whenever she chose. Less than a year after she began, Paluka had completed four institute courses and is now on pace to get her credentials in about three years.

By enrolling in an online course, Paluka became part of the ever-increasing number of people around the world who are turning to online education as a modern solution to a modern problem—making time amid busy professional and personal lives for the education necessary to advance their careers.

EDUCATION TRANSFORMATION

Computer technology has revolutionized the delivery of education like so many other aspects of civilization. As a result, online learning—also called e-learning—is enhancing education, said Kathryn Riha, director of marketing for ANGEL Learning Inc., developer of a Web-based learning management system.

E-learning can be as basic as teachers posting textual material online and students retrieving, studying and demonstrating knowledge of the material through online activities, tests and quizzes. But in the past several years, online learning has become increasingly interactive, offering more tools to draw users into the learning experience, Riha said.

Some features now available via e-learning are virtual office hours allowing students and faculty to communicate live online during designated hours; desktop sharing allowing instructors to review students’ work live while students are in the heart of their work; data analysis helping instructors determine the effectiveness of their teaching styles; and live streaming of video and audio.

Riha said typifying an online learning experience is difficult because so many options exist for course design and delivery. Consistently, though, she said online delivery has proven to promote collaboration, especially among students too shy to ask questions or contribute in person; provide a learning environment tailored to students’ needs and learning styles; and save time for busy students and professionals trying to fit classes in here and there.

“Although there are a lot of opportunities that technology has brought to make online learning more than reading material and taking a test,” she said, “It’s engaging students in material; it’s personalizing it for them; and it’s efficient—actually giving students time to participate.”

RETAILING WALLS

On-the-job online training lessens burden for overwhelmed new hires

With 6,000 employees and 1,000 properties in 32 markets, Chicago-based property management firm Equity Residential has long sought more efficient ways to deliver training throughout its operation—from vice presidents to on-site maintenance workers.

“The isolated areas really weren’t serviced very well,” said Tony Pusateri, CPM, Equity’s senior vice president of educational services. “It was very difficult to deliver training to [employees] on a timely basis.”

Pusateri said new workers often started with whatever on-the-job mentoring the firm could muster up until a classroom training session began—sometimes weeks later. As a result, he said new hires often weren’t clued in to company policies, procedures, forms and paperwork, or the company manual. Factor in the industry’s brisk turnover, and the lost productivity was obvious.

The pervasiveness of computers and broadband allowed Equity to dramatically increase its employee online training and, in effect, its workers’ skill levels. In 1998, it provided 4,000 to 5,000 student sessions; last year, it provided more than 68,000.

“Almost 15 percent of all of our training is done self-paced, online,” Pusateri said.

Equity is now a leading participant in e-learning initiatives delivering standardized, on-demand training on topics from sales, leasing and fair housing policies to tile floor installation and apartment painting.

Equity began using MRI residential property management software from Intuit Real Estate Solutions last year. E-learning emerged as a key training component continued on next page
because it helped employees maximize their use of the new system.

The initial training groups first encountered the MRI software during a two-day classroom session. After that course, attendees including Channing Steele, a 33-year-old property manager at one of Equity’s properties in Atlanta, and her group members suggested trainers provide some advance orientation.

“The classes were great,” Steele said. “They had a lot of information but, at the same time, that's a lot of information to absorb and put into use right away. There was a learning curve for everybody. If I could have seen the books ahead of time, that would have probably helped me out a lot.”

By August 2005, Equity asked employees to log on to Intuit's training site for a self-paced tutorial before attending classes.

The online orientation helps minimize anxiety and improve retention during the classroom portion by familiarizing the user with the buttons, lingo and other basic features of the MRI software. It also simulates many of the tasks users will perform—like entering a guest card.

“We promote more of a blended solution than anything else,” said Christie Sisky, project manager for Intuit Real Estate Solutions. “The online [orientation] covers the basic functionality of the product.”

Sarah Williams, an Equity Residential leasing agent from Atlanta, was among the beneficiaries of the online head start.

“It helped us to understand what we were seeing,” said Williams, 26. “I definitely feel like it was important for us to have our online tutorial before our classes. I didn’t feel so overwhelmed.”

GAINING MOMENTUM
The evolution of online learning has stimulated investment by numerous technology firms vying to meet demands for software and other tools indispensable to the provider-student relationship. In turn, the availability of online education has grown exponentially in recent years.

