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PROPERTY MANAGEMENT Quarterly

Property managers keen on standard improvements

Photo by Brad Nichol Photography

Tenant standard upgrades can include new carpet and paint, an abundance of glass, full-height doors, new ceiling grid and efficient recessed lighting.

Do property managers feel compelled to toil over the smallest details like door hardware and ceiling tiles these days? After all, it's clearly a landlord's market and that is not changing anytime soon. Rental rates metrowide are at an all-time high. Tenants are competing for office space in a leasing environment hovering at 11 percent vacancy. Out-of-state investors are snapping up office buildings at above-market prices. So is it logical to assume that property managers and the landlords they represent dial back on any kind of building improvements? Hardly; in fact, it is quite the contrary.

Katie Bisgard
Senior project manager, Kieding, Denver

Property managers are always aware of the details, in every market cycle, through every peak and trough. Some managers do this more than others, which can distinguish one property class from another. While a great many office buildings are upgrading high-profile areas like lobbies or landscaping, just as many are choosing to punch up building and tenant standards, like lighting, doors, frames and myriad other features that tenants and visitors often find easy to miss.

Think of a 20-year-old car in good running condition. Would you take note of the front bumper every time you glanced at the vehicle before getting in? Most of us probably would not. However, would you notice if one day that same bumper was suddenly a different color and brand new? Let's assume that you would pick up on that. Building and tenant standards can have a similar impact on prospective tenants and buyers.

Individually, these improvements rarely make a splash. But if properly packaged and upgraded, a tenant standard "program" can significantly raise the aesthetic profile of a building.

The majority of office buildings in Denver across all submarkets and classes were built in the mid- to late-1980s. The condition of these buildings varies, depending on location, ownership, tenancy, demographics and a dozen other factors. But they are all considered "functionally obsolete." That does not necessarily have

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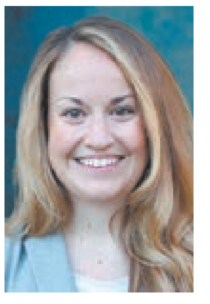
Letter from the Editor

The LEED conversation

Every week it seems another Colorado building is recognized for LEED certification. In fact, in 2014 Colorado was second in the nation for LEED green buildings, according to the U.S. Green Building Council. LEED-certified buildings use less energy and water resources, save money, reduce carbon emissions and create a healthier environment, according to the USGBC.



LEED is even more on my mind after I attended the USBGC's Rocky Mountain Green Conference in early April. One topic that came up several times throughout the event was the intangible benefits of LEED certification. In a panel about next-generation energy management, Adam Knoff from Unico Properties shared the perspective of how investors view sustainability projects, as well as the financial metrics to which investors pay attention. The tangible cost savings as they relate to a building's operational, maintenance and administrative cost are very important, he said.

However, the intangibles – increases to occupancy, increased tenant satisfaction and improved productivity, and positive reputation – are hard to show on paper. There's not enough data to show that these intangibles are really impacting the investment, he said.

In a later panel, a speaker said that while owners now recognize the benefits of certification, in large part due to a cultural shift, typically they still like to see the payback in a two- to three-year window. And while the certification can create a higher asset value and keep a building competitive, in Colorado's hot market it's challenging to see how much people care specifically about the certification and how it affects tenancy.

In the coastal markets, properties with LEED certification can demand higher rental rates, but that hasn't happened here yet, said Eric Weisenstein of Transwestern.

I left the conference with another takeaway – when pursuing certification or recertification, it is smart to work with a consultant. Four property managers on a panel all resoundingly and repeatedly stressed this.

Consultants are valuable to help navigate the required documentation and aid in a smooth, productive process. They can help determine what certifications and credits a property should plan for, and consultants have strong relationships with the certification teams. One manager said that in order to properly become certified, managers have to follow a "perfect recipe," which consultants understand better than anyone else.

I hope you'll find this issue to be chalk full of useful information, including a sustainability highlight as well as a wide variety of other topics. As always, I must thank all those who participated in this issue. And I welcome your feedback.

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Taxes

New income tax rules: What you must know

The Internal Revenue Service recently issued the final Tangible Property Regulations, which clarify when building owners need to capitalize expenditures as improvements and when they can immediately deduct them as repair expenses. For real estate owners who understand these new rules, the TPRs are mostly favorable and allow many to claim millions of dollars in previously missed deductions. However, the TPRs require additional effort to be in compliance and to optimize their effect.

The TPRs are all encompassing and complex, and implementation requires careful consideration of each property owner's facts and circumstances. Numerous real estate owners as well as tax professionals have struggled with compliance aspects under the TPRs. In addition, property owners may need to devise new accounting procedures to capture the necessary data to implement these regulations. Below is a summary of key facets of the new tax law.

John Frack
Regional director, KBKG, Pasadena, Calif.

Partial dispositions. Prior to the TPRs, the IRS's position was that owners cannot deduct the tax basis of building components, such as roofs, heating, ventilating and air-conditioning equipment or windows that have since been removed. The new rules allow owners to take losses on the undepreciated basis of these components, which can be very valuable. For the 2014 tax year only, the IRS allows a simplified approach to write-off disposed building components that were removed prior to 2014. This window of opportunity is closed after Sept. 15 (the extended due date of most 2014 returns).

Review past expenditures. The new regulations allow owners to review their fixed assets for capitalized expenditures that are more akin to maintenance and repair expenses and immediately deduct them. Replacing roofs and HVAC units often are capitalized but can be written off immediately, yielding significant tax savings. Conversely, owners who were overly aggressive in immediately deducting capital expenditures should review prior year repairs registers as well as their current year capitalization policies.

Demolition costs. Under prior law, owners were required to capitalize removal costs into the basis of the new asset. Now owners immediately can deduct component removal costs. This does not apply to demolition of an entire building. Owners should request that contractors state removal costs separately on invoices, and then immediately deduct such expenditures.

Cost segregations have increased relevance. Cost segregation studies have traditionally focused on accelerating the timing of deductions by carving out personal property and land improvements, which have favorable tax attributes, from building costs, which have poor tax attributes. Under the TPRs, cost segregations have increased utility in quantifying the costs of removed components, such as an old roof or HVAC components, since taxpayers are allowed to take losses on them.

Retirement of structural components example

A taxpayer acquired a $5 million building in 2009.

- In 2012, he spent $1 million to remodel portions of the second floor – ceilings, walls, lighting, plumbing, ducting, electrical wiring, etc.
- Cost segregation already was performed in prior years for the 2009 purchase and the 2012 improvements.
- The retirement study determines the original cost basis of demolished components is $470,000 (from the original $5 million building).
- This equates to a loss of $404,000 in 2014 tax year by filing Form 3115. (The original cost basis less depreciation already taken.)

You cannot claim this missed deduction after 2014. It is the last chance!

Retirements create permanent tax savings example

Using the previous example of a $5 million building with $470,000 of retirements. If the owner continues to depreciate the $470,000, he recaptures all of it on sale.

- Let's say $370,000 of that was 39-year and $100,000 was seven-year property.
- The recapture tax equals $127,500 ($370,00 x 25 percent + $100,000 x 35 percent).

If instead, the owner does a retirement study:

- Recapture tax on the $470,000 = 0.
- Capital gain tax = $94,000 ($470,000 x 20 percent).
- Permanent tax savings of $33,500 upon sale.

Action Needed

Those who manage real estate portfolios should be reviewing these regulations with a tax professional as well as reviewing past expenditures to identify opportunities or exposure items and current policies to ensure compliance. For property owners, managing this effort may require assistance from a third-party team that can efficiently handle the process of gathering, analyzing, documenting and securing any missed deductions.

There is no easy, one-size-fits-all way to analyze these rules and applying them takes careful planning and implementation to assure compliance with the regulations. Consulting with a knowledgeable tax professional in advance of incurring major repair, maintenance or replacement costs is strongly recommended.▲

Taxes

Strong market supports higher real estate taxes

Dan George
1stnet Real Estate Services Inc., Lakewood

Colorado commercial real estate property owners should be aware that the 2015 notices of value are being prepared by Colorado county assessors and will be published by May 1. If you, as an owner, manager or tenant of the property, do not agree with the value the county assigns to your property, you have the option to appeal the value.

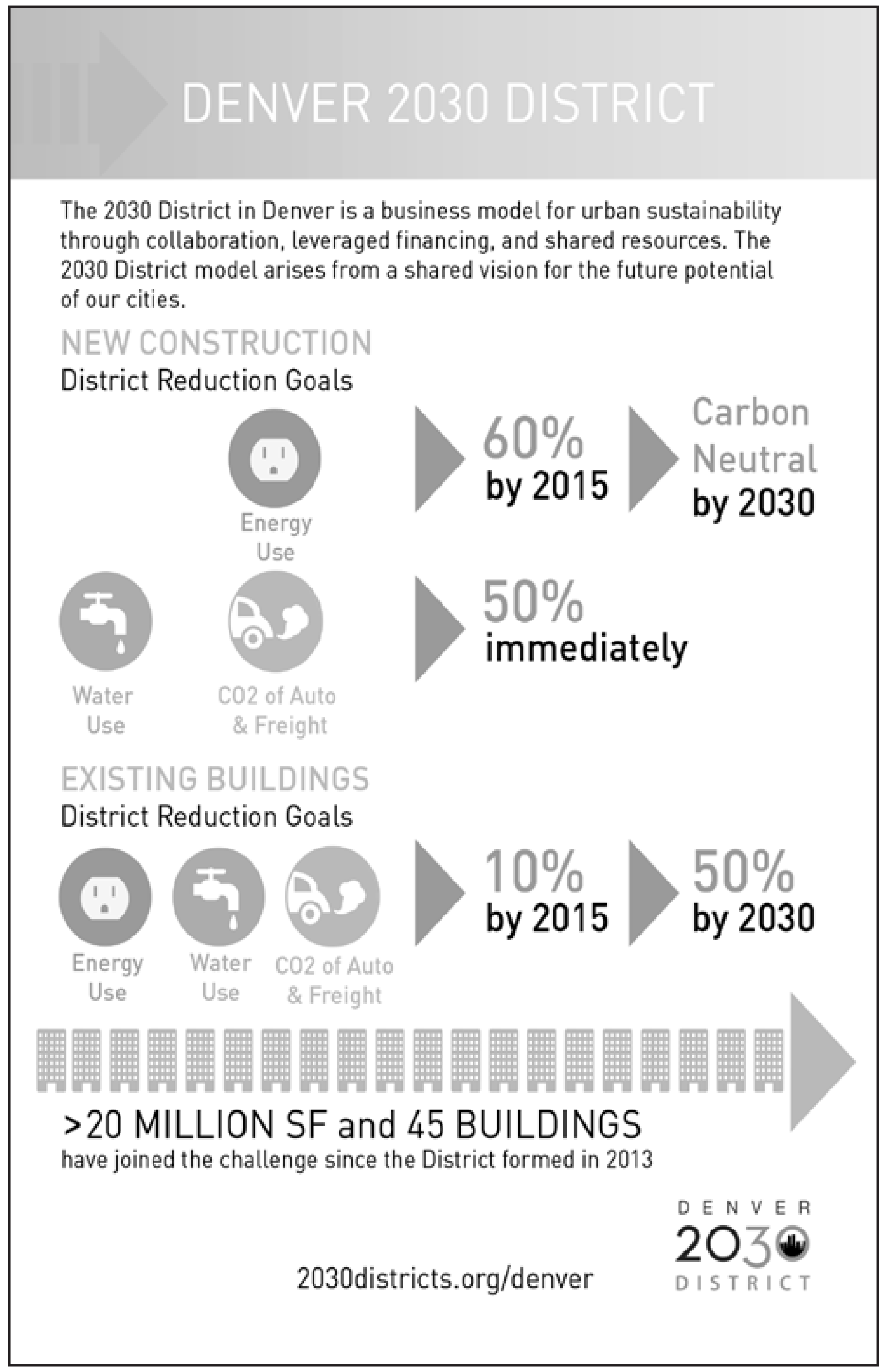
Upon receipt of the notice of valuation, if you choose to appeal there is a specific form contained in the NOV that can be used. All appeals must be postmarked or received by each county, pursuant to state statute, by June 1, which falls on a Monday. The county then has 30 days to act on the appeal.

