4 tips to attract new tenants

The compassionate property management approach to opioids

Japan rebuilds in the wake of a natural disaster

Addressing 21st century challenges
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Spring—a time of new possibilities

We’re entering the spring season, a time where dormant plant and animal life wakes up from hibernation and begins to regenerate, and we’re surrounded by invigorating growth. The property management world is never dormant—we were getting ready for spring since at least last autumn.

Still, the energy brought on by the season’s renewal can inspire us, too. What’s going on in our practices that could use some new life, a refresh, a kick-start?

What about the people who work for us, our staff and contractors? They’re actually doing a great job, but maybe there’s something to be done to motivate them even more, or even just to support the fine work they’re already doing. And while we often jump right to monetary rewards as the answer, for many people, it’s often not money that makes the difference. In the Talent Management column on P 30, several IREM members share approaches that have worked for them to keep workers happy and engaged throughout the year. Perhaps you’ll find some new ideas there to try out in your own office.

You could be inspired by the revitalization of Nature that takes place in spring, which could lead you to think about the sustainability strategy of your portfolio. You have all kinds of ideas about how to take advantage of new technologies to reduce your environmental footprint, but their being new and perhaps untested could also make them financially risky. So you’re reluctant to give them a try. Sustainability is an area I have an extra personal connection with for several reasons; one of note is thanks to a person who’s been both an industry professional and a passionate protector of the environment—the mother of the lovely girls with me in the photo above, my daughter, Elaina. Through a fund bearing her name that was established by the IREM Foundation using seed money from my husband, Rick, and I, you may be able to reduce some of the risk that keeps you from trying a new sustainability approach. The article on P 34 will fill you in on Elaina’s story, the fund and how it could support your sustainability initiatives.

And speaking of technology, there’s always something new to check out in the technology arena—new skills and products to either create better business processes, upgrade existing ones or take on tasks to free up your time for other activities that need your attention. If you’re looking for ways to invigorate your business with the latest advancements in property technology, please join me at Realcomm, the annual conference that focuses on innovations in prop-tech. As we did last year, IREM will be collaborating with Realcomm on a special Property Manager Technology & Innovation Forum pre-conference event at Realcomm on June 2 in Miami. I look forward to learning with you and sharing best practices at this event—as technology continues to impact and inspire how we approach real estate management at the dawn of the new decade and beyond.

To learn more about Realcomm and the pre-conference event, refer to the ad on P 41 or visit irem.org/2020realcomm for more information. I hope to see you there.

Cheryl Gray, CPM
IREM President
The experiential advantage

A competitive customer experience is no longer a nice-to-have. Consumers are demanding the best the internet has to offer—and companies that deliver are seeing better business results.

Over the past year, experience-driven businesses grew revenue 1.4 times faster and increased customer lifetime value 1.6 times more than other companies. And the real estate sector is no exception. According to a recent Deloitte survey, 92% of commercial real estate executives plan to maintain or increase their experience-related technology investments in 2020.


High rise

Oregon passed a measure in 2019 that limits post-inflation rent increases to 7%. The National Apartment Association released a study detailing how the same 7% limit would impact four U.S. cities that have considered rent control.

Potential loss in property values

<table>
<thead>
<tr>
<th>City</th>
<th>Loss in Property Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seattle</td>
<td>$655.6 million</td>
</tr>
<tr>
<td>Chicago</td>
<td>$487.8 million</td>
</tr>
<tr>
<td>Denver</td>
<td>$462.2 million</td>
</tr>
<tr>
<td>Portland</td>
<td>$213.9 million</td>
</tr>
</tbody>
</table>

Source: National Apartment Association
“Only those who will risk going too far can possibly find out how far one can go.”
— T.S. Eliot, author

6 ways asset managers make hold/sell recommendations

- Identification of the linkages between hold/sell recommendations and budgeting decisions
- Calculation of estimated returns on investment at different exit points
- Narrative accounts describing the consistency of a hold/sell recommendation with the underlying investment strategy
- Unique hold/sell recommendations over the short-, medium-, and long-term
- Formalized recommendations incorporated into the annual or quarterly reporting process
- Ad hoc recommendations driven by changing market or property conditions

Treasures ripe for discovery

The Urban Land Institute’s (ULI) 2020 Real Estate Trends report predicts that flexibility and a willingness to rethink growth strategies will be key to success in a time of economic uncertainty.

“Throughout this period of extended economic growth, real estate development has been dominated by creative mixed-use projects that have revived many urban areas,” said ULI Global Chairman W. Edward Walter. “Going forward, those who continue to innovate with spaces that can be easily be repurposed as cities evolve will have a competitive edge.”

The report listed the following cities—which have populations over 1 million and double-digit growth rates—as treasures ripe for discovery as the next decade begins.

- Jacksonville, Fla.
- Salt Lake City
- Columbus, Ohio
- Cincinnati
- Louisville, Ky.
- Pittsburgh
- Greenville, S.C.
- Oklahoma City
- Cape Coral/Fort Myers/Naples, Fla.
- Boise, Idaho
- Spokane, Wash.
- Des Moines, Iowa
- Tacoma, Wash.
- Jersey City, N.J.

Source: Urban Land Institute, “Emerging Trends in Real Estate® 2020”

Excerpt from: Dustin C. Read, PhD/JD, What Real Estate Asset Managers Do, available at irembooks.org.
A question of ethics
Demystifying the process of reviewing ethical violations
By David Barrow, CPM, and Regina (Reggie) Mullins, CPM

It’s three o’clock on Friday and it’s beautiful outside. Crisp blue sky, mid 70s. The long weekend is going to be beautiful, too. You were just thinking about heading out a little early to get started when a light knock on your door brings you back to the familiar view of email on your monitor. Your assistant, Patrick, slowly opens the door and walks in.

“Hello Patrick, what can I do for you?” you say.

He smiles and hands you an envelope, “This just arrived for you. Also, do you mind if I leave a little early? I need to pick up my son so we can get on the road for our camping trip.”

“Sure, I was just thinking about doing the same thing myself,” you say.

Patrick says, “Thanks, I’ll see you Monday.”

You look at the envelope and notice it’s from IREM. Curious, you open it. As you remove the contents and start reading the first page of the letter marked “personal and confidential,” you feel like you just swallowed a ball of hot lead.

More information about the Code(s) and the hearings process is available at irem.org/ethics.
... I am writing to inform you that an ethics complaint has been filed against you... "A complaint? Against me? Who reported me? Why? I haven’t done anything unethical. WHAT DO I DO NOW?"

As an IREM member, finding out you are the Respondent in an ethics complaint can be unsettling and intimidating—particularly with all of the unknowns. But as an IREM member, you should know that the IREM ethics enforcement process provides for due process, is fair and is extremely confidential. It’s also designed to hold members accountable if their actions are determined to be unethical and in violation of the IREM Code of Professional Ethics (IREM Code) or the AMO Code of Professional Ethics (AMO Code). The process from start to finish is a very structured one. Understanding the full process—from finding out a complaint has been filed and merits further review, to a possible hearing, to an appeal—can be helpful. Here are some frequently asked questions that address important information for both Complainants and Respondents.

Who can file a complaint? Anyone—a fellow member, an employee, a tenant, a resident, an owner—can file a complaint against an IREM member or AMO firm.

Can a complaint be filed anonymously? As a matter of due process, the party who files a complaint ("Complainant") needs to be identified. If the complaint has merit on its face and is forwarded by the Ethics Inquiry Board ("Inquiry Board") to the Ethics Hearing and Discipline Board ("Hearing Board") for a hearing, it is the responsibility of the Complainant to provide "clear, strong and convincing" proof that a specific article(s) of the Code(s) was violated by the member/AMO firm ("Respondent").

I know of a situation in which a fellow IREM member may have violated the IREM Code, although I was not personally involved. What should I do? As an IREM member, it’s your duty under Article 7. Duty to Report in the IREM Code to report behavior and activities that may be in violation of the Code(s) by filing a complaint. The complaint must provide evidence and facts that a violation may have occurred.

Will the member I file a complaint against know that it was me? Yes, but only if the Inquiry Board opens an investigation or determines that the complaint has merit on its face and that a possible violation may have occurred, and then forwards the case to the Hearing Board for a hearing. If the Inquiry Board determines the complaint does not have merit, it will be dismissed and the Respondent will not be notified that a complaint was even filed.

Can I find out if I or another member or AMO firm has been involved in an ethics complaint? IREM does not disclose the names of any Complainants or Respondents, or whether or not a complaint has been filed. However, if an IREM member or AMO firm is found in violation of the Code(s) and the Hearing Board imposes published discipline, that information becomes public knowledge.

What Article of the IREM Code is cited the most in complaints? Article 10. Compliance with Laws and Regulations is the most cited article in complaints since 1978. The Pledge, which includes a member’s promise to maintain high ethical and moral standards, and to act with honesty, integrity and industriousness, is the second most cited.

I submitted a complaint but have since resolved the issue with the Respondent. Can I withdraw my complaint? Once a complaint has been filed, it may only be withdrawn if the Inquiry Board accepts the withdrawal. Even if the matter has been settled through other forums, the Inquiry Board may forward the complaint—in which case the chair would become the Complainant—if there is probable cause that a violation of the Code(s) may have occurred.

