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From Ph.D. to CPM

I was supposed to be a college professor.

In graduate school, I studied geography and geology and was pursuing my Ph.D. But life's circumstances changed. My mentor took a sabbatical and I did not want to wait a couple years for his return: I wanted to get my professional life underway. So after a couple of twist and turns I became a property manager.

My story is not unique. Like so many others, I entered the field by default—not because I didn't want to or because real estate management wasn't interesting, but because I didn't know it was an option.

Times have changed. Options have changed. Education has changed. And real estate management is on the cusp of being widely recognized as a suitable—even desirable—career choice for smart, determined and ambitious professionals.

Recently, CareerBuilder.com ranked property management as one of America's top 50 jobs. Last year, MONEY Magazine and Salary.com ranked property management as one of America's 50 best jobs. Such notoriety is propelling us forward in our pursuit to be seated at the table with other viable professionals.

Additionally, real estate management programs are popping up at four-year universities. Students are becoming well aware of the opportunities this profession presents and they are choosing it as a career. This has created opportunities for IREM.

Establishing relationships with universities and embedding IREM education in these real estate management programs will enhance the value of its education materials. The Institute will gain notoriety and be introduced to a new market. Students-turned-property managers will be aware of IREM and its offerings earlier in their careers, and can take advantage of all it has available.

We all have a vested interest in seeing real estate management recognized as a viable profession. It means increased opportunities for us as seasoned managers; it means establishing trust and earning a positive reputation; it also means securing a positive future for our industry and its eventual practitioners.

We are all in this together. To earn a place at the table, we must forge ahead with the Institute's initiative to work closely with universities. We must prep the next generation of real estate managers vigorously to continue our legacy. We must ensure students are driven to enter our profession, instead of looking at it as a fallback and saying, "I was supposed to be a college professor."

Bob Toothaker, CPM
2007 IREM President
Certifiably Green: Obtaining LEED certification for a green building can be a daunting task, but more managers are finding the rewards are well worth the challenge. Katie Zezima

Healthcare Rx: Small businesses search for healthcare cost solutions. Karen L. Wagner

Preparing For the Worst: Local fire departments help property managers plan for disasters. James Parker

Promotional Material: Promoting employees from within a company takes hard work and commitment, but often pays off. Darnell Little

Balancing Act: Challenges and rewards abound for those interested in breaking into community association management. Diana Mirel

New Operating Rule Transforms Public Housing: Private-sector best practices find place among government housing authorities. Nancye Kirk
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Meth offenders and labs listed by states online

Methamphetamine (meth), an illegal, easily manufactured addictive drug, is a major concern for real estate managers. States like Illinois, Minnesota, Montana and Tennessee have enacted laws to create registries listing names of individuals who have been convicted of manufacturing or selling meth. Residents are able to use the new online registries to check for meth offenders in select states. Montana includes meth offenders on its Internet registry of sexual and violent offenders.

Michigan residents are now able to use the Internet to find out the locations of illegal meth labs. Law enforcement is working with the state's Department of Community Health to maintain the status of each lab and whether the property has been remediated.

Legislation creating meth offender registries has been proposed in other states, including Georgia, Kentucky, Oklahoma, Oregon, Washington and West Virginia.

President signs tax relief bill law

President Bush signed several real estate-related tax relief provisions into law on December 20, 2006. The following provisions are of interest to real estate managers:

- **The expensing of brownfields remediation costs.** This provision permits expensing of costs associated with cleaning up hazardous brownfield sites. This provision expired on December 31, 2005, but is extended through the end of 2007.

- **The 15-year straight-line cost recovery for qualified leasehold improvements.** Congress shortened the cost recovery of certain leasehold improvements from 39 years to 15 years for 2004 and 2005. This bill extends this provision to property placed in service after Dec. 31, 2005 and expires Dec. 31, 2007.

- **Deduction for energy-efficient commercial buildings.** This provision extends for one year the deduction for energy-efficient commercial buildings reducing annual energy and power consumption by 50 percent compared to the ASHRAE standard. The deduction would equal the cost of energy-efficient property installed during construction, with a maximum deduction of $1.80 per square foot of the building. A partial deduction of 60 cents per square foot would be provided for building subsystems.

IREM, in conjunction with NAR, lobbied Congress throughout 2005 and 2006 for these measures.

Legislation to eliminate alternative minimum tax unveiled

In January, Senate Finance Committee Chairman Max Baucus and ranking Republican Charles Grassley introduced legislation—S. 55—to permanently eliminate the alternative minimum tax (AMT). Proponents of S. 55 have not stated how they plan to finance it. If eliminated in 2007, the AMT would cost an estimated $50 billion annually.

In 2006, Congress extended the 15 percent capital gains tax rate until 2010; depreciation recapture was not addressed.

Congress will continue to debate the estate tax this year. Late last session, Congressional leaders began negotiating terms for reforming the tax, rather than making the 2010 repeal permanent. Key issues include the exemption amount, and a proposal to tie the rate of taxation to that of capital gains. IREM supports reforms that would lessen the impact of the tax on the real estate professional who often must sell assets to pay the current taxes.
Federal terrorism insurance program continued

The federal government’s Terrorism Risk Insurance Program was extended through the end of 2007, with an increase in both the trigger point for assistance and the insurer deductible especially in the areas of terrorism, flood and natural disaster insurance.

The House passed legislation reforming the National Flood Insurance Program (NFIP) but the Senate blocked similar legislation because of concern with higher increases in the premiums for severe repetitive loss properties than those included in the House bill. This session, Congress will again address the short-term financial stability and long-term reforms necessary for the NFIP.

Congress considers raising federal minimum wage

Speaker of the House Nancy Pelosi and fellow Democrats proposed raising the federal minimum wage from $5.15 to $7.25 per hour as one of its first priorities in 2007. The Senate instead proposed adding new tax breaks for small businesses in order to attract votes for the wage hike from republican senators. At press time, neither the House nor Senate had voted on the issue. President Bush supports an increase in the federal minimum wage. Inflation has eroded the value of minimum wage by 21 percent since it was last raised a decade ago. The increase would affect less than 3 percent of U.S. workers.

Twenty-nine states plus Washington D.C. have a minimum wage higher than the federal minimum wage. Oregon and Vermont have the highest rate in the country—$7.80 an hour. The following state hourly minimum wage increases took affect in January. Connecticut ($7.65 per hour), Hawaii ($7.25), Massachusetts ($7.50), North Carolina ($6.15) and Rhode Island ($7.40).
Unhealthy situation

Health insurance coverage continues to be a big problem for Americans and the businesses trying to cover American healthcare costs. In 2005, 46.6 million people were without health insurance coverage, up from 45.3 million people in 2004. The percentage of people without health insurance coverage increased from 15.6 percent in 2004 to 15.9 percent in 2005. The percentage of people covered by employment-based health insurance decreased between 2004 and 2005, from 59.8 percent to 59.5 percent.

Mixed-use fever

Shopping center developers continue to increase their attention to mixed-use developments across the country despite mounting challenges including rising costs, diminished returns and concerns regarding fallout from the slowing residential market.

Major challenges like land costs and building site availability provide reason enough for developers to move forward with mixed-use projects in urban areas. In addition, with more urban areas providing attractive living communities—in the form of condos or apartments—developers are feeling strong demand for retailers of all kinds to serve these residential markets. Shifts in consumer living and shopping patterns, as well as demographic shifts and population growth in certain areas of the country are fueling the mixed-use development projects. With most projects going up in mature markets where they are likely insulated from competition, they can boost retail sales performance overall.

In case of an emergency

Based on a December 2006 report from Trust for America’s Health, most states in the United States are not prepared for a serious emergency. The report specifies 10 major indicators states must meet to be fully prepared in the event of bioterrorism, bird flu, or other disaster. Half of states met six or less of the criteria, which include indicators like having enough lab scientists to test for anthrax; increased or maintained seasonal flu vaccination rate for adults older than age 65; and an adequate nursing workforce. The full report and state-by-state materials are available at www.healthyamericans.org.

SCORE SUMMARY

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<tr>
<th>State</th>
<th>Score</th>
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<tr>
<td>Oklahoma</td>
<td>10 out of 10</td>
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<tr>
<td>Alabama, Kentucky, Michigan, Missouri, Montana, Nebraska, South Dakota, Texas, Virginia, Washington, West Virginia, Wyoming</td>
<td>8 out of 10</td>
</tr>
<tr>
<td>Colorado, Indiana, Louisiana, Massachusetts, Mississippi, Nevada, New Mexico, North Carolina, Oregon, Rhode Island, Utah, Vermont, Wisconsin</td>
<td>6 out of 10</td>
</tr>
<tr>
<td>Alaska, Arizona, Arkansas, Connecticut, D.C., Maine, Ohio, Pennsylvania, South Carolina</td>
<td>5 out of 10</td>
</tr>
<tr>
<td>California, Iowa, Maryland, New Jersey</td>
<td>4 out of 10</td>
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Connect the blocks

With approximately 1.93 million new housing units projected for 2007 by the National Association of Home Builders, building contractors are constantly looking for innovative ways to capitalize on current trends and techniques. Greenbuildingblocks.com is a national directory that gives professionals a central place to locate green builders and designers, connect with other professionals, compare notes and collaborate on projects. Visit www.greenbuildingblocks.com for more information.

Know your environment

Greenfacilities.org is committed to informing decision-makers that their facilities can be economically and environmentally sustainable. This Web site is a source of information and practical solutions for high performance green buildings. Developed by an exclusive group of international building industry manufacturers, Greenfacilities.org offers case studies, news and white papers on green buildings, energy efficiency and other environmental issues for buildings. Visit www.greenerfacilities.org/about/index.cfm for more information.

Easy being green

The House & Garden Design Web page offers tips for environmentally conscious house and apartment building designs and renovations. Discover ways to save energy and money by choosing the right remodeling materials. From using bamboo for floors to maximizing the amount of natural light in a building, this site recommends practical cost-saving choices. Visit www.houseandgardendesign.com/tips02.htm to view the tips.

Quotables

Spring is when you feel like whistling, even with a shoe full of slush.

Doug Larson, American cartoonist

We all have big changes in our lives that are more or less a second chance.

Harrison Ford, Actor

Forgiveness is the giving, and so the receiving, of life.

George MacDonald, Scottish novelist

Education is what survives when what has been learned has been forgotten.

B. F. Skinner, American psychologist

Always bear in mind that your own resolution to succeed is more important than any other.

Abraham Lincoln, American president

Common sense in an uncommon degree is what the world calls wisdom.

Samuel Taylor Coleridge, English poet

Of all lies, art is the least untrue.

Gustave Flaubert, French novelist
**Famous Properties**

**Much more than mail**

Old Post Office Building reveals intrigue and complexity of a federally-owned landmark property  
by Diana Mirel

There’s a lot to be said for a building that has survived not one, but two attempts to demolish it.

The Old Post Office Building in Washington, D.C. was completed in 1899. Located in the Federal Triangle, it was the first building erected on Pennsylvania Avenue between the Capitol and the White House. Originally it was the headquarters of the Post Office Department, but today the historic landmark is a mixed-use building with more than 450 federal agency office tenants and 32 food and retail vendors.

**PRESERVATION KEEPS BUILDING**

The nine-story granite building’s 315-foot clock tower is its defining feature. It was the first major steel frame building built in Washington and was the second tallest structure in the city when it was built, exceeded only by the Washington Monument.

The massive scale, rusticated granite base and arched openings reflect the Romanesque Revival style, yet the building also contains other design influences like the Byzantine sculptural capitals, French Gothic dormers and roof sculpture, and French Renaissance detailing.

While the Old Post Office Building is currently a protected national landmark, its fate was not always secure. In 1928, the McMillan Commission Plan for the development of the Federal Triangle called for the demolition of the property because it did not conform stylistically to the classical Beaux Arts design concept favored by the commission, according to information from the U.S. General Services Administration, which manages the building. However, lack of funding due to the Great Depression saved the building.

But, in 1964, the building found itself at risk again with plans to level the building, preserving only the clock tower. This time, a campaign by a local preservation group called “Don’t Tear It Down” and the National Endowment for the Arts, headed by Nancy Hanks, saved the structure. Congress subsequently honored Hanks’ dedication to the building by naming it and its adjacent plazas the Nancy Hanks Center.

During the 1970s, several protective measures continued to keep the building in place. President Nixon issued an executive order in 1971, calling for the protection of federally-owned historic properties. His actions resulted in the Old Post Office Building being listed on the National Register of Historic Places in 1973.

In 1976, passage of the Cooperative Use Act allowed leasing of space in federal buildings for commercial, cultural and educational purposes. The Old Post Office Building became the first federal building to take advantage of this. The General Services Administration renovated and restored the property and set a new standard for commercial use of similar types of properties.

“The mixed-use approach and its high-quality restoration work have received national attention as a model for other preservation efforts,” said Bart Bush, assistant regional administrator for the General Services Administration’s national capital region.

**WEARING MANY HATS**

Property managers of the Old Post Office Building must juggle a number of standard property management duties, combined with more specialized responsibilities required in a landmark federal building.

“A [General Services Administration] property manager typically wears many hats. One for contract administration because most services—cleaning, ground maintenance, utilities, building systems and equipment maintenance—are provided by vendors,” Bush said.