Understanding how the assessor values property will help in structuring the value appeal. Assessors, by law, look at sales and income approach data that occurred between Jan. 1, 2013, and June 30, 2014, to determine the property's estimated value as of Jan. 1, 2015. Using a computer-assisted mass appraisal, the assessor files all of the sales data that occurred in the county. It grades the buildings by condition (if you pulled a construction permit, that information is entered as well) and by using a sales-comparison analysis to determine a value for each property. It also develops a cost approach as well as income approach as part of the process of valuing commercial property.

To determine if an appeal is necessary, it will be critical to review the value and determine if it is appropriate, based on the actual income and condition of the property valued during the study period. If your property experienced any factors that would negatively impact the value, an appeal should be considered.

Once the NOV is reviewed, you will know whether there is a call to action. If there is, the actions taken by the consultant on the client's behalf, more times than not, save the owner crucial dollars.

Keep in mind, proceeding to get the assessed value lowered without use of a consultant is not a simple task. The assessment appeal procedures and deadlines are exacting and complicated. The Colorado law is hundreds of pages backed up by hundreds of pages in the Assessor Reference Library. Submitting an appeal that meets the requirements of the county assessor is not easy. An experienced property tax professional will be familiar with the differences in each county's appeal procedures. In addition, consultants have a strong understanding of appraisal principles and knowledge of the specific state statutes, and county and Board of Assessment appeal procedures. Moreover, most consultants have relationships with many county staff appraisers. These relationships are an important aspect of an appeal.▲



Legal

Why proper legal names on leases matter

What's in a name? A rose is a rose, or so they say. That may not prove true in the case of garnishing a tenant's bank account or making a claim on a tenant's insurance policy. In instances such as these, the true legal name of a tenant can be essential.

Generally speaking, a commercial tenant is a limited liability company, some form of corporation or partnership, or an individual doing business under a trade name. More often than you think, the true name of the tenant is misstated in the body of the lease, leading to a host of issues that easily could be avoided. The identity of the tenant comes into play in a number of circumstances, including bankruptcy, a tenant default or even a casualty.

In some cases, the true identity of the tenant is given little thought. In fact, it is not uncommon for an attorney to receive a request to draft a lease based on a letter of intent that sets out all of the major deal points but fails to identify the tenant or the guarantor(s) with particularity. This information is often inserted in the lease agreement at the 11th hour, just prior to lease execution and, sometimes, without good legal counsel, haphazardly. In other instances, the tenants referenced in the body of letters of intent are either entities that have not yet been formed or are out-of-state entities, which have not yet registered with the Colorado secretary of state. Registering with the state can be accomplished with a few clicks of a mouse and the payment of a nominal fee.

Amanda H. Halstead, Esq.
Member, Mills, Schmitz, Halstead, Zaloudek LLC, Denver

Before executing a lease, it is always a good idea to confirm that an entity or trade name is registered with the Colorado secretary of state and that you are using the correct legal name of that entity in the body of your lease. These records can be found online at www.sos.state.co.us. This information is provided free of charge.

It is also a good idea to review copies of the business entity's governing documents. These documents should disclose who the owners and principals of the tenant are and their respective percentage ownership interests. This information could be helpful if there is a change in ownership constituting an "assignment" for purposes of the lease. It could also be helpful in determining from whom the landlord should consider obtaining a personal guaranty. Perhaps most importantly, these documents identify the party authorized to execute the lease on behalf of the tenant, which is information that could help a landlord avoid any potential argument by a tenant – no matter how weak – that the lease is unenforceable because the appropriate party did not sign it.

In an ideal world, the tenant identified in your lease should be consistent with the legal name of the tenant registered with the secretary of state, the tenant identified in the certificate of insurance provided by the tenant, and the name on any checks tendered for rent.

What does this all mean for a landlord? For starters, a misidentified tenant could make asserting an insurance claim or filing an action against a defaulting tenant more cumbersome. Specifically in the case of a tenant default, it could mean that additional claims under alternate legal theories must be asserted in order to obtain a judgment against the true entity. At the end of the day, this means more money and more time before a judgment can be obtained.

It might also make obtaining personal service on the tenant more challenging. (Remember that one of the primary functions of the Colorado secretary of state's website is to provide information for the registered agent for an entity. The registered agent is the party authorized to be served on behalf of the entity.) If you don't have the correct tenant name, it may be difficult to determine how to obtain service.

And perhaps most importantly, if you obtain a money judgment against the wrong entity, it can make collection next to impossible. By way of example, if the name you obtain judgment against does not match the name on the actual tenant's bank account, you can't attach to those funds.

At the end of the day, an ounce of prevention is worth a pound of cure. Taking a few minutes to review an entity's governing documents and the information available on the Colorado secretary of state's website before signing a lease could save you time and money at a later date. This, coupled with periodic reviews of the certificates of insurance and the source from which rental payments are received, could make life a little easier if the tenant should default or in the event there is a need to file an insurance claim.▲

Helpful websites

To confirm that an entity or trade name is registered with the Colorado secretary of state, visit the department's website, www.sos.state.co.us.

Also, consider confirming whether the tenant or its principals are a "specially designated national and blocked person." This information can be accessed on the U.S. Treasury Department Office of Foreign Assets Control's official website, www.treas.gov/offices/eotffc/ofac/sdn/t11sdn.pdf.

Legal

Does your lease contain these marijuana clauses?

Donald "Corky" Eby
Attorney, Robinson and Henry PC, Castle Rock

Kayla Weeres
Law clerk, Robinson and Henry PC, Castle Rock

Recreational and medical marijuana are legal in Colorado. However, this does not mean that landlords are required to allow the drug on their property, not even medical marijuana. In fact, allowing marijuana creates risks to property owners that all landlords should be aware of before allowing it because medical and recreational marijuana are illegal federally.

Because all marijuana is illegal federally, allowing a person to possess, sell or grow marijuana on a property can put that property at risk of seizure by the federal government. Additionally, an owner who knowingly allows the possession, cultivation, use or distribution of marijuana on his property is at risk of being classified as a conspirator to a federal crime, which carries a punishment of up to 20 years in prison and a fine of up to $500,000. And, let's not forget about issues like mortgage obligations, insurance, zoning and neighbors.

Fortunately for property owners in Colorado, the federal authorities have taken little action against Colorado properties when that property is used in a marijuana business that sells or grows marijuana in accordance with state law. However, that policy is simply that – a policy, not a law – and thus the policy may change without notice.

The marijuana industry in Colorado is a very lucrative business. The industry sells tens of millions of dollars worth of marijuana per month. In 2014, the recreational and medical marijuana industries were collectively responsible for around $700 million of retail sales. Thus, many property owners are interested in a piece of that action.

Landlords in Colorado have two options: allow marijuana or not allow marijuana. Either way, a landlord should ensure that his lease specifies his intent to allow or not allow it on the leased property.

Not Allowing Marijuana

When a landlord decides not to allow marijuana, he should explicitly state in the lease that marijuana is not to be sold, grown, used or possessed on the property. This specificity has numerous landlord benefits.

First, specifically stating that marijuana is not allowed on the property will give the landlord an avenue for recourse in the event that the tenant possesses, sells, uses or grows it on the property. Specifically disallowing marijuana makes a breach of the lease clear and eviction easier.

Second, in the event that a federal agency seizes the property as a result of marijuana activity, that specific clause could help prove that the landlord did not knowingly allow the illegal activity. This is important because when the federal government seizes leased property, the owner may assert an "innocent owner" defense to recover possession of his property. If the owner was indeed ignorant of the activity, but not through willful ignorance, the seized property may be returned to the owner.

Allowing Marijuana

If a landlord decides that he wants a piece of the marijuana brownie, the landlord should ensure that the lease has certain provisions to protect from risks and nuances associated with marijuana tenants.

Marijuana tenants often need high levels of security. As such, the lease should specify the security provided by the landlord, methods of obtaining additional security and how the security systems will affect the lease charges.

Additionally, certain marijuana operations require increased electrical and water capabilities. Marijuana-grow operations require a lot of electricity and water in order to replicate the appropriate conditions for growing it. A good lease will ensure that the tenant will pay for the increased utilities, as well as control how the building may be modified, what modifications are allowed and who will pay for the modifications.

Another major issue that landlords of marijuana tenants face is how the tenant pays the rent. These businesses are unable to work with most banks and credit unions. Accordingly, marijuana clients tend to pay in cash because normal banking services like credit cards, debit cards, checking accounts, wiring services, etc., are not available. The landlord should specify in the lease how the tenant may pay the rent.

Also, physical damages to a property from grow operations can be significant. The required extra water and electricity creates an environment that is likely to cause mold growth. Following the tenancy of a grow operation, the repair and remediation costs can be substantial. Thus, in addition to increased rent, an increase security deposit is advisable as well as the unencumbered right of entry for inspection.