In 2004, about $7 billion was spent developing the online learning market, according to a study by research firm IDC. The firm also found the amount spent was expected to grow nearly 30 percent each year during the subsequent four years. By 2008, estimates put the e-learning market’s worth at between $21 billion and $28 billion.

“[E-learning] is gaining momentum,” said Ryann Ellis, editor of Learning Circuits, a magazine devoted to e-learning. “A lot of it has to do with the reusability of online learning. Instead of just having the money to send one person to class, you can build something and send 20 people through training.”

Grace Hill Inc. provides online and CD-based education to the real estate industry. Joe Bailey, president of the Augusta, Ga., firm, said its start-up in 1999 was largely a message board and chat area where members could exchange information about topics related to the multifamily industry.

“In 1998, the market basically didn't exist,” he said. “The number of people in the industry who used the Internet for anything was very small. It was almost nonexistent.”

But between 2002 and 2003, Grace Hill experienced a 1,928-percent increase in the number of its online courses taken. For the first time in the firm’s history, e-learning overtook advertising as the biggest source of revenue.

Experts said the industry-wide watershed came with the arrival of broadband Internet service. Slower and less reliable dial-up connections could not meet the technological demands of educational content, said Riha of ANGEL Learning. She said as more people acquired personal computers and broadband became more commonplace, online education took off.

“Years ago, dial-up made it very painful to download a video file,” Riha said. “Today people have access to Internet at higher speeds.”

“There are a lot of opportunities that technology has brought to make online learning more than reading material and taking a test.”

—Kathryne Riha, director of marketing for ANGEL Learning Inc.

DISCIPLINE REQUIRED
Although online course delivery systems are now easier to use and more accessible, users still have to make the transition from traditional classroom learning to virtual learning for their learning experience to be a success. While the flexible nature of online education is an advantage to many students, it is also the greatest drawback for some students.

Students need self-control and focus to succeed in the virtual classroom, said Natalie Brecher, CPM, and a performance consultant and trainer in Redondo Beach, Calif. Brecher has
facilitated online IREM courses in marketing and leasing, and finance and human resources.

Students can determine if online learning is right for them by taking self-assessments on several course providers’ Web sites. The IREM Web site features a self-assessment asking 10 questions on topics ranging from the fitness of the prospective student’s computer—any reasonably modern PC should work—to whether the individual has a quiet place to study or is a chronic procrastinator.

“It takes discipline,” Brecher said. “Whether students do it at home or the office, they have things tugging on them: The phone is ringing, or somebody is at the door. We must have the discipline to schedule time for the important things and not let the urgent things get in the way.”

HERE TO STAY

Even if employees have the self-discipline to succeed at e-learning, measuring the dollar-for-dollar return on a company’s e-learning investment has thus far proved difficult for businesses in the real estate sector.

But for the individual property management professional who pursues increasingly sought-after credentials online, the value is much easier to determine. The growing access to continuing education will inevitably lead to a higher skill level in the marketplace and make individual property management professionals more competitive.

The desire to take the next step in his career led Bob LeGare, a commercial property manager of suburban office buildings in the Denver area, to enroll in classes last year to obtain his CPM.

“I actually prefer a classroom course,” he said. “But the ease of scheduling and the ability to work when I have time just far outweighed any other form of coursework. Frankly, it’s the only way that I could become a CPM.”

Despite e-learning’s advantages, some experts worry about the isolating effect of taking courses exclusively through online vehicles. It remains unclear whether the relative lack of student interaction—message boards notwithstanding—will keep students from learning as much as they could in a classroom.

Learning Circuits magazine’s Ellis said she doesn’t see the end of traditional classroom learning just yet.

“[Online learning] is definitely trending upward, but even the strongest advocates of e-learning will tell you there will always be classroom learning,” she said. “That will never go away.”

But students like Paluka, who also work full time, are hoping online learning won’t go away either. Paluka said the advantages of e-learning have enabled her to continue her education.

“I was worried when I signed up [about] what would happen if I didn’t understand the material or [if] I had questions,” she said. “But I haven’t experienced any drawbacks. The biggest advantage is that classes are almost always available, so access is very easy. I was able to log on and complete lessons on my own schedule.”

Aldrin Brown is a contributing writer for JPM.

