NEW YEAR NEW LOOK

NEW FOCUS

DASHBOARD: Amenity Remedy. Find out what tenants value most. page 4
TECHNOLOGY: Ready or not, AI is here. page 6
ASSET MANAGEMENT: The importance of a symbiotic asset/property manager relationship. page 38
THE FAIR HOUSING ACT TURNS 50: IREM documents its evolution. page 21
IF WE DON’T MAKE THE EFFORT TO EFFECTIVELY COMMUNICATE WITH OUR RESIDENTS BASED UPON CULTURE & LANGUAGE,

IT CAN BE PERCEIVED AS DISRESPECTFUL,

WHICH COULD LEAD TO IT BEING PERCEIVED AS DISCRIMINATORY.
CORRECTION: In the Jan/Feb 2018 issue of JPM®, we incorrectly spelled the name of the writer of the Global Practices article, *From Husband Nurseries to Robots: Innovative Amenities in Shanghai’s Mammoth Retail Complexes*. The correct spelling of the writer’s name is Alan Yeung, CPM. We apologize for the error.
I always got something out of every issue of JPM, sometimes directly and sometimes indirectly.

Probably my favorite issue was the March/April, 1981 on pages 105 through 116 titled Elements and an Example of a Good Condominium Association Budget. At the time I knew nothing about budgets or a Chart of Accounts. This article came just in time because I was about to embark on managing the business affairs of several condominium associations.

—RON ASLESON, CPM
One thing we know for sure: Change is a constant. Change within our personal lives. Change within our business lives. Change within the organizations we engage with.

Last month Ben McGrew, CPM, who was installed as President last October, made the difficult decision that, due to personal and business matters requiring his immediate, full-time attention, he was stepping down from his officer role. Given the time and attention the position requires, he recognized that he was not able to provide the focus that was needed to lead the organization.

In accordance with our bylaws, as President-Elect, I immediately assumed the role as President. Because our leadership team truly does work as a team, the transition has been seamless. The initiatives that were underway are continuing so that our members can be served well wherever they are throughout the world.

As IREM celebrates its 85th year, there’s another big change within the organization. We have a new look, a new logo, a new brand. And, most important, a new enthusiasm for engaging the next generation of property management professionals and serving our members through all stages of their careers. Find out more about our new look and fresh outlook on PAGE 12.

Our nation has also seen much change, as the article on PAGE 20 about the Fair Housing Act clearly demonstrates. The Fair Housing Act, passed in April 1968 just weeks after the assassination of Dr. Martin Luther King Jr., has evolved throughout its 50-year history, and likely will continue to change to ensure equal opportunity in housing for all.

And it’s impossible to talk about change without mentioning technology. Chatbots . . . robots . . . artificial intelligence . . . they are part of our work environments whether we know it or not, as you’ll learn when you read the article that starts on PAGE 6.

As President, my goal is to embrace change. To successfully guide our organization through a changing environment. And to support our members as they navigate through all of the changes they experience.
Renters, including both apartment and single-family home tenants, spent a record $485.6 billion in 2017, an increase of $4.9 billion from 2016. 

SOURCE: ZILLOW

There’s a lot of discussion about robots replacing labor—while the jobs may be different and there will likely be fewer of them, the reality is labor will always be critical to the industrial sector.”

BOB SMIETANA, VICE CHAIRMAN AND CEO, HSA COMMERCIAL REAL ESTATE, CHICAGO. (GLOBEST.COM)

Despite some chain retailers closing several locations in New York City, the overall number of chain locations grew by 1.8 percent in 2017, higher than 2016 (1.2 percent) and 2015 (1 percent). All boroughs except Staten Island saw growth in chains, with Brooklyn experiencing the most. Years of steady increases have resulted in a 35 percent jump in the number of chain locations of all kinds in the city since 2008.

SOURCE: CRAIN’S NEW YORK BUSINESS
THE U.S. OFFICE VACANCY RATE ROSE FOR THE FIRST TIME IN FIVE YEARS, FROM 16.1% in 2016 > 16.3% in the fourth quarter of 2017. SOURCE: REIS INC.

03 TIPS to Revive Your Property’s Post-Winter Landscape
By Missy Henriksen

WINTER CAN BE HARD ON YOUR PROPERTY. Here are three simple tips to keep in mind to ensure your landscape will look its best this spring, no matter what Mother Nature throws its way.

01 / INSPECT DAMAGE ONCE WEATHER IMPROVES.
Severe winter conditions and pests can do damage to your landscaping. Take note of your irrigation systems, mulch and shrubs, as well as plant and garden bed care to help increase the effectiveness of spring maintenance, seeding and fertilizing.

02 / WORK WITH A SEASONED LANDSCAPE PROFESSIONAL.
You don’t have to do it alone. Discuss desired improvements and enhancements, trouble spots and budget parameters with a professional landscaper and get your landscape back in shape before the spring and summer months are in full swing.

03 / START YOUR LANDSCAPE MAINTENANCE SOONER.
Plant the seeds of good landscaping year-round. Consider using the off-season to your advantage to assess and address previous oversights on your property—such as brown, patchy turf—and start planning your spring landscaping needs months ahead of the first bloom.


HIGHEST ➤ LOWEST Operating Expense/Income (E/I) Ratio*
SUBURBAN OFFICE BUILDINGS

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*E/I ratio = Total Operating Costs (TOC) divided by Total Actual Collections (TAC). Operating expenses do not reflect such items as ground rent, mortgage interest, amortization, depreciation, income taxes or capital expenditures.

Data from the 2017 IREM Income/Expense Analysis: Office Buildings
In early 2016, Microsoft created a chatbot that loved to tweet up a storm. That chatbot’s name? Tay.AI.

It was said to “Tweet like a teen”...and pertinent to current time, Tay.ai was launched to test the Artificial Intelligence (AI) in understanding conversational language.

My Dad is in his eighties and often laments about how life was much simpler before “crazy robots and technology,” and how “he’ll never use a robot.” I often remind him that his blender and pre-set coffee pot are both robots, and that the first chatbot program dates all the way back to 1964’s ELIZA, which evolved out of the Turing Test in the 1950s. Recall, Turing Machines helped the Allies win World War II. We’ve been cohabitating with robots for quite some time.

The Contextual Chatbot Challenge

Collaboratively, Microsoft’s Tech/Research team and peers from Bing built Tay.ai’s vocabulary by “mining relevant public data and by using AI and editorial developed by a staff including improvisational comedians” that was “modeled, cleaned and filtered.” In theory, the bot was supposed to learn and improve as it talked to people, becoming a natural

Artificial Intelligence, Bias & Your Business

Think you have no place for the “mixed (virtual, augmented and gamification)” realities within your business offerings? Think again.

By Tamela Coval

IF YOU HAVE NO IDEA WHAT A CHATBOT IS, YOU’RE NOT ALONE. A chatbot is a computer program that interacts with a user by simulating a conversation. If you’ve ordered a Domino’s pizza or sent money to your kids through Facebook Messenger, then you’ve interacted with a chatbot.
conversant and growing through the wisdom-of-the-crowd method of understanding over time.

Personally, I don’t know if the pop culture tool “Urban Dictionary” was a portion of Tay’s study curriculum, but the chatbot really didn’t need to tap into that vast chasm of often off-color wiki-knowledge. The online world embraced Tay with glee—but most of its mischievous conversations didn’t remain playful and casual for long. Parroting those Twitter “conversants,” Tay.ai went from tweeting “humans are super cool” to repeating nasty, offensive words, remarks and ideology that would warrant a bar of Ivory soap to the mouth.

Of course, the project was shut down not long after launch with:

c u soon humans need sleep now so many conversations today thx.
–TayTweets March 24, 2016

Microsoft issued the following statement in response:
The AI chatbot Tay is a machine learning project, designed for human engagement. As it learns, some of its responses are inappropriate and indicative of the types of interactions some people are having with it. We’re making some adjustments to Tay.

A good testament to the “Always be learning” mantra.

FACEBOOK: WHO DO YOU THINK I AM?

Later that same year, it was Facebook’s turn for AI-fueled trouble. Just for chuckles, if you want to see who Facebook thinks you are, go to your “Ad Preferences” and click the “Lifestyle and Culture” tab. Facebook never inquires about your race, but depending on your ad preferences, social check-ins and the content of your posts, it might have assigned you something it called an “ethnic affinity.”

For example, Texans occasionally sending messages in Spanish might be assigned to the “Hispanic” category. Facebook had “ethnic affinity” categories for African-Americans, Asian-Americans and Latinos, but none for white people.

This meant that white people weren’t victims of “exclusive targeting.” Exclusion targeting is a legitimate marketing tool, used to hone an ad by not showing it to people likely to be disinterested in it. Those of us in the multifamily industry profoundly know this kind of racial exclusion in real estate was made illegal in 1968 under the federal Fair Housing Act. But Facebook thought it was astute enough to self-regulate. In short time, an investigative journalism nonprofit entity (ProPublica, November 2016), demonstrated how Facebook’s advertising tools could be used to exclude racial groups from audiences for housing-related ads.

Facebook stated about the findings:
This was a failure in our enforcement and we’re disappointed that we fell short of our commitments…
The rental housing ads purchased by ProPublica should have, but did not, trigger the extra review and certifications we put in place due to a technical failure.

AI machine learning took the blame for this, and Facebook put software in place in an attempt to automatically detect housing ads, so that it could disable potentially discriminatory targeting options. However, reliably interpreting the subject matter of text or images is really difficult, even for the world’s best machine learning programs. Facebook revisited the issue, performed a quick fix and called the problem solved with—without bothering to see how well it was actually working. Uh-oh. They got busted again.

I share this to say that fixing these problems requires time, resources, diligence, oversight, compliance and yes, manpower—all of which cost money. And if Facebook can make a mistake as detrimental as this, imagine your exposure. As machine learning becomes more powerful and pervasive, its complexity and its potential for harm—if unchecked and unplanned for—will increase.

THE OMNIPOTENCE OF AI

I’ve shared the above stories to remind you that a quick fix might be just that and can leading to real trouble. That’s the bittersweet beauty and pain of innovation. It isn’t just a simple, isolated act of impacting a small change by inserting a tech tool or software platform; it’s a process requiring concerted vision, goals, strategy, dedicated partners and checks and balances.
According to a global study in *The Economist*, “75 percent of more than 200 business executives surveyed said AI will be actively implemented in their companies within the next three years.”

AI is already baked into everything we touch in our daily lives, in real-time. Think: Siri, Alexa, traffic and map apps, online shopping, music selection, sending chocolate-covered strawberries to Mom and fraud-alert notices from banks. But AI holds the potential to have an even more profound impact on our lives, in ways we cannot predict in advance.

Businesses today are sifting through social cues, media and breadcrumbs to make their employees and customers feel special and to generate leads. Bringing context to every conversation by enriching consumer profiles with metadata and AI deep learning is at the top of every 2018’s “Emerging Trends and Innovations” checklist I’ve encountered.

Out of ULI, World Economic Forum and National Multifamily Housing Council, we hear and read that Smart Cities, Smart Buildings and Smart Amenities are a must for millennials and Generation Z, and even boomers. Future IoT solutions that these tenants and residents demand will require a seamless experience—enabling multiple interactions (voice, text, gesture, image, etc.) with applications and devices—and allowing users to connect to multiple IoT platforms and environments (Alexa, Google Assistant, etc.). Think you have no place for the “mixed (virtual, augmented and gamification)” realities within your business offerings? Think again.

AI CAN BENEFIT YOUR BUSINESS IN THREE KEY AREAS:

1. Administrative support: task mastery and paperwork automation
2. Marketing support: social media and video automation
3. Sales support: making calls, finalizing information, posting reminder alerts to calendars, setting appointments, and filtering and qualifying customer requests

THE AUTOMATION VERSUS PERSONALIZATION CONUNDRUM

Here’s where I personally struggle, and maybe you do too:

Raise your hand if it’s your desire in business to strive to build the best possible product for customer empowerment.

Also raise your hand if you believe that personal interactions should be the primary form of communication between a business and customers, bringing delightful, face-to-face experiences.

Don’t some of our technologies push the customer further away from the eyeball-to-eyeball, hand shaking experience? Yes, they do. But, as consumers ourselves, don’t we personally like to enjoy the ease of self-service? For me, that answer is yes. I’m much happier ordering my McDonald’s Sausage Egg & Cheese Biscuit through the kiosk inside the store than by waiting in line. Ask yourself if you prefer to do your banking using a phone app or even the old-fashioned drive-thru ATM rather than going inside to see a human teller. You might be a self-server accustomed to working with AI without even realizing it.