The property managers must also add understanding historic preservation to their mix of skills, as well as understanding of retail management and public rela-
tions within a shopping center environment.

Bush also said security awareness is essential at all times, given the current international situation, the building's prominence and its location.

"Keeping the building and its tenants safe is a very high priority," Bush said. "In order to achieve this, the tenants are active participants in creating the emergency evacuation plan; staffing the emergency teams; and discussing lessons learned after drills, which all work to improve the process."

In recent years, additional safety equipment has been installed in the building without disrupting the historical aspect of the building, and the property managers have taken emergency preparedness training. Bush said successful safety and security measures hinge on good communication.

"Since there is heavy public traffic, it is imperative that the security, managerial and emergency teams are well-prepared, practiced and can coordinate the safe and efficient handling of a situation," he said.

PRESERVATION MANAGEMENT CHALLENGES
Managing the Old Post Office requires savvy administrative and preservation skills, too. Historic buildings either owned by the federal government or altered with federal funds are subject to the National Historic Preservation Act of 1966, according to General Services Administration information.

Additionally, all exterior construction projects in Washington are subject to review by the Commission of Fine Arts and National Capital Planning Commission. Thus, any changes, renovations or improvements to the exterior, ranging from changing the flag pole size, to adding exterior lighting, to installing new security elements, must go through an extensive review process.

When attempting to make any changes, renovations or improvements, one major challenge is finding materials and systems that will match those used originally in the late 1800s.

"In addition, craftsmen familiar with maintaining these materials, without diminishing the historic integrity of the building, are rare," Bush said.

Despite these challenges, managing a building with such a rich history is rewarding in many ways. Namely, one gains an appreciation for history, Bush said.

"There were so many important events held at the building that you really feel a part of the building's past," he said. "You develop a desire to handle issues carefully and correctly, and to preserve the historic aspects of the building for generations to come. You realize that as the building 'caretaker' you are valued; and you grow to love this particular building. It has its quirks and deficiencies, but to look at the façade and interior every day, and see the first-time visitors gaze around and smile, makes you realize you are doing something very important."

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

- Orville Wright numbered the eggs that his **chickens** produced so he could eat them in the order they were laid.
- The first electronic mail, or **"e-mail,"** was sent in 1972 by Ray Tomlinson.
- The **Egyptians** created the first organized navy in 2300 BC.
- The **hair perm** was invented in 1906 by Karl Ludwig Nessler of Germany.
- Earth is **slowing down**—in a few million years there won’t be a leap year.
- In 1963 the French launched a cat called **Féliette** into space.
- Eighty percent of **millionaires** drive second-hand cars.
- The first mention of soap was on **Sumerian clay tablets** dating about 2,500 BC.
- **Lightning** strikes men about seven times more often than it does women.
- An **ostrich** can run up to 43 miles per hour.
- Earth is not round; it is slightly **pear-shaped**. The North Pole radius is 44mm longer than the South Pole radius.

Search Me

The Federal Emergency Management Agency’s continuing mission within the U.S. Department of Homeland Security is to lead the effort to prepare the nation for all hazards and effectively manage federal response and recovery efforts following any national incident. This Web site provides an overview of fire protection in buildings. It outlines burning characteristics of materials and the effect of building characteristics on the temperatures experienced.

www.termite.com/pest-control.html
Real estate managers can learn about the “creepy crawlies” that invade residential and commercial buildings. This Web site details insect biology and life-cycles and the problems they cause. This Web site also offers information on reducing the risk of a serious infestation, pesticide safety and quality assurance procedures.

www.facilitiesnet.com/ms
This Web site offers a variety of articles from the magazine **Maintenance Solutions**. The articles cover topics geared for property managers, like roof coatings, water consumption savings, emergency power system tests and landscape care. The site has an archive of monthly articles dating back to 2002.

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**
Have rising health insurance costs affected employee benefits at your organization?

- A. Yes
- B. No

**The results are in from last issue’s poll**
Have you used a forum similar to a tenant council to communicate with tenants:

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<tr>
<td>Yes</td>
<td>28.78 percent (78 responses)</td>
</tr>
<tr>
<td>No</td>
<td>71.21 percent (193 responses)</td>
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Vote Total 271
Time is Everything

To a business owner, time can be measured by the revenue lost after a business closes due to fire damage. Every minute impacts you, your employees and families. To SERVPRO® Franchise Professionals, saving you time and money is a priority. Technicians aim to help you restore continuity in your business as quickly as possible.

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2. Within four hours from notice of loss, a SERVPRO® Franchise Professional will be on-site to start mitigation services.

3. Within eight hours from notice of loss, a verbal briefing of the scope will be communicated to the appropriate person.

*Service Response Guidelines - Exceptions may apply under certain conditions, such as a local catastrophic event or mass situation.

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Greening the heartland
Midwestern properties continue to make environmental improvements
by Karen Wagner

Compared to the green building efforts of other regions in the country, the Midwest's standing is reflective of its geographic location—right in the middle. More progressive in general, the East and West coasts are at the forefront of the green building movement but that's not to say the Midwest is lagging far behind.

"I would say that we're behind in some areas, but we're ahead in other areas," said Connie Lindholm, executive director of the Milwaukee-based Wisconsin Green Building Alliance, an affiliate of the U.S. Green Building Council.

Not surprisingly, California leads the nation with the highest number of LEED-certified projects—79 as of last December, according to U.S. Green Building Council information. In comparison, Michigan, which leads the Midwest, has 35 LEED-certified projects, while the entire region has 111.

The Midwest's lower standing is primarily indicative of its lower population density, but also the region's natural disinclination toward "jumping on the bandwagon" too soon, Lindholm said.

Almost half of the Midwest's LEED buildings are ranked in the certified category—the lowest ranking—while only four have the highest ranking—platinum. The remainder is divided almost equally between silver and gold. Lindholm attributes the inflated number of lesser rankings to the regions' well-known penchant for practicality.

"We're practical about decision-making," she said. "We see that there's a value for LEED, but it might not pay to go all the way to gold or platinum, but just to be satisfied with certified or silver."

A BOUNTY OF GREEN
Still, the region has several reasons to be boastful about its green building efforts.

The Chicago Center for Green Technology, an office building and demonstration site for the city's Department of Environment, was the third LEED certified platinum build-

For more information on obtaining LEED Certification, read Certifiably Green on page 24.

ing in the country, said Doug Widener, executive director of the U.S. Green Building Council's Chicago chapter.

The building's energy efficient geo-thermal heating system pumps a non-toxic liquid, similar to antifreeze, into underground pipes where it attains a constant temperature of 52 degrees to regulate the temperature of the air in the building.

A high-rise office building currently under construction in the city's downtown by Hines, an international real estate firm, is pre-certified gold, said Hines project manager Brad Soderwall. Once the building has been completed, as scheduled for 2009, the gold certification will be verified.

Among the building's planned green features is a green roof with plantings to absorb heat, thereby reducing the roof's temperature and the amount of energy required to cool the area. Storm water that would otherwise have to be redirected will be absorbed into the plants.

The building will also make use of its location along the Chicago River to use river water to cool the air inside the building. Normally, the process would be done through cooling towers on top of the building, which leads to evaporation. The river water process is more efficient and can save nearly 10 million gallons of water a year, Soderwall said.

Milwaukee, too, has one of the first LEED-certified buildings in the country—Johnson Controls' Brengel Technology Center, an addition to a 150-year-old office building of the manufacturing company's headquarters. Among its green features is an energy savings automation and controls system, which provides remote access for any activity, from turning off the lights to turning on the air conditioning.

Herman Miller Inc., in Zeeland, Mich., manufactures environmentally sustainable office furniture. Using sustainable furniture can earn points on the LEED scoring system. The company was active in founding the U.S. Green Building Council and
Many developers in Midwest cities like Milwaukee are thinking green when constructing new buildings.

has had a formal environmental policy statement since 1953, said Mark Schurman, director of external communications for Herman Miller.

Herman Miller has received LEED certification for many of its buildings, including a pioneer award for a manufacturing facility in Holland, Mich., and two gold certifications for facilities in Zeeland: One was a new construction project in which it helped to create the green design of space it leases. The other was for renovating the interior of its headquarters building.

**WILL THE MIDWEST BE A “LEED”-ER?**

Schurman said while California may be a few steps ahead of Michigan in the green building movement, his state has still been a leader in the effort. He added that Michigan recently compiled a book of case studies of green buildings in the area.

In addition to green building efforts in Michigan, there’s good reason to be positive about what lies ahead for green building in the rest of the Heartland, especially because developers of green buildings have begun to realize the advantages that come with these buildings, Lindholm said.

“They found that it really does help increase both the length of the leases that they get and the quality of tenants.”

Another reason to expect more green development has everything to do with dollars and sense. Midwest builders and developers, like their counterparts all over the country, are beginning to recognize more and more the economic value of green building. Lindholm said while environmental concerns are still important, the bottom line drives everything.

At the beginning of the year, the Midwest had 830 registered LEED projects, which are in line for certification—a good indication of what’s in store for the region’s green building efforts.

With its rich natural resources in fresh water and wind energy, and the potential of biofuels, Lindholm said the Midwest definitely has the potential to take on more of a leadership role within the green building movement.

“We have the capacity,” she said. “I think that we will be leaders. We’ve got a lot of people in the Midwest who are committed to doing what we’re doing.”

Karen Wagner is a contributing writer to JPM. Questions regarding this article can be sent to kgunderson@irem.org.
Property Portals
Cost-effective technology solutions exist for small-to mid-size portfolios

by Scott Morey

At different points in my career I have directly owned and managed a handful of small properties. It has always been interesting for me to figure out what tools I should use to manage them. Most of the time I provide technology advice to large real estate companies with different needs than my own, such as automating the negotiation process or installing a system to track the status of lease deals.

For my own properties, I tend to focus on technologies that will help with marketing, leasing and management. Even more so, I am concerned potential tenants can find information about my properties.

Today, the Internet seems to be the best way of marketing my properties. I recently read that over 60 percent of tenants find residential properties online. While the statistics aren’t as high for commercial and retail assets, having property information online no doubt makes good business sense and should have lasting benefits.

There are a number of technology companies that offer online solutions for real estate managers and owners with small to mid-size portfolios. For example, a company called Building Engines (www.buildingengines.com) offers a cost-effective tool to get your property onto the Internet and can also help with various management activities of the building. Another company—Office Select (www.officeselect.net)—provides similar Web-based tools. A real advantage of using these online programs is that you can effectively market your properties without needing a Web developer on site: These tools are user friendly.

As I mentioned, from a property management standpoint, my biggest concern is ensuring that tenants have all the information they need, including how to reach me. Some property Web sites can serve as portals for tenants to submit and track service or maintenance requests.

In addition to the companies mentioned above, there are several other businesses that focus specifically on tenant and building maintenance. Angus Systems (www.angus-group.com), for example, initially started with a preventative maintenance and tenant request system, and has since expanded it to include marketing and management information. Corrigo and Workspeed offer similar cost-effective solutions. In addition, RealComm, a consulting technology firm, can be a great resource for learning more about these companies and others.

The companies above provide cost-effective, technological solutions that address the needs of people managing small- to mid-size portfolios.

Having property information online no doubt makes good business sense and should have lasting benefits.

Hopefully, if you have not done so already, you can put similar tools in place. Your tenants and the broader market will surely appreciate them.

Scott Morey (scottmorey@realfoundations.net) is managing director of RealFoundations' London office.
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Michelle Wong, CPM
Royal Hawaiian Land Co., Ltd.
Honolulu, Hawaii

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Immediately preceding Success Series 2007, join us at the IREM Fall Business & Governance Meeting October 16-18 (Governing Council October 19)
With over 230,000 employees and a budget approaching $80 billion, the U.S. Department of Veterans Affairs (VA) is the federal government’s second largest agency and one of the major property managers in the federal government.

The agency administers and maintains approximately 32,527 acres of federal land and 5,306 buildings on approximately 300 sites. At the close of fiscal year 2005, the cost to operate and maintain VA properties nationwide was more than $750 million.

As is the case with most property owners, buildings and assets are not always aligned with the business needs and demands of the enterprises owning them. To address this issue, Congress authorized the VA Secretary in 1991 to exercise “Enhanced-Use Lease” (EUL) authority. The EUL authority permits the VA to realign its underperforming properties to produce a positive return for veterans and taxpayers.

The EUL program provides a win-win situation for developers, real estate management firms and local VA facilities. A developer receives access to a piece of desirable property for a lease term of up to 75 years, the real estate management firm attains new business to add to its portfolio and the VA “enhances” its mission of serving veterans.

Here are a few examples of VA’s recent and successful EUL transactions:

- **Minneapolis, Minnesota—Single Room Occupancy (2005):** The VA awarded an Enhanced-Use Lease of approximately 4,341 acres of land on the VA Medical Center campus to a developer for the construction of not less than 140 residential units in two existing VA buildings. The developer financed, designed, constructed and renovated the buildings. Additionally, the developer contracted out operations, maintenance and provision of services at the facility to a property management firm.

- **Leavenworth, Kansas—Mixed-Use Development (2005):** The VA signed an Enhanced-Use Lease with a developer to renovate 38 underutilized buildings and to adaptively reuse historic properties located on approximately 50 acres of land. The developer also contracted out operational and management services to a property management firm.