Finally, a landlord needs to ensure that his insurance provider will cover damages done by a marijuana client. If additional insurance is needed, the lease should specify who will pay for it.

Other things to consider are how the property's lender will feel about the activity and does the lease violate the terms of your financing agreement, as well as issues with neighbors and zoning.

The decision of whether to rent to a marijuana tenant is the choice of the property owner. Either way, the lease should specifically detail the agreement of the parties.▲

Insurance

Important questions for your insurance broker

Chris Rockers
Partner, Claim Solutions Group, Northglenn

All property managers and building owners should know if their buildings are properly insured, who they relied on to obtain the existing coverage, and understand the policy terms and conditions. Property managers should review the policy, often 80-plus pages, to ensure the coverage provides indemnification if the buildings are damaged by a covered peril. It is important to be fully aware of your property and casualty insurance coverage because it may have a direct impact on leasing and tenant revenue, maintenance costs and the overall profitability of your properties.

Owners and property managers turn to experienced and reputable professionals to provide insurance coverage on properties and businesses. An insurance broker is a professional who provides a valued service in offering a comprehensive policy specific to your needs and to protect the properties in the event of a loss. In return for a premium, the insurance company assumes the risk of covering costs to repair, rebuild or replace the damaged buildings caused by covered perils, per the terms and conditions of your policy.

To obtain the necessary replacement cost coverage, you want assurance your policy covers rebuilding at today's pricing (not the market or appraised value). Many mistakenly believe the properties are protected if the policy limit is near the purchase price less the value of the land, which is not insured. Having adjusted numerous property claims on behalf of property owners, all too often we find the owner is underinsured – don't make this mistake.

In addition to limits pertaining to the building coverage, the policy also will specify limits for business personal property, business interruption or a loss of income, coverage and coverage for extra expenses to assist in mitigating your income loss. If you own multiple properties, learn about the benefits of blanket coverage – a single policy with limits that covers buildings and business personal property rather than obtaining individual policies for each property.

Services provided by a broker and an agent are similar, yet it is important to understand differences in responsibilities and perceived allegiances. A captive agent provides policies on behalf of only one insurance company, whereas an independent agent can provide coverage and premium options from a number of different insurance companies. Agents' responsibilities are administrative in nature because they must accurately complete the necessary forms and paperwork.

Neither a captive nor an independent agent is obligated to inspect your property to provide binding coverage. You may be best served by having a representative of the insurance company inspect the properties before you agree to coverage. Even if coverage is already in place, an inspection of your properties may identify risks you were not aware existed. The report will provide valuable input for consideration and can establish the insurer is knowledgeable of many factors used to bind coverage, such as the age, use, quality and condition of the properties, materials used in the construction of the buildings, as well as an assessment of risks.

A broker is required to be licensed and, based on information you share, has a duty to thoroughly inspect your properties and share with you coverage options specific to your properties and businesses. A reputable broker continually stays abreast of changes in coverage and pricing; is aware of reputable insurers (those who are inclined to provide quality claims service); knows of products offered by multiple carriers, whether via Insurance Services Office, manuscript or other policy forms; attends continuing education seminars; and schedules frequent reviews to address your questions and concerns.

Consequences of having inadequate insurance coverage can be devastating. Your loss could be compound if you lose your business or property. Ask questions, seek input and clarification, be knowledgeable and have a complete understanding of coverages before, not after, a loss. Consider seeking input in writing; while your policy will dictate coverage, intentions of the parties can be supported if they are in writing, and if there are ambiguities or differences in how or whether coverages are extended. Do not assume your properties are adequately covered. Request confirmation indicating you are adequately insured from your broker or agent. Keep copies of all records and written communications with your broker, agent and insurance company.

If you have not reviewed your policy in the past six months, it would be wise to schedule a time to meet with your broker or agent to review your coverage in the near future. Be sure to ask about available "additional coverages" to further protect your properties. Options available for purchase for an additional premium include endorsements to include or increase code upgrade or law and ordinance coverage, sewer backup coverage, or extended business income coverage because these types of coverage may be limited or may not exist in a standard policy. If you have a vacant property, ask your broker if you need a special coverage to protect the property from a loss while vacant. Finally, ask your broker or agent what he can do, and what he would do, to assist you if your properties were damaged. It's a matter of trust.▲

Sustainability

What the LEED 2009 extension means to you

Amanda Timmons, LEED AP
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The U.S. Green Building Council received an earful during the annual Greenbuild conference in October. The current version of LEED, often referred to as LEED 2009, originally was scheduled to close for registration on June 27, 2015. This means project teams would no longer be allowed to "sign up" for LEED 2009 after June 27, and they would only be able to register for the new version – LEED v4.

However, important stakeholders expressed concern over the registration end date, and the USGBC decided to extend the deadline. This will allow buildings to sign up for LEED 2009 through Oct. 31, 2016 – a sizable extension, more than one year after the original deadline.

"When USGBC launched LEED v4, we set out with one goal in mind – to raise the bar in a way that challenges the building industry to reach higher than ever before," said Marisa Long, USGBC. "This is our nature, and USGBC and its members' collective mission. However, the market has requested additional time to prepare for LEED v4, so we responded. LEED v4 is already available, and extending LEED 2009's availability enables USGBC to work with the broader industry within a longer time frame to drive meaningful and comprehensive change."

Let's go over some lingo. Registration is the process of signing up for LEED. There is a flat fee of $900 for member companies or $1,200 for nonmember companies. This allows project teams to obtain access to LEED Online. The LEED process requires project teams to document performance through this online portal. Each strategy pursued has a corresponding form to complete in LEED Online. Therefore, registration allows a project team to begin the work.

Once a project team is finished with all of the work in LEED Online, it can apply for certification and enter the review process. All projects must be completely through the review process (and, therefore, certified) under LEED 2009 by June 30, 2021. This is the "sunset" date when LEED 2009 will be completely closed. However, as with many things relating to the USGBC and LEED, this date is subject to change.

Finally, LEED for Green Building Operations & Maintenance certifications expire after five years. Therefore, existing, occupied buildings must go through the process again at least once every five years to maintain certification.

So the deadline extension holds several pieces of good news for building owners and managers. First, it allows more projects to complete the initial LEED O+M certification under LEED 2009, and register for recertification under the same system. The likelihood of maintaining LEED Gold, for example, under the same system is much easier than maintaining it with the heightened requirements of the newer version of LEED.

The extension also allows project teams time to decide between pursuing LEED 2009 and LEED v4, and more time to implement actions that will be required for LEED v4.

LEED v4

LEED v4 raises the bar on almost every prerequisite and credit, sometimes combining strategies that would have obtained several points in the past to earn only one point in the new version. For example, in LEED for Building Design & Construction (formerly referred to as LEED NC), the green-vehicles credit goes from allowing project teams to reserve 5 percent of parking spaces for green vehicles (one LEED 2009 option) to requiring the same number of reserved spaces for green vehicles plus installing electric vehicle charging stations in an additional 2 percent of parking spaces (LEED v4). The bicycle-facilities credit goes from having bicycle storage at the building and showers within 200 yards (LEED 2009) to having a bicycle network within 200 yards of the building, bicycle storage for 2.5 percent of peak visitors and 5 percent of peak occupants, and having on-site showers available (LEED v4).

The restructuring of v4 has impacts on O+M projects as well. Two commonly pursued LEED 2009 credits are the building exterior and hardscape management plan and the integrated pest management, erosion control and landscape management plan. These credits now are combined into one site-management credit. Having one water submeter would earn one point previously; now two submeters are required for the point. The commonly pursued electronic purchases credit has been combined with the somewhat difficult ongoing-consumables (aka office supply) purchases. These categories also have been combined in the waste management section, eliminating the ease of earning the "electronics recycling" point for properties diverting less than 50 percent of daily or ongoing consumables waste in the newly combined credit.

In the indoor environmental quality section, lighting controls now must offer on-off-mid-level lighting control, and the high-performance cleaning program credit was eliminated. However, more points are available for the higher Energy Star scores, ongoing commissioning, access to quality views and indoor integrated pest management.

Finally, the registration extension could allow more properties to be eligible for certification. For example, under LEED 2009, an Energy Star score of 69 or better is required to be eligible for LEED O+M. Under LEED v4, a minimum score of 75 is required. Therefore, the extension could allow significantly more properties to implement the current version of LEED now, and then have time to implement more energy-saving measures that would increase the Energy Star score for v4 compliance in the future.▲

Profile

Relationships key to VanHorn's management

by Michelle Z. Askeland

After more than two decades as a property manager for a host of office properties across the city, Gina VanHorn accepted a new challenge – managing a portfolio of 18 industrial buildings, more than 2 million square feet for Travelers Real Estate. Five years later, the portfolio is 97 percent occupied, VanHorn is managing other industrial properties as well, and she was named the 2014 DTZ Property Manager of the Year.

The Travelers Real Estate portfolio is made up of 18 warehouse buildings in east Denver.

The minute you meet VanHorn, her friendly, outgoing demeanor embraces you. VanHorn makes lasting, positive relationships with people – be it her clients, tenants, teammates or vendors – which helps her manage 60-plus tenants, while delivering high occupancy levels and even higher collection rates.

Gina VanHorn

Part of her job as property manager is to make sure that the property she is working on is worth selling and leasing. "Your client has to trust you're not going to destroy his multimillion-dollar asset," she said. "That's a lot to hand over to someone."

In order to make her client happy, VanHorn spends a lot of time working on the finances. With a background in accounting from the University of Colorado, she said she spends at least 40 percent of her time on finances, collecting more than $800,000 in rent each month.

"You can't run a property without money," she said. "We have 98 to 99 percent collected at the end of each month, which is something we've been doing for the last five years."

Recognizing the importance of making her client happy has gone a long way for VanHorn. It was one of the major contributing factors that led to her recognition as manager of the year, said Alex Fox, CPM, senior vice president with DTZ.

Keeping the client happy means not shying away from a challenge. Sometimes this means playing sheriff and enforcing the rules. "Sometimes you have to be the bad guy; the job requires it," she said.

> 'My job is to train assistant property managers so they can become property managers. Training and teaching is a big part of my job and something that I really enjoy.'
>
> – Gina VanHorn

"But you can make sure that you're still being friendly as pie."

A tell-it-to-you-straight attitude accompanies her friendly smile, and helped VanHorn cement her place as a role model and trusted member of her company. Since starting at DTZ, VanHorn has trained three assistant property managers. After training her previous two assistants, both accepted opportunities to manage their own properties.

"My job is to train assistant property managers so they can become property managers," she said. "Training and teaching is a big part of my job and something that I really enjoy."