AI IS HERE TO STAY

Chatbots, AI and virtual assistants are here to stay. So what do we do with the Tay and Facebook situations that give futuristic glimpses of robots on the rise running amuck? To avoid the risk of arriving at decisions that disparately impact certain classes of individuals specifically pertinent to the Facebook example, we know there are three main sources of bias leading to discriminatory outcomes: input, training and programming of the AI. Actually, this is really no different than what employers face when training human employees. Input bias with AI occurs when the source data itself is biased because it lacks certain types of information, is not representative or reflects historical biases. In layman’s terms, AI comes without only the preconceptions of its programmers.

Machines and algorithms can provide more objective standards to uncover real-world bias and discrimination, making AI a powerful tool in moving toward a more fair and inclusive society in
I’m much happier ordering my McDonald’s Sausage Egg & Cheese Biscuit through the kiosk inside the store than by waiting in line.

**ASK YOURSELF IF YOU PREFER TO DO YOUR BANKING USING A PHONE APP OR EVEN THE OLD-FASHIONED DRIVE-THRU ATM RATHER THAN GOING INSIDE TO SEE A HUMAN TELLER.**

You might be a self-server accustomed to working with AI without even realizing it.

our real estate ventures and beyond. Future-proofing open platform product evolution needs to be a promise with each technology partner we employ.

Fair housing is about people, not technology. Technology is a tool that can simplify and accelerate the way we market our apartments, process applications and manage our properties, and it can never replace the people who ultimately have to create the policies, enter the data and make the decisions. We can take a rental application in longhand on a yellow pad, or we can scan someone’s retina to access their life history, and the bottom line is always the same: Everyone must be given the equal opportunity to obtain housing! —DOUG D. CHASIK, CPM

AI is most definitely not perfect, because it is created by imperfect humans—and as we learned from Tay.ai, AI learns from our interactions and mimics our bad habits. As AI machines deep learn and morph, and as we deploy more innovation in targeting, discovering, credentialing, serving, interacting, pleasing and (hopefully) renewing tenants and residents, so does the need for human deep learning, sweating the details, conducting rigorous security checks, data encryption, employee ongoing training and dedicated adherence to compliance regulations.

*Tamela Coval’s (tcoval@me.com) 30+ national career has been dedicated to multifamily business asset management, employee and customer experience, sales, marketing, training, and creating a culture of innovation, motivation and transformation within the multifamily real estate sector.*
After the 2016 impeachment of President Dilma Roussef, Brazil’s economy has struggled to right itself. How is the aftershock of the political upheaval affecting the real estate market? Pedro Wahmann, president of SECOVI-Rio, breaks down the economic impact on the property management industry and what Brazilians have to look forward to.

**BRAZIL’S KEY ISSUES**

As the world’s fourth largest democracy, Brazil was once in an enviable position as a growing world power. However, after a period of political corruption and scandals came to a head in 2016, the country ousted its first female president, Dilma Roussef, bringing the economy to a grinding halt.

Roussef, impeached over charges of budget manipulation, was caught up in a $3 billion corruption scandal involving Petrobras, a partially state-controlled corporation in the oil industry. Her successor and former running mate, Michel Temer, was also accused of corruption, but has remained as president.

The unpredictable political climate has led to the worst economic recession since the 1930s, leaving 13.6 percent of Brazilians unemployed. According to economist Marcos de Barros Lisboa, the aging of the population has also contributed to the high unemployment rate and poor economic conditions. With unemployment so high, Brazilians are looking to make themselves more marketable to potential employers by seeking out extra qualifications, in turn increasing demand for IREM credentials.

**OVERVIEW OF THE MANAGEMENT MARKET IN BRAZIL**

Brazil’s property management companies are represented by SECOVIS—employer’s unions that exist in almost all states of the country. Their main duties are to negotiate workers’ salaries and benefits, represent them at legislative chambers (city, state and federal levels), provide education, and work toward the improvement of the real estate market. Up until 2017, in order for SECOVIS to run their activities, each company had...
to pay a mandatory fee, which was determined by Brazil’s Constitution and assessed based on a company’s assets.

Founded in 1942, SECOVI-Rio currently represents and serves more than 4,000 management companies, most of which are dedicated to condominium management, the most popular choice for residential renters. More than 3.5 million people in Rio alone live in 32,000 buildings around the area.

In 2018, SECOVI-Rio, along with all other SECOVIs, is set to undergo major changes. The mandatory fee companies should pay will start to be elective, due to changes in Brazilian laws. However, as SECOVI-Rio prioritizes the representation of management companies and provides education and information to the market, the union is confident it will succeed in times ahead.

CURRENT MARKET CONDITIONS

The residential rental market has changed dramatically for the worse as a result of poor economic conditions. Renters, owners and managers are all feeling the sting of the increased joblessness and inflation nationwide.

When the recession began in 2014, rental property values had been climbing steadily toward their highest point, only to drop sharply over the course of the political upheaval. From March of 2012 to July of 2017, property values dropped almost 10 percent. Rental property values currently stand well below average levels, with a long way to go until they begin to break even with where they were before the recession began. Equally troubling, rental vacancy rates have increased six times over since 2012.

So how are property managers compensating for the difficult rental market?

Many property managers have found the main key to staying afloat in the current difficult economic situation is adapting the value-added strategy to match the market’s needs. When times are tough, people are always looking for the best value for their money, and property managers can offer value-added services to owners and renters to help offset economic stress. In the Brazilian market, the following enhancements are helping to give local property managers an extra edge.

CREATING A CUSTOMER CARE CENTER

One of the main roles of a property manager, especially of residential spaces, is being available to meet the needs of the resident. The manager can foster an environment of trust with residents by establishing a customer care center, staffed by professionals that are trained to answer any questions that the resident may have, or handle any emergencies that may occur.

PROVIDING ACCESS TO PROPERTY MANAGEMENT SOFTWARE

Property management software is specially designed to keep companies up to date on both client and resident needs. It can allow managers to stay up to date on any changes that take place, even when they have multiple buildings in their portfolios. It also maximizes communication potential and helps management and board members be more effective in their roles.

COMMUNITY COLLECTION SERVICES

Collecting rent on time can be one of the most challenging aspects of renting out property, made even more so when the economy turns sour. A property manager that collects rent on an owner’s behalf can ensure that operations continue to run smoothly in any building.

PROVIDING VENDOR GUIDANCE

Property managers must deal with local vendors on a daily basis, but remembering to market their expertise in this area can help set them apart. Many property managers already have strong relationships with local waste management, insurance or internet providers. Relying on this vendor network and taking full advantage of the bargaining power it brings can dramatically increase the value of a property manager.

LOOKING TO THE FUTURE

2018 is poised to bring big changes to Brazil. Despite the current economic climate, Brazil’s economy is finally looking up after three years of recession, according to de Barros Lisboa. The dust has begun to settle after the impeachment, and Brazilians are beginning to feel more optimistic about market conditions.

As the economy recovers, the property management industry will continue to rebound as well. Vacancies in rental communities will drop along with unemployment, as more young professional Brazilians are able to afford to move out on their own.

With the current seedlings of growth, and an election in 2018, Brazil looks hopefully to the future.

SECOVI-Rio holds a license to provide education towards the ARM certification, as well as being the administrators of Rio Chapter No. 120. The chapter currently has 27 ARM Members and 9 CPM Members.
MANY PEOPLE KICK OFF A NEW YEAR WITH A FRESH OUTLOOK AND A RENEWED COMMITMENT TO BETTERMENT, AND IREM IS NO DIFFERENT.

NEW YEAR, NEW LOOK, NEW FOCUS

AS IREM CELEBRATES ITS 85TH YEAR, WE DECIDED IT WAS TIME FOR A CHANGE—and a drastic one at that. After 85 years of progress and supporting and inspiring property and asset managers, we’re still looking forward.

And while we are super excited about our new look, this change is not just superficial. Along with our updated logo, we also have a renewed focus and philosophy. We know the marketplace is changing, and we must evolve to meet its challenges. That means continuing to serve our members through all stages of their careers, as well as helping mentor a new generation as it enters the field. Starting at the ground floor and continuing to the highest levels, IREM helps make a career in management rewarding and sustainable, and our new brand reflects that.
The rebranding of IREM was not undertaken lightly, nor quickly. A “brand” is not just about logos, fonts, colors or taglines. Sure, those are all major parts of a brand. But over time, those pieces all become associated with a level of credibility, quality and satisfaction in customers’ minds—until the brand represents certain benefits, beliefs and values. A brand is about how people “feel” and “perceive” a product or a company. And we want people to have an emotional connection to IREM that resonates and keeps them coming back.

We knew this project was not one we could do on our own, so under the leadership of 2017 IREM President Michael Lanning, CPM, we engaged a professional marketing and advertising firm to guide us through the process. We asked for their help in differentiating IREM, with an appealing value proposition, in a way that would help grow the businesses of our members and position IREM as the greatest champion of the real estate management professional.

The marketing firm dug deep into the history of IREM, reviewed a multitude of past materials and conducted extensive research with key stakeholders and members, including one-on-one interviews and an all-member survey. All of this research, combined with their experience and expertise, resulted in the development of our new logo, tagline and focus.

We are respecting our past and honoring the last 85 years of IREM, but we are facing forward and moving up. Who is IREM today? We’re a vibrant, energetic and global organization that stands out from the competition. Our members manage every major asset class, and they do it in every corner of the world. And, just as important, ethical management remains our cornerstone.

We know that property and real estate management is a lucrative career choice for college students and young professionals. We see the potential they have and how they can continue to elevate our industry. One of our main goals is to continue to attract new talent to our industry, so that they—and we—can continue to grow in ways we’ve never imagined.

We are here to serve our members, because we know the limitless impact they have on value and on the places where people live, work and shop. Our goal is to provide our members with the tools they need to succeed, through every stage of their careers. Our credentials, our courses and our resources all exist with one goal in mind; to make a difference in the careers of those who manage.

As Cheryl Ann Gray, CPM, an IREM Senior Vice President tasked with guiding the rebranding initiative, puts it, “Rebranding, when properly executed, is much more than a flashy logo or a catchy name. It is a serious response to changing market dynamics. There is no company or organization within the commercial real estate space that is not faced with the challenges of those shifting dynamics. The key to their ongoing success lies in their response. Multifamily, office and retail properties are being rebranded, in large part to remain competitive in a rapidly shifting marketplace populated increasingly by a clientele with a new suite of needs. And IREM is no different.”

We are excited to usher in the next 85 years—and beyond—for IREM. We believe that our history starts today.

IREM: FOR THOSE WHO MANAGE TO MAKE A DIFFERENCE.
MYTHBUSTERS, UNITE!
People in the know—namely, managers, owners, syndicators, developers—understand to its fullest the concept and mission of fair housing. The general public, not so much.

In recent years, we’ve made great strides as a nation toward embracing equal opportunity in virtually all aspects of our lives, such as in hiring and voting. Few today would deny the importance of fair housing. Yet, fair housing still remains a topic riddled with age-old presumptions, myths and stereotypes.

Professionals talked with indicate that part of combating the fear of fair housing is keeping the local population properly informed about examples of affordable housing complexes that are well-conceived and expertly cared for.

“We’ve come a long way as a nation,” says Lori Tillis, CPM, HCCP, vice president of asset management for Ohio Capital Corporation for Housing in Columbus, Ohio, but she sees a divide between market-rate and affordable housing.

Exacerbating the problem is the location of those pockets in areas without proper services or infrastructure.

“They’re typically lacking in such necessities as good schools, proper groceries or public transportation,” says Tillis, a syndicator of affordable housing.

EQUAL? OR FAIR?
It needn’t be this way. But to change current situations, basic myths have to
be untold. One such myth, Tillis says, is that there’s one law governing fair housing—and it lives at the federal level. The reality is much more complex.

“You also have to comply with state and local laws,” she says. “In Ohio, we have additional fair housing regulations that might not exist at the federal level. Some include military housing, for instance, while others don’t.”

Indeed, the legislation surrounding fair housing, despite its good intentions, can be a sticking point in how fairness is perceived. For instance, says Doug Chasick, CPM, president of the Peachtree Corners, Ga.-based Fair Housing Institute Inc., there’s the complicated matter of disparate impact, which essentially is a theory used in fair housing and labor law that seeks to eliminate practices that adversely affect one group of people of a protected class more than another, despite landlord rules that appear neutral.