My complaint clearly showed the Respondent did something wrong. Why would it be dismissed? If the Inquiry Board dismisses a complaint, it does not mean they don’t believe the Complainant. Rather, it means they did not find probable cause that violation of the Code(s) may have occurred. Many complaints suggest business or personal disputes rather than unethical behavior.
Upon receipt of the Notice, the Respondent has 30 days to provide a written, detailed response to the complaint. This response serves as the primary basis for the Respondent’s case and is provided to the Complainant and the Hearing Board prior to the scheduled hearing. So it’s very important that it thoroughly addresses the allegations.

If I’m the Respondent and don’t submit a response when notified of a complaint, what happens?
If a response is not filed within the 30 days, it may be assumed that the Respondent does not wish to contest the allegations. The hearing will move forward for the Hearing Board to make its decision.

When and where are hearings held?
Hearings are typically scheduled during the annual IREM meeting in the fall. Virtual hearings may be scheduled if the annual IREM meeting is more than six months away.

Who participates in a hearing?
The chair of the Hearing Board, a Hearing Panel (comprised of 7-10 Hearing Board members), the IREM Ethics Administrator, IREM legal counsel, a court reporter, the Complainant, the Respondent, and any witnesses and/or legal representation of the parties. Hearings typically last about 90 minutes.

What is the potential discipline for a violation?
If the Hearing Board finds the Respondent in violation, the Hearing Board may impose discipline but is not obligated to do so. Discipline may consist of a letter of censure, or suspension or termination of membership. A letter of censure may be conditioned on the Respondent completing education requirements, public service or other action that is determined relevant by the Hearing Board, and may or may not be published.

Who can appeal the decision of the Ethics Hearing & Discipline Board?
Within 15 days of receipt of the Hearing Board’s decision, the adversely impacted party (the Appellant) may request an appeal. The Request for Appeal must clearly state why the decision of the Hearing Board should be modified, reversed or remanded and is solely based on the arguments and facts presented during the hearing. The Ethics Appeal Board’s (“Appeal Board”) decision is final and binding.

Can the Complainant request an appeal if they believe the Respondent’s discipline wasn’t enough?
Discipline imposed by the Hearing Board cannot be appealed.

When should I expect notification regarding the complaint I filed?
You’ll receive confirmation that your complaint has been filed once received by IREM Headquarters. The process of evaluating complaints can be extensive and includes detailed review of the alleged violation(s), examination of supporting evidence, and lengthy deliberations amongst the Inquiry Board before making a determination. The Inquiry Board meets approximately once a month.

What decisions can the Inquiry Board make regarding a complaint?
The Inquiry Board reviews all complaints to determine whether there is probable cause to believe that a violation of the Code(s) may have occurred. The Inquiry Board can do one of the following: request additional information from the Complainant and/or Respondent and open an investigation; dismiss the complaint; or forward the complaint to the Hearing Board for a hearing.

My complaint was forwarded for a hearing. Does this mean the Respondent is guilty?
It’s important to understand that no one is “guilty” or “not guilty,” as IREM is not a court of law. Rather, IREM members can be found in violation or not in violation of the Code(s). When a complaint is forwarded to the Hearing Board for a hearing, it’s up to its members to make the determination whether a violation actually occurred.

I am the named Respondent in a complaint. What happens next?
Upon a complaint being forwarded to the Hearing Board, the Complainant and Respondent are sent an “Official Notice of Ethics Hearing,” which includes the date and time for the hearing and a copy of the full complaint.
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For those who manage to make a difference.”
Period of adjustment

A major earthquake nine years ago continues to change property management practices in Japan

By Michiyo Matsumoto, CPM

In Japan, 2019 was a year full of natural disasters: Historically strong typhoons and torrential rain caused widespread landslides and flooded rivers across the country. The road to recovery continues to be long and arduous for municipalities with damaged buildings.

The 2011 experience of Ishinomaki City, located in northern Japan, provides insight into how a natural disaster can affect the real estate market, public housing laws and the property management industry, and how companies can recover afterward.

**Effects of the disaster**

Ishinomaki is the second largest city in Miyagi Prefecture after Sendai.

It suffered the most damage of any city in Japan during the Great East Japan Earthquake and tsunami in March 2011. Of the city’s 74,000 existing buildings, 76.62% suffered some form of damage, and 20,039 were completely destroyed.

Nearly nine years later, property management companies in Ishinomaki are still recovering from the direct and indirect effects the disaster had on the city’s real estate market.

**Public vs. private housing**

It is critical to take into account how public housing laws affect the market after disasters. From 2011 to 2016, the occupancy rate in Ishinomaki City was over 95% due to the demand created...
by the disaster. Following the disaster, 21% of households moved into post-disaster public housing. This municipal housing owned by the government was made available only to those directly impacted by the disaster. In 2019, regulations on who could apply for public housing in Ishinomaki City were lifted, and access to public housing was made available to the general public—not just to those households impacted by the 2011 disaster. Management companies began losing their share of the market to the government instead of competing against each other for potential renters.

After the disaster, 4,446 government-owned public housing units were built throughout the city. These buildings are not managed by private management companies, but rather by corporations designated by the Public Housing Act. Private building maintenance companies can bid on the system maintenance work at post-disaster public housing, but designated companies take care of all property management and asset management work.

Furthermore, the lower a household’s income is, the lower the rent will be, which has been linked to a drop in the labor force; households that were dual-income before the disaster have reduced the number of hours they work to suppress their income in order to lower housing costs.

Today in Ishinomaki City, a family with a household income of four million yen (approx. $37,000) can rent a three-bedroom public housing unit for 36,000 yen (approx. $330) a month. Market rate for comparable units is 80,000 yen (approx. $740). Given these numbers, it’s difficult to imagine the household opting to live in a privately owned building. Currently, the occupancy rate for private housing in the city is less than 70%.

Private management companies can remain competitive by focusing on the right market. For households above a certain level of income, it’s more expensive to rent post-disaster public housing than a private residence. It’s critical to have housing that they want to live in.

At our company (Matsumoto Sangyo Inc.), we are focusing on 3- and 4-bedroom apartments, not the 2-bedroom units that are often found in public housing. We’ve also been working to attract higher income tenants. Overall, the luxury apartments and single-family homes they rent (with monthly rents of 90,000-120,000 yen or $850-1,100) make up only 0.5% of the market, but there is less competition because other companies have fewer of these units.

**Attrition of property managers and market challenges**

Even before the disaster, Ishinomaki didn’t have many companies providing property management services, but after the disaster there has been an increase in companies that provide only leasing services or brokerage. Only 15 of the 113 real estate companies are in the property management market. Ishinomaki, six months after the 2011 tsunami
business, and most of these only do collection and leasing.

Management fees have fallen as the vacancy rate has increased. Companies blame the lack of human resources for neglecting periodic inspections of properties, ignoring income and expenses, and omitting management plans for renovations and improvements; the concept of maximizing the value of a property is getting lost in the shuffle.

The result is that buildings are beginning to deteriorate, and more and more are going vacant. The brokerage business is following the same path as leasing after a long period of high demand due to the earthquake, which made it easy and affordable to find buyers.

As the population ages, another major challenge will be to stop the growth of vacancies that have come about from the rising number of single-person elderly households.

Don’t lose sight of commercial real estate!

Demand doesn’t go away when a disaster hits. The disaster also caused major shifts in commercial real estate.

Major corporations closed branches and offices and acquired properties in alternate areas to consolidate. Property and casualty insurance companies and life insurance companies moved to relocate especially quickly, as did large car dealerships.

On the other hand, shopping centers, smaller shops and restaurants made the completely opposite decision based on a trade area study. Even in disaster areas that were covered by 10 feet of tsunami, they decided to repair and open stores or acquire land as long as they expected to have a customer base.

Industrial, manufacturing and freight companies also reacquired areas hit by the tsunami because their businesses were tied to industrial ports.

People want to live where there are stores and shopping centers, so this served as indirect business opportunities for residential managers.

Matsumoto Sangyo Inc. is 52 years old, and we’ve taken the disaster as an opportunity to diversify the location of our real estate holdings throughout Japan. Unlike specialized businesses in major metropolitan areas, local real estate companies are expected to be full service, ranging from leasing and brokerage to development and management. We have overcome difficult times by responding to all of our clients’ needs.

What next?

In 2020, IREM Japan will hold its Annual Meeting and Award Ceremony in Sendai, the largest city in Miyagi Prefecture. Attendees will have the opportunity to see firsthand how the disaster affected the city and what the response has been. As we approach the ninth anniversary of the earthquake, we continue to struggle with population decline.

After disasters, managers should become experts on the city recovery plan and all related laws. What are the best tax strategies for owners? Are the managers familiar with public assistance? Do they know where new rental housing will be built? Which buildings will be renovated and which demolished? How should owners repay current debt? Should it be refinanced?

CPMs should provide owners with answers to these questions along with their usual sound advice, just, in this case, formulated for disaster recovery—this is the key to competing in the new market.
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Technology in the face of a disaster

How it can help—or hinder—your response

By Greg Cichy, CPM

Imagine this scenario: Your company manages a diverse portfolio of medical office buildings, mixed-use properties and student housing in the greater metropolitan area of a medium-sized coastal city. A tropical storm builds in the Atlantic during a particularly busy time of the year, as students return to the local universities in the area and the annual budgeting process is about to kick off.