- **Chicago (Lakeside), Illinois—Realignment (2005):** The VA signed a 75-year Enhanced-Use Lease with Northwestern Memorial Hospital for two parcels of land totaling 3.8 acres. The VA made $28 million upon lease signing and another $22 million upon the property’s ultimate transfer to the hospital under the VA’s disposition authority.

Transacting with any governmental authority like the VA presents a multitude of challenges that differ from those in private sector real estate transactions. Real estate companies new to this area of business should consider hiring an expert who understands not only the VA’s EUL authority, but also the other nuances involved in doing business with the VA.

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Assessing assessments
Careful evaluation saves managers and owners money
by William Ardern II, Esq.

Performing an annual review of real estate assessments provides property managers and owners an opportunity to control and possibly reduce a major operating cost—real estate taxes.

Real estate taxes can represent 15 to 20 percent of occupancy overhead costs. Property managers and owners can ensure their property is being valued in accordance with state and local standards by reviewing tax assessments annually.

Each state has its own statutory laws, court decisions and administrative rules or guidelines concerning how real estate is to be valued for purposes of property tax assessment. Managers and owners should become educated on their own or through a professional about the standards assessment authorities will apply to their real estate.

In addition, new exemptions are enacted at any time, and qualified property managers and owners are not necessarily notified about them. Owners and managers can research whether their real estate qualifies as partially or completely exempt from assessment and take necessary action if it does.

Step-by-step process
At times, real estate can be over-assessed because of errors reported on the building size, land area, or other key fact. Property managers and owners should be sure the assessment review confirms that a parcel of real estate is optimally classified for property tax assessment and all factual property data is correct.

Real estate managers and owners can use local real estate market sales on comparable properties within the last 3 or 4 years as benchmarks to evaluate whether an assessment is excessive. If sales indicate a property is being overvalued, these should be submitted to the assessor.

Local assessment authorities should be contacted informally early in the assessment process. Providing written exhibits, summary presentations, formal appraisal reports and other documentation can be effective in convincing assessors a real estate assessment should be reduced. If these informal methods do not work, then a formal objection and appeal is likely necessary and justified.

Property taxes can negatively affect both short- and long-term returns on real estate. They can cause a tenant to move out and provide reason enough for a prospective tenant not to lease space. Because they represent such a major operating cost, owners and managers should review real estate assessments or have them reviewed by a local professional annually.

William Ardern II is licensed to practice law in Illinois & Wisconsin. He is the principal of Wisconsin Property Tax Consultants, Inc., and has over 26 years assisting commercial and industrial property owners in Wisconsin. He can be reached at wptc@execpc.com.
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Mind your ethics
Managers should keep ethics at the forefront of every decision
by Eileen Conway, ARM, CPM

Real estate managers can often be put in very difficult situations when managing their properties. These situations will often test the ethical standards many have learned to live by, through association with IREM and through years of experience as professionals in the business.

One example of a common ethical challenge for real estate managers is maintaining the confidentiality of bids from vendors for various jobs.

As real estate professionals, it is key to understand company policies and practices to avoid unethical situations or conflicts of interests.

On occasion, a vendor will ask the property manager for the pricing range of all bids submitted in order to get a leg up on the competition. Clearly, revealing this information to the vendor is wrong. All bids must be kept confidential in order to keep pricing practices above board.

Some real estate managers are also confronted with ethical issues when, after managing a property for some time, the owner or board asks the manager to independently oversee the entire account so they can cancel the contract with the manager's company. The board or building owner would certainly benefit financially from this proposed arrangement, but the management company would not. The decision to make such a move is unethical; it is unfair to the company the manager represents. To prevent this dilemma, many real estate management companies now have non-compete clauses with their managers.

Still another example involves boards requesting the manager hire their friends or family for various jobs and services at the property. Some board members will go to extremes to convince the property manager to do so. To avoid these situations, managers should strongly recommend that boards prohibit such arrangements and document this policy in their official rules and regulations. This can take a great deal of convincing with association boards, but is well worth it in the long run.

As real estate professionals, it is key to understand company policies and practices to avoid unethical situations or conflicts of interests. This is especially important as different states and companies within those states may have different practices. For example, in some companies it is acceptable for managers to accept incentives for contracts; in others, it is strictly forbidden.

When dealing with any questionable or ethical issue, real estate managers need not go it alone. Keeping employers informed of the good and bad situations on a property ensures the company can keep a pulse on the business and practices at a property, and can back up the manager should any ethical concerns arise.

Ethics is the foundation for all IREM members. You must weigh every experience and make sure what you do is ethically correct.

Eileen Conway, CPM, ARM (eileen@camgmt.com) is a Regional Vice President for the CAMCO Management Company.
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IREM Institute of Real Estate Management
Control room
Effective managers allow employees control over their work
by Natalie Brecher, CPM

Control, what a distinctly opposite effect it can have: To control your own life is an elixir for nirvana. To control someone else’s work is a poison for a painful malady. Understanding the important effects of control—when to keep it for yourself and when to give it back to others—will help you be your personal best, and provide a foundation for helping your employees be more effective and productive.

Control for mental well being
In his recent book, Stumbling on Happiness, Daniel Gilbert, Ph.D., writes of the importance of control to people’s happiness. He states, “The fact that human beings come into the world with a passion for control, they go out of the world the same way, and research suggests that if they lose their ability to control things at any point...they become unhappy, helpless, hopeless, and depressed. The feeling of control—whether real or illusory—is one of the wellsprings of mental health.”

In addition, a recent study by UC Irvine’s Center for Occupational and Environmental Health surveyed 24,205 working adults and shows the relationship of control at work to physical health. Results showed that clinical and unskilled workers—in jobs with little control over their working conditions—had higher rates of diagnosed hypertension—23 percent and 50 percent, respectively—than did professionals. The study’s authors reported that work providing employees more control over their working conditions and greater mental challenges may have a protective effect against hypertension.

Micromanaging: negative control
Continuously monitoring the details of employees’ work (i.e., micromanaging) is one of the most controlling actions a manager can take—and serves as a misguided use of control.

Managers can release control and still retain the ability to ensure quality results.

Employees want and need control to feel satisfied in their jobs, yet micromanagement from above removes that control and creates lowered self-confidence and frustration for employees: It conveys the message that employees’ thoughts are not respected.

Additionally, when not in control of their work, employees take longer to complete projects as they must continuously ask someone for input. This not only takes time away from both parties, it reduces the employee’s work momentum and motivation to see the job done correctly.

Follow my 3-M Rule: Micromanaging minimizes motivation.

Delegate the work but monitor it only to the extent needed for the task and the employee’s skills.

Releasing control
Fortunately, managers can release control and still retain the ability to ensure quality results, especially if they have hired right and provided effective training, coaching and open communication channels to their employees.

Strong leadership is not about controlling work methodologies; instead, it is about guiding and influencing results. Allow employees to complete their jobs to their sense of excellence (not yours) and watch their motivation soar.

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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CERTIFIABLY GREEN

Obtaining LEED certification for a green building can be a daunting task, but more managers are finding the rewards well worth the challenge

by Katie Zezima
When property manager Kathy McKenna Harmon, CPM, with McGough Development in St. Paul, Minn., first heard the phrase “green building,” she thought it referred to the building’s color. But during construction of her company’s first green building she realized environmentally-friendly construction would, in the long run, save money and help the earth.

“We saw LEED as a marketing advantage, and we wanted to set a standard of quality in the Twin Cities,” Harmon said. “It was the right thing to do.”

The company has since gone on to green other projects, and most recently it developed a green residential building. The project, called Reflections at Bloomington Central Station, is not just philosophically eco-friendly. It is certified eco-friendly under the Leadership in Energy and Environmental Design (LEED) Green Building Rating System.

The LEED rating system is a voluntary system setting uniform standards for real estate professionals interested in introducing environmentally sound elements to their buildings. The number of certified buildings has taken off as conserving energy to save money and “going green” have become the industry buzz.

DON’T BE A DINOSAUR

As of October 2006, 622 buildings in the United States and Canada had received LEED certification, according to U.S. Green Building Council information; of those buildings 485 are new construction. That number is a jump from the 38 new construction projects certified in 2000. More than 4,000 additional buildings of all types have applied for certification and are waiting for approval.

“I believe if property managers don’t get on board with green building and green managing, they’re going to be dinosaurs,” said Amy Smith, a property manager with Opus Northwest Property Management in Denver. “More and more tenants are requesting it, and more managers are too because they see the value with tenants.”

The LEED rating system was established in 2000 by the U.S. Green Building Council with the mission of providing the building industry with consistent, credible standards for what constitutes a green structure, driving the construction industry to a more sustainable way of building. The rating system applies to new construction, existing buildings, core and shell, and commercial interiors. A pilot program for homes is also in effect.

Reflections, a 267-unit high-rise condominium at Bloomington Central Station in St. Paul, Minn., is awaiting LEED certification. Reflections is also pictured on page 24.
"[Having the different categories] is a way of being responsible and responsive to the market," said Carmen Britz, a LEED accredited professional and project manager for EGIS Certified in Seattle. "Once you have those different standards, it's easier for people to incorporate green elements into their specific properties. The easier you make it, the more penetration you will have in the community."

The goal of LEED is to ensure a structure is an entirely environmentally friendly unit, rather than a building with piecemeal green elements like low-flush toilets or solar panels.

LEED projects are extremely integrated, as mechanical designers, architects, owners and real estate managers must collaborate in order for the systems to function together and achieve sustainability and maximize efficiency. Britz said aside from scoring points on the rating system scale, integration makes for a higher quality building and results in cost savings because of the reduction in energy use.

"Integrated design is a basic principle of LEED and it has to be considered," Britz said.

"What you do in one aspect of the building might affect another aspect of the building; All these things have to be balanced."

**QUALIFYING ROUNDS**

To achieve that balance and qualify for LEED certification, a building must meet a variety of detailed standards relating to sustainability, water efficiency, energy and atmosphere, materials and resources, indoor environmental quality and innovations in upgrades, operation and maintenance.

"It just makes sense to focus on those [categories]," Britz said. "You have to start somewhere and you might as well start with those. They allow you to make a better building."

LEED certification is awarded based on a points system—the more points a building receives, the higher the level of certification it attains. The higher the level of certification, the more green elements it touts and the more sustainable it is considered.

"The different levels provide goals for project teams; they provide different levels of achievement and you can aspire to be what you want to be," Britz said. "It depends on the motivation of the owner and what they are trying to accomplish."

Buildings are evaluated using a 69-point checklist. A certified building—the most basic level of certification—scores between 3 and 32 points; a silver structure scores between 33 and 38 points; gold 39 to 51 points; and platinum—the highest level of certification—scores between 52 and 69 points.

Figuring out exactly how to LEED certify your building can be tricky, as it deals with green components many property managers might not be familiar with. The process requires extensive documentation and can be tedious and difficult, said Deepika Padam, a senior project coordinator and LEED specialist at Tate Snyder Kimsey, an architecture firm in Henderson, Nev.

"There are a lot of details—minute details—that need to be looked after, compared and cross referenced, and attended to," Britz said. "You need to demonstrate you've achieved a high level of expertise when you build your building."
Paying a Price

With a tedious and difficult process at hand, real estate managers are often overwhelmed at the idea of getting the certification process started. But starting the process early on in construction can make a big difference, said Amanda Nonnemacher, a LEED consultant at McGough. She said meeting the standards can take the building in an entirely different direction.

"It totally changes the project," Nonnemacher said, "because it requires builders to use things like low-energy lightbulbs and recycled materials. Everyone on the team needs to be aware of what's going on, from the owner to the contractor to the property manager, to the very last person on site. To get credits everyone needs to be informed."

The first thing any firm must do is register its project. All LEED projects must be registered for a fee based on the square footage of the building. Those who register with the U.S. Green Building Council as members receive LEED enrollment discounts.

First-timers might want to hire a LEED consultant, who can help determine what level of certification is right for their project, work with outside vendors to find the cheapest green products and is familiar with the extensive documentation required at specific intervals.

Consultants don't come cheap, though. Hiring a LEED consultant typically costs between $10,000 and $40,000, depending on the scope of the project. Firms not wanting to use a consultant can rely on extensive guidelines provided by the U.S. Green Building Council.

Other additional costs often part of LEED certifying a building or just developing a green building in general are paying environmental designers, energy modeling, and additional soft costs like decommissioning an existing building and commissioning a new one.

"For those who [decide to build green], there is some part of them that wants to be sustainable or wants to market their building in a sustainable way. They’re wanting first and foremost to be green and then they look at the cost feasibility," Britz said.

Taking Advantage

The cost of building green—depending on who is asked—can be an advantage or disadvantage.

The upfront costs of building to LEED specifications, or any green building, are typically 2 to 10 percent higher than normal construction. On the contrary, property managers said the costs will drop over time, and the building will be less expensive and more efficient to operate. Also, many states have begun offering tax credits for those who take on green initiatives, helping to alleviate some of the money crunch.

"The cost advantage is what you save after the building is built," Britz of EGIS said. "If right away you're reducing energy consumption in the building, it plain costs less to operate. If over the long term an owner or property manager does a study on what it takes to recoup the LEED cost you can probably do it within five years."