“One of the biggest myths is that we have to treat everyone the same,” says Chasick. “It’s one of the biggest lies and one of the easiest ways to get into trouble. You have to treat every circumstance the same. When you do try to treat everyone the same you can get into disparate impact.”

As proof, he recalls an incident from his early days managing properties, when he was helping a senior citizen with her groceries.

“I was told I can’t do that because then I’d have to do it for everybody. A lot of fair housing classes still teach that.”

To that extent, he adds, probably the biggest myth surrounding fair housing is in the name. “Fair housing ain’t fair,” he says. “It’s equal. Everything else in the law talks about equal opportunity, equal access, equal enjoyment. If you’ve worked in an apartment community you know it’s not fair. And that myth informs people—especially the new people you recruited from other industries.”

And that’s where education and training come in. Maybe Chasick didn’t write the book on proper fair housing training, but he was one of the co-authors of the original IREM/NAA course, Fair Housing & Beyond. The authors have recently completed the latest course update, and registration for classroom and online offerings is open—go to www.irem.org/education for more information or to register.

BEYOND THE RULES
Teaching your staff the rules and regulations is great, Chasick says, but it’s not enough.

“We also have to teach them to think critically, to look at a situation, identify the facts, synthesize the information and come up with a solution that equates to fair housing compliance. That’s what’s lacking in a lot of fair housing training.”

The Fair Housing Institute also offers fair housing education, and one of the companies taking advantage of its courses is Ohio Capital. “We’re always looking for more training,” says Tillis, who reports she is inviting all staff and partners, including “owners, maintenance people and everyone involved at each property,” to take The Fair Housing Institute’s three-and-a-half hour on-demand eLearning course, available on Ohio Capital’s new online training platform.

It should be noted that Ohio Capital doesn’t rely solely on eTraining. There’s also an expert in fair housing on board, Melanie Shapiro, to ensure that the group stays on the right side of the law and assists in the training of staff and community.

Training, of course, is key to a well-run project.

Seem obvious? Not so fast, Chasick says. “It’s amazing how often I hear in my classes that they’re using Google Translate. If we don’t make the effort to effectively communicate with our residents based upon culture and language, it can be perceived as disrespectful, which could lead to it being perceived as discriminatory.”
And there, too—in the realm of outside perceptions—greater education is necessary. Tillis says practitioners should expect at some point to appear before their city council. And that’s a prime-time opportunity to state the case for affordable housing that’s well-planned and expertly managed (see box below).

“There are always two sides to every story,” she says, “so communicating the truth is the way to get all of the issues out at once,” adding that means doing your homework and preparing to address such issues as crime and land values.

Chasick agrees that the case for fair housing has to be strategically presented so the local community can see the benefit.”

But what exactly is that?

“It’s this,” he says, taking us through the elevator pitch: “We’re going to come in and create affordable housing that will be managed to the same standards as any market-rate housing. It’s coming in with data that says we’ll have to increase road capacity or water and sewer capacity or we’ll have to put in a traffic light to avoid overtaxing the infrastructure.”

He says it’s coming to the city council or town hall meeting armed with “the studies and the FAQs and giving people the opportunity to talk to the developers. Come with their track record.”

He urges professionals to come with data that proves affordable housing properly conceived can increase both the tax base and property values while decreasing local tax rates. That’s in addition to the ancillary benefits of more businesses providing more local services. “Unless you just landed here from another planet,” he says, “you know the objections, so why not address them ahead of time?”

Of course, that doesn’t mean the going will be easy. But, says Chasick, through proper education and training, a well-run affordable housing project can convert naysayers “into fans, and maybe even advocates.”

**One of the biggest myths is that we have to treat everyone the same. You have to treat every circumstance the same.**

—DOUG CHASICK, CPM

PROVING THE CASE FOR AFFORDABLE HOUSING

A well-planned and expertly managed affordable housing project can fit perfectly into the surrounding neighborhood, even if that neighborhood is an affluent one. Such is the case at Pleasant Meadows in Cuyahoga Falls, Ohio, a 72-unit asset that Ohio Capital brought online in 2000.

That’s not to say establishing the property was easy. Some residents in this affluent area were especially nervous given the close proximity of market-rate condos to the proposed location of the project. So it wasn’t surprising that, as Lori Tillis says, there was initial pushback from the local community. In fact, “We ended up going to the state supreme court, and we won.”

A large part of that win came from the fact that Pleasant Meadows breaks people’s expectations of what affordable housing looks like.

“When some people think of affordable housing,” she says, “they think about poorly cared for properties or laundry hanging outside. That’s not the case. Many of our properties look and act like market-rate assets. They may not have swimming pools, but they have curb appeal and furniture in the lobby. They are homes.”

They also have professional staffs and are well-maintained, she adds. At Pleasant Meadows, those duties fall to RLJ Management Inc. First of all, tenants at the property—which boasts a 100 percent occupancy rate—are properly and thoroughly screened.

RLJ also remains diligent in the maintenance of the asset, and key to that is a proactive approach to any problems that might arise.

“The general partner and management company worked really hard and they were ready to resolve potential problems immediately, knowing it would make a difference not only in the quality of the asset but also in its local perception,” she says.

These strategies of design and management have made all the difference in the integration of the asset into the local community. Children from Pleasant Meadows attend school with their neighbors, and after a while, who lives where “all becomes a blur,” she says.

“The property has become a flagship, and in fact, many people don’t even know it’s affordable.”

Which, at the end of the day, is the result you’re looking for.
ANNIVERSARY OF THE FAIR HOUSING ACT

BY IREM GOVERNMENT AFFAIRS STAFF
April marks the 50th anniversary of the Fair Housing Act of 1968 (FHA). This landmark legislation was enacted to protect both buyers and renters from certain types of discrimination when seeking a place to live. Even though the law has been enacted for half a century, the way it is applied and interpreted has been constantly evolving.

While the Fair Housing Act is not the first law to prohibit discrimination in housing, it is the first to do so effectively. Following the close of the American Civil War, the Civil Rights Act of 1866 was enacted with hopes of affirming that all citizens are protected equally by the law—regardless of their race or color. Unfortunately, the law would go largely unenforced for over 100 years.

Real change would not be seen until APRIL 1968. Barely a week after the assassination of Dr. Martin Luther King Jr., Congress passed the Fair Housing Act. Just two months later, the United States Supreme Court issued their decision in Jones v. Alfred H. Mayer Co., affirming Congress’s authority to regulate the sale of private property in order to prevent racial discrimination. This decision paved the way for the FHA to succeed where the Civil Rights Act of 1866 had failed.

FAIR HOUSING ACT, TITLE VIII OF THE CIVIL RIGHTS ACT OF 1968

The Fair Housing Act prohibits discrimination against any person in the terms, conditions or privileges of the sale or rental of a dwelling because of his or her status as a member of a protected class. When first enacted, the only protected classes under the FHA were race, color, religion and national origin, but there have been important additions to that list over the past 50 years.

In 1974 the U.S. Congress passed the Housing and Community Development Act of 1974, adding sex as a protected class. This has re-emerged recently, taking a few different forms that will be addressed later.

Disability and familial status were added by the Federal Fair Housing Amendments Act of 1988. The law defines disability as a “physical or mental impairment that substantially limits one or
more of major life activities (walking, seeing, hearing, learning and working) or having a record of such an impairment, or being regarded as having such an impairment.” Familial status is defined as anyone who has a child under 18, who has temporary custody of a child under 18, is seeking custody of a child under 18 or is pregnant.

Currently, there are seven federally protected classes. However, almost every state, and many local governments, have enacted their own Fair Housing laws. While states cannot remove a federally protected class, they can, and often do, create additional classes.

FOR EXAMPLE, MADISON, WIS. HAS 21 PROTECTED CLASSES:

- SEX
- AGE
- RACE
- FAMILIAL STATUS
- STUDENT STATUS
- POLITICAL BELIEFS
- UNEMPLOYMENT
- CITIZENSHIP STATUS
- RELIGION OR ATHEISM
- HANDICAP/DISABILITY
- STATUS AS A VICTIM OF DOMESTIC ABUSE, SEXUAL ASSAULT OR STALKING
- COLOR
- MARITAL STATUS
- GENDER IDENTITY
- SOURCE OF INCOME
- SEXUAL ORIENTATION
- PHYSICAL APPEARANCE
- DOMESTIC PARTNER STATUS
- NATIONAL ORIGIN OR ANCESTRY
- RECEIPT OF RENTAL ASSISTANCE
- LESS THAN HONORABLE DISCHARGE
- THE FACT THAT THE PERSON DECLINES TO DISCLOSE THEIR SOCIAL SECURITY NUMBER

One of the most recent changes to Fair Housing law, and one that has had a major impact on IREM Members, was not prompted by legislation, but by regulation. In 2013, the U.S. Department of Housing and Urban Development (HUD) published a final rule holding landlords liable for policies that had a disparate impact on members of a protected class. A policy that has disparate treatment has been illegal since the passage of the FHA; a policy with disparate impact, however, does not have to be explicitly discriminatory to be in violation of the law. For example, having a blanket rule against renting to any convicted felon would not be disparate treatment, as it would affect any felons equally regardless of their race. However, it would have a disparate impact on racial minorities who are disproportionately convicted of felonies.

In JANUARY OF 2015, the disparate impact rule was brought before the U.S. Supreme Court with Texas Department of Housing and Community Affairs v. Inclusive Communities Project. The Inclusive Communities Project claimed the Texas Department of Housing and Community Affairs had discriminated against a racial minority group by issuing more tax credits for building low income housing in the predominantly poorer black neighborhoods than in the more affluent white communities. In a 5-4 decision, the court upheld the use of disparate impact as a basis for discrimination under the FHA, stating that the language of the FHA focuses on the results of actions and not on their intent.

On APRIL 4TH, 2016, HUD published new guidance that marked a significant change in HUD’s expectations for compliance with the FHAs disparate impact rule. Although a guidance does not have the legal authority of a court decision or a statute, it carries considerable weight with judges.

FAIR HOUSING Over the Years

1866 The Civil Rights Act of 1866

1968 Assassination of Dr. Martin Luther King, Jr.
Congress passes Fair Housing Act
Supreme Court issues decision in Jones v. Alfred H. Mayer Co, affirming Congress’s authority to regulate sale of private property in order to prevent racial discrimination

1974 Sex added as a protected class
U.S. Congress passes the Housing and Community Development Act of 1974
The HUD guidance states that landlords should not use arrest records as a basis for excluding applicants, since an arrest which does not lead to a conviction does not prove that an individual engaged in illegal activity. According to HUD, if a landlord uses criminal records to screen, the policy must be narrowly tailored. The guidance states a landlord would need to prove this “tailored” policy is necessary to serve a “substantial, legitimate, nondiscriminatory interest.”

The HUD guidance also states a landlord must take into account the nature, severity and age of a conviction. HUD also recommends that landlords conduct an “individualized assessment” of each applicant. For example, when renting a unit located next to a day care center, someone convicted of embezzlement 15 years ago should be considered differently than an applicant convicted of sexual assault of a minor a couple months ago.

In April 2017, a federal court overruled its own precedent by ruling that even though sexual orientation itself is not a federally protected class, the FHA still prohibits sexual orientation-based discrimination as it is, by necessity, a form of sex discrimination. This decision was a clear deviation from prior precedent, and many believe it will be challenged in the Supreme Court.

IREM unequivocally supports the federal Fair Housing Act. We strongly believe in equal opportunity in housing and support the right of all people to freely choose where they will live without the constraint of prejudice or discrimination. We believe that equal opportunity in housing can best be achieved through continued leadership, observance of law, education and mutual cooperation of the real estate industry and the public through a free and open housing market.

Thanks to the Fair Housing Act, we have made incredible strides over the past half century toward establishing a housing environment with equal opportunity for all. However, few would argue against the need for more work to be done in achieving a more equal housing market. IREM looks forward to continuing its work improving housing opportunities for all, by educating its members and working with HUD to ensure efficient and effective policy.

Following the close of the American Civil War, the Civil Rights Act of 1866 was enacted with hopes of affirming that all citizens are protected equally by the law—regardless of their race or color.
Every January, IREM compiles a list of the top public policy priorities for the year. To ensure IREM accurately positions our issues for 2018, and to assist in setting the agenda for our Congressional In-District meetings, a survey was sent to our public policy experts. The survey was distributed to IREM’s Legislative & Public Policy Committee, Federal Housing Advisory Board, Federal Advocacy Board and Chapter Legislative Chairs.