Questions regarding this article can be sent to kgunderson@irem.org.
Landing the deals

- Levin Management Corporation, AMO, has leased out 20,000 square feet of its Capitol Plaza community shopping center in Ewing Township, N.J., to the K & G Fashion Superstore, a clothing store chain.

- Western National Property Management, AMO, the multifamily real estate management arm of Western National Group, has been retained to manage Pine Club, a 220-unit apartment community in Pomona, Calif., on behalf of its owner, Sussex Capital Group. Western National Property Management will oversee all management aspects of the community while focusing on expense-control and market rent-driven opportunities.

- The Detroit southeast Michigan office of Trammell Crow Company, AMO, has completed the sale of five commercial properties, including four Jiffy Lube quick-service oil change facilities in metropolitan Detroit and a downtown Detroit parking structure called Griswold Garage.

- Divaris Real Estate Inc., which comprises Divaris Property Management Corp., AMO, announced the following deals:
  - It has been appointed exclusive tenant representative for Patton Harris Rust & Associates, a nationally ranked, multi-disciplinary design firm.
  - It has been appointed exclusive leasing agent for Towne Center West, a high-end, mixed-use development in Richmond, Va.
  - It sold 361 Southport Circle in Virginia Beach, Va., to Continental Properties Corp. for $2.06 million.
  - It has been appointed exclusive leasing agent for Smithfield Commons, a 22,000-square-foot lifestyle center located on the south end of Smithfield, Virginia's main thoroughfare.

Career Moves

- Former SkyWest vice president Ben Hoglund, CPM, has been appointed ConAm's Arizona regional vice president as a result of ConAm Group of Companies' recent acquisition of SkyWest Properties Inc. Hoglund has specialized in apartment property management and brokerage in the Phoenix marketplace since 1990.

- The Campaign for Affordable Housing announced Richard Campo, the CEO and chairman of Camden Property Trust, AMO, has been elected to the organization's board of directors. Camden is one of the largest multifamily Real Estate Investment Trusts (REITs) in the nation. It currently holds an estimated $3.9 billion in assets. After working for a private Houston real estate company, Campo co-founded Camden Property Trust in 1993 and its predecessor companies in 1982.

- Melvin Cote, CPM, has joined the Simons Real Estate Group in West Hartford, Conn., as a property manager concentrating on the company's third-party management accounts. Previously he spent 34 years at The Hartford Financial Services Group in its corporate real estate department with responsibilities in project management, leasing and property management for leased and owned properties countrywide.

- Jim Goldman has joined Keystone Pacific Property Management Inc., AMO, an Irvine, Calif.-based property management firm, as community association manager. Based out of the firm's headquarters, Goldman will be responsible for managing a portfolio of Keystone Pacific's existing and new development properties throughout Orange County.

- Western National Property Management Inc., AMO, the multifamily real estate management arm of Western National Group, has promoted Craig Rooney, CPM, to the position of regional vice president, business development. Rooney will oversee the firm's third-party business development, as well as the underwriting and due diligence for new acquisitions for the company's growing portfolio properties under management.
RVP Watch
IREM announces the 2007-2008 regional vice presidents. They were elected at the Leadership and Legislative Summit in April, and will serve for a two-year term.

Region 2 - Eileen Yesko, CPM
Community Realty Management, AMO, Pleasantville, N.J.
New Jersey Chapter No. 1

Region 3 - Gregory Cichy, CPM
Grubb & Ellis, Vienna, Va.
West Central Maryland Chapter No. 92

Region 5 - David Henry, CPM
Arkansas Chapter No. 64

Region 6 - Susan Considine, CPM
Turner Property Services Group, AMO, Dayton, Ohio
Greater Cincinnati & Dayton Chapter No. 9

IREM recognizes the 2006-2007 regional vice presidents for their work during the past year. They will continue their second year serving alongside the newly elected regional vice presidents in 2007.