Craig Sheehy, director of property management for the Thomas Properties Group, LLC, in Los Angeles manages the California Environmental Protection Agency's Sacramento headquarters, an existing building that was LEED platinum certified in 2004. Sheehy said the building did not cost too much more to LEED certify, and operating expenses dramatically shifted.

"Our operating expenses dropped like a lead weight," he said. "I said, 'gosh, I've found the Holy Grail of property management. This isn't only good for the environment, it's good for business.'"

Britz said LEED buildings also often have a marketing advantage.

"There are studies suggesting green buildings are more desirable by tenants and they can command a higher rent premium," she said. "Those kinds of things make it attractive for an owner to own a green building and market it as such."

The U.S. Green Building Council and proponents of LEED say the system will ultimately lead to healthier tenants, more productive workers, a cleaner environment and recognition of a green job well-done.

"The recognition of doing something that is good for the environment and themselves is a big reason why people do it," Britz said. "It is also quite an accomplishment because you have done a process of integrated design, which takes all of the aspects of sustainable building and brings them together."

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

For more information on the U.S. Green Building Council or LEED certification process, go to www.usgbc.org.
HealthcareRx

Small businesses search for healthcare cost solutions

by Karen L. Wagner
very year, Tomlinson Black Inc., shops its employee healthcare coverage to various insurers to find the lowest rates. And every year, for about the past 20 years, the Spokane, Wash.-based property management firm has been coming back to the same provider. Tomlinson employees have only a couple of benefit plans to choose from, but they're pretty fortunate—many people have no insurance at all.

“We view it as something we have to do to be competitive with other professions recruiting employees,” said John Bennett, CPM and president of Tomlinson. “It's a safety net for employees. It provides them with some assurance. They look at it as a quality of life issue. They want to access healthcare when they want to and when they need to.”

In 2005, 46.6 million people in the United States lacked health insurance coverage, up from 45.3 million in 2004, according to U.S. Census Bureau information. Some of the uninsured were unemployed, but many more were working adults who simply didn't have coverage through their jobs.

**BIG PROBLEM FOR SMALL BUSINESSES**

While firms of all sizes struggle with healthcare costs, small businesses—including smaller real estate management firms—are particularly strained by providing healthcare insurance.

Sixty percent of firms with between three and 199 workers offered health insurance coverage to their employees compared to 98 percent of large firms providing coverage in 2005, according to the Employer Health Benefits 2006 Annual Survey by the Kaiser Family Foundation and Health Research and Educational Trust.

Expense is often cited as the main reason why small firms don't offer health benefits. Even though they have smaller revenues and budgets, small firms on average actually pay slightly more than large firms to cover a single employee—$4,248 in 2006, versus $4,239 paid by large firms on average, according to the health benefits survey. In effect, small businesses struggle with managing their overhead costs, which are directly affected by providing costly healthcare coverage.

“Property management is a competitive business,” said Chuck Achilles, vice president of legislation and research for IREM. “You're bidding against somebody else for a fee to manage an asset and if your fee is too high because your overhead cost is too high, then you won't get the business.”

At the same time, employers not offering health insurance coverage often have a harder time attracting and keeping employees. That makes weighing whether to provide health insurance even more difficult.

“It's a problem for employees and it's a problem for the employer,” Achilles said. “It directly impacts the livelihood of their companies as well as their employees. That of course affects the bottom line.”

**INSURANCE BY ASSOCIATION**

The woes small business owners experience when it comes to providing health insurance are so great, U.S. Congress has taken action. Both the House of Representatives and the Senate have introduced legislation in hopes of alleviating the problem.

Senate Bill 406, the Small Business Health Fairness Act, would allow the creation of national association health plans—plans where groups of small firms could pool their resources through a national association to offer standardized health benefits to employees.

Small businesses, including real estate management firms, would be allowed to obtain insurance through bona fide industry associations like IREM or its parent organization, the National Association of Realtors. Because associations are larger and the firms' resources would be pooled together, premiums would be lower.

The legislation was designed to break down walls erected by state laws governing health insurance. The plans would be regulated under a single set of federally prescribed rules. In addition, they would be exempt from state mandates, which require insurers to cover certain health conditions.

IREM, along with the National Small Business Association and U.S. Chamber of Commerce, among other organizations, supported the bill in 2006. Achilles of IREM said passing
the legislation could result in a possible savings of 30 percent in administrative costs for companies.

He said the bill would not only provide small businesses with a potentially more affordable option for health insurance, but also a cost comparison for members who are already providing insurance to their employees.

The bill has yet to pass, though, despite the House of Representatives passing similar legislation during the summer of 2006. It was held up in a Senate debate by detractors who feared major health conditions like diabetes wouldn’t be covered if state mandates are exempted. Because the issue was stuck in debate, the Senate was unable to vote on its passage and the issue was tabled.

Achilles, however, said he’s not discouraged and the issue could come up before Congress again this year: 2006 was the first time the issue made it to the Senate floor. Achilles said the fact the bill was introduced in the Senate in the first place means the issue is gaining momentum.

“Health insurance is a big issue,” Achilles said. “It’s costly, it can be emotional and it can directly affect the bottom line of a family’s assets. Legislators recognize the rising cost and unavailability of healthcare to certain people, and they want to focus on this and take action.”

CREATIVE CONTROL
As the legislative battle continues, real estate management firms and other small businesses are coming up with creative ways to control their employee health costs. From disease management programs to healthcare spending accounts more than a few options are available.

Increasing Employee Contributions
One way small business employers can reduce costs is by having employees cover a greater share of those costs. Such actions are not ideal, Achilles said, because they result in employees paying more and receiving less coverage. But, he said controlling costs is necessary to keep the business lucrative.

A few of the most direct ways to increase employee contributions are to raise deductibles; have employees contribute a greater percentage of the premiums; or put exclusions into policies, which often means certain chronic conditions won’t be covered.

Health savings accounts—forms of consumer directed healthcare—are another option for increasing employee contributions. The goal of such plans is to reduce expenses by encouraging healthcare users to shop around.

Employees put aside a certain amount of their pre-tax wages in a special account used for their healthcare expenses. Because health savings accounts are offered with high-deductible plans, the cost savings comes from reduced premiums. Employers have the option of contributing to the account.

Created in 2003 by the Medicare Modernization Act, health savings accounts are not yet widely used. According to the Kaiser survey, 7 percent of all businesses offer insurance plans with such accounts while 4 percent of employees are enrolled.

Aside from being relatively new, another reason health savings accounts are not widely used is they can be complicated, said Bianca DeJulio, a Kaiser policy analyst and principal author of the study. Employees have to decide how much to put in the account and determine how to use that money efficiently.

“While it may be cheaper, [employers] also have to consider the fact they’re complicated arrangements... They’re going to have to invest some time and energy into educating their employees as to what they are,” DeJulio said. “There’s a lot to think about with the high-deductible plan.”

Todd McCracken, president of the National Small Business Association,
said over time health savings accounts will become more popular as employees begin to realize their convenience. In most cases, there is no need to write a check; the funds, he said, are easily accessed through a debit card. But McCracken also said health savings accounts have to overcome some obstacles before they catch on because people view them as complicated.

"From an employer perspective, most are happy with health savings accounts," he said. "They see their employees getting more engaged in healthcare. They become more of a partner with their physicians and healthcare providers, as opposed to going to the doctor and just following orders. It's opening people's eyes."

**Group purchasing arrangements**

Currently, small businesses often have the option of purchasing healthcare coverage through a state association. The cost savings are incurred similarly to the way they would be in the proposed national association health plan. With state associations, however, the pool of employers is naturally smaller than a national group would be, and the cost savings are less.

Tomlinson Black has been obtaining coverage for its 25 corporate and 100 on-site employees for 20 years through a state association—Associated Employers Trust, a sister organization of Associated Industries, Spokane, which offers various services like payroll and human resources administration. The Trust offers medical coverage to employers in the eastern Washington region.

Association Industries executive Ted Blotsky said about 220 of the association's 500 members, made up of both small and large businesses, partake in the health service benefit, and about 90 percent of these are employers with fewer than 50 employees. About 10 are real estate-related businesses.

On average, real estate industry members save anywhere from 8 to 15 percent on their healthcare expenses through Associated Employers Trust, Blotsky said. Employers can also choose to have their plans administered through the trust, which comes at an additional cost, but incurs at least another 5 percent in savings, he said.

The trust, whose carrier has been Blue Cross of Washington and Alaska—formerly Blue Shield—since Associated Employers Trust's inception in 1952, offers nine medical plans. A small employer can choose two plans to offer its employees.

One of the plans involves health reimbursement arrangements, which are similar to health savings accounts, but are funded through employer contributions only. Employees can use the funds in these accounts toward their deductibles or out-of-pocket health care expenses.

Blotsky said more and more employers and employees are taking advantage of health reimbursement arrangements because such options allow more flexibility with healthcare dollars. If the employer so chooses, the funds can be rolled over into the next year. He said this is becoming a retention tool for employers.

Tomlinson's Bennett said the firm does an annual comparison of health benefit plans with other associations and independent insurers.

"We haven't been able to touch the benefits and the coverage we've been able to get through Associated Employers Trust," he said, noting the advantage of the alternative even though the cost of the coverage has been escalating on a regular basis. "But it is [still] the most affordable option we've been able to find so far."

**Disease management and wellness programs**

Some employers are now offering disease management and wellness programs to take a preventative approach toward illnesses. The idea is by focusing on good health habits, healthcare expenses will be reduced because healthy employees don't require as many physician visits or as much medication.

Bringing in massage therapists to the workplace to reduce employee stress or teaching employees good dietary habits are examples of what these programs often offer. Discounts to nearby workout facilities or having exercise facilities on site are also a regular element to such plans.

Tomlinson recently added a wellness component to its state association plan. It requires the company to provide a wellness orientation to employees and offer wellness evaluations to identify ways to improve each employee's health. If 50 percent of Tomlinson employees choose to participate, Bennett said the company will see a material slowing of the rate of growth of premiums for 2007.

The National Small Business Association's Todd McCracken said enacting such policies greatly benefits employees. But at the same time, he said it's challenging for small businesses to actually reap financial rewards from these programs with lower premiums.

McCracken said large companies offering such policies are generally self insured so any cost sav-
While McCracken notes the dearth of options directly affecting a small employer’s bottom line, a smattering of additional options can prove useful. Periodically reviewing an existing policy and shopping around for a better one can provide some cost savings. The downside is this can take a lot of time—something typically in short supply for the small business owner.

Another option some small employers may want to try is obtaining a plan through Home Depot. Last year the national home improvement chain rolled out its Business ToolBox program whereby small business owners can register to receive discounts on various types of service—from payroll processing to wireless telecommunications. The program also offers healthcare coverage.

The chain contracted with BenefitProtect, Phoenix, to act as an agent for ToolBox members. According to a Home Depot survey, 38 percent of members plan to use the health insurance program, which consists of carriers like Aetna and Humana.

While ToolBox members are still bound by state laws, the savings comes from access to more than 20 carriers, pricing variety and one-on-one consulting with a BenefitProtect agent, said Home Depot spokeswoman Connie Bryant.

As the search for solutions continues, outlooks on the future of providing healthcare coverage range from cautiously optimistic to downright pessimistic. Likewise, while some believe pressure is building for some kind of legislative action, others say reform is a long-time coming.

In the meantime, property man-
In your face, baby!

by John Logan, CPM

Chapter 17 Northern Colorado President

I like ties—bowties, neckties, print ties—all kinds of ties, really. You name it, and in my closet I have the perfect tie for the perfect occasion. Ties can be used as a form of expression. They are a conversation starter. They’re a great way to get noticed.

I realized this when I attended IREM’s Capitol Hill Visit Day in April 2006 wearing none other than an American flag bowtie. There we were at our nation’s capital, meeting with senators, U.S. representatives and their legislative staffs to further the causes of the real estate management industry, and there I was in what some might call a ridiculous tie. I knew better, though. I meant business and the proof was in the tie.

IREM’s Capitol Hill Visit Day is an opportunity for members to make a personal appearance before members of Congress and their staffs through scheduled appointments. Small business healthcare plans, banks in real estate and private property rights were a few of the issues we took a stand on last year.

The hill visit is an orchestrated event of great magnitude. Nearly 250 members participated in last year’s visit with almost all IREM chapters represented. My chapter’s delegation alone had nine appointments with different officials. These appointments provide an amazing opportunity to make a difference.

Before the visit takes place, members have an orientation during the Leadership and Legislative Summit to learn how to present issues so elected officials will act in our favor. Last year, we were told not to be afraid to get in their faces.” So, to get the attention of our elected officials, I brushed up on the issues, practiced persuasive presentation techniques and slapped on my trusty American flag tie.

Of course my colleagues and fellow members greeted me with raised eyebrows and comments like, “are you really going to wear that?” But that just made me more resolved to wearing my attention-getting mechanism.

My chapter’s first stop was Rep. Bob Beauprez’s (R-Colo.) office, where we met with one of his legislative aides. After the meeting, we were told the representative actually had a few minutes to meet with us. As we entered his office, he pointed to my tie, shook my hand, held the shake and looked over at an AP photographer, cueing her to start snapping photos. Now I was starting to feel the love.