A few highlights of the survey are summarized below. The survey began by asking participants to list their top policy priorities. Issues selected most include the following:

**AMERICANS WITH DISABILITIES ACT (ADA) LAWSUIT REFORM**

**Position:** IREM supports legislation to create a “notice and cure” provision within Title III of the ADA. This would allow business owners the opportunity to rectify violations within a reasonable amount of time before being threatened with costly lawsuits or demand letters for a monetary settlement.

**Issue Summary:** Some attorneys send property managers “demand letters,” threatening to file a lawsuit citing ADA Title III violations unless a fee is paid. These “drive-by” lawsuits are claims against property managers for minor violations which then demand thousands of dollars to settle. This gives the property manager two options: Pay the attorney per the demand letter, or go to court and risk paying an even larger sum. Either way, business owners are forced to spend resources on a settlement or on preparing a defense, rather than resolving the violation. This practice only benefits the attorney, as the ADA precludes plaintiffs from collecting damages.

**NATIONAL FLOOD INSURANCE PROGRAM (NFIP)**

**Position:** IREM supports reform of the NFIP to ensure its ongoing sustainability, encouragement of cost-effective private flood insurance options, and long-term reauthorization of NFIP so that it remains a viable option for property owners.

**Issue Summary:** NFIP is a partnership between federal, state and local governments that helps mitigate flood risk and provides affordable flood insurance to those who need it most. If the program expires, which Congress continues to discuss, flood insurance will become much more costly or even unavailable.

**FEDERALLY ASSISTED HOUSING**

**Position:** IREM closely monitors all legislative and regulatory activity pertaining to federally assisted housing, and engages with policy makers to encourage continued funding and clarification of new and existing notices and rules.

**Issue Summary:** Federally assisted housing puts people into homes who otherwise would have challenges obtaining safe and decent housing. Providing low-income earners assistance helps them find housing and helps real estate managers and owners fill vacancies. IREM Members own and manage over 60 percent of all federally assisted housing and public housing units in the United States. Under project-based programs, the federal government—through the U.S. Department of Housing and Urban Development (HUD)—contracts with private owners to fund the difference between the rent for the unit and 30 percent of the tenant’s income.
IREM can help chapters advocate for these issues by developing fact sheets; drafting letters to legislators; sending a “call to action” to members; identifying potential coalition partners; and assisting with coordinating an In-District meeting with their legislators.

FAIR HOUSING AND DISPARATE IMPACT
Position: IREM monitors this issue closely and educates our members through informative webinars and in-person sessions.

Issue Summary: In the Housing and Urban Development (HUD) disparate impact rule, a case for discrimination can be built against a property manager based on statistical analysis. Common business policies, such as occupancy limitations, credit checks and criminal background screenings, could result in discrimination claims against property managers if they are found to discriminate against members of a protected class.

SOURCE OF INCOME PROTECTION
Position: IREM is supportive of the concept of government assisted housing practices and making affordable housing opportunities available to all citizens. However, IREM believes that involvement in these opportunities should be voluntary and not mandated by any level of government.

Issue Summary: A prospective tenant’s source of income could be treated as a protected class. Property managers would then be forced to accept tenant-based subsidies such as Section 8 vouchers. Property managers who participate in the Section 8 program and accept Section 8 rental subsidy certificates must follow strict and voluminous regulatory requirements including, without limitation, specific lease terms, inspection requirements and other mandatory regulations.

COMPANION ANIMALS
Position: IREM supports and invites guidance from the government on the issue of companion animals.

Issue Summary: Companion animals are not service animals. Service animals require special training. Companion animals receive no specialized training and are typically for individuals with mental disabilities or those in need of emotional support.

DATA SECURITY
Position: IREM supports government efforts aimed at sharing information about possible cyber threats and aftermath. IREM opposes legislation, while intended to avert security breaches and help mitigate their aftermath, which is overly burdensome and onerous on property owners and managers or their clients.

Issue Summary: Property managers deal with large amounts of data, which includes social security numbers and financial information. Protecting the data is expensive, but it is even more expensive to repair a data breach. Currently, there are no laws or regulations to assist property owners and managers with the costly aftermath of security breaches. Stay tuned for an article on Cyber Security in the next issue of JPM®.

RENT CONTROL
Position: IREM is opposed to government control of rents and supports a property owner’s right to establish rents which will encourage investment in new construction and existing property.

Issue Summary: Rent control limits the amount a property owner can charge for renting out a home, apartment or other real estate. It acts as a price ceiling by preventing rents from either being charged above a certain level or from increasing at a rate higher than a predetermined percentage.

MEDICAL AND RECREATIONAL MARIJUANA
Position: IREM invites guidance from the government on how to implement policy and procedures for the properties that real estate owners and managers operate.

Issue Summary: States are persistently legalizing marijuana to varying degrees, but it is still illegal at the federal level. This inconsistency creates conflict between federal and state laws and creates a complicated situation for real estate owners and managers.

Respondents were also asked how IREM could help chapters advocate for these issues. The top responses included: developing fact sheets; drafting letters to legislators; sending a “call to action” to members; identifying potential coalition partners; and assisting with coordinating an In-District meeting with their legislators.

Finally, members were asked to describe how IREM could improve upon its government affairs and public policy efforts. A number of the responses suggested reviving the IREM Capitol Hill Visit Day in Washington, DC.

For the complete list of public policy priorities, visit www.irem.org/public-policy/policy-priorities.
The design embodies the law school’s transformative pedagogical approach, which stems from a deep commitment to educating its students and citizens on the importance of law in shaping society,” said Brian Masuda, associate partner at Ennead Architects, and project designer for ASU. “The building blurs the line between public and private to create a unique urban environment that connects the College of Law, the vibrant network of downtown legal professionals and the larger Phoenix community.”

Liberty and Justice for All

The Beus Center for Law and Society in Phoenix has helped transform Arizona State University’s downtown campus, while bringing the school’s vision for openness and collaboration to the forefront

By Diana Mirel / Photos © Bill Timmerman

When you visit many legal institutions across the country, you’ll likely see a depiction of a blindfolded Lady Justice, who represents the impartiality of justice and the idea that justice is blind. While Lady Justice was not the prominent inspiration for the design of the Beus Center for Law and Society—the new home for the Sandra Day O’Connor College of Law at Arizona State University (ASU)—the university certainly designed the building in her spirit.

Located in the heart of its downtown Phoenix campus, ASU built the center driven by its dedication to community inclusion and access to justice. Consequently, the center serves not only as the university’s law school, but also as a civic space that encourages openness and transparency.

“A TRANSFORMATIVE BUILDING

When the university leaders decided to move the law school from the Tempe campus to downtown Phoenix a few years ago, they saw an opportunity to build momentum and synergy for ASU’s downtown campus. Their hope was that an iconic building like this would encourage collaboration not only among
students and faculty, but also among the community at large.

The state-of-the-art facility was designed with a north-south slice through its social core to invite everyone into the “heart of the institution.” Masuda said, “This design allows the public to easily notice the building’s three grand, double-height rooms: the W.P. Carey Foundation Armstrong Great Hall, the Ross Blakely Law Library and the Fort McDowell Yavapai Nation Rooftop Courtyard.”

Open-air bridges connect the east and west wings of the building and provide access to a suspended double-height reading room at the north side and a two-story think tank space at the south.

The centrally located Great Hall serves as a communal gathering and event space that is utilized by the university and the public for events ranging from piano recitals to year-end galas.

“Having this space available to the public is in line with the mission of the building and brings other voices into the building,” said Masuda. “It blurs the boundaries of public and private.”

The assistant dean manages the Great Hall and vets parties interested in using the space. Since the building opened in 2016, about one-third of the events that took place in the Great Hall were held by third parties not affiliated with the university or law school.

Along with its prime downtown location and its open-to-all roots, the Great Hall is also incredibly versatile. Its innovative retractable seating allows event planners to configure the room into a distinct, informal, tiered lounge space or into a more traditional auditorium.

The Great Hall also has an expansive 20-foot-by-50-foot bi-folding glass door that opens to the adjacent courtyard, establishing a clear gateway between the school and public.

“The Great Hall clearly symbolizes the institution’s commitment to engaging the public by offering downtown Phoenix a welcoming and open civic space where multiple communities are encouraged to converge, interact and learn,” said Masuda.

THE LIBRARY OF THE FUTURE
In designing the new building, the university was also able to rethink the design of its law library to better reflect today’s digital age. Through this process, they opted to establish the library as a centralized, open space that everyone in the building would pass through.

“The Ross Blakely Law Library is unique in that it has no walls, no boundaries
and is the conceptual and physical circulatory system of the building,” said Masuda. “Bookshelves and individual and group study spaces branch out from the library to the upper floors and double as primary circulation paths for all building occupants. This network of library spaces minimizes the need for long, linear corridors that often segregate building occupants, and actively encourages intellectual and social interchange between students, faculty and visitors throughout the building.”

SUSTAINABLE DESIGN
In line with the building’s forward-thinking design and vision, sustainability was a key driver in the design of the Beus Center.

One of the sustainable highlights of the building is its dynamic, undulating façade. It is self-shading by responding to solar orientation and has a saw-toothed configuration comprised of locally sourced sandstone with aluminum and glass windows.

“The façade is unitized and factory-assembled, both to assure quality and to
achieve a higher standard of thermal performance,” said Masuda.

The building also has a combination of low-energy, cost-efficient HVAC systems—including active chilled beams, direct outdoor air units with heat recovery, underfloor air distribution and air floor system. In fact, the building is targeted to reduce energy use by 36 percent.

The dry desert climax of Phoenix inspired the building’s sustainable water management features, which include low water-consumptions fixtures.

On the exterior of the building, the landscaping in the plaza was strategically designed to provide shade while utilizing minimal water.

“In areas where irrigation is required for plant establishment, such as the upper courtyard, drip irrigation has been installed,” said Masuda.

According to Masuda, the landscape design provides a 79 percent reduction in potable water, following the LEED credit calculation methodology.

**A COLLABORATIVE SUCCESS**

Since its opening, students, faculty and the Phoenix community as a whole have embraced the Beus Center. Additionally, the building has helped improve the law school experience for students and faculty alike—specifically in terms of increased collaboration.

In the former law school building on the Tempe campus, students often complained about the difficulty of finding faculty due to the building’s complicated layout. However, a recent survey found a 24 percent increase in individual students meeting with faculty, and a 55 percent increase for groups of students meeting with faculty, since moving into the Beus Center. The university credits this improvement to the building’s centralized design, which naturally lends itself to more opportunities for face time between students and faculty. The same survey also found a 32 percent increase in faculty collaboration for scholarship activities, events, teaching, service projects, programs and meetings.

“There is always a place in the building where people can convene and participate,” said Masuda. “It is always packed with people. It really has become a great communal space…almost like an urban quad.” ■

Diana Mirel is a contributing writer for *JPM*. If you have questions regarding this article or you are an IREM Member interested in writing for *JPM*, please email *JPM*, at [JPM@irem.org](mailto:JPM@irem.org).
DO YOU SPEAK finance?
You did all your homework. You created a good scope of work, you got three qualified bids for the job and you put them on a spreadsheet to clearly compare and contrast the bids for your property owner. You recommended the lowest cost bid and the bidder is well qualified, and has the time and manpower to complete the job successfully.

But the owner just rejected your proposal outright. Why did this happen and how could you have prevented this outcome? The basic answer is that you and the owner are speaking different languages.

**THE LANGUAGE OF FINANCE**

If you were dropped into a foreign country where no one spoke your language, you would need to learn some key words and phrases to express to others in a meaningful way what you were trying to say. To have someone understand you and vice versa, first you need to share a common set of terms and their meanings. In other words, you both have to speak the same language.

Many property managers experience this frustration when speaking to the property owner or the owner’s representative. The fact is that most of these folks, especially those who have spent considerable time managing assets or who have advanced degrees in business or finance, speak a different language than property managers when it comes to money. Let’s call it the language of finance. If you, as a property manager, want to communicate effectively with your clients (which all of us should), and particularly with regard to capital improvement projects, you will need to learn this language.

I’m not suggesting that you go around using financial terminology in your day-to-day conversations with your tenants, family and friends. But when speaking to owners or asset managers, most of whom analyze investments in terms of payback period, ROI and cap rate, an understanding and proper use of such
related terms will allow you to get their attention, and hopefully their buy-in.