Her current assistant property manager, Elise Danielson, said VanHorn's teaching style gives her freedom to tackle new challenges, and then she oversees and gently corrects any problems. It creates a great learning environment, she said.

VanHorn is quick to offer praise of her DTZ teammates, including Danielson and the properties' two brokers, Daniel Bess and Joe Krahn. "We truly are a team," she said. "It's weird if I don't talk to Dan for a few days."

The industrial market, and Class C properties in particular, are reaping the benefits of a strong economy. When VanHorn took over the portfolio, the properties – all built between 1969 and 1982 – were 68 percent occupied. Within a few years, the properties shot up to 97 percent occupancy.

In those first few years, they decided in order to make money they needed to spend money by doing little things to update the buildings. During a time with minimal construction projects around the state, VanHorn forged strong relationships with a variety of vendors. Today she still uses many for her big and small projects.

"Between marijuana legalization and the construction boom, suppliers, laborers and contractors are in more demand, so things take longer than they used to," she said. "This is when your relationships with your vendors really matter. If you know you want to do a seal coating on some of your parking lots, you can ask your vendor to pencil you in. Without those relationships, you'll be waiting months to get things done."

All of the properties adhere to federal law and, as such, do not allow

VanHorn and her daughter, Hannah, at a Colorado Rockies game.

marijuana. However, the legalization has greatly impacted the industrial industry, which is mostly seen in tenant activity, she said.

"This grow thing is throwing the cycle out of sync," she said. "Normally Class C follows Class A and B space, but not this time. Our occupancies are at a historic high for the portfolio. It's hard to ever say you're at 100 percent occupancy, but we've come darn close to locking up all 2 million square feet. Right now we have three vacancies."

In 2010, DTZ's efforts were focused on getting businesses in the space that could pay the rent. Now that it's a landlord market, they can be pickier. "Brokerage is no longer just out there to get a check," she said. "We now want the right kind of tenant. It's important."

Industrial Challenges

A proud Colorado native, VanHorn spent three years in a small military town in Georgia, where she started working in residential property management. In 1992, she came back to Colorado and joined Jones Lang LaSalle to start her career in commercial real estate. Having previously worked on all types of office properties, VanHorn finds many differences to managing industrial.

"Industrial tenants are really hard on their buildings," she said. "It's so different than other property types. Some of these tenants can really do some serious damage."

One unique aspect to industrial properties is that VanHorn is responsible for the common areas – parking lots, landscaping and the fire sprinkler system – and the tenants are responsible for everything else.

This presents a variety of challenges while the tenant occupies the space and on move out. For example, whenever a cold front moves in, no matter how many email reminders she sends, pipes always end up frozen because a tenant forgets to turn up the heat, she said.

She also spends a lot more time explaining what a lease says and does not say. "For industrial tenants, we often have to set up meetings and explain what their responsibilities are, as defined in the lease," she said. "We have to connect the dots without making them angry."

On move out, after being notoriously rough on the space, often VanHorn bills for property damages. Typically tenants don't clean or repair their space when moving out, she said. "So we fix everything after and bill them for it.'"

Profile

VanHorn in her silver Jeep Wrangler Sahara at an event with the Mile-Hi Jeep Club.

One major perk of managing industrial space is the schedule. Office, retail and multifamily all can have more demanding hours because more people need to access the buildings more often. While she does have some tenants that operate 24/7, including a limo and shuttle service, her daily duties are more relaxed. "Every building, property and client has a different personality," VanHorn said.

In her spare time, the single-mom enjoys spending time with her 17-year-old daughter Hannah and off-roading in her "dream Jeep," a Silver Jeep Wrangler Sahara, which she got last October after years of pining. She hopes to go off-roading once or twice a month this summer, and belongs to Mile-Hi Jeep Club, a nonprofit organization that is active in fundraising events. "This year, I am chairing the Kids Activities committee for our annual All-4-Fun event, which is a fundraiser for the Children's Hospital Burn Camp," she said.▲

Perspective

Grow tenant relationships with good service

As director of a leading global commercial real estate company's property management group, overseeing Denver's regional operations, I am often asked for reflections on the early years in my career. Back when I began my career in property management some 20 years ago, I had a wonderful tenant that challenged me as a manager and passed along a pearl of wisdom that I value to this day, "I appreciate you treating me as a paying guest instead of an inmate."

The expression gave me pause to think about the way I treated my tenants every day from then forward – always as paying guests. Over the years, I have realized a few valuable lessons that others would benefit from knowing as well.

Care and feeding of each tenant is a critical aspect of successful property management. Like our health, if we are not diligent in our own care and feeding, we get tired, sluggish and complacent. As food is a basic need in Maslow's theory, the care and feeding of property tenants should be as well – contact cannot be limited to the last nine months prior to lease expiration. Consider that renewing a current tenant is 25 percent of the cost of replacing a tenant. How tenants are treated by a property manager from before the lease signing and throughout tenancy has a significant impact on each tenant's decision to stay.

Dan Simpson
Director of management services, Newmark Grubb Knight Frank, Denver

How service delivery is as approached is as important as how often a tenant is contacted. Instead of saying no to a tenant request, a guest response would be, "I'm sure we can do this or a variation for you." I encourage our managers to think of the service we provide to our tenants as a five-star hotel concept; going above and beyond on politeness and over the top on service levels does not need to cost any more money. Thinking of tenants as guests, instead of tenants, changes our thought process and actions.

Sometimes it is the little things that have a big impact. For example, lobby attendants stepping out from behind the desk to open doors or assist in transporting goods to the tenant's space, or providing regular, specific contact by way of learning tenant names and greeting them individually. We encourage tenants to provide lobby attendants with names and photos of valued visitors. It is great to watch their face as they are greeted by name and escorted to the tenant's suite. As a manager, taking a few days each month to do this will pay dividends. The guest courtesy makes a huge difference in tenant perception.

It is important to take every chance to find opportunities to get out from behind the desk and practice the art of management by walking around. As we say in the property management business, "Expect what you inspect." This requires walking tenant spaces, asking the tenants about the experience in the building and what could improve the experience. There are plenty of low-cost and no-cost opportunities that make a difference. Simply checking in is a great way to understand each tenant's platform and the health of his business.

Find ways to make tenants feel special. For example, budget for tenant lunches and tenant-relations programs or get to know birthdays and send a card to let them know you remember. Or track a tenant's business news in the local journals and print media, clip the articles and forward with a handwritten note congratulating the tenant on their success.

Ask for input by professionals you admire. Do not be afraid to ask a co-worker to review the asset and give honest feedback from his perspective and from the perspective of a tenant or a visitor arriving at the building. How is the signage, both for pedestrians and automobiles? Are the tenants' guests finding it easy to locate their destinations and find their cars when they leave? Directories should be up-to-date, clean and presentable.

Thinking of tenants as guests, instead of tenants, changes our thought process and actions.

In a different analogy, a building is like a garden – remember, if a garden is not cared for consistently, the weeds take over. Root out the weeds by sprinkling tenants with some professionalism, support and kindness, and watch the relationships grow. That value of the guest approach with tenants creates a richness of its own.▲

Design Trends

Back-painted glass gains design popularity

Back-painted glass continues to increase in popularity for use as a decorative architectural glass product for interior space in commercial, institutional and residential projects. There are many reasons for the trend's continued growth. The leading reason is that the product is a modern alternative to ceramic tile, stone and laminates, and back-painted glass offers endless color choices, allowing vibrant colors to be brought into workspaces.

Office space is seeing the largest increase of this glass for use as wall coverings, dry-erase glass marker boards, reception areas, room dividers, workspace dividers, elevators, elevator lobbies, escalator walls, corporate signage, countertops, glass stairs, and in furniture applications such as glass tops and doors. Dry-erase glass marker boards are popular and now feature several options that can be added to the glass, including an easily cleanable nonglare surface, magnetic backs for use as a glass-magnetic board, and frames that allow the marker boards to be easily demounted and relocated.

Many projects seeking LEED status use back-painted glass as a wall covering, which allows the reflection of natural light. Installations completed with either low-volatile organic compound adhesives or no VOC adhesives could contribute to LEED credits.

The glass trend is also gaining popularity in health care projects that incorporate color therapy into treatment areas and patient-care rooms. The use as message boards in nurses stations and patient-care rooms have increased dramatically. One of the reasons for this uptick in popularity is because the glass is nonporous, easy to clean and can withstand the harsh cleaning required by medical facilities. Back-painted glass can be produced in large sizes, thus allowing for the reduction of the number of seams, further reducing places where germs can get trapped.

Vick Channel
National sales manager, Summit Glass Coatings, Englewood

Restaurants use the back-painted glass for menu boards, tabletops, kitchen walls and countertops. Glass countertops are ideal in a kitchen for similar reasons as medical centers, because glass is nonporous and reduces the risk of food cross contamination. Backsplashes in kitchens and bathrooms and vanity tops are the primary multifamily uses. Retailers realized that back-painted glass can add a modern look by adding bright colors or corporate colors to their showroom space and is an excellent product for enhancing the brightness of the stores.

The trend is gaining popularity because it is easy to maintain, the glass substrate is nonporous as well as resistant to moisture and fumes. If the glass has too much reflection, the reflectivity of glass can be controlled with the use of surface-etched glass. Glass with etched European patterns can be back-painted for an upscale look to the project.

Courtesy: Summit Glass Coatings

A local Whole Foods uses back-painted glass as its wall covering.

If considering back-painted glass, it is important that the glass is manufactured using a low iron-glass substrate in order to achieve the closet color match to the color specified, which is especially true for light and bright colors. Using a "regular clear" glass substrate will prevent light colors and bright colors from being replicated. Equally important in the decision is the manufacturer's product warranty. A complete written warranty should be obtained from the supplier and retained for the entire warranty period.

Back-painted glass is available as annealed, safety tempered or laminated and can be custom fabricated to fit most applications.▲

Management

Long-term benefits of HOA reserve studies

Colorado homeowner association community managers have a lot on their plate this year, with the upcoming manager licensing and new proposed legislation about construction defects. So where do reserve studies need to fit on managers' to-do lists and what case can be made for recommending one to a community volunteer board? For multifamily properties with a lot of shared maintenance and shared costs, reserve studies can be a valuable tool. At first glance, getting a reserve study done comes at a cost and, for now, the state of Colorado does not have any law requiring an HOA to have a reserve study in place. So why should communities consider having one?