All day long I got glances, smiles and extraordinarily positive comments from strangers, representatives, senators and the like. To cap it all off, when I met and shook hands with Rep. John Salazar (D-Colo.) at the end of the day, he reached out, flicked my tie and said, “nice tie.”

So what’s my message? Show up, step up, stand out and when the time is right, GET IN THEIR FACE, BABY!

IREM’s Capitol Hill Visit Day orientation and visit will take place April 24 and 25. Register to participate at www.irem.org or by calling customer service at 1-800-837-0706.
PREPARING FOR THE WORST

Local fire departments help property managers plan for disasters  
by James Parker
For the first several minutes of any emergency—be it a fire, a medical emergency or an approaching hurricane—people inside an affected building and those responsible for managing it will be the ones who respond. Having a solid emergency plan is critical in case emergency responders cannot get to the property immediately.

“Emergencies are just that,” said Rose Evans, CPM, and vice president of property management for Levin Management Corporation. “You don’t have time to prepare for them when they happen, so you need to have a plan in place. You want to protect your building, tenants and customers.”

While an all-hazards emergency management program can take years to develop, property managers do not have to go it alone when it comes to emergency preparedness. Preparation requires a team effort—from stakeholders and tenants to emergency responders.

ALL ABOARD
To get the wheels in motion and inspire a team to focus on an emergency management plan, property managers must secure involvement from investors, owners and senior management, said Donn Schmidt of Preparedness Inc., a risk consulting company in Sharon, Massachusetts.

“If management doesn’t buy into it, it’s going to be much more difficult to get the program developed and implemented,” Schmidt said. “Support from senior management will help to get other people who need to be involved, involved. It tells everyone this is a priority.”

Showing senior management how emergency planning can affect business is essential in gaining support, he said. Senior managers should be educated on the many regulations requiring emergency planning; alerted to industry practices that have become a standard of care; and asked to consider how prepared their building would have been in some of the recent major disasters.

“It is about saving lives and it’s about protecting property,” Schmidt said. “And by protecting property, you are protecting your business operations—as well as avoiding any civil liability or damage to your brand, image or reputation.”

Schmidt said support from owners and investors must come in the form of a written policy—vesting designated individuals with the authority to develop, implement and update an emergency management program. Written statements should also be widely communicated so everyone is aware of the policy and the important role each person plays.

“A written statement establishes the overall program; it authorizes the person or persons to develop, implement and keep that program current; and it should be consistent with the overall mission of the organization,” Schmidt said.

PLANNING FOR THE ELEMENTS
When support is in place, management can take action. Before creating a plan, performing a hazard analysis to determine the risks people might face at any property—residential, commercial, industrial or office—is essential, Schmidt said. Properties may be in areas prone to earthquakes, hurricanes, tornados or other disasters, and property managers must be prepared to respond to any incident.

“You need to understand the impact each type of hazard would have on the people, the property, your operations and the environment,” Schmidt said. “You need to figure out what you need to do not only to protect lives but also to stay in business.”

To read up on the national preparedness standard, visit the National Fire Protection Association’s Web site at www.nfpa.org.

Property managers should approach the process scenario by scenario, said Donn Carr, property manager for the Avenues Mall in Jacksonville, Fla. Stakeholders in the organization, including the safety manager, facilities manager and anyone else with relevant expertise, should work together to develop a list of possible circumstances.

For every identifiable hazard, a set of standard operating procedures must exist, said Steve Burchesky, president of U.S. Life Safety Inc., an emergency planning consulting firm based in Houston, Pa. The National Fire Protection Association Standard 1600—or the national preparedness standard—can help property managers develop appropriate operating procedures.

The standard establishes a common set of criteria for disaster management, emergency management and business continuity programs. It also identifies methodologies for
Local first responders are invaluable resources for property managers involved in emergency planning.

“[It] contains the essential elements that need to be included in any effective emergency management program,” Schmidt said. “Once you have these essentials in place, you can tailor your program to meet the specific needs of your facility.

Basing a property’s emergency management plan on the national preparedness standard also helps tremendously when local responders are enlisted to further develop or approve a plan.

COMMANDING PRESENCE
The local fire department can be an invaluable resource for creating a property’s emergency plan, Burchesky said. It of course has access to all relevant fire code and regulatory requirements, and it may have a sample plan that can be tailored to meet a property’s specific needs.

Burchesky said consulting the fire department while developing an emergency program keeps property managers from reinventing the wheel. The fire department also benefits from such cooperation because its efforts and the property's efforts are coordinated in advance, said Mike Cyphers, emergency management coordinator with the Henderson, Nev., Fire Department.

“Most fire departments or local emergency management agencies are very happy to help local businesses with their emergency plans,” Cyphers said. “The better prepared the public and local businesses are, the easier our job will be should an emergency occur.”

Inspecting a property is one of the first steps a fire department takes in aiding property managers with their plans, said Fire Marshal Mike McCully of the Bloomfield, Mich., Fire Department. He said inspectors look over the facility, identify potential hazards, help managers produce a plan and provide technical advice.

For property managers’ purposes, the most important part of inspections is to identify fire hazards and escape routes, McCully said. The inspector looks for means of egress, any obstructions that might slow or prevent a quick escape and safe meeting places for evacuees.

Westgate Management Co., in Lawrenceville, N.J., worked with police and fire departments when putting its emergency plans together two years ago. The local responders helped with evacuation procedures, performing drills and speaking to residents about fire safety, said Steven M. Friedman, CPM, and Westgate’s vice president.

“When you have an emergency, the fire and police officials are your most important asset and ally,” he said. “The fire officials have the experience and equipment to react quickly to an emergency and protect the owner’s assets and building.”

In addition to helping local businesses prepare, many fire departments engage in pre-incident planning of their own, working out their response plans before an incident happens. Coordinating planning efforts will make everyone’s job easier, Burchesky said.

Fire department officials can also introduce property management staff to the Incident Command System—an emergency management system used nationwide to handle everything from disaster zones to car crashes. It is a method for managing resources—including personnel—during an emergency to maximize efficiency and improve safety.

Coordinating a property’s incident command system with the local first responders’ system is essential, Schmidt said. When first responders arrive, ensuring the
conduct regular emergency drills. Having a plan is not enough, experts say. Property managers need to

In a tabletop exercise, an emergency team and local responders examine a hypothetical emergency. During the exercise, team members rehearse their roles and become more familiar and comfortable with their responsibilities. The practice identifies the plan’s gaps and deficiencies, so local first responders can help correct them.

Such exercises can trigger staff to think ahead and anticipate worst-case scenarios. Burchesky said staff members should think of details like assisting occupants who might need special assistance—including the elderly or disabled. Fire departments and management companies should receive information about such individuals in advance.

“Adults learn by doing,” Schmidt said. “The more interaction and actual practice the people have, the better prepared they will be.”

Drills help ensure the tools required to respond to a disaster are in place and functioning properly. Devices like smoke detectors, alarms or public address systems, cell phones, other mobile technology and a means for notifying the fire department or other first responders need clearance, Schmidt said.

He said every member of the management team must be able to locate, activate and operate every fire protection and life safety feature in a building. Any equipment should be readily available and in reliable condition. If a smoke detector goes off, everyone must know the location of that detector, he said.

“Lack of knowledge can result in costly mistakes,” Schmidt said.

An emergency management plan is never truly complete or perfect. Carr of Avenues Mall said management must periodically revisit plans. He spent much of the past year revamping the emergency plan for his mall, which is located in the hurricane-prone state of Florida.

“The number and type of [emergency] scenarios is constantly changing,” Carr said. “Ten years ago, who would have thought about a ‘dirty bomb,’ or about someone putting a toxic spore into your air-conditioning system? Now, property managers need to consider these kinds of hazards.”

Schmidt said an up-to-date emergency management plan is essential because so much changes over time. He said property management staff—and thereby the emergency response team—often changes; the building can change because of renovation or construction; and hazards that might affect a building can change.

“Too often documents are written and they sit on a shelf collecting dust,” Schmidt said. “If the plan is not periodically reviewed, it may not adequately address the hazards, and the procedures might not be correct. Evaluate changes in people, facilities and...hazards or the knowledge of hazards that can impact the building or people within.”

Evans of Levin Management said in spite of the time and research required to put together an effective emergency management plan, a plan is necessary to protect the business, the building and its occupants.

“It’s overwhelming to put one together from scratch when you’re doing the everyday business of managing properties,” Evans said. “But it’s well worth it because you need to know how to react to various disasters.”

James Parker is a contributing writer for JPM. Questions regarding this article can be sent to kgunderson@irem.org.
Promoting employees from within a company takes hard work and commitment, but often pays off by Darnell Little

When IPA Management Inc., created two new district manager positions in 2006, the Michigan real estate management company didn't launch a recruitment campaign to find candidates from outside the firm. Instead, it promoted two property managers from within the company to fill the positions.

"We have been pretty successful with promoting from within," said Jamie Wright, CPM, who snagged one of those district manager positions at IPA. "It's not a company policy, but we usually look inside the company first before trying to hire people from the outside."

Today's challenging recruiting environment has inspired more companies to promote from within. As companies help employees climb the corporate ladder, they realize the value of that practice. Conversely, they discover the work required to adequately prepare their internal hires for new positions.

INTERNALLY YOURS

In 2004, Development Dimensions International polled nearly 350 organizations and found internal candidates filled 53 percent of those organizations' management positions, compared with 44 percent in 1999. Thirty-five percent of the organizations surveyed indicated they are increasingly promoting from within.

An expanding economy—causing all the top companies to compete for candidates—in particular has made finding quality candidates and luring them to management positions difficult, said Michael Eckerman, founder of
Residential Asset Management, a Phoenix, Ariz.-based real estate investment company.

"When it gets harder and more expensive for companies to lure people in from the outside, they see it makes a lot of sense to look inside the company first to find the people they need to fill these positions," Eckerman said.

A freshly promoted worker can typically get up to speed quicker than an outside hire, who generally must endure a learning curve while acclimating to the company, its goals and its culture. Christine Muszynski said she did not experience a ramp up period when she was promoted to executive vice president at HSA Commercial Real Estate in 2004.

"I already had established successful relationships with the management staff, with our clients, our tenants, our contractors and our attorneys," Muszynski said. "As a seasoned property manager I knew what it took to do the job and I knew what it took to do it well."

PLEDGE OF ALLEGIANCE
Giving workers an opportunity to rise through the ranks also helps foster a sense of loyalty and commitment to the company, and that makes employees less likely to seek opportunities elsewhere, Wright said.

"It's a pretty good selling tool, too," she said. "When I am interviewing new candidates and talking about the growth and opportunities I've had and other individuals have had with the company, they see possibilities for themselves as well."

Gary Green, CEO of Alliance Building Services, said he is a fervent believer in the power promoting from within can have on employee loyalty. One of Green’s employees, Michael Rodriguez, was a high school dropout who joined the company in 1994 as a night janitorial manager. Rodriguez is now president of Alliance.

"That sets an example for other people that if you work hard and do the job right, then you can see a path to your career as opposed to [seeing] just a job where you're stuck. The only way to get unstuck is to move to another company," Green said.

Michael Rodriguez said he saw the opportunity for growth at Alliance when he first joined the firm. He saw numerous executives who had worked their way up the ladder in the organization, making him confident he could do the same.

"All around me were people who were growing with the company, so my example is not unique," Rodriguez said. "My entire executive team has grown into their positions from inside the company."

Muszynski joined HSA more than 20 years ago as a property manager. She worked her way up to assistant vice president, vice president and then senior vice president before attaining her current position as executive vice president. She said her journey through the ranks forged a bond to the firm no outside candidate could ever match.

"I think what I bring to the position that no one from..."
the outside would have brought is my unequaled commitment to HSA and my unconditional loyalty to the partners of this firm,” Muszynski said.

**TWO-WAY STREET**

Companies should be equally committed to the employees they promote and demonstrate that commitment by giving them adequate support and training so they can excel in their new roles, said Diana Pittro, an executive vice president at RMK Management Corp., a Chicago-based property developer.

RMK has a company-designed mentoring program that teams newly promoted employees with senior supervisors. The firm also regularly sends those employees for outside training at local universities and trade associations.

Senior management reviews employees promoted at RMK after 90 days in their new positions. Management then determines the further training the worker needs. Newly promoted employees are often required to attend formal off-site classes, both managerial and technical, as part of the overall training regimen.

While Alliance Building Services also has a mentoring program, Rodriguez said the company’s support process is more informal. Newly promoted employees are assigned books and other reading material to help them learn their new duties.

“We do a lot of one-on-one mentoring to make sure they get the support they need,” Rodriguez said. “It’s far better for the company to support and train their workers to be successful. It works out better for everyone—the worker, the company and all the employees.”

Richard Muhlebach, CPM, and senior management director at Kennedy-Wilson Properties Northwest Ltd., in Bellevue, Wash., said the training programs at his company are also less formal and focus heavily on one-on-one mentoring. In addition, he said those needing training attend IREM and BOMA courses hosted by local chapters. The company also has a small library of property management books employees can read.

Muhlebach said the Kennedy-Wilson training programs are ongoing, as-needed programs tailored to individuals’ needs rather than being generic. He recalled meeting with two rookie property managers every Monday who had been promoted from administrative assistant positions to review chapters from the property management books they were reading to get up to speed.