**THE PROJECT—REPAIR OR REPLACE AN AIR CONDITIONING UNIT**

Let us consider a typical project for which property managers would seek approval: a new rooftop air conditioning unit. Assume your property is 25 years old and still has several of the original rooftop package AC units. You have had long-standing problems with this particular unit and have had numerous service calls on it because the tenant constantly complains that the unit is not cooling sufficiently. Now your trusted HVAC technician is advising that an expensive component, the compressor, has failed and needs to be replaced.

The cost to replace the compressor is $3,500, including parts and labor. The HVAC company is telling you they cannot guarantee that, even after replacing the compressor, the unit will not have additional components fail. This type of equipment, according to ASHRAE (American Society of Heating, Refrigerating and Air-Conditioning Engineers) generally has a useful life of about 15 years. As stated above, this one is 25 years old. It is well past its useful life.

The replacement unit, including the equipment itself and the labor to haul away the old one and install a new one on the roof—including the crane needed to do that—will cost $8,500. So, as mentioned above, you do all your homework (you think) and present your bid analysis to the owner, along with your recommendation to replace the unit. But she rejects your proposal based on the information you have provided.

The owner’s decision was made solely based on which option cost less right now. In other words, it was based on approval or rejection of an “expense,” not on approval or rejection of an “investment.” These are entirely different perspectives.

The property may be experiencing some vacancy or has had a lot of large repair costs recently and cash is tight. Whatever the reason for the owner’s decision, it was clearly made without the benefit of all the relevant information. And just as clearly, you did not present the proposals to the owner in a way that guided her to the best decision.

**PAYBACK PERIOD**

Instead of just sending the owner the comparative proposals and asking her to bless your recommendation, consider approaching the decision from her point of view instead. In other words, propose the project using the language of finance.

You know from experience that replacing a major component like a compressor in an old rooftop unit is a bad business decision. Once an expensive piece of equipment like an air conditioning unit gets beyond its useful life, it is almost always better to replace it with a new unit. But you need to convert that knowledge into a presentation that will appeal to the owner’s financial acumen and which will lead her to the same decision.

One criterion that financial managers consider when they look at investment decisions is payback period. In the simplest terms, payback period (PP) is the amount of time it takes for an investment to produce enough revenue to cover the cost, after which money is made on the investment.

**THE FORMULA IS AS FOLLOWS:**

So in our example, the cost of the project is the replacement cost of the AC unit, or $8,500. The annual cash inflows are the savings from operation of the new unit. Here is where it gets interesting: We next need to determine from our contractor or the manufacturer of the unit how much that new, energy-efficient unit will save in utility, repair and maintenance costs over the existing, outdated unit.

Let’s say we learn from the manufacturer that the unit we are considering is designed to be very energy-efficient. In fact, the manufacturer projects that the unit will save more than an average of $700 per year in electricity and maintenance costs over older, less efficient units. Note that no manufacturer will tell you with any degree of certainty what the exact savings will be for your building—there are just too many variables.

Plugging the projected savings into our formula above, we see that the payback period is 12 years ($8,500 divided by $700). Is that good? The answer is, “It depends.” If the owner of the property considers any investment that has a five-year or shorter (shorter is better of course) payback period to be a good investment, then this one would not be a winner. The minimum payback period is different for every owner. Do you know what your client’s minimum payback period is? You should find out.

Payback period is a fairly elementary form of investment analysis. But we have considered it first here as a way to introduce these concepts. Consider that we have now gone from a decision about what costs less now to a decision about how long it will take to recover our investment and start making money.

In this case, a payback of 12 years seems to be a bad investment. But if the unit will last at least 15 years (our existing one has gone over 25), after recovering the cost (12 years), we’ll be in positive territory. Not a bad deal.

Would a real estate investor look at two competing property investments purely on the basis of which one costs less now? No, they most certainly would not. Even the unsophisticated investor would look much beyond the immediate cost of a property and consider the net revenues over a projected hold period.
This is what using the language of finance is all about—thinking about these things as investments, not expenses, and proposing them to the owner in that way.

**RETURN ON INVESTMENT (ROI)**

Sticking with our HVAC repair-or-replace decision, let us consider the next type of investment analysis, Return on Investment (ROI). This is a cousin of the payback period. ROI is a measure of the return on the original investment, expressed as a percentage.

**HERE’S THE FORMULA:**

\[
\text{ROI} = \frac{\text{TOTAL REVENUE} - \text{TOTAL COST}}{\text{TOTAL COST}} \times 100
\]

Here, we would take the total revenue (savings in our case), subtract the initial cost and divide by that initial cost factor. We said that the savings were projected to be $700 per year. Let’s say that over the projected useful life of the new unit (15 years), we will save approximately $10,500.

**USING OUR COST OF $8,500, WE END UP AS FOLLOWING:**

\[
\text{ROI} = \frac{\$10,500 - \$8,500}{\$8,500} \times 100
\]

This investment would produce an ROI of 23.53 percent on our initial investment. Now how does that stack up against the repair decision in which there is no return on investment? In fairness, the owner would have to hold the property for all 15 years to realize the full return on his investment. And the unit would have to work well for the entire 15 years without having to put a lot of money into it (normal maintenance). But all investment decisions are made on a set of reasonable projections.

So, if you can determine your owner’s minimum acceptable ROI (and again, you should know that) and propose these types of projects as “investments” rather than “expenses,” you will get a better outcome, I guarantee.

**CAP RATE**

The last type of investment analysis that we will discuss is the cap rate. This is an abbreviation of the term capitalization rate, but most people that speak the language of finance simply refer to this as cap rate analysis.

The cap rate is the ratio of net operating income (NOI) to the value of an asset. Most owners use cap rates to compare two or more proposed investments. The one with the higher cap rate is the one that provides the investor with the higher potential return (all else being equal). In our case, it is the ratio of the projected savings from the new AC unit compared to the cost of the unit. So, using our previous assumptions about the savings per year ($700) and the cost ($8,500) of our proposed investment, THE CAP RATE ANALYSIS IS AS FOLLOWS:

\[
\text{Cap Rate} = \frac{\$700}{\$8,500} = 8.24\%
\]

So is this a good investment? Again, the answer is, “It depends.” If the owner or owner’s asset manager considers any investment that has a cap rate of 8 percent or higher to be favorable, then yes, this would pass that test. You need to find out what the minimum cap rate threshold for this owner is before presenting this investment for consideration.

**USE THE LANGUAGE OF FINANCE**

For many property managers, the language of finance and the methods of investment analysis presented here are new. For others, the terms are familiar but they have not used these types of analyses when seeking the property owner’s approval for such proposals.

For CPMs and CPM Candidates who have taken IREM’s course, *Budgeting, Cash Flow and Reporting For Investment Real Estate (FIN402)*, these terms, concepts and methods are familiar and applicable ways of presenting proposed projects.

For property managers with ambitions to move into an asset management role in the future, understanding and using these concepts is a must. In such a role, you will be analyzing and comparing investments and financing alternatives using these and more complex analytical tools on a regular basis. And then you will welcome this kind of perspective coming from those managing your properties. It shows financial folks that we are not just collecting rents and cleaning buildings (a very unfortunate but all too common perception of what we do).

The next time you need to get the owner’s approval for a large projected repair or replacement project, think about it in terms of an “investment,” not an expense. Consider not only the immediate cost of the proposed investment but the cost over the projected life of the item (known as life cycle costing) and the return on investment from savings over time.

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*Jeff Lapin, CPM ([lapin@coastalpartners.net](mailto:lapin@coastalpartners.net)) is vice president of property management at Coastal Partners, LLC, AMO, in Rocklin, Calif.*
“HOSPITALITY TO ALL”

CONIFER REALTY, AMO, was awarded the 2017 REME Award for Corporate and Social Responsibility by IREM for leading the development, fundraising and construction of a brand new, state-of-the-art, 82-bed homeless shelter, the House of Mercy in Rochester, N.Y. Not only did Conifer raise nearly $6 million in funding for the new shelter, the company also provided its time and talent toward more than tripling the size of the previous shelter location.

This initiative all started when Timothy Fournier, Conifer’s chairman and CEO, read a news article about Sister Grace Miller and the House of Mercy (HOM), a low-barrier homeless shelter in Rochester. In that moment, he knew that Conifer should come to the aid of those most in need of housing.

The HOM was founded in 1985 and is open to all in need of shelter, food, clothing and case management. Until Conifer’s involvement, the HOM offered 19 beds with a need that far exceeded its capacity. In 2016, the HOM began its journey to expand its operations into a new location since the facilities were relatively far from the city center and in significant disrepair.

Conifer Realty’s involvement with the HOM initiative included development, construction, financing, donations and maintenance mentoring services—all without a fee to the HOM. The initiative also includes an ongoing maintenance mentoring program that offers Conifer Management’s best practices and staff training to the HOM, ensuring the facility is a clean and respectful living environment for years to come.

Motivation for Conifer and its staff was simple. Conifer’s core values include quality and respect for all in need of quality housing. With the opportunity to aid a homeless shelter and a corporate mission to provide quality, state-of-the-art affordable housing, Conifer can now proudly state that they not only build housing communities but they also build opportunities and dreams for those who are in the greatest need.

The initiative also includes an ongoing maintenance mentoring program that offers Conifer Management’s best practices and staff training to the HOM, ensuring the facility is a clean and respectful living environment for years to come.
DOING THEIR PART

The 2017 IREM REME Award for Sustainability was awarded to National Community Renaissance for their “Doing Our Part” initiative, which focuses on water conservation across their portfolio and combines resident education with physical improvements and upgrades.

GETTING TOUGH ON DROUGHT

National CORE strives to do their part to develop sustainable communities and implement conservation programs that maintain the health and stability of their neighborhoods. With the state of California in the throes of a historic drought, National CORE enlisted a powerful army in California’s war on drought—its residents. They began an aggressive, system-wide conservation program called “Doing Our Part” in an effort to significantly reduce water usage at their California properties.

THE PLAN AND THE PAYOFF

The “Doing Our Part” initiative focused on both resident education and physical improvements/upgrades, including turf removal and implementation of high water-efficiency fixtures. Through turf removal, smart irrigation and installation of high-efficiency fixtures, National CORE:

- Saved 11 million gallons of water in the first six months;
- To date, replaced nearly a quarter of a million square feet of turf with drought-tolerant plants;
- Enlisted the use of high-efficiency sprinkler heads, thereby reducing landscape water use by another 30 percent;
- Installed high efficiency front-load washers, saving 9.3 million gallons of water per year.

Multifamily properties are at a disadvantage when it comes to water savings since most of the usage is by residents, many of whom are not individually metered. This is where resident education came into play. National CORE launched a competition at 10 local properties, using resident education and community events to educate individuals and families on the importance of water conservation. Awards given to residents and communities that saved the most included gift cards, big-screen televisions and Disneyland tickets.

COLLABORATION IS KEY

The “Doing Our Part” initiative was well received by residents as well as employees. Through water conservation efforts, engagement included everyone from residents, property staff, vendors, partners and corporate employees, as well as high level executives. Collaboration ensured that the conservation efforts were being taught, understood, met and rewarded. Since the program’s launch, more than 48 million gallons of water have been saved.

The “Doing Our Part” initiative has created value by providing useful water conservation tips and fostering habits to pass on to the next generation. When it comes to water conservation, National Community Renaissance means business.

“Effective conservation begins by understanding how we’re using water, then taking the necessary steps to preserve this essential natural resource,” said Steve PoniTell, President and Chief Executive Officer of National Community Renaissance. “We’re proud of what we’ve been able to do so far but realize it is only the beginning.”
Fifty-Seven percent of existing employees think their employer should do more to diversify its workforce. How does your workplace stack up?

Many people want to do business or work for companies that embrace diversity. High levels of workplace diversity have been found to have several positive effects such as reduced poverty rates, increased gross domestic product and improved governance. In fact, 85 percent of companies polled for a report commissioned by Forbes strongly agreed that diversity is a key driver of innovation.

When your organization incorporates the tapestry of differences, it builds stronger bonds with internal and external communities.

**HOW DIVERSE IS DIVERSITY?**

It’s crucial to recognize that diversity is not a matter of groups, but more individual differences. Everyone is unique, and when qualities are automatically attributed to those who have a certain trait in common with others, difficulties arise. Diversity comes down to the individual, not group affiliation. It’s not skin color, not the religion people do or do not practice, not their country of origin—true diversity is in the way people think and the way people behave. While a group of people can share similar characteristics, there will also be differences—and that’s one reason diversity can have conflicts.

“If everyone is thinking alike, then somebody isn’t thinking.”