Philippa Burgess
Marketing and community relations, Shaker Painting, Denver

Reserves are put in place to complete repair or replacement projects on a schedule without the need for special assessments or loans. Community associations come in all sizes and vary in age, amenities and maintenance obligations, thus the specific recommended amount of cash needed in reserve can only be determined from a professional assessment by a reserve specialist.

Reserve studies assess the current and future needs of a community and make recommendations for how best to get there. The fund ensures everyone is paying his fair share now and in the future. If the recommendations are properly implemented, the regular collection of the funds from residents can help keep HOA dues consistent with regular planned increases over time rather than special assessments, which ensures that some don't end up paying more now or later in order to get something done.

"Reserve studies help the board properly budget for future expenditures and know what the HOA's responsibilities are, therefore we recommend reserve studies to all of our clients," said Carmen Stefu, principal and member at 4 Seasons Management, and president of the Community Association Institute – Rocky Mountain Chapter.

A reserve study is a physical and financial check-up for a community. There are two components of a reserve study – a physical analysis and a financial analysis. During the physical analysis, a reserve provider evaluates information regarding the physical status and repair and replacement costs of the association's major common area components. A financial analysis assesses the association's reserve balance or fund status (measured in cash or as percent funded) to determine a recommendation for an appropriate reserve contribution rate (funding plan). Maintaining an appropriate reserve fund can meet a number of legal, fiduciary and professional requirements by the management company and its board.

"Each community should decide for themselves whether to have a reserve study, who to obtain it from, how often to update it and how to implement it," said Jerry Orten, HOA attorney and partner at Orten Cavanagh & Holmes. "Most HOAs are required to have a governance policy on these aspects of reserve studies and funding. Ideally, the community determines what is best, consistent with the expectations and demographics of owners in the community, and in conjunction with the HOA's community manager, HOA attorney and other advisers."

A reserve study gets everyone in the association on the same page – from the management company to the board of directors to the owners and residents.

"It typically includes the following – a summary of the association, including the number of units, physical description of the common and limited common components, and the financial condition of the reserve fund," said Jerome Self, reserve specialist, SBSA. "The financial analysis includes a projection of the reserve starting balance, recommended reserve contributions, projected reserve expenses and the projected ending reserve fund balance for a period of 20 to 30 years (depending on the term of the study)."

The physical analysis includes a listing of the component inventory, current condition of the components, component quantities, identifying descriptions, expected useful life, remaining useful life and current replacement costs, Self said. A description of the methods and objectives used in computing the fund status and in the development of the funding plan is also included, as well as the source used to obtain component repair or replacement cost estimates.

A reserve study will differentiate between operating costs and deferred maintenance and provide an outline of what needs to be done when and at what cost. It is important for associations to stay current on regular maintenance and what is recommended in the reserve schedule to get the most useful life from components. Additionally, if associations do not maintain the components that are not included in the reserve schedule, they may require replacement, whereas if they were maintained, they would not.

"Wood siding, when maintained properly, will last indefinitely but without proper paint coverage, it may need to be completely replaced in the future," said Brent Rumpf, Shaker Painting owner. "Thus painting for HOAs can fall into either an operating cost or deferred maintenance, but in either case it must be done in a timely manner for both upkeep and to prevent further damage to the community's property."

The strength and health of a community is based on its percentage funded according to the reserve study recommendation. Many states enacted legislation dealing with community association reserve and operating funds to protect owners from fiscal problems and financial hardship. Reserve studies are currently required in California, Delaware, Hawaii, Nevada, Oregon, Utah and Virginia. Washington encourages associations to have a reserve study performed every three years.

A 2013 study conducted by Advanced Reserve Solutions found that in states where reserve studies are required the communities were in better condition than in those states that do not have the same laws, said Richard Hirschman, Advanced Reserve Solutions. "For example, in California the law was passed in 1986 and its average reserve is 84 percent funded, and in Nevada where the law was passed more recently, they are 70 percent funded," he said. "In Colorado, where there is no legal requirement, based on available data, they are at only 38 percent."

If a community is short on available cash reserves, it can look to obtain a loan, however, loans can be a catch-22. Often a bank will require a reserve study in order for an association to obtain a loan when it needs it most. If a reserve study is done after the fact to get a loan, a community may find itself surprised by the current financial shape and learn they need to access more capital than initially anticipated when applying for the loan. Beyond lending to the HOA itself, lenders are looking at the reserve study's percent funded by the HOA when offering loans for individual units as well. If there is a high risk of a special assessment banks tend to avoid lending.

"A current reserve study in place can go a long way to preparing and reducing the number of potentially unknown factors of future expenses by taking into account all the major components that could possibly need maintenance, repair or replacement in the future," said Wes Wollenweber, attorney at Ciancio Ciancio Brown. "In this way, if a community sees a need for a future loan, they are in a better position to obtain it."

In order for the community to thrive, everyone needs to work to ensure the association's financial needs are both known and met. A flourishing community knows its mission, vision for the future, operating values, needs (strengths, weaknesses, opportunities and threats), goals, prioritized actions and strategies, action plans and monitoring plans.

"Savvy future residents look at the overall upkeep and maintenance of a community as well as its financial health," said Bryan Farley, president of Association Reserves Colorado. "A community without a reserve study can send up a red flag, whereas a current reserve study can inspire confidence by effectively communicating its current reserve status and projecting where the association's reserve balance needs to be in five, 10, 15 years (with our studies going out 30 years) – and how the association can get there."▲

Reserve studies are not required by law in Colorado, but are required in other states.

Photo courtesy Shaker Painting

A reserve study helps get everyone in the association on the same page, including the management company, the board of directors, the owners and residents.

Management

Solving multifamily on-site employee turnover

In early March, the Apartment Association of Metro Denver published the results of a 2014 poll regarding on-site employee turnover. The results were staggering. Of the 26 companies surveyed, which collectively represent 67,987 multifamily units in Colorado, the average employee turnover for on-site teams was an exorbitant 35.9 percent.

This report, while highlighting a major problem in our industry, also serves as a signpost to direct multifamily owners and operators toward incredible untapped value. By decreasing employee turnover at the site level, apartment owners can directly and positively impact net operating income in an unparalleled way. And they can do so without spending a penny.

Employee turnover at the site has direct and indirect consequences for property NOI. Mis-hires and employee turnover can cost a company up to 10 times the employee's salary in hard and soft costs, according to Bradford D. Smart, Ph.D., in his book, Topgrading. If this statistic is accurate, that means that every $50,000 employee you lose at your property could cost the property $500,000.

While the statistic may be hard to believe at first glance, once you closely examine how employee turnover affects a property, you can start to accept its likely accuracy.

First, you must consider that turnover requires training a new staff member. All the hours a new employee spends training, and the hours the remaining staff spends training the new employee, are hours that are not spent operating the property. As a result, phone calls from prospects

Christopher W. Geer
CEO, Haven Property Managers & Advisors, Superior

don't get returned, maintenance items are not followed up on, and vendor oversight and direction can suffer. Further, the new employee lacks specific property knowledge, which can harm property credibility as he interacts with current and prospective residents. All of these deficiencies in operations ultimately result in decreased demand for the property.

Second, the decreased demand can be exacerbated if the situation is bad enough to cause online ratings to suffer. Lack of call backs, poor maintenance response times and a deficient curb appeal can damage a property's online reputation, which is often the first place prospective tenants look to learn more about an asset. And if online ratings are suffering, you can be sure the property's word-of-mouth reputation is suffering as well.

Third, and perhaps most important, staff turnover can negatively impact renewals. If there is a constant churn of staff at a property, tenants are deprived of the opportunity to build a relationship with property staff, feel less secure and less stable in their home, and can become uneasy with their relationship to the property. The result is tenants become less likely to renew their lease, especially at prevailing market rates. This creates higher turnover costs at best, and increased vacancy and lower rental rates at worst.

Here are a few strategies to help limit employee turnover. First, for new acquisitions, employ a strategy of maintaining the teams that are already in place when you take it over. New ownership disrupts the property enough; replacing the entire staff at closing only adds to that disruption. Instead, create a plan to retain current staff, while evaluating them over 60 to 90 days to decide if they are the right long-term fit. If certain employees are not the right fit for the property, make sure you take steps to minimize the impact of turnover by prepping your team to up-level their customer service during the transition.

Second, invest in training programs and promote from within. Studies show that employees want to grow in their jobs, so train your staff, mentor them and help them succeed. By promoting from within, you not only accomplish the goal of helping your staff grow professionally, but you also create continuity at the property so that when you do have a staff member leave the property (for promotion or otherwise), the turnover is as minimally disruptive as possible.

Third, pay your employees competitively. Yes, you must focus on limiting expenses to keep NOI high, but employee salaries are not the place to skimp. Even a 5 percent increase in pay at another property could be enough to lure away a strong employee, so know where your pay stands relative to the competition and stay competitive to make sure that money doesn't lure staff away.

Fourth, and most important, employ a people-centered management approach. While entire courses

> Employee turnover at the site has direct and indirect consequences for property NOI.

of study are dedicated to people-centered management, in a nutshell this approach places great value on empowering and building up staff while supporting them and training them as and where needed. Adopting this approach creates staff who care, staff who are loyal and dedicated, and staff who stick with the property (and you) for years.

While the need to limit turnover is and always has been important, with turnover levels at 35.9 percent, the need has reached a critical level. It is therefore now more important than ever to address the employee turnover problem once and for all.▲

Management

A zone defense for smart pest management

An ounce of prevention is worth a pound of cure. No truer words can be spoken when it comes to advising property managers on how to keep unwanted pests out of the facilities they are entrusted with maintaining.

Commercial properties in Colorado run the gamut in size and purpose. From retail shopping centers and office buildings, to apartment and high-rise condominiums, these facilities are home to businesses and residents 24 hours a day, 365 days a year.

Ken Andersen
National account representative, Sprague Pest Solutions, Denver

These properties also are home to tenants that have not paid rent and have no intention of doing so anytime soon. Who are these tenants? They are pests.

Pests are known for their ability to adapt to various environments and for their aggressiveness when searching for food, water and shelter. By their nature, commercial facilities are ideal targets for pests seeking the above-mentioned essentials.

For example, a "lifestyle" retail, office and residential center has restaurants, grocery stores, loading docks, home and commercial kitchens, and transient guests and residents eating, bringing in packages and generating waste.

Property managers need to think big picture when it comes to treating for pests in their building or complex. That is why hiring a pest management professional who can view the situation through a wider lens and design and deliver an appropriate pest management program is a solid investment.

The lens pest management professionals view commercial properties through when conducting an initial inspection typically is divided into three zones.