You keep an eye on the weather—not too concerned, as the forecast indicates the storm will stall and lead to a few days of moderate rainfall, at worst.

Among your many considerations in this moment is how technology systems will help or hinder your response to the hurricane. Is that technology another important concern—or does it give you hope that your company can handle the emergency ahead? Several technologies have changed the way companies prepare for and respond to disasters.

Let’s look at some of these technologies and how they can help respond to the hurricane in our scenario.

The Cloud

Cloud-based systems offer significant benefits in the face of disasters. They are less vulnerable to damage than traditional solutions, which don’t provide the redundancy of distributed architecture. During storms, fires, earthquakes and other disaster events, local infrastructure is often devastated. Even if those onsite servers tucked in a corner room of your company’s office remain unscathed, power and cable infrastructure often become damaged.

Emergency and disaster planning considerations should be part of the equation as your company considers which aspects of technology infrastructure to move to the cloud.

The hurricane hits landfall as a Category 3 storm with high winds and storm surge. Your company’s key systems and data are safe in a data center a thousand miles from the coast. You access everything you need to manage your properties—property management software, work order system, document management, access control—when you are able to get Wi-Fi at an inland coffee shop, where the damage is less severe.

Internet of Things (IoT)

IoT is changing real estate management. It is also changing disaster
management. The sensors of an IoT system and the data they gather can provide real-time, hyper-local information on weather, occupancy, building entry points, HVAC performance and indoor air quality.

A disaster can throw building operations out of whack, to say the least. If you and your team can identify issues as they happen, or quickly pinpoint them when the immediate emergency is over, you will have a leg up in returning to normal operations.

After the storm, the IoT-enabled building management system at one of the medical office buildings you manage catches an indoor air quality issue—soaring CO2 rates in one zone of the building. The system automatically adjusts ventilation to compensate, and your engineering team discovers some damaged dampers. These dampers are quickly replaced, bringing the system back to working order and CO2 levels within normal limits.

Drones
Drones are working in many industries to improve access to hard-to-reach areas, provide imagery for different purposes, detect security issues and gather data. There are companies that target their drone services to the real estate management industry for property inspections, aerial photos, security assessments and a range of other services.

In our scenario, the storm causes a tree branch to fall into a student living community in your portfolio, damaging the siding and roof. To determine the extent of the damage, you call the drone services firm your company has partnered with. They use a drone to inspect the damage and discover that some repairs will be necessary, but the integrity of the building envelope is intact. The firm sends images to the insurance adjuster and tree removal company, and repairs move forward.

Microgrids
Microgrids provide local power generation, rather than relying on vast utility networks. Microgrids at the property level are typically renewable energy systems, such as combined heat and power (CHP) or solar, which may be used in conjunction with onsite battery storage.

These site-based systems are likely not useful in the event of a disaster, due to damage and power surges. However, public-private partnerships are experimenting with larger, local microgrids as resilience and disaster management tools.

The organizations involved in these efforts are placing the microgrids in areas of vulnerable facilities or populations—by hospitals and schools, for example. The properties in the area of these microgrids will benefit from this local power generation in the event of a disaster, so keep an eye on this emerging technology and any microgrid programs in your area.

"Microgrids provide security, savings and sustainability that benefit properties not only during power outages, but also during normal conditions," says Geoff Oxnam, CEO of American Microgrid Solutions in Easton, Md. "They are playing an increasingly important role as the power grid evolves."

The broad deployment of microgrids would be valuable development in keeping the lights on, which is so important during a disaster event. At my company (Colliers International, AMO), our emergency response professionals often travel with generators because nothing has as big of an impact on our ability to restore normal operations as electricity. If we can count on power already working at our properties, we can reduce costs and decrease response times during disasters.

In the hurricane scenario, a mixed-use property you manage is located by a large, regional hospital. A microgrid in the area keeps the power on at your property, while hundreds of thousands utility customers remain without energy for a week.

Other technologies
Other technologies are playing significant roles in disaster planning and response. Emergency response teams use technology to organize and coordinate their activities. Artificial intelligence is helping government agencies and municipalities better predict disaster impacts. Social networks have been crucial in accounting for friends, family and co-workers.

No matter the technology, disasters can and will inflict some amount of damage on your business and properties. They may even result in death and injury. This is perhaps the most crucial benefit of technology—the right technologies can free you up to focus on the safety and well-being of your staff and occupants, along with the recovery process ahead.

Greg Cichy, CPM, is managing director of real estate management services for the Washington D.C. metro area at Colliers International, AMO, in Washington D.C. His IREM roles have included leadership positions such as president of the West Central Maryland Chapter and regional vice president, and he is currently chair of the IREM Technology Advisory Board.
Opioids in your property?

Vigilance and compassion are key

By John Salustri

No one is immune.

Opioid abuse has entered every family, every business, every building. Property managers, of course, are charged with the safe, clean management of their clients’ assets, and the first line of defense here is vigilance.

Opioid use is property specific, says Rick Minerd, the Columbus, Ohio-based business development manager and consultant at Safe Passage Consulting. (IREM members might recall that Safe Passage representatives spoke at last year’s Global Summit in San Francisco, where they addressed the topic of active shooters.)

But he is quick to add that categorization is tough, and broad-brush assumptions are dangerous. Street-level drugs might be seen more frequently in retail settings, where there’s high turnover, or in areas of lower economic advantage. Office settings might be more prone to abuse of alcohol and prescription meds. “Age, social status, economics and even life priorities all play a part,” says Minerd, who has 29 years of law enforcement behind him.

But abuse is not always a case of addiction or a crime of profit. “Someone goes to the dentist and comes back with a prescription,” he says. “The person they’re sitting next to might have a headache, and—we see this all the time—someone shares their prescription medications with someone else in the office. People don’t realize that this is also illegal.” (See sidebar on P 18.)

Taking a broader view

Minerd suggests that it’s unwise to silo opioids out in terms of an abuse crisis. “The best way to look at it would be through the broader lens of substance abuse and addiction,” Minerd says. “Twelve percent of kids throughout the country live with a...
The person they’re sitting next to might have a headache, and—we see this all the time—one9meone shares their prescription medications with someone else in the office.”

—Rick Minerd, Safe Passage Consulting

An opioid primer

More than 10 million Americans older than 11 misused opioids in 2018, according to a recent CNN report. That includes 9.9 million users of prescription pain relievers and more than 800,000 heroin users.

Heroin is an opiate, a class of drugs naturally derived from the poppy plant, which also includes morphine and codeine. Opioids refers to all drugs, natural and concocted in a lab, that, says the Center on Addiction, “bind to the brain’s opioid receptors, the parts of the brain responsible for controlling pain, reward and addictive behaviors.”

So while all opiates are opioids, not all opioids are opiates. The larger category also includes synthetics such as prescription painkillers hydrocodone (Vicodin) and oxycodone (OxyContin), as well as fentanyl and methadone, according to the Center.

The Center makes it clear that natural does not mean safer. Indeed, according to the Centers for Disease Control and Prevention (CDC), the latest statistics reveal that: More than 70,000 “drug overdose deaths occurred in the United States in 2017. The age-adjusted rate of overdose deaths increased significantly by 9.6% from 2016 (19.8 per 100,000) to 2017 (21.7 per 100,000). Opioids—mainly synthetic opioids (other than methadone)—are currently the main driver of drug overdose deaths. Opioids were involved in 47,600 overdose deaths in 2017 (67.8% of all drug overdose deaths)."

The CDC estimates that the economic toll comes to $78.5 billion annually, including the costs of healthcare, lost productivity, addiction treatment and criminal justice involvement.

The critical issue, of course, is not so much in definitions as much as what’s being done about it. According to the National Institute on Drug Abuse, the U.S. Department of Health and Human Services is focusing on five priorities:

• Improving access to treatment and recovery services;
• Promoting use of overdose-reversing drugs;
• Strengthening our understanding of the epidemic through better public health surveillance;
• Providing support for cutting-edge research on pain and addiction; and
• Advancing better practices for pain management.

In buildings of multiple access, whether it’s an office, retail setting or multifamily property, there are physical signs of issues, especially when it comes to opioids. Stairwells, restrooms and parking lots are always primary points of illicit activity, he says, and there are signs that can indicate trouble at a property. Paraphernalia left behind in any of those places and the presence of people or vehicles that don’t belong on the premises can all be signs of trouble.

Start—but don’t stop—with security

Whatever the drug of choice, Minerd says that a strong security strategy, starting with cameras, lights and alarms, in addition to a physical human presence, is key. But security alone isn’t enough. Policy development is also needed. “We work with companies all the time to develop protocols for dealing with abuse and prevention from a human resources perspective as well as a security perspective,” he says. Even a concierge can serve as a first line of defense. “Greeting people with a ‘May I help you’ oftentimes makes all the difference in creating a safe environment.”

Andrew Swinkoski, ARM, LEED® Green Associate™, knows first-hand what to look for. His career has been built in Section 8 government-subsidized housing, and he specializes in “managing troubled assets,” he says. Before he started his own firm, he was managing

feature | opioids

More than 10 million Americans older than 11 misused opioids in 2018, according to a recent CNN report. That includes 9.9 million users of prescription pain relievers and more than 800,000 heroin users.