—GENERAL GEORGE S. PATTON
TAKE PERSONAL RESPONSIBILITY
Before you can help and support others in embracing differences, you must be a believer. Do what you need to do to remove your prejudices and be open and accepting of differences.

RECRUIT
External and internal programs should be developed to reach out to all walks of life. Ask employees for resources and networking groups to approach. Post open positions where different types of people will see them.

HIRE
In a fall 2014 Glassdoor survey, 67 percent of those polled said diversity was important to them when evaluating companies and job offers, with minority groups rating it as high as 89 percent. Yet, 57 percent of existing employees think their employer should do more to diversify its workforce.

Interviews should not only qualify for KSAs (knowledge, skills and abilities), but also look to bring in people who think differently. Diverse characteristics (e.g., religion, national origin, etc.) don’t guarantee diverse thinking (nor can you legally inquire about them)—you’ll have to purposely look for diverse thinking.

Write questions that help you discover how people think, not just what they think. Give candidates several scenarios and ask them how they would handle them—have them walk you through their process. Use “behavioral-based”

“We can’t solve problems by using the same kind of thinking we used when we created them.”
ALBERT EINSTEIN
questions that ask them to describe a problem they have encountered and how they solved it—or to tell you of an idea they have implemented that worked and how they came up with it.

**4 MANAGE**

Having a diverse workforce places more need on employers to manage in such a way that respects each individual’s perspective harmoniously. Leaders must create a culture where people feel they can be accepted for their authentic selves—where they are eager to share their ideas, even when they are opposite of others, and where others are eager to learn from those differences. It’s not that every thought or idea has to be “right,” but that leaders can identify components that have value and recognize that there is often more than one “right” answer.

There can be stress in dealing with people who are different than you, which is known as “diversity tension.” This tension exists when you work with cultures and situations that vary from your norm. Recognize this tension is a natural reaction and can be managed; reconcile differences, achieve agreement and learn to trust other people’s perspectives and beliefs. Encourage and reward differing opinions. Appoint mentors for those new to the team. If leaders and managers can’t handle conflict and disagreements in a positive way, no staff member will be able to, either.

**5 SHAKE UP THE STATUS QUO**

Encourage dissenting opinions. Ask questions to solicit disagreement. Make it acceptable to have differing opinions and express them. The best decisions and ideas often come when you eliminate the longest-standing traditions.

>>> Did I include all considerations?
>>> What am I missing?
>>> What can go wrong?
>>> Give me one negative aspect.
>>> If this solution/answer/action wasn’t available, what else could be done?

**6 HELP PEOPLE OVERCOME BIASES**

For those who embrace diversity, it’s difficult to admit they may have biases or prejudices. However, it’s wise to recognize that we all are likely to have some biases in some form, at some time. No one is perfect and there may be biases just under the surface that a person doesn’t even know he or she has. Once acknowledged, you can keep your antenna up and tuned to identify them and thus, be able to do something to change course.

Incorrect or unfair biases are dangerous, and part of the danger is that people aren’t aware of, or deny, them. As a manager, you have your beliefs, plus the beliefs of your staff to manage. When inappropriate biases exist in the workplace, effectiveness is reduced, camaraderie is harmed, discrimination occurs and self-esteem suffers—nothing good comes of it.

Changing your (or others’) beliefs is not always easy. Sometimes, education and exposure are enough to move past stereotypes and remove biases. Sometimes, it’s deeper. The question is: How can you, as a manager, remove employees’ biases? A good first step, of course, is that all leaders of the organization strive to have beliefs that are not biased; that they embrace openness and acceptance and appreciation for differences. Have the CEO write a diversity statement that is posted on the company’s website and incorporate it into the HR handbook.

If biases and beliefs among your employees need addressing, or you’d like them to have more empathy for those who are different, I highly recommend you use an expert. A real expert—someone trained or experienced in how to remove biases—perhaps even a psychologist. Don’t play with this at work: Don’t believe you can read about diversity training and lead a talk that will change deep-seated prejudices. Incorrectly handled, feelings can get hurt, damage can be done to the workplace, or worse.

**CONDUCT**

Success goes beyond tolerance to honoring, embracing and incorporating people’s differences. The ultimate assessment of your inclusion efforts is the answer to: Are diverse ideas implemented? If the answer is “no,” the causes of inaction must be identified and hard changes might be needed.

Collect differing talents and put them together. Strive for decisions and ideas gathered from differing thoughts and opinions. Live in a multi-cultural world. That’s beautiful music.

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Natalie D. Brecher, CPM, (nbrecher@brecherassociates.com) is president of Brecher & Associates in Redondo Beach, Calif.
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Strengths and weaknesses of partnerships must be continuously examined and the parties must seek out ways to advise, encourage and support each other over time.

Until Disposition Do Us Part
Investing in the Asset Manager/Property Manager Relationship in Good Times and in Bad

By Craig Cardwell, CPM, and Dustin Read, PhD, JD

In periods of economic expansion and capitalization rate contraction, asset management often has a very different flavor than in more challenging times. Efforts to promote operational efficiency at the property or portfolio level may take a back seat to lease negotiations, acquisitions/dispositions support and other transactional activities driven by robust demand for space and frothy capital market conditions. This type of behavior is understandable and to some degree represents a logical attempt to “make hay while the sun is shining,” while deferring more mundane “penny pinching” for another day. However, those working in the asset management field must remain cognizant of the fact that their efforts to promote operational efficiency when times are good may have a direct impact on their ability to do so when times are bad. It is therefore imperative for asset managers to work with their peers in property management to promote operational excellence from the day a property is purchased until the day it is sold, irrespective of economic cycles outside of their control.

OPERATING WITH TRANSPARENCY
No matter the size of an organization or how it is structured, it is very difficult
to avoid finger-pointing throughout the real estate management hierarchy when the “numbers” don’t work anymore and show no sign of improving in the near term. Value creation is never guaranteed. When the forces of the economy and demography turn against growth, values become flat or value diminution becomes a likely scenario, the relationship between asset management and property management is at increased risk of separation.

This is the moment to establish and improve that relationship. Regardless of how good the flow and quality of communications are between asset managers and property managers during periods of strong economic growth, it is fundamental to long-term success for these parties to improve, reach deeper and operate with greater transparency when real estate values stagnate or start to decline due to market cyclicality. Face-to-face meetings must increase and the parties involved must display increased candor to protect as much real estate value as possible.

Asset managers who treat property managers as vendors, as opposed to critically important partners in the value creation process, may face stronger headwinds when real estate market cycles turn from boom to bust. In such scenarios, declining cash flows may encourage asset managers to make ill-advised changes in property management service providers with little chance of improving financial performance, only to expose properties to greater competitive threats in the short term as leases roll over due to instability in the management team. This illustrates an inherent weakness of the vendor model—it does not support value preservation because, by its nature, it cannot respond to crisis. A steady and unnerving “trust but verify” relationship between asset managers and property managers, on the whole, may be a much better path to success that is durable across economic cycles.

CREATING A SYMBIOTIC RELATIONSHIP
That is not to say embracing the property manager as a partner is not without its challenges. The strengths and weaknesses of such partnerships must be continuously examined and the parties must seek out ways to advise, encourage and support each other over time. They must also provide each other with candid, meaningful and actionable feedback that allows the relationship to grow. This is easier said than done in the intensely competitive market for both asset management and property management services. Nonetheless, it may prove necessary to weather economic downturns and put real estate portfolios in the best position for long-term success as market conditions improve. It falls to asset managers and property managers alike to rely on their professional experience to determine when relationships can be bolstered and when it is time to explore other options to meet their needs.

Of course, it is all about context. Asset managers must consider the characteristics of the properties under their care and the real estate investment strategies guiding their portfolios when deciding how best to engage with property management teams. However, demonstrating an ongoing commitment to operational excellence when property values are on the rise may provide asset managers with the credibility and trust they need to collaborate effectively with property managers when property values are in decline. This should be top of mind for real estate investment management firms and their asset managers in light of the prolonged up cycle many real estate markets are currently experiencing.

Demonstrating an ongoing commitment to operational excellence when property values are on the rise may provide asset managers with the credibility and trust they need to collaborate effectively with property managers when property values are in decline.

Craig Cardwell, CPM, (craigcardwell@me.com) is principal at Island Investment Interests in Memphis, Tenn., and co-founder of Education Realty Trust (NYSE: EdR).

Dustin C. Read, Ph.D., JD (dcread01@gmail.com), serves as an assistant professor of property management and real estate at Virginia Tech, where he holds the William and Mary Alice Park Junior Faculty Fellowship in the program in real estate.
Cities Take the Lead on Sustainability

By Todd Feist

Now that the federal government has stepped back from a leadership role on climate change, cities are stepping up to meet the challenge of preserving the environment for future generations. In fact, cities have been leading the way for a number of years.

This makes sense. The federal government can certainly help, by reauthorizing the 179D tax deduction for energy upgrades in commercial buildings and through EPA and Department of Energy programs and research, for example. But cities are in a position to tailor an approach to sustainability for their specific industries, building types and climates, and they can tap into local citizens, groups and organizations that are passionate about the quality of life in their hometowns.

MORE THAN JUST COMFORT

Besides quality of life issues, risk mitigation is another important driver for cities. Moody’s Investor Services recently warned coastal cities that susceptibility to climate change impacts, including rising sea levels and severe storms, factors into their credit ratings. Currently, Moody’s seems more interested in transparency than action, and the ratings agency has yet to downgrade a municipality’s credit rating due to inaction. That could change, though, particularly if property values sink from climate-related events or if a city fails to make infrastructure investments to increase resiliency in the face of climate change.

CORPORATE CONTRIBUTIONS

Cities are not alone in their pursuit of sustainability leadership. Several organizations have been assisting them. For instance, STAR Communities offers the STAR Community Rating System™, a framework and certification program for evaluating local sus-
SUSTAINABILITY

Cities are in a position to tailor an approach to sustainability for their specific industries, building types and climates, and they can tap into local citizens, groups and organizations that are passionate about the quality of life in their hometowns.

Companies are also assisting. They make investments in the locations in which they have operations, often working with the cities, counties and states in those areas. Many companies have realized that comprehensive sustainability strategies provide more benefits than positive public relations and goodwill with local residents. Green buildings and renewable energy installations can reduce expenses. Climate-related events such as wildfires and intense storms can disrupt their operations and supply chains, so they are interested in solutions that reduce those risks.

Technology companies are also a driving force behind the “smart cities” movement. Smart cities use cutting-edge energy technology, connected infrastructure, new distribution methods, driverless vehicles and data collection and analysis to advance livability and sustainability. Alphabet, Panasonic®, Hitachi®, IBM®, Schneider Electric™, Cisco® and other leading companies already provide products and solutions for smart cities.

BE AN ACTIVE PARTICIPANT

In a sense, a city is a collection of buildings in which people live, work and play—so property managers are in a unique position to participate in and gain from these developments. Find out what your city is doing in sustainability and the smart cities movement. Investigate incentives and track policy initiatives. Join your city in finding viable solutions to climate change impacts.

Todd Feist (tfeist@irem.org) is Sustainability Program Manager at IREM Headquarters in Chicago.
OFFICER & REGIONAL VICE PRESIDENT NOMINEES SLATED

THE IREM NOMINATING COMMITTEE HAS ANNOUNCED ITS SLATE OF NOMINEES FOR 2019 OFFICERS TO SERVE WITH 2018-2019 PRESIDENT DONALD B. WILKERSON. THEY ARE:

2018 - 2019 PRESIDENT
DONALD B. WILKERSON, CPM
GASTON AND WILKERSON MANAGEMENT GROUP, AMO, NORTHERN NEVADA/TAHOE NO. 89

2019 PRESIDENT-ELECT
CHERYL A. GRAY, CPM
QUADREAL PROPERTY GROUP
TORONTO
TORONTO CHAPTER NO. 119

2019 SECRETARY/CHASER
CHIP WATTS, CPM
WATTS REALTY CO. INC., AMO
BIRMINGHAM, ALA.
ALABAMA CHAPTER NO. 43
The IREM nominating committee also submits the following nominations for regional vice presidents for the 2019-2020 term. They are:

_REGION 2:_
James (Jim) Helsel, CPM
Helsel, Inc., Realtors
Camp Hill, Pa.
Delaware Valley Chapter No. 3

_REGION 5:_
Grayson Glaze, CPM
Alabama Center for Real Estate (ACRE)
Tuscaloosa, Ala.
Alabama Chapter No. 43

_REGION 6:_
Kim Collins, CPM
CBRE, AMO
Indianapolis
Indianapolis Chapter No. 24

_REGION 8:_
Jolene Terry-Phinney, CPM
Red Tail Acquisitions, LLC
Sandy, Utah
Utah Chapter No. 33

_REGION 11:_
Sam Chanin, CPM
Transwestern, AMO
Anaheim, Calif.
Orange County Chapter No. 91

_REGION 12:_
Traci McCauley, CPM
Colliers International, AMO
Portland, Ore.
Oregon-Columbia River Chapter No. 29

_REGION 13:_
Waddell H. Wright, CPM
W. Wright & Co
Nashville, Tenn.
Greater Nashville Chapter No. 71

The election will take place during the IREM Governing Council meeting at the IREM Global Summit in Ft. Lauderdale, Fla., SEPTEMBER 26-29, 2018.