Zone 1. The property around a facility including the landscape (i.e., trees, shrubs), adjacent properties, water features, etc. These are areas where pests live. Properly maintaining these areas by regularly cutting grass, trimming trees and bushes, removing debris and eliminating excess moisture will reduce pest activity and access to a structure.

A common pest hot spot in commercial properties is the dumpster storage area. With an abundance of leftover food scraps, moisture and other pest-attractant waste, dumpsters are a magnet for rodents, flies and stinging insects. In order to keep pests under control, check dumpster areas, remember to keep lids closed, have the dumpster emptied frequently, and regularly clean the interior and concrete surface beneath the dumpster to eliminate spillage and waste build up that can attract pests.

Zone 2. The immediate area around a structure is a key battleground for denying pests access. A 5-foot buffer zone of gravel or stone, free of plants and organic material, around the building is recommended to eliminate pest harborage areas.

Property managers also should pay close attention to basic structural repairs including caulking openings or cracks in the foundation and around window and door frames, replacing window and ventilation screens, installing door sweeps, and changing exterior lighting to sodium vapor bulbs to reduce the attractiveness to pests.

Zone 3. The final zone is the interior of a facility, the area you want to keep pests from accessing. Tenant education on what they should do if they spot a pest, being mindful not to accidently carry pests into buildings on packages or deliveries, and eliminating pest-conducive conditions are good preventive actions. Remember, removing a pest infestation once it has been established inside your facility is far more difficult and costly than taking the necessary steps to deny pests in the first place.

4 steps to successful pest prevention

1. Regularly inspect the exterior grounds of your property and remove conditions conducive to pest harborage, including debris, overgrown grass, trees and shrubs, and areas of excessive moisture.

2. Make sure the exterior of your facility is well maintained and pest-exclusion practices are in place, including sealing in openings in the foundation, screening in windows, maintaining heating, ventilating and air-conditioning openings, making sure exterior lighting is not attracting pests, and installing door sweeps on loading dock and entry doors.

3. Establish good sanitation protocols that are followed by tenants and residents.

4. Develop a partnership with a local pest management company and take advantage of its professional knowledge and resources.

Photos courtesy Sprague Pest Solutions

Mice typically are found in furnace, garbage and custodial rooms, food service areas, in shipping boxes and in kitchen areas.

Stinging insects, like yellowjackets, can be found in trees and overhangs of buildings.

It's Not One and Done With Pests

One of the most common mistakes property managers make is to have a pest management company service just the unit – whether residential or commercial – where the pests were seen. Pests are extremely mobile and constantly in search of food, water and shelter. They can maneuver between floors and units with relative ease.

Treating only one unit usually will not solve the problem. You need to look at the entire building and identify where pests can enter and establish a base of operations, and consider how easily the pests can travel between units in heating and air-conditioning ducts, water and sewer pipes, elevator and garbage shafts, and on tenants, residents, shoppers, guests and their belongings.

What pests do property managers need to be concerned with? As Colorado heads into the spring and summer seasons, ants, spiders and stinging insects top the list of pests property managers want to "lock out" before they establish nesting locations. Following are locations each type of pest is most likely to be found in a commercial property:

- Ants – Found in kitchens and bathrooms near water and food sources, like spilled soda (sugar is a major attractant) or syrup; they also can be brought in on interior plants.
- Bed bugs – Can be found in mattress and bed frames, furniture, luggage, clothing, bedding, picture frames and on people.
- Birds – Nuisance birds can be found on top of light poles, electrical signage, exposed beams, landscaping and trees, heating and air-conditioning units, and rooftops.
- Cockroaches – Often found in food preparation areas, near water pipes under sinks in the kitchens, bathrooms and service rooms.
- Rodents – Mice typically are found in furnace, garbage and custodial rooms, food service areas, in shipping boxes and in kitchen areas. Rats are usually found on the exterior near dumpsters, sewers, pools and in landscapes.
- Spiders – Spiders like dark places to hide, so look under the kitchen sink, in closets and storerooms.
- Stinging insects – Can be found in trees, and in eaves and overhangs of buildings. For your safety, leave the removal of nests to a professional.

Another pest that doesn't gain a lot of notoriety in Colorado but is one that property managers need be mindful of is the termite. According to the National Pest Management Associations, termites cause more than $5 billion annually in damage to structures in the U.S. and often do so without ever being seen.

Aggressive subterranean termites attack the wood in structures from the soil and, if left untreated, can cause significant damage in a relatively short period of time. Signs of a termite infestation include:

- Mud tubes (used by termites to reach a food source) on the exterior of the structure.
- Soft wood that sounds hollow when tapped.
- Darkening or blistering of wood structures, and cracked or bubbling paint.
- Small piles of feces that resemble sawdust near a termite nest.
- Discarded wings near doors or on windowsills, indicating swarmers have entered the building, or swarmers themselves, which often are mistaken for flying ants.

In closing, the two keys to maintaining a pest-free environment in your property are to establish and follow good sanitation protocols and stop pests before they can gain access to your facility. If you can achieve these items, your chances of avoiding pest issues increases.▲

Codes

Considerations for new water heater rules

By now you probably are aware of the new water heater regulations, but, as with anything new, it is good to have additional information and perspectives. As early as April 2, supply houses were running low or were out of older water heaters because the older heaters are being bought up in the typical supply-versus-demand economic theory. The new water heater regulations will drive up the cost of water heaters. Period. Early estimates are predicting the increase to be between 8 and 12 percent, according to the Plumbing, Heating and Cooling Contractors Association.

Water heater manufacturers are forced to alter designs to improve the insulation to meet new energy-efficiency standards. This means most of the water heater diameters and sizes will increase or the heater's capacity will decrease, potentially up to 10 percent, according to the association.

The higher efficiency makes these units pricier to install and to repair. Additionally, due to the size changes, they could cause installation issues. New heaters will require at least 3 inches of extra space around the unit, which is particularly troublesome for areas with size restrictions.

Choosing smaller units may cause capacity to drop, which is something most water heater users don't want to give up. Efficiency standard increases in the past did cause manufacturers to reduce 40- and 50-gallon water heaters to 38- and 47-gallon heaters, respectively. This had a large impact on residential condominiums and apartment buildings. Residents likely will require a change in their hot water use due to the lowered capacity.

These fears are causing people to snatch up the older models to avoid or delay the capacity and size downsides. Plumbers, contractors, builders, property managers and homeowners are capitalizing on that fact.

The new water heater efficiency standards, effective April 16, 2015, state that all household appliances manufactured for sale in the U.S. must meet certain energy-efficiency levels. This new rule, however, does not preclude installation of noncompliant products manufactured before April 16. The updates will require nearly all residential electric, oil and tankless water heaters to carry higher energy-factor ratings.

These new regulations will result in a few options for property managers to consider:

Jump on the bandwagon. You still may be able to secure an older model water heater and "buy" yourself more time before needing to make the adjustment. However, before the useful time of the water heater has expired, you may be facing a problem with getting replacement or service parts because the parts will no longer be manufactured and will become obsolete.

Be a trendsetter. You can get an early jump on the higher-efficiency water heaters before prices rise because of the demand. Once people start to require new water heaters due to water heater failure, they will have little option but to purchase the newer systems.

If you are looking for a water heater that doesn't increase in size or decrease in capacity, you have a few other options – gas water heater, tankless water heater or hybrid heat pump water heaters.

- Gas water heaters are only an option if gas is already installed,

Susan Roberts-Frew
President and CEO, Sunshine Plumbing, Heating & Air, Commerce City

because installing new fixtures can add up quickly.

- Tankless water heaters are ideal for areas where lots of hot water for multiple users is important. The tankless heaters save space, are long lasting and are better for the environment.
- With twice the efficiency of standard electric water heaters, hybrid heat pump water heaters can offer significant cost savings, including possible tax credits. It's a good idea to take advantage of this newer technology that won't reduce output capacity. Models already are being designed to address the space issues.

"Based on the NAECA 2015 rules, all residential electric models over 55 gallons must be of the hybrid electric heat pump water heater type design," said A.O. Smith Corp., a leader in water heater manufacturing.

Cross your fingers and wait. Your current water heater may keep ticking right into the next round of regulations, model improvements or energy rating standards. The standard warranty for an electric water heater is six years, but we have heard of water heaters lasting 16 years. This is especially true of high-quality brands. The risks you run are the leaks and flooding that could come as a result of water heater failure, which can create costly water damage to property.

To discuss the new water heater regulations or to get pricing for budget consideration, contact a local licensed plumber who specializes in a variety of water heater options. For property management of multiunit properties, consider an action plan that budgets replacement of all energy-efficient appliances in phases.▲

Photo courtesy Rheem

Hybrid heat pump water heaters offer twice the efficiency as standard heaters.

Maintenance

Continued from Page 1

to be a bad thing given that most of these buildings still perform reasonably well and are good candidates for regular facelifts in tenant and common areas.

The best time to start in existing buildings is when a new tenant moves in. This is when the interior designer and property manager have those key discussions as to what will improve the standards of that particular suite without breaking the bank.

Property managers need to ask themselves if the proposed finish materials are fresh and readily available? Do they appeal to a wide range of prospective tenants?

Paint and carpet are the baseline. They typically provide the most immediate visual impact, and it can be dramatic. Designers must strike a balance between aesthetics and durability at a good value. Again, these are business office standards and are meant to appeal to a wide range of tastes for at least five years, if not longer.

Doors, hardware and frames are also critical improvements. A prefinished, prefabricated door with a mainstream wood species is usually the best choice for cost and availability. Birch, oak and cherry are always good options.

Hardware is a detail that can significantly enhance new doors and frames. The style and material must complement those materials and have long-lasting design appeal, as well as meet the demands of rapidly changing fire and safety codes. While door handle options are virtually limitless at any price point, they are worthless if not compliant with the American with Disabilities Act standards. This is true of all interior design, but a small detail like a door pull, if not compliant with current codes or not installed properly, can delay or derail a remodel timeline.

Photo by Brad Nichol Photography

Upgraded building restroom standards make an immediate impact for tenants and visitors. Porcelain floors and glass accent tiles punch up a clean, fresh palette without breaking the bank.

And speaking of codes, many existing building suites still retain the deep-cell parabolic 2-by-4-foot fluorescent fixture, which is a dinosaur by any standard. This type of lighting does not comply with current energy codes and may have to be retrofitted during a remodel. Suitable substitutes include recessed indirect fluorescent fixtures or light-emitting diode models. Both are affordable, energy efficient and readily available. Additionally, property managers can apply for rebate benefits from power companies. This "free money" can take some of the sting out of the remodel tab.