**PERFECT FIT**

No amount of training and support can overcome a bad initial choice for a job, said RMK’s Pittro. Therefore, it is imperative the company spend the effort to make sure the job, the employee’s skill set and his or her goals match the position’s requirement, she said.

“The biggest drawback to promoting someone from within is putting the wrong person in the wrong job, because if you do that you have destroyed that relationship forever,” Pittro said. “If an outside hire doesn’t work out, it’s not nearly as traumatic. You can part as friends.”

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**If a worker has repeatedly proven himself or herself in handling difficult situations, chances are that employee will make a good candidate for a promotion.**

-Gary Green, Alliance Building Services
The most reliable indicator of a promotion-worthy employee is past job performance, said Green of Alliance. If a worker has repeatedly proven himself or herself in handling difficult situations, chances are that employee will make a good candidate for a promotion, he said.

"You can see if people have the capacity to learn new skills and to grow and adapt to different situations," Green said. "If we feel they have that capability or can develop that capability, then it's a no-brainer."

Muhlebach said how an employee handles people—not just situations—is also pertinent to promoting a good candidate. He said a big part of a property manager's job is dealing with people and one's ability to do that cannot be overlooked.

"You just need to be aware of how they handle their jobs and how they interact with people," he said. "Property managers don't manage brick and mortar and steel and concrete. They are in the people business. Everything they do is either through people or with people."

If an employee has not shown continued growth in his or her career, that person probably will not make a good candidate for promotion, said Kraig Kast, CEO of Atherton Trust, a real estate wealth management company. Just being a good, stable employee often is not enough to guarantee success in a new position.

"If a person is long-tenured and a good worker but hasn't developed in his career, then sometimes it just isn't a good fit to match that person with a more challenging position," Kast said.

Hiring external candidates is always an option when a viable internal candidate can't be found. Sometimes an external hire can raise a company's energy level by bringing in new ideas, new perspectives and new viewpoints—keeping the existing corporate culture from getting into a rut.

An external hire may possess skill sets beyond those of a company's current employees and may know some trade secrets from other successful firms, Kast said. Those factors can make a strong case for looking outside the company, he said.

"We always try to promote top performers before going outside," Kast said. "But our people may not have the knowledge outsiders have, or have new ideas or know a competitor's operating secrets."

Still, many companies are making the case for trying internal candidates in other positions—banking on their knowledge of the company and loyalty to make the perfect fit.

"They understand the company; they know the company inside and out," Wright said. "They know where the company is coming from; they know where the company is going. They can step into [a position] faster than someone from the outside who's going to have to learn all that from scratch."

Darnell Little is a contributing writer for JPM. Questions regarding this article can be sent to kgunderson@irem.org.
Balancing Act

Challenges and rewards abound for those interested in breaking into community association management by Diana Mirel
Steve Barber, CPM, is seeing double.

In the last three years, Barber, president and owner of Invest West has watched business double in the company’s community and homeowner association management division. It now manages 35 communities and 5,000 units. Invest West is a full-service management company and brokerage house based out of Vancouver, Wash.

“We saw the virtue of association management] becoming an important aspect of a full-service management company’s services,” he said. “This has kept us in the portfolio loop. It changed our income base.”

Invest West isn’t the only company expanding its association management division. An estimated 266,000 housing communities—including condominiums, homeowners associations, cooperatives and other planned communities—are association-governed, according to information from the Community Associations Institute.

With the number of associations at an all-time high, the demand for association managers is stronger than ever—offering real estate management companies more management opportunities and a chance to mix up their portfolios.

“It’s the new horizon in professional management,” Barber said. “It can only grow more and more. This is an important niche for property managers to move forward and expand their expertise.”

**MEETING THE NEED**

The condo boom that overtook the market during the last several years has inspired this surge in business, Barber said. Long-term apartment investors were getting out of the business because their apartments were in disrepair and needed work. He said they could often get a good cut by jumping ship and selling their properties to a developer.

At the same time, owners and investors who didn’t want to get out of the business entirely, had to break trend to convert apartments to condominiums, so many of the traditional management companies who managed income-losing properties have been forced to incorporate association management in order to protect their bottom line,” Holland said.

Even as conversions slow, Barber said the demand for condominiums isn’t likely to cease considering population growth and increased density. That demand will encourage growth in association management, he said, because association board members

**MARKET BOOMS**

The estimated number of U.S. association-governed communities, individual housing units and residents within those communities has grown exponentially over years.

<table>
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<th>Year</th>
<th>Communities</th>
<th>Housing Units</th>
<th>Residents</th>
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<td>2.1 million</td>
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<td>1980</td>
<td>36,000</td>
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</tbody>
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Association-governed communities include homeowners associations, condominiums, cooperatives and other planned communities. Homeowners associations and other planned communities account for 52 to 55 percent of the totals above, condominiums for 38 to 42 percent and cooperatives for 5 to 7 percent.

Source: Community Association Institute

For more information and statistics, visit www.caionline.org.

into association management because there were fewer apartments to manage, and they wanted to keep their companies afloat, said Barbara Holland, CPM, and owner of H&L Realty and Management Company in Las Vegas.

“There has been a nationwide often want to shed some responsibility attached to running an association while maintaining control.

“We’re the buffer,” Barber said of community association managers. “Our efforts let (board members) have normal lifestyles and still be
leaders in their community. They can use us as a backup.”

Community association board members aren’t the sole benefactors of real estate management firms offering association management services. Managing community associations is another way for companies to bring in extra income and help pad the bottom line.

“Eventually folks are going to have to start dabbling in a mix of management [opportunities],” Barber said, “and association management is an untapped source of additional professional management income.”

**ROLE PLAY**

Before a company or manager decides to introduce association management into the portfolio mix, an association manager’s role should be clearly understood. Community association management is an entirely different beast from other forms of management, practitioners said.

Community association management is distinguished by a manager’s responsibility to report to a community association’s board of directors, as well as individual residents. All decisions up for consideration must be approved by the board.

“We’re the balancers,” Holland said. “We balance what the board of directors wants, what the homeowners want, what the governing documents say we can do, the physical integrity of the building, and what the checkbook says. A lot of times these things are not in equilibrium.”

Ultimately, the role of the management firm and its level of involvement is dictated by the board, said Paul D. Gruza, regional vice president and director of training and development at Community Management Associates in Hurst, Texas.

While a management firm might be solely responsible for an association’s accounting function, it could also be responsible for everything from enforcing the association’s bylaws and creating policies to building a sense of community and dealing with maintenance issues. The fiscal responsibility is a fairly consistent aspect of most managers’ roles, Barber said.

The varying sizes and needs of different associations requires management firms to diversify the services they offer and staff accordingly. Although this can be a complex chore, often requiring more staffing than traditional management setups, Barber said it pays off in the end.

“There are ways you can tailor [services] to work to your benefit and work to their benefit,” Barber said. “That’s the creative side of association management. We have to be a lot more economical and managerially savvy about making it profitable.”

**SKILL SET**

The responsibilities connected to community association management require skills like smart economical planning, solid organizational and management practices, excellent communication, patience and flexibility. Barber said someone with a lot of property management experience or at least a solid education can do the job well.

“It’s a diversity of management and it’s not for everybody,” Barber said. “It requires a broad skill set and you just don’t find it easily.”

Community association managers are required to perform uniquely personal service to the unit owners in associations. Each homeowner in the association is essentially the client and they have heightened expectations, Gruza said. While renters certainly have expectations, he said a rental manager’s main responsibility is to owners or investors.

Strong multi-tasking and organizational skills are also crucial to successful association management, Holland said.

“You have to be very disciplined and organized,” she said. “Otherwise, the details are going to kill you.”

Barber said management firms...
working together

Working with homeowners and association board members instead of against them will take managers further

According to a recent Zogby International survey, 71 percent of homeowners in associations rate their association experience as positive. Of course, an association manager plays a major role in setting either a positive or negative tone.

One of the biggest challenges for any association manager is learning how to relate to the multiple personalities of homeowners and board members in each association.

“If you have a building with 100 people then you have 100 different people to deal with,” said Jeff Wolk, president of Fenwick-Keats Management in New York City. “The larger the building, the more people you’re dealing with and the bigger the challenge.”

While being flexible and open minded will help managers form stronger relations with the association, educating homeowners and board members will help put everyone on the same page.

Community Associations Institute (CAI) offers board member orientation and training sessions and sets up annual meetings as education forums that outline pertinent information. Often it is the association manager’s responsibility to present training and education opportunities to the board members.

“By and large, association managers and management companies would agree some qualified, systemized program of education is going to help,” said Gruenka. “I don’t know of too many [management companies] that just throw their boards into [the position without training].”

Steve Barber, CPM, owner and president of Invest West, said his management firm takes great measures to train boards of directors how to run the community like a business. The association managers teach board members how to facilitate good meetings, how to work as a collective group and to recognize the issues they need to handle instead of passing everything off to the managers.

When issues and conflicts arise, managers must keep their cool and choose their words wisely. Flying off the handle at the first sign of a violation will only develop a hostile relationship with owners, said Judge William Huss, co-author of Homeowners Association & You: The Ultimate Guide to Harmonious Community Living.

“The psychology of management is very well-studied and one [rule] is to use positive and uplifting words even when you’re giving bad news,” Huss said.

New managers of associations should spend time getting to know the membership before jumping in head first, said Eileen Conway, CPM, ARM, and vice president of CAMCO Management in Havertown, Pa.

“Just sit back and listen to [the homeowners and the board] and get a feel for what they want instead of just going in there gung ho and getting them upset and against you,” she said.

should standardize operations—creating uniform procedures, policies and forms for all their association clients. Firms should be willing to modify these items to an extent, he said, but never change everything for one client.

“No matter how many communities you have,” he said, “you have to set guidelines so everyone knows this is the way you play the ballgame.”

While most real estate professionals live by the location, location, location credo, association management is all about communication, communication, communication. Managers need solid written and verbal skills to work with and educate homeowners and board members.

“A good managing agent must be a good listener and identify the issues,” said Jeff Wolk, president of Fenwick-Keats Management in New York City. “Every building has its own set of issues, and a really good managing agent is going to quickly identify and resolve those.”

SHOW ME THE MONEY

The best communication in the world doesn’t always equate with turning a profit for association management firms, especially when managing only a few associations. Holland said leasing a few rental units is typically more lucrative than having a small number of associations in the portfolio.

To illustrate, she said in Las Vegas one could manage a 512-unit townhouse association and be lucky to receive $4,608 per month in actual dues, whereas a 148-unit apartment building could bring in $5,000 or more a month.

One reason for the cost discrepancy, Holland said, is boards are hesitant to approve raising homeowners’ fees
REWARDING VENTURE

Making a difference is one of the main reasons Lori E. Burger, CPM, and senior vice president at Eugene Burger Management in Rohnert Park, Calif., enjoys community association management. Burger once managed a property initially valued at $220,000. After physically improving the property by landscaping and repairing the roof, it was valued at $850,000.

"The ability to take a property from a deteriorated physical state into a completely renovated community where values double or triple is quite rewarding," Burger said. "There is a great pride of ownership and the community has been given new life."

Association managers also enjoy flexibility in their jobs. Despite longer hours—because of nightly meetings with boards of directors and juggling different boards—Eileen Conway, CPM, ARM, and vice president of CAMCO Management said the flexibility and variety involved make it worth the added effort.

"I like portfolio management because I am not on one site constantly," she said. "When I managed inner city high-rises, I was there all day. Now I can set my own schedule. If I need to be at one property rather than another one, I can do that. There is no real agenda I have to follow each week."

Aside from enjoying the revenue community association brings into his company now, and the potential revenue it might bring in the future, Barber said he likes the work for the challenges it presents.

"Of all the management we've ever done, it is the most challenging," he said. "At the same time, you get a real sense of reward when you've realized you've accomplished so many different things. Some people are in the business for the challenges."

Diana Mirel is a contributing writer for JPM. Questions regarding this article can be sent to kgunderson@irem.org.
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✓ With updated information, we can customize your membership experience more proactively
✓ Your background and job responsibilities will allow us to deliver customized resources, tools and networking opportunities that are MOST RELEVANT TO YOU.
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✓ Your top-notch expertise will be a resource when we need speakers, authors and information.

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The world of public housing is undergoing a dramatic change—private-sector asset management practices are replacing traditional public housing funding and management policies. For the 3,200 public housing agencies in the United States, this means transforming themselves into management companies that must operate more efficiently and use their resources more effectively.

To date, the public housing program’s focus has been at the agency level with performance based on how the agency operated as an organization. Little attention has been given to individual public housing properties as real estate assets and how they perform from a fiscal, physical or management standpoint.

However, as a result of a new Operating Fund Rule announced in 2005 and taking effect this year, the focus of the program is shifting to the project level. Best practices from private-sector multifamily management are now setting the standard for how Public Housing Authorities (PHAs) think about and manage their portfolios, and how the U.S. Department of Housing and Urban Development (HUD) will monitor the approximately 1.2 million housing units.

The new Operating Fund Rule incorporates two major provisions. The first establishes a new formula for determining the calculation and distribution of the public housing operating subsidy. All PHAs, regardless of size, are subject to the new operating subsidy formula. The second provision introduces the “asset management” business model to the public housing sector. This provision requires PHAs with 250 or more units to convert to a project-centric property management model that regards each project as a unique real estate asset. Although...
PHAs with fewer than 250 units are not required to convert to asset management, they can do so voluntarily.