IREM bylaws provide for 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 delivered to the Executive Vice President at least 10 days in advance of the date set for the election.
**01 / Delta Alexa-Connected Faucet**
You may have used Delta products in your properties before. But in this era of the Internet of Things, Delta wants to offer a new way to interact with their products, starting with the faucet. Forget touch—how about using your voice? Saying, “Alexa, the water is too cold” will be all you need to get a temperature adjustment. The faucet will also respond to voice commands to turn the water on and adjust the pressure. No need to feel left behind if you already invested in a touch-sensitive faucet; Delta plans to provide upgrades and conversion kits for those who want to take appliance interactivity to the next level.
*Availability and Price: TBD*
deltafaucet.com

**02 / Kohler Verdera® Voice Lighted Mirror**
How many times have you entered your bathroom first thing in the morning, only to clumsily fumbling for the light switch in your half-asleep state? Kohler wants to raise your game. With Verdera, not only will you have the ability to use your voice on the Alexa-powered device to direct it to turn on the lights, it will also play your favorite songs while you get ready for the day, read you the news or even play a trivia game with you. The mirror acts like a nightlight as well, and its proximity and motion detectors enable it to recognize when you are standing in front of it, staring at it or just passing by. In addition, Verdera can automatically adjust its brightness.
*Available March 2018*
*Price: $999*
us.kohler.com

**03 / Moodo**
Scent has been shown to play a subliminal but significant role in affecting people’s moods, so it pays to keep it in mind when designing various business environments. Yet, it isn’t always practical or safe to generate scent by standard means like candles or diffusers. And what if you want to play alchemist and create your own scents? Say hello to Moodo—literally, since one of the ways you can communicate with this device is via Alexa. In addition to a dispenser, the Moodo starter pack comes with three collections, aka “scent families,” of fragrance capsules; keep things all in the family when using the capsules, or mix and match to create your own “smellscape.” Intensity of the fragrance can be controlled through Alexa or your mobile device, and the capsules are good for up to 60 hours of continual use.
*Available now*
*Price: $189-$209 for a starter pack (three scent families included); $30 per additional scent family*
moodo.co
04 / Flood Buzz™ Pro-02
Don’t let your floors get soaked by overflowing air conditioner condensate pans. The patented Flood Buzz Pro-02 sounds a 110 dB alarm as soon as the two prongs on the bottom of the device sense more than one-eighth of an inch of moisture or water build-up in the pan. With a three-year battery and preset programming that cuts installation time, it’s a user-friendly, economical and effective way to get ahead of water damage that could drain your budget.
FloodBuzzPro.com

05 / Super Bright LED Rotatable LED Wall Packs
Shine a light—an LED light, that is—where you need it most with two new LED wall packs from Super Bright LED. The light heads rotate a full 360 degrees and are housed in weatherproof, powder-coated, die-cast aluminum, and the lenses are made of polycarbonate, making them ready for multiple indoor and outdoor lighting scenarios. The single-head 40-watt model replaces 250-watt metal-halide fixtures and emits 4,800 lumens of natural white illumination; the dual-head 80-watt model replaces 400-watt metal-halide fixtures and emits 10,800 lumens. Both last twice as long as their metal-halide counterparts.
Price: $89.95-$139.95
www.superbrightleds.com

06 / Google Files Go
Files Go is a new storage manager app that makes it easier to clean up all those files lurking in the dark crevices of your Smartphone. Get recommendations as to what you should purge—the more you use it, the more intuitively it makes suggestions—then find duplicate photos, unused apps and more so you can delete them. Files Go enlists filters to organize, making it easier to find what you’ve decided to keep, and you can securely share files offline with other Files Go users, saving you some data costs.
Available on: Android
Price: Free

No matter where you are in your property or asset management career, IREM has a wide selection of educational resources to help you maximize your potential.

Take the next important step in your professional development by visiting www.irem.org/education to see what we have to offer.
MARCH

3/2
Chicago Chapter
No. 23 Premier
Awards
Location: Chicago
Visitor(s):
Don Wilkerson, CPM

3/7 – 3/8
IREM Commercial
Summit
Location: New York
Visitor(s):
All officers,
Denise Froemming, CAE, MBA, CPA,
Nancye J. Kirk

3/20 – 3/22
IREM West
Regional Meeting
Location: Scottsdale, Ariz.
Visitor(s):
All officers,
Denise Froemming, CAE, MBA, CPA

APRIL

4/16 – 4/18
IREM South/Southeast Regional Meeting
Location: Austin, Texas
Visitor(s):
All officers,
Denise Froemming, CAE, MBA, CPA

4/27 – 5/2
FIABCI World Congress
Location: Dubai
Visitor(s):
Nancye J. Kirk

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Our small but mighty Wichita Chapter No. 65 rose to a challenge presented to us at the IREM San Diego Conference. We learned the IREM Foundation Party with a Purpose would be losing approximately $20,000 in donations with the transition from two large conferences a year to one—eliminating one of the Party with a Purpose events. The challenge was put out to all of our regions’ chapters to get as much in donations as we could to replace some of the funding this event typically brings in.

We believe strongly in IREM education and wanted to support the Foundation and our chapter member, Clark Lindstrom, CPM, president of the IREM Foundation, at the regional member meeting in Minnesota. We encouraged all of our chapter members to donate at each monthly meeting by passing the hat and spoke at each meeting about the IREM Foundation and the availability of scholarships to members wanting to further their education and careers.

This donation process was well received, but we had a goal for the chapter to raise $2,500 and were falling short. We called upon our “Friends of IREM” and had a silent auction with donation baskets of wine, tickets to football games and many other wonderful items. We had a large meeting where we invited several guest speakers: Chief Gordon Ramsay of the Wichita Police Department, to discuss new policies for apartment communities in Wichita; Laurie Fritz, director of Kansas Housing Resources Corporation, to discuss Fair Housing; and attorney Kurt Holmes, to discuss rights of landlords and tenants. We charged an additional $15 per plate for this noon event, to go directly to the Foundation Donation kitty. The event and silent auction were well received by a variety of apartment industry leaders and managers. We were excited to present our donation to the Foundation in the amount of $2,200 at the regional meeting. We fell a bit short in reaching our goal, but the process brought our chapter members together with a renewed spirit of giving back.

Help build on the IREM Foundation’s success by making a donation online at www.iremfoundation.org.

Thinking outside of the “basket” to help fund the IREM Foundation

by Pat Lickiss, CPM, HCCP

Pat Lickiss, CPM, HCCP, (plickiss@weigandomega.com), Regional Manager, Weigand-Omega Management Inc. President IREM Wichita Chapter 65.
IN MEMORIAM
IREM’s 1976 president, Joseph L. Yousem, passed away on January 18, 2018, at his home in Santa Monica, Calif. Yousem, who also was an IREM instructor for many years and had his own company in Los Angeles, was 88.

CAREER MOVES
Charleston, S.C.-based Greystar, the largest operator of apartments in the U.S., has announced the appointment of Joan Carro, CPM, as senior managing director of real estate.

Industry veteran Cindy Clare, CPM, has joined Bell Partners, headquartered in Greensboro, NC, as its new COO. Bell Partners operates nearly 50,000 homes across 14 states and the District of Columbia, and is one of the largest apartment renovators in the industry.

John Corriher, CPM, became vice president at Lincoln Military Housing (LMH), AMO, in Virginia Beach, Va. LMH provides more than 36,000 family homes for military members across the U.S.

QuadReal Property Group, headquartered in Vancouver, British Columbia, has announced the appointment of Dean Holmes, CPM, as senior vice president of residential operations. QuadReal Property Group is a Canadian real estate investment, development and management company operating on a global scale.

Knapp Properties Inc. recently named Jake Lundgren, CPM, as its executive vice president. His portfolio comprises three million square feet of office, retail, warehouse and multifamily space.

Mary Mauney, CPM, has been promoted from regional supervisor to vice president of property management by Evergreen Real Estate Group in Chicago, which has an 8,000-unit multifamily portfolio.

Madison Marquette, headquartered in the District of Columbia, has announced the appointment of Charlotte Strain, CPM, as managing director, property services.

Branden Barker, CPM, CCIM, CSM, was selected by The Greater Baton Rouge Business Report as one of their 2017 40 Under 40.

Two IREM members are serving leadership roles within the Realtor organization . . . Amy Hedgecock, CPM, is 2018 President of the North Carolina Association of Realtors. Hedgecock is president of Fowler & Fowler Realtors, in High Point, N.C. . . . Lou Nimkoff, CPM, CCIM, is 2018 President of the Orlando Regional Realtor Association. Nimkoff is owner of Brio Real Estate, a commercial real estate firm in Winter Park, Fla.

Alliance Residential Company, AMO, announced that it will invest $1.4 million toward its regional managers earning IREM’s CPM designation and provide a $10,000 salary increase once the designation is officially obtained. Rachel Davidson, senior vice president of performance for Alliance Residential Company, headquartered in Phoenix, said, “As a recognized symbol of expertise within the industry, we want to make it easy for our associates to pursue this distinction and continue to set themselves apart as leaders in real estate and within the business sector at large, so we pay the education costs for the CPM designation and make coursework available to associates through our internal learning management platform.”

Cushman & Wakefield, AMO, announced that Skanska has chosen its Boston asset services team to provide property management and engineering operations for 121 Seaport, a class-A office and retail building. The new 17-story, 400,000-square-foot building is targeting LEED® Platinum certification.
Should all animals have to meet the same requirements for allowance in the home?

**The Scenario:** Your community policy only allows one pet that complies with written size, weight and breed restrictions. A prospective resident indicates that they own a service animal that provides necessary assistance for their disability. Their child also has a pet that meets your policy requirements. The service animal is a larger breed that your policy does not allow.

**The Risk:** Denying a rental by not allowing a reasonable accommodation to your pet policy.

**Consider This:** The Fair Housing Act requires anyone responsible for providing housing services to make exceptions to policy if necessary to allow persons with disabilities the opportunity to live where they wish if they meet the other criteria for acceptance. A community is required to accommodate a service animal if the disability requires, unless there is evidence that the animal poses a threat to the safety of others. A no-pet or one-pet limit is acceptable; however, service animals under the law are not considered pets, they are assistive and necessary to accommodate.

**Article 10: Compliance with Laws and Regulations**

“A Member shall at all times conduct business and personal activities with knowledge of and in compliance with all applicable laws and regulations.”

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Where do I draw the line between due diligence and questionable client requests?

**The Scenario:** You are instructed by a client to create policy that would discourage some persons or groups that are members of a protected class from applying to live at the community you are responsible for.

**The Risk:** Violation of federal and local Fair Housing laws and a potential complaint filed with the IREM Ethics Committee.

**Consider This:** Just say “No.” You cannot be fair to anyone if you are unfair to some. If you did so you would be “steering” and may be in violation of the law as well as the Code and several articles. You cannot provide due diligence for a client if you violate the law.

**Article 11: Equal Opportunity**

Members must not take any action or make decisions that would in any way discriminate against any protected class stated in the Federal Fair Housing Act or state and local law. They must provide equal concern for “the rights, responsibilities and benefits of the tenants or residents and others” and always ensure the “safety and health of those persons lawfully on the premises.” Ethical conduct must be the foundation and basis for all of our actions in dealing with the public and our clients.

Whenever you are faced with making decisions regarding policy and dealing with all clients, employees, vendors and the public, a good question to first ask yourself is: “Is it fair and is it right?”

Below are two Fair Housing situations where a violation of the law and the IREM Code of Professional Ethics could likely be avoided with knowledge of the Fair Housing laws and answering the question above before making a decision.