And just to be clear on sustainability, building owners and property managers almost always strive to upgrade to energy-efficient components and systems, even when they are not required by code to do so. Cost is an issue, of course, but property managers know the value of sustainability beyond the altruism and will make every effort to employ it when possible. A building does not have to have an Energy Star plaque affixed to a lobby wall to promote green technologies and to increase the value of the property.

From an investment standpoint, it is up to the owner and property manager to decide how much upgrading to do. Improving common areas – aside from the lobby – can usually be completed quickly and with minimal disruption to tenants and visitors. Construction in empty offices can be undertaken with virtually no disruption, while venturing into occupied suites can cause a great deal of chaos, even when things run smoothly. There are very few ways around that.

The point is, improving building standards can be generated from a single suite or across all common areas. Time and money usually dictate that dynamic. And property managers are keenly aware that their buildings are always in the process of improvement, whether it's a landlord's market or not.▲

Maintenance

Managing the rising cost of tenant improvements

Ron McInroy
Senior project manager, Newmark Grubb Knight Frank, Denver

As most in commercial real estate know, two things are happening in the construction world – construction costs are increasing and labor availability is decreasing. The two are definitely related.

As with any driver of the market economy, the laws of supply and demand apply to commercial construction. And two forces are in play that affect the industry. The first is the overall construction cost index for Denver, which increased 1 percent in fourth-quarter 2014, finishing approximately 4 percent higher year over year, according to the Mortenson Construction Q4 2014 Cost Index. Second, local construction employment increased by double-digit percentage points for seven consecutive quarters, finishing at 15 percent in fourth-quarter 2014, according to the Mortenson report. This trend is expected to continue through 2015.

Just a few years ago, when there was not as much work and contractors were not as busy, they would price things low to keep their doors open or to retain employees. Times have changed. Because of pent-up demand, there are labor shortages in many trades, including management and supervision. Construction labor is the primary culprit for rising costs. Today, many area contractors have to turn work down because they are too busy or, worse yet, many contractors are pricing work high and hoping not to get it.

Material costs also are creeping up, but not nearly at the same rate as labor. Many material costs tied to petroleum, such as roofing or carpet, have remained relatively stable or experienced smaller increases. Other materials, such as copper, have actually dropped slightly in price. Overall, however, material costs continue to rise.

As managers of tenant finish projects, our job is to make sure that we are getting the best value for our clients. Sometimes that may mean negotiating a fair deal with one general contractor and having him bid it to three subcontractors. Other times it may mean getting three bids from general contractors. Using either approach can lead to a successful project. Following are some other takeaways that can lead to better pricing on tenant finish projects.

- Use design firms that have appropriate experience. Using an architectural firm with experience in tenant finish projects can make the project go smoother, take less time and ultimately cost less.
- Have the finishes selected prior to bidding. Not having finishes selected at the time of bid can add to the cost and schedule of a project. When finishes are selected prior to bidding, you can do a better job of locking in the price.
- Minimize alternates in the bidding phase. While alternates are useful for evaluating cost options, try to do most of the cost analysis during the budgeting phases. Having too many alternates can be confusing, so reducing the alternates should be a goal.
- Create a well organized and thought out request for proposal. Make sure the general contractor has all of the information he needs to put together a fair price. This includes insurance requirements, building rules and regulations, and a copy of the proposed contract format that will ensure that the contractor will not incur any surprises when awarded the project.
- Hold a job walk. Make the space available for all of the general contractors and subcontractors to see the space in its existing condition prior to submitting a proposal. If the space is occupied, make arrangements with the occupant to visit the site.
- Keep contractors informed of the status of a project. There is nothing worse than dropping plans on a general contractor's desk unannounced on a Friday afternoon. From the general contractor's point of view, the job needs to be evaluated, set up in the system and plans distributed to the subcontractors, so the better informed and the more lead time provided to the general contractors, the better the pricing.
- Give general contractors adequate time to develop a proposal. A few extra days to obtain competitive pricing from the subcontractors may make a big difference in the pricing they acquire. General contractors often need to forage the land to find subcontractors with resources to bid and manage the project. Everyone wants pricing quickly; however, giving the general contractor six days instead of four days to bid often will result in better pricing.

Everyone wants pricing quickly; however, giving the general contractor six days instead of four days to bid often will result in better pricing.

- Be open to competitive bidding. Don't limit the base of subcontractors from which the general contractor can choose. While there may be required subcontractors like fire alarm, fire sprinkler or controls contractors, other trades may qualify.
- Plan for success. Time is money and the faster the job can be built, the less it should cost. The old adage of "measure twice, cut once" can be applied to managing tenant finish projects. A strong project plan requires fewer change orders. A few days spent planning at the front end will lead to a better, faster and less expensive project.

Hopefully by employing some of these ideas, the time of pursuing a bid for a new project is more manageable, disruptions are minimized from current business obligations, the project runs smoother and the results are better.▲

Technology

How BIM makes life easier for managers

Building information modeling is a virtual representation of the physical environment. The concept of BIM has existed since the 1970s, but it was not until 2002, when Autodesk came out with a whitepaper, that it became popular.

BIM creates a three-dimensional model of a building that is accurate both visually and proportionally. It also includes data on the building that a user can query, count and run reports on. For instance, if a user wants to know the exact number of a certain type of light fixtures, BIM can store this information.

Robert Childers
Director of virtual design and construction, Haselden Construction, Centennial

Why BIM Works

BIM uses the actual model and the specific data contained within the model to provide information to the architectural, engineering and construction teams, as well as the owner and property manager, which ultimately makes the building more successful in a variety of ways.

The model is useful during design and construction. In each design phase, the model can provide different levels of information. By creating a "federated" model (one that combines all systems and structural elements), a user can see how the systems and structure correlate, and find conflicting systems through clash-detection tools. This, in turn, allows the team to foresee risk, coordinate systems, schedule and estimate, and demonstrate tolerance within the structure.

Identifying a clash before construction begins positively impacts cost and schedule because no time will be lost in the field. During preconstruction, the team can create quantity takeoffs and track changes in cost and materials as models are updated.

Constructing the building virtually and using the resulting BIM model to identify and resolve interference improves building quality and construction sequencing. During actual construction, BIM can be used to verify the correct installation of the elements, such as mechanical, electrical and plumbing systems, embeds, brick ledges, structural steel and other systems. Using BIM can reduce requests for information, as well as field change orders and the resulting costs and schedule impacts.

During operation, the data contained within the model proves most valuable. The data can optimize facility management maintenance by using the as-built building information model as the database for rooms, spaces and equipment.

BIM allows virtual access to systems and simulation of maintenance procedures, making preventive system maintenance easier and more manageable.

BIM room rendering can help with sales and leasing by giving prospective tenants a chance to see what the space will look with their tenant improvement ideas incorporated.

Facilities Management Systems Integration

The real power comes into play when BIM integrates with facilities management software. Numerous types of software are available. The type of software used to integrate BIM depends on what one intends to use it for. For example, if someone wants to use it for asset management, he may invest in different software than if he is using it mainly for system maintenance. Some owners use COBie (Construction Operation Building information exchange) as a performance specification, which sets the stage for how model information should be created. The information then can be pulled into a computerized maintenance management system, saving time and improving accuracy.

BIM integrates with the facilities management software, which manages the information in the model for the intended use by the facility operations team. Taking it a step further, a user also can coordinate with building automation software. In this scenario, the facilities management software ties into building automation software, with BIM bringing the visual component. For example, a building automation sensor located within a duct will identify when the airflow does not meet the minimum requirements; and with the use of a building automated system and a 3-D model, the section of duct will be highlighted in the model, which saves the facility operations team hours of trying to locate the issue themselves.

In the case of a new building, BIM standards are easily incorporated into the project. The owner should write into the contract what level of detail he wants the architect to include in the BIM; this helps prevent any misunderstandings later on in the project. For instance, the owner may want to include things such as carpet types and paint brand and color so the items can be easily replaced should they be damaged.

Having a 3-D model from the original design and construction phases is a big time-saver, but there are ways to make it work for an existing building. If as-built documents don't exist, it gets more complicated. The owner or property manager can do measurements manually or, to have the most accurate as-builts, a 3-D scan can be done of the entire facility or individual spaces. If the decision is to use 3-D scanning, there are a few steps involved because all of the points that are generated from the scan need to be converted into real-world information, but the end result is the most accurate. Once this information is converted to a BIM authorizing software such as Revit, it becomes live information that can be updated as changes are made. Various software exists that will allow building information modeling to integrate with facility management software.

Benefits for Property Managers

The benefit BIM brings to property managers is the ability to save time and money. Through BIM, objects become associated with assigned spaces – this can include structural items such as walls and ducts, as well as inventory items such as computers, furniture and phones, which allow objects known as assets to be scheduled in a room schedule. When this information is used along with bar codes, QR codes or radio frequency identification tags, each asset can be tracked easily as it moves from one space to the next.

Facility management teams become more efficient because the equipment, operations and maintenance information can be pulled out of the model rather than digging through drawings and documents, or doing a manual survey of the building. BIM allows virtual access to systems and simulation of maintenance procedures, making preventive system maintenance easier and more manageable, leading to longer equipment life.

When renovations or maintenance are scheduled, all the information is easily available. Users know exactly where the MEP systems are, what is behind the walls, what paint color is in office 102, etc., and can determine the impact of a renovation or maintenance on other parts of the building prior to beginning the work.

BIM also can help with sales and leasing. Prospective tenants can see what the space will look with their tenant improvement ideas incorporated (see BIM rendering). With additional software, users can simulate an emergency evacuation. This means that property managers can manage one building – or multiple buildings – remotely.

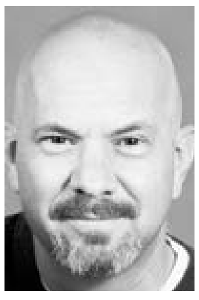
While the initial implementation of building information modeling may seem cost prohibitive, when considering the life cycle of a facility, it demonstrates its worth sooner than later. Owners of any facility or development benefit the most through the use of BIM because they are the ones who deal with the building for the life of the facility. Having a virtual representation of the physical building allows them to have all of the information used to construct the building at hand.▲

Technology

How to quickly mitigate technology losses

Proper containment during construction and remodels can help avoid situations like construction dust contamination.

Modern business depends on technology. Servers, desktops, notebook computers, tablets and phones are essential to everyday workloads and doing more with less. Any disruption to these tools can cause extreme stress to an already overworked employee or team. If your building has a fire, water damage, construction mishap or any number of possible disasters, it affects your tenants.