Heroin is an opiate, a class of drugs naturally derived from the poppy plant, which also includes morphine and codeine. Opioids refers to all drugs, natural and concocted in a lab, that, says the Center on Addiction, “bind to the brain’s opioid receptors, the parts of the brain responsible for controlling pain, reward and addictive behaviors.”

So while all opiates are opioids, not all opioids are opiates. The larger category also includes synthetics such as prescription painkillers hydrocodone (Vicodin) and oxycodone (OxyContin), as well as fentanyl and methadone, according to the Center.

The Center makes it clear that natural does not mean safer. Indeed, according to the Centers for Disease Control and Prevention (CDC), the latest statistics reveal that: More than 70,000 “drug overdose deaths occurred in the United States in 2017. The age-adjusted rate of overdose deaths increased significantly by 9.6% from 2016 (19.8 per 100,000) to 2017 (21.7 per 100,000). Opioids—mainly synthetic opioids (other than methadone)—are currently the main driver of drug overdose deaths. Opioids were involved in 47,600 overdose deaths in 2017 (67.8% of all drug overdose deaths)."

The CDC estimates that the economic toll comes to $78.5 billion annually, including the costs of healthcare, lost productivity, addiction treatment and criminal justice involvement.

The critical issue, of course, is not so much in definitions as much as what’s being done about it. According to the National Institute on Drug Abuse, the U.S. Department of Health and Human Services is focusing on five priorities:

• Improving access to treatment and recovery services;
• Promoting use of overdose-reversing drugs;
• Strengthening our understanding of the epidemic through better public health surveillance;
• Providing support for cutting-edge research on pain and addiction; and
• Advancing better practices for pain management.
a property in the Midwest, in which he found drugs in most units. “It's not uncommon from my experience.”

There’s significant irony in that statement, an irony that also folds into a scenario that demonstrates the need for compassion—a subject we’ll explore shortly.

Swinkoski expands on Minerd’s observation by distinguishing between use and sale. Addiction in your community, he says, is a much more difficult situation to detect than dealing. If someone is selling, Swinkoski agrees with Minerd: “You can identify that from traffic, security cameras, complaints from residents and the local community, as well as unit inspections,” he says. “Generally, the majority of the time, the neighbors know and file complaints in the office.”

Annual unit inspections, required for government-subsidized housing, are scheduled and as such can be less effective in cases of abuse than surprise inspections. Nevertheless, in his experience, he has come across prescription bottles with the labels removed and large amounts of pills in bags, both major indicators. And that’s when the authorities get involved. “Then, you have to call the police, who’ll confiscate the drugs and search the unit,” he says. Under regulations spelled out by the U.S. Department of Housing and Urban Development, “that leads to filing eviction paperwork immediately.”

But use is a more delicate situation. “It’s tricky,” says Swinkoski, who today is founder and managing partner of Integra Affordable Management. “If someone in your property is using, the best thing is to have resources and literature available along with community contacts they can reach out to.”

The process of detoxification wasn’t easy or short. But today, he reports he takes no meds whatsoever, a rare occurrence for people in his situation. The company he launched manages Section 8 housing. “It’s going fantastically. We have 18 properties spread throughout the country, with more to come.”

He took something else with him when he left the hospital: “It opened my eyes and my understanding of what people and communities go through when there’s that sort of addiction. It allows you to pick up on certain behaviors you wouldn’t otherwise notice.”

Vigilance is key. But vigilance with compassion, as Swinkoski says, allows managers to see the human side of the problem. —Andrew Swinkoski, ARM, LEED® Green Associate™, Integra Affordable Management

“<br>It opened my eyes and my understanding of what people and communities go through when there’s that sort of addiction.”

—Andrew Swinkoski, ARM, LEED® Green Associate™, Integra Affordable Management

But, Swinkoski continues, he is bound by Fair Housing regulations, and any help he might offer “cannot go above and beyond what I would do for everyone else. I have to be able to give it to everybody. That’s a sensitive issue.”

**A different kind of firsthand perspective**

Swinkoski, who is also an ARM representative governing councillor and serves on IREM’s Legislative and Public Policy Board, knows whereof he speaks. In 2015, after handling drug issues in the properties he managed, he was struck by a car, and then run over, while on his motorcycle. He spent almost three years in the hospital.

“As I awoke from a coma, I found they were giving me massive amounts of opioids and other pain medications,” he recalls. These included propofol, the same drug that is reported to have contributed to the death of Michael Jackson.

“Doctors prescribed strong pain medications, which interact with your system,” Swinkoski recalls. Even though the effects are short-lasting, the feeling of alleviating pain “is something you begin to look forward to. It continues to build, and eventually you start wanting pain meds when you’re not even in pain.” It even begins to trick the mind into believing you’re in pain, he adds.

Realizing he was on a dangerous path, he consulted with his doctors. “We had a long meeting, and we decided that we were going to gradually decrease the dosage and the frequency.”

Gradually decreasing the potency of medication made him feel like he wasn’t taking anything at first. “My body had become accustomed to the same dosage for years.”

Swinkoski made another important decision in the hospital. That was when “the idea and the concept of Integra occurred. The company was formed and the groundwork was done remotely from the hospital bed.”

The company he launched manages Section 8 housing. “It’s going fantastically. We have 18 properties spread throughout the country, with more to come.”

John Salustri is a contributing writer for JPM.
Officer & Regional Vice President nominees slated

The IREM Nominating Committee has announced its slate of nominees for 2021 IREM Officers to serve with 2021 President W.A. “Chip” Watts IV, CPM, CCIM, of Watts Realty Co., Inc., AMO, in Birmingham, Ala. For the one-year term that begins at the conclusion of the 2020 annual IREM meeting through the conclusion of the 2021 annual IREM meeting, the nominees are:

Nominees for 2021 IREM Officers

2021 President
W.A. “Chip” Watts IV, CPM, CCIM
Watts Realty Co., Inc., AMO
Birmingham, Ala.

2021 President-Elect
George D. Griffin III, CPM, CCIM
Houston Housing Authority, AMO
Houston

2021 Secretary/Treasurer
Renee M. Savage, CPM, CCIM
Capital Growth Properties, Inc., AMO
La Jolla, Calif.
Nominees for 2021-2022 Regional Vice Presidents

In addition, the IREM Nominating Committee has announced its slate of nominees for 2021-2022 Regional Vice Presidents. For the two-year term that begins at the conclusion of the 2020 annual IREM meeting through the conclusion of the 2022 annual IREM meeting, the nominees are:

**Region 2** Christine E. Lacy, CPM  
Inglis Housing Corporation  
Philadelphia

**Region 5** Debbie K. Prejeant, CPM  
Latter & Blum Property Management, Inc., AMO  
New Orleans

**Region 6** Anne C. Ficeli, CPM  
PURE Real Estate Management Services  
Grand Rapids, Mich.

**Region 8** Angelina M. Scarcelli, CPM  
Colliers International, AMO  
Las Vegas

**Region 11** William Sheridan, CPM  
Sfinvest, AMO  
Chico, Calif.

**Region 12** Jason J. Jackson, CPM, ARM  
Kiemle Hagood  
Spokane, Wash.

**Region 13** Amy L. Hedgecock, CPM  
Fowler & Fowler Realtors  
High Point, N.C.

The election of IREM Officers and Regional Vice Presidents will take place at the Governing Council meeting held in conjunction with the IREM Global Summit in Toronto, on October 23, 2020. 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 and delivered to the IREM CEO/Executive Vice President at least 10 days in advance of the date set for the election.

We are also pleased to announce that the IREM Nominating Committee has chosen Barry Blanton, CPM, to be the 2021 IREM Secretary/Treasurer Nominee. He will be slated for election as the 2022 Secretary/Treasurer at the 2021 IREM Global Summit.
Three REME Award winners demonstrate notable innovation and social initiative

IREM’s REME Awards celebrate achievements in real estate management in several categories, including Corporate and Social Responsibility. IREM found two organizations that presented such compelling projects in this category that both were acknowledged with REME Awards. And, in the Corporate Initiatives category, IREM recognized a China-based company, the first REME Award for the nation.

Corporate Initiative Award: Shenzhen UNOVA Business Management Co., Ltd.

In March of 2018, Shenzhen UNOVA Business Management Co., Ltd., acquired a management and operations contract for a 15,000-square-meter space in a commercial annex in its home city of Shenzhen in southeastern China. UNOVA performed a major renovation, converting it into a co-working and retail space in the heart of Shenzhen’s central business district.

According to Jessie Hou, general manager, the renovated space, which opened in February 2019, is designed to welcome businesses and individuals primarily in marketing and creative fields. UNOVA saw that most existing co-working office space was very formal and tailored to meet the needs of traditional businesses. UNOVA’s hope was that a more relaxed and inviting space would have greater appeal to a younger demographic and those in burgeoning business sectors like social media, marketing, media arts and other creative ventures.

With an 80% occupancy rate achieved within three months of their soft opening, it’s clear they’ve succeeded.

UNOVA offers two types of working spaces—fully furnished, independent office space, and communal, co-working space. In addition, there’s a hotel-style front desk and reception area with a 100-square-meter LED screen that features the tenants’ company logos. Meeting rooms are available for presentations or training, and there are 20 rooms designated exclusively for videoconferencing and client

“The renovated space, which opened in February 2019, is designed to welcome businesses and individuals primarily in marketing and creative fields.”