Region 1 - Christopher Mellen, CPM, ARM
The Simon Companies, Braintree, Mass.
Boston Metropolitan Chapter No. 4

Region 4 - Robin Stinson, CPM
Cameo Professionals, AMO, Orlando, Fla.
Central Florida Chapter No. 60

Region 7 - Lynn Kelloher, CPM
Crescent Property Services Inc., Houston
Houston Chapter No. 28

Region 8 - Guy Blasi, CPM
Bane Taylor JCA Property Management, Littleton, Colo.
Northern Colorado Chapter No. 17

Region 11 - Joseph Greenblatt, CPM
Sunrise Management Company, AMO, San Diego
San Diego Chapter No. 18

Region 12 - Skinner (Skip) Anderson, CPM
Riverside Management Company Inc., AMO, Boise, Idaho
Idaho Snake River Chapter No. 107

Region 13 - Jason Stowe, CPM
Income Properties, Raleigh, N.C.
Eastern North Carolina Chapter No. 105

Region 9 - David Domres, CPM
Irgens Development Properties LLC, AMO, Milwaukee
Milwaukee Chapter No. 13

Region 10 - Clark Lindstrom, CPM
The Peterson Companies, Wichita, Kan.
Wichita Chapter No. 65

Membership Figures
Here are the membership numbers for first quarter 2006—including all membership types for the United States and international chapters:

CPM Members: 8,550
CPM Candidates: 2,961
ARM Members: 3,724
Associate Members: 1,944
Student Members: 53
Academic Members: 7
Total Members: 17,239

AMO Headquarters: 499
AMO Branches: 592

On the Road Again
July 20
Kentucky Chapter No. 59
Location: Louisville, Ky.
Visiting Officer: Fred Prassas, CPM, president
Awards and Recognition

- Renaissance Condominiums Resort and Spa in Lake Delton, Wis., managed by Fred Prassas, CPM and IREM president, ranked first in Wisconsin by Trip Advisor on the website's hotel popularity index. The hotel popularity index highlights properties that have gotten the highest rankings among travelers.

- America First Communities, which compromises America First Properties Management LLC, AMO, received the Spirit of Volunteerism award from United Way of the Midlands for its volunteer efforts at Offutt Air Force Base in Bellevue, Neb.

2005 Chapter Award Winners

Chapter of the Year Award Winners

Presidential
Milwaukee Chapter No. 13

Small Chapter Category
- Southern Colorado Chapter No. 53—Gold
- North Carolina Piedmont Chapter No. 56—Silver
- Kentucky Chapter No. 59—Bronze

Medium Chapter Category
- Memphis Chapter No. 20—Silver
- Western North Carolina Chapter No. 40—Bronze (tie)
- West Central Maryland Chapter No. 92—Bronze (tie)

Large Chapter Category
- San Diego Chapter No. 18—Gold
- Dallas Chapter No. 14—Silver
- Houston Chapter No. 28—Bronze (tie)
- Michigan Chapter No. 5—Bronze (tie)

Outstanding Progress Award Winners
- North Alabama Chapter No. 43
- San Antonio Chapter No. 48
- British Columbia Chapter No. 50
- Tucson-Southern Arizona Chapter No. 73
- Eastern North Carolina Chapter No. 105
- Southern California Inland Empire Chapter No. 106
- Poland Chapter No. 108
- Japan Chapter No. 110

Best Practice Award Winners
- St. Louis Chapter No. 11—Membership Recruitment/Member Services
- Dallas Chapter No. 14—Community Outreach
- Chicago Chapter No. 23—Communications/Programs
- Kentucky Chapter No. 59—Communications/Programs
- Eastern North Carolina Chapter No. 105—Communications

Membership Recruitment Award Winners
- CPM Recruitment
  - Greatest Number of New Candidates
    - Greater Los Angeles Chapter No. 6—First Place
    - Northern Virginia Chapter No. 77—Second Place
    - JPM www.irem.org

Highest Number of New Candidates as a Percentage of the Chapter's Total Membership
- Korea Chapter No. 112—First Place
- Northern Virginia Chapter No. 77—Second Place

ARM Recruitment
- Greatest Number of New ARMs
  - Northern Virginia Chapter No. 77—First Place
  - Virginia Tidewater Chapter No. 39—Second Place

Highest Number of New ARMs as a Percentage of the Chapter's Total Membership
- Virginia Tidewater Chapter No. 39—First Place
- Northern Virginia Chapter No. 77—Second Place

Associate Recruitment
- Greatest Number of New Associates
  - Boston Metropolitan Chapter No. 4—First Place
  - Florida West Coast Chapter No. 44—Second Place

Highest Number of New Associates as a Percentage of the Chapter's Total Membership
- Fort Worth Chapter No. 103—First Place
- Florida West Coast Chapter No. 44—Second Place