The impetus for the change began four years ago with the publication of a groundbreaking study—"Public Housing Operating Cost Study," conducted by the Harvard University Graduate School of Design. The report made recommendations for funding and managing public housing. It advised HUD should require property-based budgeting, accounting and management consistent with practices in private industry, and stated PHAs operate like public agencies—running counter to good business practice.

A major feature of the report is a new formula recommending a public housing agency get 10 numbers, one for each property, instead of getting one number for 10 properties. The agency would then prepare budgets for each and HUD would track them separately.

The Operating Fund Rule's adoption of this recommendation has placed the financial, physical and management performance of each public housing project in the spotlight. Establishing new business practices, and staffing and organizational models—models resembling those found in management of private-sector apartments with a project-based perspective—are now necessary to make this conversion to asset management.

The following private-sector best practices support the shift to funding at the project level:

- **Project-based budgeting.** Every project (defined as a single property or several smaller properties) will have its own unique budget. These project budgets will not be approved by HUD, but by the PHA governing boards and used for planning and assessment purposes.

- **Project-based accounting.** Accounting will occur at the property level and PHAs will be required to submit year-end financial statements including revenues and expenses, and balance sheet items on each project.

- **Project-based management.** Management now occurs at the project level and decisions will be made in the best interests of each project. This means major realignment of responsibilities for most PHAs, including delegation of management duties and accountability for property operations to site-level staff.

- **Project-based financial assessment.** Assessment will shift from agency-wide performance to project-specific performance. Each project will be evaluated on its physical state, financial condition and management performance.

Project-based budgeting, accounting and management requirements are effective for PHAs whose fiscal years begin July 1, 2007, and thereafter.

**Reform in the future**

This reform does not come without implications. For the PHA, it must consider each project a separate asset and determine if it should be maintained, renovated, repositioned, or even sold. With new funding rules in place, the ability to subsidize one troubled property with funds from more successful properties will be curtailed. Simply put, properties that are losing money will not be able to survive long term.

Within PHAs, activities traditionally performed at the agency level, like centralized purchasing, will occur at the property level. Some PHAs are already structured this way and recognize the value of project-based management; others are making the change early and enthusiastically.

Several PHAs have turned to IREM as a source for training—Norfolk, Va.; King County, Wash.; Pittsburgh; Denver and Tampa.

Changes for PHAs also mean changes at HUD, which is modifying its data systems and field oversight structure, and developing protocols to monitor the public housing portfolios within its 46 field offices. IREM has worked with HUD to train staff, introducing them to the concepts of real estate asset management and their future roles as monitors and regulators of real estate portfolios.

Speaking in July 2006, HUD Deputy Assistant Secretary Roy Bernardi said, "Moving our entire portfolio of 1.2 million units to this asset management model will create untold opportunity for greater sustainability, development of new and improved affordable housing options, and linkages to private financing that were previously unavailable."

Public and Indian Housing Assistant Secretary Orlando J. Cabrera also commented on the significance of the recent changes: "The focus is now on the performance of each asset and its position in the local affordable housing market. By focusing on performance we can provide PHAs much greater flexibility. It's about greater benefits for the residents of public housing. The residents are at the heart of asset management. That's something we'll never forget."

Nancye Kirk is vice president, strategic initiatives for IREM. Questions regarding this article can be sent to kgunderson@irem.org.
IREM partners with NAHB to provide affordable housing education

Real estate management professionals in the affordable housing arena will now benefit from a unique partnership between IREM and the National Association of Housing Builders (NAHB). In October 2006, IREM and NAHB signed an agreement allowing IREM to offer the examination that leads to the “Housing Credit Certified Professional” (HCCP) designation. In addition, IREM is developing a “Low Income Housing Tax Credit” (LIHTC) course designed to educate professionals whose portfolios include this specialized property type, in preparation for the HCCP exam. This course will fully meet the HCCP’s 10-hour tax credit education requirement.

A course development team of nine affordable housing management experts who hold CPM and HCCP designations, chaired by Bruce Corb, CPM, HCCP has been appointed to spearhead this project. Seven of the nine team members met at IREM Headquarters in December 2006 to begin work on the course that will be piloted in May 2007 and offered beginning in July. Prior to the distribution agreement with IREM, the HCCP exam and related education was offered only through NAHB’s network of private trainers and distributors.

NAHB created the HCCP designation in 1998 to recognize the specialized skills and expertise needed to own and manage affordable housing under the auspices of the federal Low Income Housing Tax Credit Program. Developers, real estate managers, and asset managers who have a minimum of two years experience in the affordable housing industry and meet other designation requirements outlined by NAHB are encouraged to seize this opportunity.

“We at IREM champion those who aspire to professional excellence through education and certification. Coupling IREM’s education expertise with the NAHB’s highly regarded certification is an ideal combination,” said IREM President Robert Toothaker.

“There are more than one million units of affordable housing in this country that have been created through the LIHTC program,” said Cara Wallo, chair of the HCCP Board of Governors, which oversees the program for NAHB. “It’s critical that the professionals responsible for managing these units have access to the best education and designation program in the industry.”

For more information on the partnership between IREM and NAHB, contact Karen Kazmierczak, Manager, Academic and Organization Outreach, at 800-837-0706, ext. 6057, or kkazmierczak@irem.org.

Ethics report

Duty to report violations

A new requirement, titled “Duty to Report Violations” (Article 13), appears in the revised IREM Code of Professional Ethics. Research conducted by the Ethics and Discipline Committee found that other real estate and related organizations include similar requirements in their codes. While such ethical behavior was inherent in the previous IREM Codes, today’s business conditions make it imperative to specifically spell out the Institute’s expectations of all its members. The “Duty to Report Violations” requirement went into effect Jan. 1, 2007.

Reporting of any potential violations of the Code should follow the formal complaint process as outlined on www.irem.org, or contact IREM’s Ethics Administrator at IREM Headquarters in Chicago. The following is the full Article 13 text:

**Article 13: Duty to Report Violations**

Each MEMBER has a responsibility to provide the Institute of Real Estate Management with any significant factual information that reasonably suggests that another MEMBER may have violated this Code of Professional Ethics. Such information must be presented as outlined in the Institute of Real Estate Management’s Bylaws and Statement of Policies.
Landing the deals

**Trammell Crow Company, AMO,** made several business transactions:

- It leased 2,153 square feet of office space to Labov and Beyond, Inc. at Concorde Centre in Auburn Hills, Mich.
- It leased 1,697 square feet of office space to the Hartford Fire Insurance Company at the Dime Building in downtown Detroit.
- It finalized the purchase of a 13,674 square foot office building in Berkley, Mich. on behalf of D&S Contractors, Inc.
- It leased 3,946 square feet of office space to American Megacom, Inc. at the Arboretum Office Park in Farmington Hills, Mich.
- It leased 7,542 square feet of office space to Information Builders, Inc. at Long Lake Crossing in Troy, Mich.
- It leased 17,050 square feet of office space to Arden Corporation at Southfield Centre in Southfield, Mich.
- It leased 1,740 square feet of office space to Fuse Communications in downtown Birmingham, Mich.

**Divaris Real Estate Inc.,** which comprises **Divaris Property Management Corp., AMO,** made several business transactions:

- It leased 11,524 square feet of office space to the Surgery Center of Maryland LLC at Leisure World Plaza and Professional Building in Silver Spring, Md.
- It leased 2,400 square feet of retail space to Goldcastle Jewelers at Leisure World Plaza and Professional Building in Silver Spring, Md.
- It leased 1,800 square feet of office space to Provident Bank at Leisure World Plaza and Professional Building in Silver Spring, Md.
- It leased 1,600 square feet of office space to the U.S. Postal Service at Leisure World Plaza and Professional Building in Silver Spring, Md.
- It leased 30,000 square feet of retail space to Best Buy at the Marquis in Williamsburg, Va.
- It leased 3,552 square feet of office space to VisiTech Ltd. at Canal Center Plaza in Alexandria, Va.
- It leased 1,900 square feet of office space to Ecology and Environment Inc., at Southport Business Center in Virginia Beach, Va.
- It leased 4,578 square feet of office space to Hayes, Seay, Mattern & Mattern in Charlotte, N.C.
- It leased 2,759 square feet of office space to Massachusetts Mutual Life Insurance at One Columbus Center in Virginia Beach, Va.
- It leased 3,552 square feet of office space to VisiTech Ltd. at Canal Center Plaza in Alexandria, Va.
- It leased 1,900 square feet of office space to Ecology and Environment Inc., at Southport Business Center in Virginia Beach, Va.
- It leased 4,578 square feet of office space to Hayes, Seay, Mattern & Mattern in Charlotte, N.C.
- It leased 2,759 square feet of office space to Massachusetts Mutual Life Insurance at One Columbus Center in Virginia Beach, Va.
- It leased 30,000 square feet of retail space to Best Buy at the Marquis in Williamsburg, Va.

**Western National Property Management,** the multifamily real estate management arm of **Western National Group, AMO,** finalized a deal with Griffin Partners to handle the leasing and management responsibilities at Somerset Apartments, a 318-unit apartment community in Temecula, Calif.

**Cushman and Wakefield, AMO,** will manage Wachovia Bank's 3.2 million square-foot Atlantic Regional portfolio. The portfolio includes 30 office and data center locations throughout the New York/New Jersey/Connecticut tri-state area.

**JRT Realty,** along with strategic alliance partner **Cushman and Wakefield, AMO,** will provide leasing and property management services to the Ellipse at Ballston, a 197,00 square foot office tower in Arlington, Va.

**Tomlinson Black Management Inc., AMO,** has been hired by Spokane, Wash.-based Empire Health Services to manage a medical office portfolio of 11 properties and nearly 425,000 square feet of space.
RVP Corner

Robin Stinson, CPM, is the IREM Regional Vice President for Region 4 where she oversees the activities of six chapters in Florida and Georgia. Stinson also serves as president of CAMEO Professionals, Inc., Orlando, a full service real estate management company.

How have rising health insurance costs affected your organization? While insurance costs continue to rise for all employers across the country, small companies like ours have been disproportionately impacted. Our company has had to re-examine our contribution strategies to employee health benefits. Even with the cost containment measures we took, we were still forced to adjust our budgets to allow for the increased cost of health insurance. This resulted in limiting the amount of resources available to support other employee related activities, compensation and benefits.

What has your company done to address these rising health insurance costs and keep costs down?

In the past, our company covered the entire cost of the health insurance premiums for employees but now we share these costs with employees. This has impacted both our employee-only and family health insurance plans for the employees.

We also eliminated contributions to long-term disability insurance benefits and reduced our contribution to the dental insurance plan in order to reallocate the money to medical insurance premiums. By doing so, we were able keep the premium increases to our employees as low as 5 to 10 percent and realized an 8 percent cost savings for our company.

If insurance costs continue to rise, what impact do you think this will have on your area of the real estate business? Companies that can absorb these increases more readily will have a competitive advantage because they will be able to attract and retain higher caliber personnel. Of course, for both smaller and larger employers, increased insurance costs will translate into higher operating costs, which in turn will ultimately affect profitability.

Toothaker offers insights to property managers in Chile

Speaking before nearly 150 property managers in Santiago, Chile, in December 2006, IREM President Robert Toothaker provided an overview of the property management industry in the United States and presented insights into building a successful management business.

Toothaker focused on challenges of condominium management worldwide and made suggestions to attendees for meeting such challenges. Nearly all property in Chile is owned and managed as condominiums.

"First and foremost," he said, "differentiate yourself. Find a way for the service you provide to stand apart from your competitors' service."

Toothaker also discussed the importance of hiring the right people.

"You will be known by the people you hire and the service they provide. Hire top talent, train them well and do all you can to keep them."

Toothaker continued on this theme, "In many cases you will be outsourcing certain activities—perhaps maintenance or landscaping. The quality of your contractors is just as important as the quality of your employees. After all, your contractors are an extension of the management company."

Revista Copropiedad, publishers of the major real estate trade publication in Chile, and Colegio de Gestión y Administración Inmobiliaria de Chile, A.G. (CGAI), IREM's education delivery partner in Chile, sponsored the conference. Juan Carlos Latorre, ARM and a member of IREM's executive committee, is president of CGAI.
**AMO Spotlight**

To earn IREM’s Accredited Management Organization (AMO) designation, a company must demonstrate a high level of performance, experience and financial stability, and have a CPM in an executive position. AMOs must meet ethics and other stringent requirements, proving their value to the industry. Below, an AMO firm is highlighted.

**Company**

GVA Kidder Mathews is a full-service commercial real estate management firm with six offices in Washington, Oregon and California.

**Where is the company’s headquarters?**

Bellevue, Wash.

**How many employees does the company have?**

130 employees; 120 commissioned agents

**How many CPMs work at the company?**

10

**When did the company become an AMO?**

2006

**Why did the company become an AMO?**

We have been prominent in property management services and active in our local chapter for a very long time, but we had not really focused on pursuing our AMO because of other priorities. We’ve been very growth oriented. Consequently, this last year we just buckled down and made the commitment. We needed to have that designation to reflect our stature in the marketplace, our commitment to IREM as an organization and the standards IREM represents, and the expectations our clients have of us.