—Jessie Hou, general manager, Shenzhen UNOVA Business Management Co., Ltd.
Taking a star turn
negotiations. Business support for tenants is available at the business center, which goes beyond receiving package shipments and faxes by offering business consulting services.

Another feature that defines this facility is the inclusion of retail businesses such as cafes, salons and gymnasiums available not only to tenants, but also to the public.

To fill the enterprise’s technology gap, UNOVA partnered with co-working space operator Distrii to provide the latter’s advanced intelligent office app, allowing tenants to reserve and interact with smart meeting rooms and intelligent work stations, and to control office access. The app also has human resource functionality for tenants to clock in and out and to communicate with other businesses in the building.

Additional features include four living rooms, each with a different theme; a communal bar and kitchen; 10 detached phone booths; a mini-library; and custom, modern furniture.

As a more welcoming sort of co-working space in the region, UNOVA hopes to become the recognized brand for this business model and has plans to replicate it in other cities across China—among them Beijing, Shanghai and Hangzhou—as well as internationally.

Corporate and Social Responsibility Award: Southwest Clinical Center

Brasilia, the capital city of Brazil, is a unique urban environment with thoughtful city planning and striking modern architecture that have made it a United Nations World Heritage site.

In this city of remarkable buildings, there is a unique gem—the Southwest Clinical Center, which opened in 2003 and is home to nearly 100 medical professional offices. Marcelo Sicoli has served as the center’s general manager for eight years.

In 2010, it became clear that the roof covering the building’s central atrium was in need of a serious renovation. The atrium’s polycarbonate plastic covering was broken and discolored, having collected dust and grime that could not be washed off. Even though it was hazy, the plastic roofing created a greenhouse effect, generating serious heat spikes that taxed air conditioning systems. In addition, during strong October rains, the roof leaked and every raindrop generated thunderous plinks that echoed throughout the space, destroying the sense of calm expected in a medical office.

After hiring an architectural firm, Sicoli oversaw the start of the structure’s renovation in March 2017. The initial challenge was the removal of the old structure. To keep the offices open during construction, scaffolding was erected along the interior walls of the atrium. Because the atrium floor is over a parking garage, engineers did not think it safe to bring in cranes or other heavy equipment to remove the atrium covering.

Over the course of just one month, the polycarbonate roofing was cut into chunks and brought down. Workers then had to cut apart each of the 1,300-pound steel beams into manageable pieces that could be lowered on ropes by hand to the floor. In the end, seven tons of steel was shipped off for recycling.

The new covering installed is an attractive white textile fabric supported by a tensile structure. Similar coverings have been used around the world in airports and sporting venues, and the textile is valued for its versatility and sustainability. During installation, leftover fabric remnants were fashioned into tote bags for tenants and visitors, rather than sent to an incinerator.

The new fabric structure overlaps the existing building roofs but is open along the edges to allow heat to escape and provide for better air circulation. Moreover, the fabric makes an ideal canvas for lighting effects; Sicoli notes that different colored lights are illuminated to mark health observances, such as pink lights in October for breast cancer awareness and blue in November for prostate cancer.
The project was a finalist in the 2017 World Demolition Summit—the only commercial building to enter the worldwide demolition competition usually dominated by construction and demolition contractors. In the same year, the building was awarded first prize for Best Resources Project by Facilities Management from the Chartered Institution of Wastes Management in the United Kingdom.

**Corporate and Social Responsibility Award: CAHEC**

As one of the largest nonprofit regional equity syndicators in the U.S., CAHEC secures funding to invest in affordable housing for low-income seniors, families and people living with special needs. With more than 700 properties comprising more than 32,000 units, CAHEC provides safe, affordable housing for low-income residents throughout the southeast and mid-Atlantic states. Beyond housing, their philanthropic entity, the CAHEC Foundation, provides life-changing opportunities to residents with a focus on wellness and education.

According to Stefanie Lee, community relations specialist, CAHEC has been funding these initiatives for residents since 1999. “We’re proud to have invested over $15 million to help our residents and their communities succeed,” she says. Lee reports that CAHEC relies on the property managers who talk with residents every day to identify unmet needs. “We ask managers, developer partners and residents for feedback to ensure we offer initiatives that best suit their current needs,” she says. “If a program is outdated or not working, we have no problem making adjustments, phasing out initiatives or developing new ones.”

Long-time partners are already familiar with CAHEC’s wellness and educational initiatives, such as their Post-Secondary scholarships, Youth Leadership Initiative, Nutrition Assistance programs and grants surrounding wellness. “Each CAHEC-sponsored property is eligible to apply for one of our two wellness grants,” reports Lee. “One grant provides funding for a recreation area (like a youth playground) and the other provides commercial grade fitness equipment for their on-site wellness center.” Having access to these amenities encourages residents to be active and live a healthy lifestyle.

With their footprint sitting along the coast, CAHEC’s portfolio is always challenged with hurricanes, tornadoes and sometimes ice. To address this problem, their Foundation also offers a Disaster Relief Initiative to help residents in a time of crisis. Properties are eligible to apply for grants of up to $3,000 to provide immediate resources—like food, water and temporary shelter—to impacted residents. “We reach out to properties if we know there’s a possibility that they’ve been affected, especially during hurricane season,” Lee says. “We’re always looking for ways to help our residents, and this is just a small way we can help them get back on their feet and let them know we care.”

With more than 700 properties comprising more than 32,000 units, CAHEC provides safe, affordable housing for low-income residents throughout the southeast and mid-Atlantic states.

Being socially responsible is not only an institutional commitment at CAHEC, the company volunteers year-round, too. The Raleigh, North Carolina-based staff spends over 1,000 hours per year volunteering with other community nonprofits, an effort supported by CAHEC’s principle of Social Responsibility. Their “Team Outreach” initiative encourages employees to volunteer outside of the office together, which provides team-building opportunities while serving their community.

To the casual observer, it might seem that providing affordable housing would be enough of a service to any community. But CAHEC doesn’t see it that way. “The whole reason we do what we do is for the residents,” says Lee. “We know there are hardworking families in our footprint that deserve a safe, affordable place to call home. And we know the additional opportunities we provide through the CAHEC Foundation are going to help our families even more.”

CAHEC Foundation volunteers participate in Giving Tuesday, hosted by the Food Bank of Central & Eastern North Carolina

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CAHEC Foundation volunteers participate in Giving Tuesday, hosted by the Food Bank of Central & Eastern North Carolina
Fresh perspectives on prospective tenants

Attracting new tenants has always been an integral part of any successful property management program. However, the traditional methods of differentiating your property—superior customer service, curb appeal and promotional offers, for example—are no longer sufficient to attract and retain tenants. With more prospective tenants filtering for apartment communities online, differentiation has taken on an entirely new profile. Here, we explore some of the new marketing practices in multifamily units.

Novel ways to look at marketing and leasing to attract new occupants

By Nancy San Pedro, CPM
The self-guided tour

The opportunity to personally interact with prospective tenants and provide tailored tours has always been the primary method for signing leases. However, staffing adequately to be able to provide tours is challenging when the demand is unknown. Overstaffing increases expenses at a time when margins are becoming increasingly thin. Understaffing, though, may result in poor first impressions and lost prospects. That’s why self-guided tours can be a boost.

In theory, there are an unlimited number of slots during the workday (generally 8:00 a.m. to 6:30 p.m.), as there does not need to be a dedicated leasing agent available for each tour. Prospective tenants expect instantaneous responses to their inquiries and such tours allow for this spontaneity without delay. Staffing needs are more predictable as prospective tenants need only check in with the leasing staff prior to beginning a tour. The tour can be tailored specifically to meet the time constraints of the tenant, and exceptionally long tours do not derail future appointments of the leasing staff.

However, multifamily living is not exclusively about renting apartments. More and more tenants are searching for apartments that meet not just their housing needs but provide a true community where they can thrive. That includes places that offer social interaction, environmentally friendly living and charitable events that give back to the neighborhood. Self-guided tours, while convenient, prevent the ability to accurately address the needs of prospective renters if we don’t have the opportunity to interact. With self-guided tours, we sacrifice the opportunity to connect with people and showcase superior customer service that is often a differentiating factor in attracting a tenant.

As self-guided tours are relatively new, it’s unclear how they will fare against traditional touring methods and which method will result in a higher rate of closings. Perhaps self-guided tours will be a nice supplement, but not replacement, of traditionally guided tours. This will allow potential lessees to self-filter for a method that best works for them.

Membership

Cultivating a community for tenants is much more than hosting the occasional happy hour. Budgeting for a quarterly tenant event has given way to more sophisticated interactions. In many ways, large apartment communities are a club with exclusive offerings for their members.

Cross-promotion with retailers

Large mixed-use communities often have several retailers that address tenants’ needs. Partnering with retailers often provides a mutually beneficial relationship. Retailers get the added foot traffic from residents, while residents get to participate in exclusive deals. Sophisticated retailers can direct such specials to traditionally slow times so they aren’t sacrificing full-priced customers in order to participate in the program. For example, if Tuesday evenings are slow for your restaurant tenant, they may consider offering happy hour deals exclusively to residents during that time.