Income/Expense Award Winners

Promotion Awards
- Small—Wichita Chapter No. 65
- Medium—Rochester-Western New York Chapter No. 58
- Large—Central Florida Chapter No. 60

Most Improved Chapter Awards
- Small—El Paso Chapter No. 84
- Medium—Louisiana Chapter No. 55
- Large—Northern Colorado Chapter No. 17

Most Improved Region
- Region 8—Northern Colorado Chapter No. 17; Utah Chapter No. 33; New Mexico Chapter No. 48; Greater Phoenix Chapter No. 47; Southern Colorado Chapter No. 53; Tucson-Southern Arizona Chapter No. 73; Northern Nevada/Tahoe Chapter No. 89; and Las Vegas Chapter No. 99
## Course Listings

### JULY

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## COURSE CODES KEY

- **ASM603** - Investment Real Estate Financing and Valuation - Part One
- **ASM604** - Investment Real Estate Financing and Valuation - Part Two
- **ASM605** - Investment Real Estate Financing and Valuation - Part Three
- **BDM601** - Maximizing Profit: Growth Strategies for Real Estate Management Companies
- **BDM602** - Property Management Plans: The IREM Model
- **CPMEXM-CPM** - Certification Exam Preparation Seminar
- **CPMEXM** - CPM Certification Exam
- **ETH800** - Ethics for the Real Estate Manager
- **FIN402** - Investment Real Estate: Financial Tools
- **HRS402** - Human Resource Essentials for Real Estate Managers
- **MKL404** - Marketing and Leasing: Retail Properties
- **MKL406** - Marketing and Leasing: Office Buildings
- **MNT402** - Property Maintenance and Risk Management
- **MPSA01** - Management Plan Skills Assessment
- **RES201** - Successful Site Management

For the most up-to-date course listings, please visit [www.irem.org/events_schedule](http://www.irem.org/events_schedule).
Activity of Ethics & Discipline Committee at 2006 Leadership & Legislative Summit

The Board of Ethical Inquiry reviewed a counter complaint submitted by an ARM whose case had been heard by the Hearing Board at the previous meeting. The ARM claimed the chapter that had submitted a complaint against him had not met the burden of proof at the hearing. The board found the ARM's complaint did not cite a potential ethics violation and dismissed it.

The Ethics Hearing and Discipline Board conducted one hearing. In April 2005, the Inquiry Board voted to terminate a CPM's membership because the CPM was convicted of aggravated criminal sexual abuse of a minor. The board acted to terminate the CPM's membership based on the bylaws which allow membership to be terminated for crimes involving property management or real estate related activities. The CPM requested a show-cause hearing arguing the crime was not real estate related.

The Inquiry Board subsequently reversed its original decision and filed a complaint based on its belief that a possible violation of the CPM Code might have occurred; specifically, Article 10, which requires compliance with law and high moral and ethical standards, and voted to forward the matter to the Hearing Board.

The Hearing Board found that the CPM's communications were inflammatory and cast aspersions on the character of the leadership of the chapter, and found the ARM in violation of Article 2, which deals with relationships between professionals. The Hearing Board voted to issue an unpublished letter of censure for this violation of the ARM Code with the condition that the ARM successfully complete the Ethics 800 class within 12 months.

The ARM did not attend the appeal hearing. The complainant was represented by a member of the chapter's executive committee. The board affirmed the decision of the Ethics Hearing and Discipline Board and denied the appeal. The discipline goes into effect immediately.

The IREM Code of Professional Ethics was approved and will be effective January 1, 2007. The new code includes CPM, CPM Candidate, ARM, ACM and Associate status so that all IREM Members have consistent exposure to and awareness of the IREM ethics program.

JPM Correction

For more information on Ridgid Auto-Spin™, a drain-cleaning machine highlighted in "Market Solutions" of the Jan/Feb 2006 issue, visit www.ridgid.com/autospin.
IREM Foundation bestows honors on two industry professionals

The IREM Foundation's professional recognition awards program promotes excellence in the field by recognizing real estate professionals for their dedication, major accomplishments and contributions to the real estate industry.

During the IREM Leadership and Legislative Summit in April, the IREM Foundation honored two members for their continued service to the industry and the Institute of Real Estate Management.