**What is the benefit of being an AMO?**

The designation certainly sets us apart. It’s a measure of distinction among our colleagues in the industry. I think that committing to the designation and the principles IREM stands for—education, advocacy, ethics and code of conduct—is important to our clients and our employees. The sort of professionals we wish to attract and retain in every employment category, and the clients we wish to work with want to be associated with the highest caliber organization they can. We strive to be the highest caliber organization we can at every level.

—Keith Kaiser, CPM, executive vice president
# Course Listings

## MARCH

<table>
<thead>
<tr>
<th>Course Code</th>
<th>Dates</th>
<th>Location</th>
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<tbody>
<tr>
<td>FIN402</td>
<td>March 15-16</td>
<td>Portland, Ore.</td>
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<tr>
<td>ASM605</td>
<td>March 16</td>
<td>Rochester, N.Y.</td>
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<tr>
<td>CPM001</td>
<td>March 16</td>
<td>Rockville, Md.</td>
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<td>ASM603</td>
<td>March 19-20</td>
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<td>Memphis, Tenn.</td>
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<td>ETH800</td>
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<td>ASM605</td>
<td>March 30</td>
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## APRIL

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<td>BDM602</td>
<td>April 9-10</td>
<td>Miami</td>
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<tr>
<td>MKL406</td>
<td>April 10-11</td>
<td>Carmel, Ind.</td>
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<tr>
<td>MKL406</td>
<td>April 10-11</td>
<td>Las Vegas</td>
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## INTERNATIONAL

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<td>BDM602</td>
<td>April 7-8</td>
<td>Moscow, Russia</td>
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<tr>
<td>MPSA01</td>
<td>April 9-10</td>
<td>Moscow, Russia</td>
</tr>
<tr>
<td>HRS402</td>
<td>April 23-24</td>
<td>Toronto, Ontario, Canada</td>
</tr>
<tr>
<td>MKL405</td>
<td>April 25-26</td>
<td>Toronto, Ontario, Canada</td>
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</table>

For the most up-to-date course listings, please visit [www.irem.org/eventschedule.cfm?eventType=Course](http://www.irem.org/eventschedule.cfm?eventType=Course).
Membership Figures

Here are the year-end membership numbers, including all membership types for the United States and international chapters:

- CPM Members: 8,551
- CPM Candidates: 3,157
- ARM Members: 3,620
- Associate Members: 1,890
- Student Members: 149
- Academic Members: 16
- Total Members: 17,383

- AMO Headquarters: 502
- AMO Branches: 606

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
- CPM001-CPM Certification Exam Preparation Seminar
- 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
- MKL405-Marketing and Leasing: Multifamily Properties
- MKL406-Marketing and Leasing: Office Buildings
- MNT402-Property Maintenance and Risk Management
- MPSA01-Management Plan Skills Assessment
- RES201-Successful Site Management

On the Road Again

March 21
Greater Los Angeles Chapter No. 6
Location: Los Angeles, Calif.
Visiting Officer: Reggie Mullins, President-elect

March 21
Greater Nashville Chapter No. 71
Location: Nashville, TN
Visiting Officer: Bob Toothaker, President

March 22
North Florida Chapter No. 35
Location: Jacksonville, Fla.
Visiting Officer: Bob Toothaker, President

March 22
Madison Chapter No. 82
Location: Madison, Wis.
Visiting Officer: Reggie Mullins, President-elect

April 17
Arkansas Chapter No. 64
Location: Little Rock, Ark.
Visiting Officer: Gail Duke, Senior Vice President

April 19
Utah Chapter No. 33
Location: Salt Lake City, Utah
Visiting Officer: Bob Toothaker, President

April 19
Central Virginia Chapter No. 38 and Virginia Tidewater Chapter No. 39
Richmond, Va.
Visiting Officer: Lou Nimkoff, Senior Vice President

May 1
Houston Chapter No. 28
Location: Houston, Texas
Visiting Officer: Bob Toothaker, President

May 3
Dallas Chapter No. 14
Location: Dallas, Texas
Visiting Officer: Bob Toothaker, President
2008 National Officers and Regional Vice President Nominees Slated

IREM’s Nominating Committee has announced its slate of nominees for 2008 national officers to serve with 2008 President Regina T. Mullins, CPM, of Washington, DC. They are:

- President-elect: Pamela W. Monroe, CPM, Pleasantville, N.J.
- Secretary/Treasurer: O. Randall Woodbury, CPM, Salt Lake City

IREM’s Nominating Committee has also submitted the following nominations for regional vice presidents for the 2008-2009 term:

<table>
<thead>
<tr>
<th>Region</th>
<th>Name, City, State</th>
<th>States in region</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Melvin A. Cote, CPM Simons Real Estate Group West Hartford, Conn.</td>
<td>Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont</td>
</tr>
<tr>
<td>4</td>
<td>P. Michael Libby, CPM PRISM Realty Management Decatur, Ga.</td>
<td>Florida, Georgia</td>
</tr>
<tr>
<td>7</td>
<td>Rheta N. Williams, CPM Schlosser Development Corporation Austin, Texas</td>
<td>Oklahoma, Texas</td>
</tr>
<tr>
<td>9</td>
<td>Dale A. Nusbaum, CPM McLennan Property Management Company Park Ridge, Ill.</td>
<td>Illinois, Minnesota, Wisconsin</td>
</tr>
<tr>
<td>10</td>
<td>Henry B. Voges, CPM Jones Lang LaSalle St. Louis, Mo.</td>
<td>Iowa, Kansas, Missouri, Nebraska, North Dakota, South Dakota</td>
</tr>
</tbody>
</table>

IREM bylaws provide additional nominations for officer and regional vice president positions. Any additional nominations must be made by a petition signed by at least 15 members of the Governing Council and delivered to the Executive Vice President at least 10 days in advance of the April 24 election.

Happy Anniversary

Nineteen IREM chapters are celebrating anniversaries of 25 years or more in 2007. Congratulations to these chapters on their many years of success!

- Greater Cincinnati & Dayton Chapter No. 9—65 years
- Tulsa Chapter No. 10—65 years
- Kansas City Chapter No. 15—60 years
- Maryland Chapter No. 16—60 years
- Northern Colorado Chapter No. 17—60 years
- San Diego Chapter No. 18—60 years
- Sacramento Valley Chapter No. 22—55 years
- North Florida Chapter No. 35—50 years
- Florida West Coast Chapter No. 44—45 years
- Minnesota Chapter No. 45—45 years
- Louisiana Chapter No. 55—40 years
- North Carolina Piedmont Chapter No. 56—40 years
- East Tennessee Chapter No. 57—40 years
- Greater Nashville Chapter No. 71—35 years
- South Carolina Chapter No. 72—35 years
- Tucson-Southern Arizona Chapter No. 73—35 years
- Greater Rhode Island Chapter No. 88—30 years
- Northern Nevada/Tahoe Chapter No. 89—30 years
- Alaska Chapter No. 97—25 years
First Impressions Count!
Signage communicates your FIRST IMPRESSION to PROSPECTIVE RESIDENTS.

We make GREAT FIRST IMPRESSIONS last!
Responsive Service To American Industry Since 1976

Looking to maximize your IREM membership – instantly?

All it takes is a few minutes . . .
Visit www.irem.org to update your IREM profile today!

What’s in it for you?
• Owners and investors can find you easily through our online member directory
• With updated information, we can customize your membership experience

Update your profile at www.irem.org!

IREM Institute of Real Estate Management
Film development
Window film adds extra protection to properties
by Marty Watts

Not long ago, window film’s only function was to block solar heat coming through windows. The film reduced temperatures and the cost of air conditioning. Today, security window film applied to existing glass can save lives, reduce injuries and protect property from damage caused by natural disasters, accidental and intentional impact, gas line explosions and even terrorists attacks.

In attempting to enhance building security, real estate managers give serious consideration to access control, visual surveillance, data protection and recovery, staff histories and a multitude of other concerns that make up a security program. The dangers posed to building occupants by windows and fixed glass is often overlooked.

Typical windows and fixed glass have been designed to insulate against heat loss, block excessive solar energy, reduce air infiltration, control fading damage from ultraviolet radiation and lessen noise transmission.

Windows are not capable of resisting the devastating power of wind-blown debris, earthquakes, explosions and terrorist attacks. When glass is broken by these forces, razor sharp shards can be flung out of the window frame, putting building occupants and passersby at risk.

SECURING WINDOW GLASS
Security window film can strengthen existing glass. It is either optically clear, tinted or composed of reflective layers of polyester film applied to the interior surface of existing glass. Usually, installed security film is applied to the visible portion of the room side of the glass all the way to the edge of the frame but does not extend to the glass edge within the frame.

Because security window film can expand, it can absorb a significant explosive shock wave. As explosive force moves toward the glass and pushes it inward, the glass eventually breaks. The security film applied to the room side surface of the glass continues to absorb the shock wave. It expands until it can no longer withstand the force, at which time it bursts.

Window film often survives shock waves strong enough to break the glass. If the glass breaks, the window film can keep the glass intact, possibly lessening damage and chance for injuries. Window film, however, is not shear proof. It can be penetrated.

Film can be applied to single pane and insulating glass. Proper application of film to insulating glass does not impact the integrity of an insulating glass sealant.
or generate thermal stress to glass from uneven heat absorption.

**FILM VS. GLASS**

Security window film is not the only option when it comes to strengthening glass. Existing glass may also be replaced with laminated glass—two or more pieces of glass bonded by a polyvinyl butyral plastic interlayer.

Both laminated glass and security window film may mitigate the impact of explosions, wind blown debris and earthquakes. The performance of both depends on the relationship of each to the building's existing window frames.

For laminated glass, the window frame must support the weight and thickness of the glass for the entire glass and window system to effectively resist stress. Installing laminated glass in existing window frames not designed to support the weight of laminated glass may not prevent the glass separating from the frames when the glass is stressed.

The ability of security window film to resist force may increase if the film is not only applied to the glass but attached to the frame. Many window film manufacturers market mechanisms that secure film to the window frame. Independent tests verify that many security window films provide equivalent, or in some cases, superior ability to withstand stress compared to laminated glass. The optimum security window film may also reduce a building's energy consumption by blocking solar heat.

The cost of laminated glass installed is approximately $20 per square foot.

The cost of conventional security window film is approximately $5 to $6 per square foot, though the most energy efficient security film costs from $10 to $13 per square foot installed. A system to physically attach the film to the window frames costs approximately $6 to $16 a square foot.

When comparing the cost of installing laminated glass to applying security film to existing glass, real estate managers should take into account the time needed to make the changes, the amount of labor involved, as well as the level of disruption to building occupants. □

Marty Watts is President and CEO of V-Kool Inc., Houston. Questions regarding this article can be sent to kgunderson@irem.org.

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**What to look for when evaluating a security film**

- **Performance:** The true value of the film is determined by its performance in terms of mitigating explosive and other forces, life expectancy and energy efficiency.

- **Energy benefits:** Review the film's ability to block solar heat and transmit desirable daylight. Most security films that block heat also block significant amounts of light. Look for security film providing optimum security and energy performance—a dual function of blocking heat and transmitting visible light.

- **Aesthetic considerations:** The ideal security film provides optimum security and energy performance without changing the appearance of the building. Clear, colorless security film is applicable on all or selective windows of a building.
Foundation helps CPM Member weather the storm

Upon returning to his company’s office in New Orleans following Hurricane Katrina, Bill Soniat, CPM and president of Soniat Realty Inc., found more of a flooded mess than a business headquarters. All his files were wiped out; his antique office furniture was warped; and nearly 4 feet of water was standing in the building.

"It was a wreck," he said. "Most everything was not salvageable."

About a year and a half later, Soniat is still dealing with the impacts of Hurricane Katrina. Working out of a temporary, cramped office space, he and his staff have yet to return to their home office in the heart of New Orleans. The company continues to work on restoring several of its properties. Soniat’s personal life didn’t go untouched either. His home flooded, and he lost many of his family’s personal possessions.

“When you’re dealing with a disaster of this size and scope and it’s affecting your business and personal life, it adds more complications to the recovery,” Soniat said. “It changes everything.”

Fortunately for Soniat, he has gotten some help along the way as his company and family try to get their feet back on the ground. He received a $2,000 grant from the IREM Foundation’s Hurricane Katrina Disaster Relief Fund. He was able to use that money to attend to some of his company’s and family’s basic needs.

“I’m a small business owner and I have a lot of difficult decisions to make,” Soniat said. “I was more concerned about other people at the time, so I’m glad the foundation was there to take care of me.”

Madeleine Abel, CPM, and chairperson of the foundation’s fundraising committee said because Hurricane Katrina impacted so many IREM members, foundation board members felt they had to do something, even though charitable aid is not within its usual scope of giving. The foundation raised $82,155 with its Hurricane Katrina Disaster Relief Fund—matching the first $25,000 it received.

“This isn’t the way the foundation’s money is typically dispersed and used,” Abel said, “but we felt this was an extraordinary opportunity to touch the lives of members affected by the disaster.”

Soniat said the foundation’s assistance was a great relief in a time of need.

“I was surprised and delighted to find out the foundation provided the assistance they did,” he said. “It was difficult for me to accept contributions and gifts because I’ve never been in that position of needing them before. But thank God for the foundation. I really appreciate its help.”

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