Looking for a unique idea for your next tenant event? Consider using the opening of a new retail store or restaurant as the next location for your tenant event. Have a soft opening at your new restaurant for tenants only. It’s a great way to host a tenant mixer while providing support for your commercial tenants.

Navigating the restaurant and retail environments is increasingly difficult for commercial tenants. Providing them a small marketing platform directed toward residential tenants allows them to truly benefit from the mixed-use environment. This also gives insight into why large mixed-use landlords are choosing unique retailers over traditional uses (banking, dry cleaning, salons, etc.). Creating a unique retail environment is yet another differentiating factor that may set you apart from the competition.

One unintended consequence of marketing to tenants is the possibility that such offerings start to feel like spam. To combat this, consider:

- The frequency with which you market. Is monthly necessary or is quarterly sufficient?
- Giving tenants the option to opt in for emails on retail exclusives.
- Using only physical advertisements (promotions in the elevator or at the mailroom).
• Placing one-time specials (a free Pilates class, half-off dinner, for example) in the welcome packet so residents are familiar with onsite retailers.
• Having a landing page on your website showcasing exclusive retail partnerships so residents can peruse at their leisure in lieu of email promotions.

Access to amenities within the club
Landlords who have many apartment communities in close proximity may choose to allow residents to access amenities in other buildings. For example, one apartment may have an exceptional pool while another community may house a significantly larger gym. By combining assets, landlords use all the amenities within a trade area and cater to a wider variety of tenants.

Mixed-use considerations

Retail development
Retail space in apartment communities was often an afterthought in development, with proper infrastructure being postponed until a commercial lease was signed. However, as competition for residents becomes more intense, retail often emerges as a differentiating factor. As a result, more purposeful retail spaces are being created during the development phase. This means costly infrastructure, such as ventilation, grease interceptors and greater electrical capacity to accommodate restaurants, is being put into place to shorten delivery time for tenants, thereby accelerating rent commencement dates. Additionally, such retail spaces are more “restaurant ready,” something that typically commands higher rents.

Mom-and-pop vs. national tenants
In crafting the perfect retail mix, landlords are often choosing between mom-and-pop operations or large, national credit tenants. While national credit tenants pose less credit risk, mom-and-pop operations help create communities and more unique offerings for tenants. However, mom-and-pop tenants often mean more costly buildouts (with landlords shouldering the lion’s share) in order to create unique spaces. Nevertheless, living above a neighborhood restaurant or niche coffee shop is an amenity in its own right that also serves to attract tenants.

Short-term rentals
New developments can often take a year or two to fully lease up. This runway has created a niche in apartment housing, including Lyric, Stay Alfred and Domio to name a few that operate in this space. Developers are leasing full floors on a long-term basis to operators who cater to short-term renters—think consultants in town for a month or vacationers on an extended stay. These renters want the home experience they can’t get in a hotel, and higher-end apartments fit that niche perfectly. Their offerings are consistent, and the standards are on par with a hotel. However, the apartment setup allows for greater flexibility, offering kitchen, laundry, bedrooms and greater square footage. In exchange, developers get the rental income during lease up as well as the foot traffic and exposure to short-term renters who may turn into long-term prospects.

Housing short-term rentals within the same footprint as traditional apartment leases may have some unintended consequences, though:

• Less control over who has access to the building. With frequent turnover, staff must be vigilant about key card / fob access.
• “Training” short-term renters to work exclusively with the operator (versus taxing the onsite property management staff).
• Greater wear and tear on the apartments. With such short-term rentals and frequent turnover, common areas may quickly adopt a lived-in feeling despite it being a new development. That could lead to more costly operating and/or capital expenses.

(For a first-hand perspective on managing short-term rental properties, turn to the Property Spotlight column on P32.)

The rental environment is changing with the lines being blurred between short-term, long-term, hotels and the multifamily experience. Efforts to attract new renters have given way to innovation and unique marketing that has completely altered the landscape for multifamily.

By combining assets, landlords use all the amenities within a trade area and cater to a wider variety of tenants.

Nancy San Pedro, CPM, is the director of retail for California at Equity Residential in Agoura Hills, Calif. She is an IREM instructor and has taken on many roles in the Institute, including chair of the Diversity Advisory Board and president of the Los Angeles Chapter.
IREM is now accepting submissions for the 2020 REME (Real Estate Management Excellence) Awards. Will you be the next CPM® or ARM® of the Year? Or will your company become the next AMO® of the Year or be our first winner of the IREM Innovator Award?

Apply today at irem.org/events/reme-awards and find out!
The royal treatment

*How employee engagement can affect the bottom line*

By Tegan Jones

Everyone wants to be appreciated. Whether it’s for working long hours, going above and beyond for customers or finding ways to work more efficiently, acknowledging employees who consistently bring their A-game goes a long way. And in a tight talent market, keeping team members engaged can have a big impact on the bottom line.

It’s a job seeker’s market, and an abundance of open positions has turnover rates skyrocketing. According to the Work Institute, more than 27 out of every 100 U.S. employees left their jobs voluntarily in 2018—a figure that’s 88% higher than it was in 2010. That’s putting pressure on companies to keep employees happy and engaged.

“[Employees] can go back to their desks, unhappy about something that just happened, and send their resume out to 10 new companies,” says Kathy Harmon, CPM, ARM, and president and CEO of MyCoach, LLC in Minnetonka, Minn.

Although compensation plays a big part in an employee’s decision to stay in a position, how valued they feel also tips the scales. Rewarding and recognizing people who do good work can help make the hard days easier—especially in the world of property management, where the phone only rings when something goes wrong.

“When the trash is emptied every day, nobody calls and says, ‘Good job.’ When it’s not emptied, we get called,” says Philip Schneidau, CPM, president of Woodbranch Management Inc. in Houston. “And because of that, the need to keep a positive atmosphere is probably a little bit higher.”

Finding what works

There’s no one-size-fits-all approach to making employees feel valued. And the rewards people find meaningful are changing along with workforce demographics. That means leaders must listen to their teams to create recognition programs that are meaningful to their staff.

“We have five generations in the workplace. So the same old, same old doesn’t work anymore,” says Harmon. “We have to talk about what excites them, what motivates them, what they like to do.”

Even when companies keep the lines of communication open, it can take some experimentation to figure out what works. For instance, Schneidau launched an employee-of-the-year program to motivate his top performers, but he decided to cancel that initiative after he saw that it had some unintended consequences.

“I realized that when you’re saying this one person is employee of the year, it’s really a negative message,” he says. “You’re recognizing them for working hard, but you’re telling the others at the same time, ‘You’re not working hard enough.’”

Rather than giving a few top performers big rewards in hopes of spurring some friendly competition, Schneidau now takes a more holistic approach, opting for rewards that the whole team can enjoy.

“I’ve got a lot of really good people, and I’m proud of all of them. They should all be patted on the back,” he says.
A daily habit
Some companies will lean on annual bonuses or holiday parties to thank their teams for a year’s worth of hard work. But these one-time rewards don’t necessarily keep people motivated as the months wear on. That’s why Schneidau offers daily and weekly benefits to help people get through the doldrums. From free sodas in the fridge, to donuts on Fridays, to office toys that encourage employees to have a little fun, Schneidau says providing consistent perks has helped keep turnover rates low.

“We try to focus more on what we can do year-round than any one program that makes a statement in particular,” he says.

Harmon agrees that the little things often have the biggest impact. Surprising someone with lunch from their favorite restaurant or a $2 lottery ticket can do a lot to brighten their day. Even a handwritten note highlighting something they did well can be a memorable and meaningful way to recognize an employee’s value.

“I think surprise is part of the key,” she says. “It needs to be something that’s not expected.”

Many companies will offer a bonus as an incentive to encourage workers to meet ambitious performance goals. But bonuses can quickly become an expected part of an employee’s compensation package, rather than a reward for going above and beyond. For instance, if someone knows their bonus could be as much as 20% of their salary, they will be disappointed by a bonus of only 5% or 10%.

“It ends up being punitive rather than rewarding,” Harmon says. “And they end up being disincentivized for the upcoming year.”

Harmon also suggests taking the temperature of the team on a regular basis. In addition to asking people to share their thoughts on what’s working, what’s not and what improvements could be made, she says leaders need to spend time in the general workspace to gauge overall employee morale.

“Listen to how happy people are. Do they laugh? Do they seem to get along? How much do they volunteer to help somebody else on their team when they sense that there’s a deadline to be met? All of that stuff can give you hints as to how engaged your people are with the job,” she says.

You're recognizing them for working hard, but you're telling the others at the same time, ‘You’re not working hard enough.’
—Philip Schneidau, CPM

“I try to assess people’s skills and what their ambitions are, and I try to channel their strengths in those directions,” she says, “because the more they know, the more productive and empowered they become, and the better they’ll feel because they’re getting ahead.”

Peralta mostly works with independent contractors, rather than full-time employees, so she also uses referrals to reward people who consistently hit the mark. She says her service providers, from cleaning services to locksmiths, work hard to earn those referrals because they help drive long-term business growth. “To me, that’s worth more than any bonus,” she says.

Measuring up
Regardless of what type of rewards a business might offer, leaders need to clearly communicate how they’re measuring team member success. Sometimes, employees fall short simply because they don’t know how they’re being assessed.

“Put it in writing,” says Peralta. “Sit down and have clear conversations. Follow up with memos or texts so that you have a written record of what was discussed and agreed upon.”