Jo Anne Corbitt receives Hanford Award
Jo Anne Corbitt, CPM, received the Lloyd D. Hanford Sr. Distinguished Faculty Award for her dedication and dynamic work in real estate education.

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

Corbitt is director of property management for The Matthews Company, based in Nashville, Tenn., and has been a member of the IREM faculty for almost 30 years. She has taught a wide variety of IREM courses in diverse locations around the country, and has been an IREM faculty trainer since 1998. In presenting the award to Corbitt, IREM Foundation president Craig Suhrbier said Corbitt has consistently achieved one of the highest ratings among all IREM instructors.

Corbitt earned her CPM designation from IREM in 1977 and has served the organization in a variety of capacities locally and nationally. Most notably, she was the IREM president in 1997.

John Magnuson receives Lum Award
John W. Magnuson, CPM, was presented with the Louise L. and Y.T. Lum Award for his high ethical standards, leadership capability and notable contributions to the real estate profession.

The Lum Award is presented periodically to honor real estate professionals who have made a distinguished contribution to the real estate management industry by advancing the depth or breadth of knowledge among other real estate professionals.

Magnuson is president of Magnuson Management Inc., in Tacoma, Wash., one of the largest real estate management firms in the Puget Sound area. He has been a member of the IREM faculty for more than 20 years and was recently honored as a Faculty Emeritus. He has taught real estate investment and management principles in Poland, Hungary, Italy and Korea.

IREM Foundation president Craig Suhrbier said Magnuson's contributions to IREM and the industry are legendary.

Magnuson earned his CPM designation from IREM in 1975 and has held leadership positions in the organization—both at chapter and national levels—culminating as national president in 1991.

Nominations for the 2007 Hanford and Lum Awards are currently being accepted through September 30, 2006. For more information about these awards and to download nomination forms, visit the IREM Foundation Awards page at www.iremfoundation.org.
**Time is of the essence**

Well-equipped properties can help save lives in emergencies

by Kevin M. Fogel, Associate Member

A s a former emergency medical technician, I treated between 200 and 300 cardiac arrest patients. I saved between 40 and 50 people. It was my job.

Now, as a property manager, thinking about the safety of individuals on my properties is also part of my job. If someone is in need of assistance, I want to be prepared, and I want the property to be well equipped.

Having automated external defibrillators—small, lightweight, battery-operated medical devices—accessible on properties and personnel trained to use the devices can help during an emergency.

**ADDRESSING A NEED**

More than 350,000 people die from sudden cardiac arrest each year in the United States, and an additional 40,000 lives could be saved annually in the United States alone if automated external defibrillators were more widely available and could reach victims more quickly, according to the American Heart Association.

In the instance of sudden cardiac arrest, a person’s only chance for survival is the rapid initiation of cardiopulmonary resuscitation, more commonly called CPR, and delivery of a controlled electric shock known as defibrillation, which is designed to restore a normal heartbeat. Without proper intervention, only about 7 percent of sudden cardiac arrest victims survive.

As an emergency technician I probably saved 25 lives using defibrillators. Defibrillators deliver a powerful electric shock using conductive adhesive pads applied to the victim’s bare chest. The defibrillator will only shock the patient if and when needed. When handled properly, it presents no risk to the rescuers.

**TRAINING PERSONNEL**

To use defibrillators properly, however, personnel need to be trained and on site when an emergency arises. Property managers can accommodate this need by training existing security personnel in first aid.

Since these individuals already know the facility’s layout, carry two-way radios and possess security clearance, they may be an excellent choice to serve as members of the building’s medical emergency response team.

Training all personnel together can result in consistent skill sets among team members. The type of training required should correspond with the equipment at the property and the level of medical care being delivered. Ideally, all rescuers should be trained in first aid, CPR and the use of defibrillators. These lifesaving skills can be taught through various organizations like the American Heart Association, the American Red Cross and the National Safety Council, and the courses typically take about four hours to complete.

Real estate managers must consult their local emergency medical services system, and county and state health officials when establishing their buildings’ first aid and early defibrillation programs.

If a property is frequented by a large number of children, training courses addressing the needs of children, as well as adults, should be considered. It is imperative that training be conducted by an experienced instructor certified by a nationally recognized organization. The duration of certification varies, but is typically one to two years.