**Dilemma 1**

**Should all animals have to meet the same requirements for allowance in the home?**

**The Scenario:** Your community policy only allows one pet that complies with written size, weight and breed restrictions. A prospective resident indicates that they own a service animal that provides necessary assistance for their disability. Their child also has a pet that meets your policy requirements. The service animal is a larger breed that your policy does not allow.

**The Risk:** Denying a rental by not allowing a reasonable accommodation to your pet policy.

**Consider This:** The Fair Housing Act requires anyone responsible for providing housing services to make exceptions to policy if necessary to allow persons with disabilities the opportunity to live where they wish if they meet the other criteria for acceptance. A community is required to accommodate a service animal if the disability requires, unless there is evidence that the animal poses a threat to the safety of others. A no-pet or one-pet limit is acceptable; however, service animals under the law are not considered pets, they are assistive and necessary to accommodate.

**Article 10: Compliance with Laws and Regulations**

“A Member shall at all times conduct business and personal activities with knowledge of and in compliance with all applicable laws and regulations.”

**Dilemma 2**

**Where do I draw the line between due diligence and questionable client requests?**

**The Scenario:** You are instructed by a client to create policy that would discourage some persons or groups that are members of a protected class from applying to live at the community you are responsible for.

**The Risk:** Violation of federal and local Fair Housing laws and a potential complaint filed with the IREM Ethics Committee.

**Consider This:** Just say “No.” You cannot be fair to anyone if you are unfair to some. If you did so you would be “steering” and may be in violation of the law as well as the Code and several articles. You cannot provide due diligence for a client if you violate the law.

**Article 11: Equal Opportunity and Article 12: Duty to Tenants and Others**

Members must not take any action or make decisions that would in any way discriminate against any protected class stated in the Federal Fair Housing Act or state and local law. They must provide equal concern for “the rights, responsibilities and benefits of the tenants or residents and others” and always ensure the “safety and health of those persons lawfully on the premises.” Ethical conduct must be the foundation and basis for all of our actions in dealing with the public and our clients.

Carl York, CPM Emeritus, CAM, CAPS (york@sentinelcorp.com) is first vice president at Sentinel Real Estate Corp. in Fishers, Ind.

Disciplinary action was taken against the following members as a result of two hearings held by the IREM Ethics Hearing and Discipline Board in October 2017. The ARM certification and membership for Jessica Cossey were terminated for violating the IREM Code of Professional Ethics, Article 1 (Loyalty to Client, Firm, and/or Employer), Article 3 (Accounting and Reporting ) and Article 4 (Protection of Funds). Associate membership for Jeremy Combs was terminated for violating the IREM Code of Professional Ethics, IREM Member Pledge. Reapplication for membership or other status may be made by either individual after a period of no less than five (5) years, with reapplication considered on its merits and under such policies as may then be in effect.
NEW CPMS, AMO FIRMS & CERTIFIED SUSTAINABLE PROPERTIES

NEW CPMS (received in October 2017)
Ying Zhou, CPM
Qiaoan Xu, CPM

DECEMBER 2017
David Arroba, CPM
Lynn Blankenship, CPM
Brian Bordelon, CPM, ARM
Paul Brett, CPM
Brian Campa, CPM
Charles Carden, CPM, ARM
Shellie Cerecke, CPM, ARM
Sharon Chapman, CPM
Teresa Coltharp, CPM
Johnathan Cortese, CPM
Thomas Coughlin, CPM
Pashka Curanovic, CPM
Amanda Cutliff, CPM
Nicolete D’Auto, CPM
Martha De La Garza, CPM
Albert Donato, CPM
John Dyslin, CPM
Robin Flagler, CPM
Priscilla Ford, CPM
Lisa Francke, CPM
Susana Gandara, CPM, ACoM
Allen Greathouse, CPM
Kimberly Green, CPM, ARM
William Grimes, CPM
Sam Groppi, CPM, ARM
Judy Gutierrez, CPM
Lisa Hale-Meindl, CPM, ARM
Derrek Hammes, CPM, ARM
Michael Havlik, CPM
Chris Hawxhurst, CPM
Jonathan Hotchkim, CPM
Christopher Houlding, CPM, ARM
Toshihiro Ichida, CPM
Melbourne Jackson, CPM
Seth Johnson, CPM
Sheri Kremling, CPM
Albert Langbid, CPM
Robert Linder, CPM
Eddie Lisboa, CPM
Angie Lovelace, CPM
Elliot Lusk, CPM
Rick Martin, CPM
Jacquie Matson, CPM, ARM
Tracey Meacock, CPM
Crystal Moya, CPM
Norio Murakami, CPM
Kristy Myers, CPM, ARM
Christine Palme, CPM
James Park, CPM, ARM
Cliff Parker, CPM
Christopher Pinelli, CPM
Susan Royster, CPM, ACoM
Joseph Sandahl, CPM
Ryan Sanders, CPM
Joshua Siegel, CPM
Lukasz Skowronski, CPM
Chris Stapper, CPM, ACoM
Sarah Struzzi, CPM, ARM
Elliot Sun, CPM
Anthony Susi, CPM, ARM
Thomas Tate, CPM
Aaron Thomez, CPM, ARM
Spencer Tibbitts, CPM
Marty Timmerman, CPM
James Tostado, CPM, ARM
Brian Tucker, CPM
Jerrid Vannelli, CPM, ARM
Sarah Walter, CPM
Aaron Watson, CPM
Frank Yanze, CPM
Richard Zarrilli, CPM
Eric Zimmerman, CPM, ARM

JANUARY 2018
Dawna Calbi, CPM
Matthew A. Calvano, CPM
Jeffrey D. Chopin, CPM, ARM
Casey K. Diamond, CPM
Megan A. Drummond, CPM
Kimberly Eginton, CPM
Caroline S. Fortin, CPM, ARM
Nola A. Gordon, CPM
Farrah D. Gotto, CPM
Daniel T. Gray, CPM
Matthew D. Henderson, CPM
Lorraine Horsley, CPM, ARM
Maureen M. Kauffman, CPM

NEW AMO FIRMS
Gregory D. Bynum & Associates Inc., AMO
Guilford Partners Inc., AMO
Matrix Residential LLC, AMO

David B. Kincel, CPM
Daniel D. Kremers, CPM
Tiffany Lauchlan, CPM
Susan Leinweaver, CPM
Kyle A. McFarland, CPM
Malissa T. Minucci, CPM
Ashley G. Moore, CPM, ARM
Wendy A. Parker, CPM, ACoM
Stephen J. Pustelnik, CPM
Steven M. Rice, CPM
Barbara J. Richey, CPM
Monica M. Rowlett, CPM, ARM
Treasure L. Saney, CPM
Shawn M. Seuberling, CPM, ACoM
Norman S. Simm, CPM, ARM
Kelly G. Smith, CPM
Jill Stuhrke, CPM
Lonny R. Stump, CPM
Michelle L. Thompson, CPM
Jessica L. Widing, CPM, ARM
Henry B. Wilcox, CPM
Tina Wilson, CPM, ARM
Amy J. Witten, CPM
Sari L. Zuhn, CPM
NEW CERTIFIED SUSTAINABLE PROPERTIES

ARIZONA
Chandler Fashion Center, Chandler
Oro Valley Medical Office Building, Oro Valley
Biltmore at Camelback, Phoenix

ARKANSAS
The Villa at River Pointe Drive, Maumelle

CALIFORNIA
The Lodge at Napa Junction, American Canyon
Vineyards at Valley View Apartments, El Dorado Hills
Shadow Cove, Foster City
Water’s Edge, Foster City
FountainGlen at Jacaranda, Fullerton
FountainGlen at Sea Cliff, Huntington Beach
The Artisan Laguna Beach, Laguna Beach
Lakewood Medical Office Building, Lakewood
The Arbors, Livermore
10351 Santa Monica Boulevard, Los Angeles
Avana on Wilshire, Los Angeles
The Preston Miracle Mile, Los Angeles
FountainGlen at Grand Isle, Murrieta
FountainGlen at Terra Vista, Rancho Cucamonga
Adagio Apartments, Sacramento
500 Howard Street (Foundry Square IV), San Francisco
660 Market Street, San Francisco
Solaire (Block 6), San Francisco
Meridian at Midtown, San Jose
AO Santa Monica, Santa Monica
Central Park Apartments, Sunnyvale
Cherryhill Apartment Homes, Sunnyvale
FountainGlen at Temecula, Temecula
Promenade at Town Center, Valencia
Monarch at Shadowridge, Vista
Pavilions Marketplace, West Hollywood

COLORADO
Twenty Ninth Street, Boulder
Flatiron Crossing, Broomfield
Cadence Union Station, Denver
Commons Park West, Denver
Verve Apartments, Denver
Terrace Tower, Greenwood Village
Trifecta Belmar, Lakewood
Village West, Littleton
Avana on the Platte, Sheridan

WASHINGTON, D.C.
Anthology, Washington

FLORIDA
Boca Center, Boca Raton
Seabourn Cove, Boynton Beach
Seabourn Cove Phase 2, Boynton Beach
Bethesda Health City, Boynton Beach
Sawgrass Center, Coral Springs
The Sophia at Abacoa, Jupiter
NoHo Flats, Tampa
Lakeside Village, Windermere

GEORGIA
Northside Alpharetta I, Alpharetta
3630 Peachtree, Atlanta
Avana Lenox, Atlanta
The GoodWyn at Town Brookhaven, Atlanta
Howell Mill Square, Atlanta

HAWAII
Safeway Kapahulu, Honolulu

ILLINOIS
353 North Clark, Chicago
1225 Old Town, Chicago
OneEleven, Chicago
Wheaton 121, Wheaton

IOWA
Genesis Crow Valley Medical Office Building, Bettendorf

KANSAS
Santa Fe Medical Building, Overland Park

MASSACHUSETTS
The Village at Taylor Pond, Bedford
Natick Promenade, Natick
The Ridge Apartments, Waltham
Washington Crossing, Woburn

MINNESOTA
7700 France Avenue, Edina
Rue de France, Edina
Monticello Clinic, Monticello

MISSOURI
DePaul East Medical Office Building, Bridgeton

NEW JERSEY
Deptford Mall, Deptford
Freehold Raceway Mall, Freehold
The Highlands at Westwood, Westwood

NEW YORK
Lafayette Boynton Apartments, Bronx
247NT, Brooklyn
The Chelsea, New York
Summit Healthplex, Niagara Falls
15 Bank Street, White Plains

NORTH CAROLINA
Carolina Health Park, Charlotte
Morehead Place, Charlotte
Commons at University Place, Durham

OREGON
The Frank Estate, Portland
Park 19, Portland

PENNSYLVANIA
Edgewater Apartments, Philadelphia

TEXAS
Folio, Austin
Four Points Centre, Austin
Nalle Woods, Austin
The Park on Brodie Lane, Austin
The Ashton, Dallas
The Taylor, Dallas
Park Central at Flower Mound, Flower Mound
Centennial Medical Pavilion II, Frisco
The Circle at Hermann Park - The Amalfi, Houston
The Circle at Hermann Park - The Esperanade, Houston
La Maison River Oaks, Houston
Parkway Village, Houston
Villas at River Oaks, Houston
Lake Pointe Village, Sugar Land

VIRGINIA
Avana Alexandria, Alexandria
The Porter Del Ray, Alexandria
Hartford Building, Arlington
Cahoon Commons, Chesapeake

WASHINGTON
The Bravern Signature Residences, Bellevue
Avana One Six Four, Lynnwood
1800 Ninth, Seattle
Joseph Arnold Lofts, Seattle
Premiere on Pine, Seattle
Westwood Village, Seattle
When speaking to owners or asset managers, most of whom analyze investments in terms of payback period, ROI and cap rate, an understanding and proper use of such related terms will allow you to get their attention, and hopefully their buy-in.” (P29-30)

Probably the biggest myth surrounding fair housing is in the name. ‘FAIR HOUSING AIN’T FAIR, IT’S EQUAL.” (P16)

I’m much happier ordering my McDonald’s Sausage Egg & Cheese Biscuit through the kiosk inside the store than by waiting in line. You might be a self-server accustomed to working with AI without even realizing it.” (P9)

The rebranding of IREM was not undertaken lightly, nor quickly. A ‘brand’ is not just about logos, fonts, colors or taglines.” (P13)
Deliver great service, streamline maintenance, and stay competitive with features to support your entire business.

“AppFolio’s inspection report feature has allowed us to streamline our maintenance and upkeep of our buildings. The time we’ve been able to save has been immense.”

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