To avoid spending time and money on incentive programs that aren’t increasing engagement, Harmon also suggests taking the temperature of the team on a regular basis. In addition to asking people to share their thoughts on what’s working, what’s not and what improvements could be made, she says leaders need to spend time in the general workspace to gauge overall employee morale.

“A great culture will encourage that,” Harmon says. “If people feel personally valued for their talent and contributions, they’ll put forth as much effort as is needed to succeed.”

Tegan Jones is a contributing writer for JPM.
The rise of short-term rentals

Why short-term rentals are becoming more sought after than ever before

By Jeff Bettinson, CPM

I spent 18 years managing all types of properties, from office strip centers, grocery-anchored spaces, various types of offices, power centers and most recently a regional mall in Utah. I had the opportunity to strike out on my own by purchasing a franchise from iTrip Vacations, a short-term rental management company based in Nashville, Tenn., with over 80 franchises and over 3,000 properties managed across the U.S. and Canada.

You might be thinking that short-term rental management is more closely related to the hospitality industry, and why would an article on short-term rentals be included in JPM? I would make the argument that all property management is part of the hospitality industry, given that the definition of hospitality is “the quality or disposition of receiving and treating guests and strangers in a warm, friendly and generous way.”

In every company I’ve worked for, customer service has been the top priority for property management. To create an environment where shoppers, employees and guests of tenants walk onto the property and feel welcome, safe, comfortable and eager to return time and again is crucial to having a successful business.

And just look at some of the amenities now being offered in office buildings—everything from workout and game rooms to restaurants and bike storage. Those sound a lot more like things you find at a resort, yet they’re becoming more desirable and more available in commercial properties.

Shopping centers and retail stores are now all about creating an experience, offering valet parking, free Wi-Fi, comfortable resting areas, free events and much more. The goal?

The fastest growing segment of hosts is women over the age of 60.

There are over 2 million people a night staying in Airbnb-hosted properties.
To welcome shoppers in the warm, friendly and generous way that defines hospitality.

**Evolution propelled by the internet**
A short-term or vacation rental is anything rented for less than 30 days. Short-term rentals, whether a cabin, beach house or something else, have been around for many years. In fact, the very first vacation rental dates back to the 1600s, when Louis VIII used the Palace of Versailles as a hunting lodge. But urban listings have exploded with the advent of websites such as VRBO (the first online listing site, created in 1995), Airbnb (not on the scene until 2008), Homeaway, TripAdvisor, Booking.com and many others.

Many hosts, as those offering properties for short-term stays are called, are do-it-yourself types who manage their own properties. But professional management companies such as iTrip Vacations have grown more commonplace with professional investors. These investors are becoming more interested in this asset class, which often produces returns that typically surpass those of long-term rentals. What advantage does a professional property management company like iTrip Vacations bring to the table versus a DIYer? Digital marketing campaigns, SEO strength, artificial intelligence and turn-key automated processes, pricing strategies, and adaptation of technology to increase bookings and revenue are just a few of the advantages.

**Although similar...**
Short-term rental management is not all that different from managing larger assets. The skill and knowledge bases are very similar, encompassing contract negotiation, vendor management, customer service and communicating with tenants. But one significant difference is that you don’t have to worry about collections. Also, if the tenant is undesirable, you only have to tolerate them for a short time, or you can legally remove them from the premises without the hassle of eviction if they do not obey house rules.

One more major difference is the amount of time spent on rate management. This is where the link to the hospitality industry is strongest. Setting your nightly rate and forgetting about it is not an effective rate-management strategy. Knowing what your competition is doing and how you are priced is critical, as is knowing what the occupancy of the area is at all times during the year. Keeping track of the high occupancy times to take advantage of supply and demand and adjusting your rate accordingly will increase your revenue.

For example, in September, Salt Lake City is host to a large convention for a direct sales company that fills up hotels. Rates for short-term rentals are typically more than three times higher during the convention than the normal nightly rate for the year.

**Not without obstacles**
The biggest challenges facing the short-term rental market appear to be in establishing city regulations and ordinances, as well as HOA rules, which serve groups with opposing viewpoints. The pull between property rights and city and neighborhood planning is quite evident. And while many people enjoy traveling and using online rental services, there is a strong component of people who do not want it in their backyards. But the business model isn’t going away anytime soon. As it develops, its inclusion and effect on the property management landscape will continue to develop.

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**In 2017, Homeaway predicted the short-term rental industry would double by 2025.**

Currently there are over 650,000 listings on Airbnb in the United States.
Funding the future

Elaina Tattersdale believed just one person could make a difference. A new fund in her name aims to inspire that passion in others.

By Matt Schur

It had long been Elaina Tattersdale’s dream to create a more sustainable world. After spending several years working in real estate, the 35-year-old mother of two wanted to start doing more environmentally friendly work. But in June of 2019, she was diagnosed with stage 4 colon cancer.

Her parents, IREM president Cheryl Gray, CPM, and Cheryl’s husband, Rick Gray, CPM, set aside money for advanced treatments. But the disease acted quickly; Elaina died 77 days after being diagnosed. “As we talked as a family, it was important for us to honor her and create something that had meaning to her,” Cheryl says.

Cheryl and Rick never got the chance to use the money they set aside for treatments. But in June of 2019, she was diagnosed with stage 4 colon cancer.

Her parents, IREM president Cheryl Gray, CPM, and Cheryl’s husband, Rick Gray, CPM, set aside money for advanced treatments. But the disease acted quickly; Elaina died 77 days after being diagnosed. “As we talked as a family, it was important for us to honor her and create something that had meaning to her,” Cheryl says.

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The IREM Foundation will begin awarding grants that drive sustainability within the commercial real estate industry later in 2020. For more insight, JPM spoke directly with Cheryl about her family’s vision for Elaina’s Sustainability Fund.

How will the fund work?
Cheryl Gray: The purpose is to review any applications that come in for funding that are generally supportive to advancing sustainability. And when I say sustainability, I mean things that will improve the environmental footprint. So it could be reducing demand for resources or utilities. It could be a more sustainable building material, planting more trees around your

For more information about Elaina’s Sustainability Fund, including how to make a donation or apply for a grant, visit irem.org/elaina. Donations can also be made via a check mailed to: IREM Foundation, 430 N. Michigan Ave, Chicago, IL 60611. Please include “Elaina’s Fund” in the memo of the check.
building or an innovation that needs to have some funding to support an experiment. We have left it fairly broad.

But it is intended to be something that recognizes leadership and is either innovative or might not otherwise get off the ground.

Can you walk us through how this might work in theory? Let’s assume a firm wants to undertake a study to implement new technology that will improve air quality. Because the technology has never been tried before, they want to take a floor and do before-and-after measurements. It may not be something they have in their budget, but it’s innovative and something that will improve occupant wellness. Through the IREM Foundation, they would be able to apply for money for that initiative.

Why was sustainability so important to Elaina? It was always important to her. She talked about it a lot with us. Elaina was just an old soul—she was very considerate of a lot of things and of people. She was very aware of the consequences individuals have and the impact we have on the world. She always valued initiatives like recycling and energy conservation. And I think for her personally, she felt that there may not be an obvious, immediate impact to the actions we take today, but there would be in the future. So we have to start talking about it and changing our practices now.

From a broader perspective, how can this help the industry? There are still naysayers. There are still financial impediments. But there’s a way for us to recognize individuals who may be a little bit ahead of their time. You have to be able to experiment and keep moving the needle. And that’s what the fund is intended to do: continue to advance our performance in this space in the real estate industry.

The buildings that are being built today would have been considered “green” in more revolutionary ways 15 to 18 years ago. Things are improving and changing, but the majority of existing buildings need modifications to make them more environmentally friendly. Unfortunately, sometimes the return on investment is not always obvious. But if you do nothing, then nothing changes.

What is it about property managers that makes them so valuable in this fight? Property managers impact the lives of all people through the spaces where we live, work and play. Property managers have a responsibility to ensure that these spaces positively influence the wellness and the lives of those who use them.

We are there day in, day out. We’re the fixers, the problem solvers, and in many cases, the innovators. There’s an opportunity for us to affect all of those things by how we operate, how we repair it, how we maintain it, how we replace it and by making those selections on what is done.

What will be the fund’s impact? I think it’s twofold. It’s allowing people access to funds to take a risk and also showcasing an individual or a group that may have done something innovative. The fund gives them visibility to others in their industry so more people can be encouraged to implement sustainability initiatives.

What advice would you give to someone applying? Don’t think you have to start big. Don’t think you have to come up with a massive program around advancing sustainability in your building or your portfolio. Think about one thing that would be worth your time to try to do, and that is one thing better than where you were. It’s about advancing and continuing to move forward, rather than thinking, “I need to eat the elephant in one bite.”

Looking ahead, what do you hope to see happen? I have a lot of hope that we’re going to see some great things, but I’m also realistic enough to say, we’ll start slow, and we’ll learn as we go. But it’s comforting to know that not only will my daughter’s name be memorialized in something that she was passionate about and our family believes in, but also that we’re supporting the IREM Foundation and all the great work that they do.