**ASSESSING COST**

The costs associated with installing emergency equipment vary depending on the type of equipment and number of units purchased. However, a comprehensive first aid kit can be set up for under
The cost of a defibrillator ranges from $1,200 to $3,000, but the net cost can be lower because of income tax credits available in many states.

In New York State, a tax credit of up to $500 per defibrillator is available for the tax year in which the unit is purchased, and the number of credits that can be claimed is unlimited. Defibrillators can also be rented, leased or purchased using deferred payment plans, or obtained through various public and private grants.

Besides the initial purchase price, funds should be budgeted for replacement of consumable items since these are intended for one-time use only. Replacement AED pads can cost between $50 and $100 per set.

**LEGAL IMPLICATIONS**

Aside from considering the tangible cost of goods, managers must always consider greater costs and implications, like legal issues.

Most Good Samaritan laws cover the administration of first aid, CPR and use of a defibrillator. Real estate managers should check with their state regarding Good Samaritan laws and liabilities. A trained person who uses a defibrillator voluntarily and doesn't expect monetary compensation is not liable for damages, according to article 30 of the New York State Public Health Law.

Richard A. Lazar, an Oregon attorney with more than 25 years of experience in EMS law, public policy, regulatory and strategic business experience said adopting early defibrillation programs using automated external defibrillators appears to reduce the risk of legal liability resulting from sudden cardiac death when compared to businesses that do not.

From a real estate manager's perspective, the benefits of being well prepared for an emergency include maintaining the continuity of critical building operations, reduced legal liability and enhanced public relations—positive, instead of negative, media coverage following an incident. Investing in a well-equipped first aid kit and defibrillators can accomplish these goals.

Kevin M. Fogel is a former Emergency Medical Technician and now works as a commercial property manager in NYC. Questions regarding this article can be sent to kgunderson@irem.org.
FLY, FLY AWAY
Bird-Proof bird repellent provides a long-term barrier to birds, allowing property managers to eliminate the presence of unsanitary birds and keep bird droppings off their properties. Bird-Proof gel is a non-toxic, sticky chemical. It creates a tacky and uncomfortable surface for birds.

Once applied to building surfaces, the Bird-Proof gel discourages birds from alighting and nesting for a year or more. Although it "feels" unpleasant to the birds, it is harmless, odorless, nonpoisonous and environmentally friendly.

By keeping the birds away, property managers not only keep their buildings looking nice, they can avoid the high and recurring costs, and man-hours to clean and repair the mess that birds sometimes leave.

For more information, visit www.bird-x.com.

PREVENT DOOR DAMAGE
Ultra Jamb Reinforcer™ is designed to stop screen and storm doors from ripping out of the door jamb. The reinforcer is a nickel-plated steel plate protecting the area where brackets attach to jambs, preventing wood from splitting or cracking. It replaces tired hardware and holds door pistons firmly in place. The reinforcer can also be fastened right over already damaged door jambs for a quick fix. It comes in a complete kit and can be used with most models and styles of screen and storm doors.

For more information, visit www.ultrajamb.com.

DEALING WITH CHANGE
International bestseller *Who Moved My Cheese?* is a book for people wanting to learn how to deal with life changes. In this book, cheese is a metaphor for any aspect of life open to change, whether personal or business.

The story is a parable based on four characters in a maze whose lives revolve around certain things or aspects of life—referred to as their "cheese." However, once they realize these aspects have changed, they find themselves trying to find ways of coping.

Change occurs whether a person is ready or not, but *Who Moved My Cheese?* demonstrates the outcomes of such change can be positive, and people should make themselves open to change, especially at work.

For more information, visit www.whomovedmycheese.com.

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The Hotsy Super Skid HSS series is a diesel-powered, hot-water pressure washer. Super Skid HSS models are rated for continuous use and are ideal for heavy-duty, on-site cleaning where electricity is not available. They are good for use in construction, agriculture, trucking, exterior cleaning and plant maintenance applications.

Some of their features include 48-gallon fuel tanks for long hours of use, detergent injection systems, float tanks that maintain constant pressure and flow while preventing sediment from entering the unit’s components, and a steam combination control for more efficient cleaning of oils and grease. They have flow rates of 4.8 to 9.5 gallons per minute and a cleaning power ranging from 2500 to 3200 PSI of water pressure. For added portability, the unit can be installed on a trailer or pick-up bed to work in conjunction with a water tank.

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