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Think small

91% Of plastic isn’t recycled

35% Estimated current recycling rate in the United States

348 Terawatt-hours could be saved through widespread use of LED lighting in the U.S. by 2027 (compared to no LED use), the equivalent of the output of 44 large electric power plants

$30 billion Projected savings from widespread use of LED lighting by 2027

Sources: Science Advances, United States Environmental Protection Agency, U.S. Department of Energy
New York’s governor, the honorable Andrew Cuomo, signed into law the Statewide Housing Security & Tenant Protection Act of 2019 last June. The act is one of the strongest tenant protections laws in the country.

A few months later, the California State Assembly passed Assembly Bill 1482, which caps rent increases at 5% annually, plus inflation, until January 1, 2030. It also bans landlords from evicting people for no reason, meaning they cannot evict a tenant in order to raise the rent for a new resident.

Both acts by state legislators in these two larger-than-life rental states have sent real estate property owners and managers everywhere into a time of uncertainty, claiming foul against private property rights, as other states look to follow suit.

From the East...

Let’s start by breaking down the changes to New York’s rental law. The act protects all potential tenants who submit an application for housing throughout the state. The amended law now says that “no landlord shall refuse to rent or offer a lease to a potential tenant on the basis that the potential tenant was involved in a past or pending landlord-tenant action.” In addition, application fees are now capped at $20, and late fees have been restricted to a five day stay from due date and capped at $50 or 5% of the monthly rent, whichever is less. Returns on security deposits must now take place within 14 days of the tenant vacating the rental unit, with a written explanation for any amount of the security deposit that has been retained.

Now let’s talk about the amended New York eviction requirements. If the tenant does not pay rent when it is due, the landlord can give the tenant a notice informing them that they have 14 days to either pay rent in full or move out of the rental unit. If the tenant takes neither of these actions, the landlord can file an eviction lawsuit with the court at the end of the 14 days. However, tenants who petition the court and ask for more time when their landlord starts an eviction case against them automatically get 14 more days. And when the marshal comes to evict them, they get 14 days there, too, instead of 72 hours.
There were also changes to the major capital improvement requirements. Individual apartment improvements (IAIs), which permitted property owners to increase rents based on improvements made to individual units, are now capped at $15,000 every 15 years. Major capital improvements (MCIs), which allowed property owners to increase rents based on the costs of building improvements, are now capped at 2%.

Lastly, there are no exemptions for owner-occupied, 1-to-3 family units. Security deposits have been capped at one month’s rent, and there is no more vacancy and income deregulation on rent stabilized or controlled units. Furthermore, all condo conversions must have a buy-in of 51% of tenants versus the previous 15%.

Wondering how landlords in New York will continue to invest or hold their investments? There will be difficult decisions to be made by many landlords operating in the state over the next few years, and their decisions will affect other real estate practitioners.

However, there has been legal reaction to the New York legislative changes. A group of landlords and five real estate groups, including the New York State Association of REALTORS® along with the National Association of REALTORS®, have signed onto a lawsuit against the state citing that New York’s new rent law violates the U.S. Constitution’s Fifth Amendment, which includes a clause that bars the taking of private property without “just compensation.”

...to the West

Although not as lengthy as New York’s rent control legislation, California passed a measure last October which limits rent increases to 5% (plus local inflation rates) annually from January 2020 through December 2029. While the law didn’t take effect until January 1, it applies to rent increases on or after March 15, 2019, to prevent landlords from raising rents before the caps went into place.

The California legislation also addressed eviction laws. In the past, if a property owner wanted to sell their unit or make major renovations, owners had an opt-out provision in the lease known as “no-fault just cause.” The new law states that the landlord will still have the right of a “no-fault just cause” eviction, but this can only be enforced if that tenant has occupied the unit for less than one year. All other evictions must be “just cause” evictions. However, the landlord may need to offer the tenant relocation assistance (i.e. buyout) of one month’s rent.

The new law will not affect all California properties like the new law in New York. Properties built within the last 15 years are exempt from the new law, as are owner-occupied properties with no more than two rooms or units. In California, there have been speculations that owners and managers may file a lawsuit against the state opposing the new requirements.

There is no doubt that as real estate professionals, we promote and abide by the local and federal laws that govern Fair Housing, and we want tenants to be treated in a fair and just manner. However, with these laws now in effect in New York and California, it is only a matter of time before many more states look to implement more stringent tenant protection guidelines.

It is a new world for us in the real estate management industry as we learn to navigate the new tide while helping our clients maintain their investments.

Dawn Carpenter, CPM, is president and corporate real estate broker for Dawning Real Estate, AMO, in Staten Island, N.Y. She is also a senior vice president on IREM’s 2020 Executive Committee.

IREM members: Do you or your chapter have an advocacy success story you would like to share? IREM wants to hear about it!

Whether it’s just a couple of sentences or an article with all the details, send your stories to iremlegislation@irem.org, and they could get published in a future edition of the Government Affairs Digest, distributed monthly and available to IREM members at irem.org.
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We’re collaborating with Realcomm on a special pre-conference education event on June 2 for commercial and residential property managers. This half-day program will provide attendees with the knowledge and skills they need to stay on top of technology’s latest developments as they pertain to the real estate industry. The Realcomm conference takes place June 3-4.

Visit irem.org/2020realcomm for more information and to register.

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**David R. Bales, CPM**, accepted a new position earlier this year with Millennia Housing Management, based in Valley View, Ohio; he is the firm’s new executive vice president for operations, operating out of Orlando, where he previously worked for Pinnacle Property Management, AMO. Frank T. Sinito, CEO of The Millennia Companies®, states, “[Bales] will bring his expert knowledge of operations, compliance and leadership development to us as we continue to build the operational capacity of our company.”

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**Clay Hicks, CPM**, and president of the Houston-based Dinerstein Companies, was recently installed as the 2020 president of the Houston Apartment Association (HAA). In his interview with the HAA publication Abode, Hicks says of his appointment, “I’m going to ask why a lot...Asking why will challenge people to think, to innovate and to improve. If I can influence, even on a small scale, a culture of continuous improvement, I will feel like I’ll have done my job as president for 2020.”

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**Christy Sanchez, CPM**, has come on board as vice president of property management at The Bainbridge Companies, based in Wellington, Fla. Sanchez herself will be based in Austin and oversee global operations of Bainbridge’s management portfolio and support business development for the company’s third-party management division. She brings more than 20 years of industry knowledge to the position, having most recently conducted business for Alliance Residential, AMO, as a regional vice president.

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After joining WPM Real Estate Management, AMO, of Owings Mills, Md., as a leasing agent in 2015, **CPM candidate William Scott Severn** will now serve as the firm’s business development coordinator. His new role will call on him to use his onsite multifamily experience to support the company’s ongoing growth and outreach in the community, with a focus on expanding the breadth of the company’s portfolio across all lines of business.

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The Milwaukee Business Journal has recognized **Outlook Management Group LLC, AMO**, in Muskego, Wis., as one of its Best Places to Work in southeast Wisconsin. The awards honor businesses that establish a positive working environment built on trust, recognition and engagement. Outstanding workplaces are selected based on the results of surveys taken by employees who rate different core areas such as alignment with goals, communications and resources, and overall job satisfaction.
## On the road

### March

**3/2-5**
Officer & RVP Meeting  
**Location:** Chicago  
**Visitor(s):** All Officers

**3/9-14**
South Africa Visit  
**Location(s):** Cape Town/ Johannesburg  
**Visitor(s):** Cheryl Gray, CPM

**3/10-11**
Capitol Hill Fly-in  
**Location:** Washington, DC  
**Visitor(s):** W.A. “Chip” Watts IV, CPM, CCIM  
George D. Griffin III, CPM, CCIM

### April

**3/19-20**
Governance Task Force Meeting  
**Location:** Chicago  
**Visitor(s):** W.A. “Chip” Watts IV, CPM, CCIM  
Denise Froemming, CAE, MBA, CPA

**3/29-4/1**
RLI Conference  
**Location:** San Antonio  
**Visitor(s):** George D. Griffin III, CPM, CCIM

**4/8-9**
Utah Chapter Visit  
**Location:** Salt Lake City  
**Visitor(s):** W.A. “Chip” Watts IV, CPM, CCIM

**4/14-18**
ARES Annual Conference  
**Location:** Fort Myers, Fla.  
**Visitor(s):** Cheryl Gray, CPM  
Denise Froemming, CAE, MBA, CPA

**4/19**
2021 Officer Round-up  
**Location:** Chicago  
**Visitor(s):** W.A. “Chip” Watts IV, CPM, CCIM  
George D. Griffin III, CPM, CCIM

**4/20-22**
Chapter Leadership Retreat  
**Location:** Chicago  
**Visitor(s):** All Officers

**4/22-23**
Officer & SVP Planning Meeting  
**Location:** Chicago  
**Visitor(s):** All Officers

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We have five generations in the workplace. So the same old, same old doesn’t work anymore. P 30

We’re the fixers, the problem solvers, and in many cases, the innovators. P 35

The traditional methods of differentiating your property—superior customer service, curb appeal and promotional offers, for example—are no longer sufficient to attract and retain tenants. With more prospective tenants filtering for apartment communities online, differentiation has taken on an entirely new profile. P 26

I would make the argument that all property management is part of the hospitality industry. P 32

Greeting people with a ‘May I help you’ oftentimes makes all the difference in creating a safe environment. P 18
Let inspiration lead the way

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