Cory Matthews
Technical director, RescueTech, Denver

What is Your Liability?

When damage to technology that runs a business occurs, there are more factors to consider than just hardware. These are referred to as soft costs and include software installation, network configuration, data recovery and transfer, employee profile setup, license and maintenance contracts, and warranties.

All these soft costs affect the bigger concern – business interruption. How long can a business be down before it affects income? It could be weeks, days or just hours. When asked, most companies will say, "Never, we can't be down at all!" Just the thought of being without your equipment for two days without warning is a bit unnerving, much less to experience it.

How quickly a company can get back to business depends on whether it has a plan in place for disasters. Larger companies may have them, and sometimes the companies are required by law to have such plans in place. However, small businesses make up 99 percent (according to the U.S. Small Business Administration) of the U.S. employers, and without the requirement it leaves small business owners at a disadvantage when disaster strikes.

If the mishap occurs as the fault of the business, then its insurance should take over. However, if something goes wrong with the building, what is your liability? Subrogation is a big deal in the insurance world, and you can bet if there is the opportunity to shift the cost of damage to someone else, you can count on it.

Let's look at it this way, if your building is damaged, you fix it because it's your building. But what about the contents inside the building? If a loss occurs due to maintenance issues, are you required to foot the bill? If so, how do you make sure all quotes are correct and in the best interest of claim mitigation? Vendors that install and sell equipment for a living are not likely to be worried about costs, especially in an insurance situation. You need to make sure cost-effective solutions are considered.

Chances are you have dealt with contractors before and have a handle on the construction side of things. But what about the building contents – more specifically, what about the information technology and business technology used in the environment. There are several questions that should be answered quickly to minimize business interruption and larger costs to the claim, including was there technology affected by the loss; to what extent; can it be fixed and put back in operation quickly; and are vendors involved?

Vendors provide a valuable service, but remember, they sometimes may see a loss as a sales opportunity and may suggest upgrades that are not necessary, or suggest replacement of items that are not needed. This can increase the cost significantly due to lack of experience with these types of situations. Due diligence needs to be done. Instead of replacing it all, you should look at what was really affected and what wasn't affected. Ask yourself:

- How bad is the damage?
- Can items be used right away?
- Can items be restored and put back into use as soon as possible?
- What needs to be replaced?
- How long will it take to get back up and running?

If equipment is replaced, the following eight questions should be addressed:

1. How long until the hardware can be delivered?
2. What configuration needs to be done to each component?
3. What software needs to be installed?
4. Are upgrades to the equipment necessary?
5. Are the technologies compatible with each other?
6. Is data recovery needed from the old equipment, and how quickly can that be done?
7. Do user profiles have to be set up on the workstations again?
8. Are there any network configurations needed for the equipment?

Replacement equipment can take weeks to arrive and set up, which may delay the business from operating for the same amount of time. Calculate the hardware costs plus the soft costs and add in the days or weeks of lost revenue to have a better idea of how the claim quickly can escalate in cost.

From a standpoint of minimizing business interruption and claim costs, the quickest way to get back up and running is to use the original equipment. This equipment is already configured, and has all of the software and profiles intact. Proper inspection and restoration of the hardware should help it live a normal life, barring any permanent damage from a direct hit by water or heat. In a loss that is handled properly, there may be a mixture of recovery and replacement. Using the original equipment is usually a quicker and more cost-effective option, equaling a fraction of replacement, especially when considering the soft costs. If technology is addressed quickly after a loss and contaminants cleaned from circuit boards properly, odds are the original equipment can be restored to a preloss condition. A proper investigation of loss involving technology should flow like this:

Replacing everything, including servers, after a disaster is not always the best plan.

1. Determine what equipment was affected.
2. If equipment was affected, what can be repaired and recovered cost-effectively?
3. Create a plan to restore operations to enable workflow to continue.
4. Is after-hours on-site mitigation necessary?
5. Order equipment that needs to be replaced as soon as possible.
6. Plan different phases to get full operations back into working condition.
7. Make sure there are no compatibility issues with a mix of new and old technology.
8. Test and use the systems to make sure all operations are back to normal.

Sometimes the knee-jerk reaction to a loss involving water or smoke is to replace it all. While this may be great to get a system upgraded and new, it is not the best option to save time, money or the hassle that comes along with new equipment. Costs associated with the loss will skyrocket. Your job is to minimize costs while effectively returning your tenants business to normal operations.

As we have discussed, there are many considerations to determine what the quickest and most cost-effective way to get business technology systems back up and running after a loss. Make sure the vendors involved take all of these considerations into account.

There are also measures your tenants can take to proactively protect against damage. More information and a free checklist to hand out to business tenants are available at MinimizeBI.com.▲

Vendor Relations

Tips for selecting a reliable parking operator

Finding the perfect vendor for any service can be a time-consuming and challenging endeavor, and selecting a parking operator is no exception. Without firsthand experience in the parking industry, one may not know what to look for and how to evaluate your options. Every company will say why they are the best and they all might have compelling arguments, but there are important criteria to analyze when making this important decision. Following are a few tips on what to look for when selecting your next parking operator.

1. Experience. It's important to know if the potential company has experience with a project similar in size and scope. For this, quantity does not always equate to quality. Just like any other industry, there are parking companies that carefully select which properties to manage and other companies that have a set corporate system and growth strategy that is to conquer everything in all markets. As long as your potential vendor can prove it is qualified to serve your property, it should not matter how many facilities it currently manages.

2. Responsiveness. Parking is a 24/7 business, especially in busy urban environments such as Denver. It's best to ensure that your potential vendor is available to provide customer service at any hour (depending on need) and has a quick response time in case of emergencies. A local team is better than an outsourced call center because the local team can provide a higher level of service to the customers with a greater understanding of the property, parking operation and city. General emails and questions should be responded to within a reasonable amount of time during the business day and after hours.

Justin Montgomery
Director of business development and special events, Douglas Parking, Denver

3. Transparency. Establishing a trusting relationship with your potential parking vendor is critical. This typically happens over time through networking by attending organization (such as Building Owners and Managers Association and International Facilities Management Association) meetings and activities, and working together at charitable events and committees. If you have a chance to work with a vendor in a nonbusiness setting, you can get to know them on a different level outside of the business world.

A parking contract is not the same as a simple one-and-done vendor contract; the parking operator is "moving in," per se, and often handling thousands, even millions, of dollars in revenue. Trust is critical to a property manager's and owner's confidence. One must feel completely comfortable with the parking operator and know that he has proper controls in place to ensure revenue will be maximized. You want to make sure that their accounting and cash handling processes are transparent and that all management reports are clear and contain backup documentation when necessary.

Luke Lee
Managing partner, Douglas Parking, Denver

Reports that are not clear or do not maintain user-friendly readability should be adaptable and adjusted to best meet your needs. How can you do this? Ask questions, ask for the documentation, hire a third-party auditor or have your potential vendor sit down for a polygraph test. OK, that last example is a stretch, but you get the idea. If a company is unwilling to discuss its reporting or process, it may have something to hide.

4. Flexibility. It's important for your potential vendor to be flexible with operations and make quick decisions. Whether it's to fill your facility for an unexpected special event to maximize revenue or solve a parking problem for a major tenant, you want your vendor to have the skillset and authority necessary to remain flexible and proactive. This means cutting the red tape and finding a vendor who empowers his local operations team.

5. Reputation. While most requests for proposals require a list of references, often these references go uncalled. First-person references in the same city usually will tell it to you straight. It is important to ask questions related to the other categories – response times, attention to detail, how often you see upper-level management, etc. These can be indicators as to whether a company has time to give you the level of attention necessary to ensure your parking is a blessing. If not, your parking will continue to frustrate you.

6. Attention to detail. Does the vendor pick up on your "red flags?" Is the vendor sensitive to your needs and communication patterns? Does he make requested changes, and are they made in a timely manner? Does the vendor follow up in a way that works for you so you know things are getting done when you need them done?

A good vendor will follow up with you as much as needed. An operator should at minimum suggest regular meetings (weekly, monthly, quarterly, as needed) so that he can maintain regular communication and ensure your needs and the needs of your garage and tenants are met.

If you keep these criteria in mind while selecting your parking vendor, then you will be on the right track. Another important aspect is to ask senior-level managers in your organization for their advice – there could be elements that they possibly not included in the list above. Taking the time to carefully vet and select a parking vendor will save you a lot of headaches in the end.▲

A quality fitness facility: A smart investment

People in Colorado like to exercise. Across all age ranges, Coloradoans consistently rank high in the nation for physical activity. According to the Centers for Disease Control and Prevention's 2014 report on physical activity, 61.8 percent of adults in the state met the recommended 2.5-hour weekly exercise guidelines, which puts us firmly in the No. 1 spot. Seniors in Colorado like to stay active too. America's Health Rankings lists the state as third best, less than a percentage point behind Oregon and California.

John Coffey
Senior commercial product specialist, HealthStyles Exercise Equipment, Broomfield

It is clear that in Colorado exercise amenities are important to employees, guests and customers. To keep customers happy, smart property managers are designing and renovating quality workout environments as a key part of their corporate, hospitality, housing and apartment facilities.

Workout and fitness environments ideally are designed to accommodate the needs of the guest or workforce. You must know who your users are and what kind of workout they are looking for – cardio, weights, classes or all of the above. The important balance and blend of strength and cardiovascular equipment should be paired with the right accessories, such as floor matting and specific training needs. Quality equipment must be durable, quiet and smooth in function, provide motivating and informative feedback, and be visually pleasing as well as maintenance free.

The local club or community fitness center is a great fitness and exercise option, yet, with today's lifestyles and time constraints, the all-inclusive, in-house facility is a viable option and consideration for customers and workforce alike.

To develop the most inviting, balanced, comfortable and functional environment for your workout facility, there are a number of things an innovative company should consider.

Room dimensions. Before purchasing any equipment, you need to know your space. Start by measuring the dimensions (length, width and height) of the area where the equipment will be used. Make sure to determine the "active area" of the piece of equipment, not just the actual size, so that someone will have room to use the equipment freely within the space you have designated. There has to be enough room for a user to comfortably and safely get on and off the machine and move between equipment and other users.

With today's fitness technology, there are many quality strength and cardiovascular exercise equipment options to consider as well as fold-up or stand-up versions that are designed to accommodate the limited-space facility. If space is an issue, there are plenty of multitasking equipment options that may help. The best place to start is to create a computerized floor plan to pinpoint the specific features of the area or room and then plan for the specific pieces of equipment and workout areas.

Power supply outlets. Some types of cardiovascular exercise equipment require power outlets. Some do not. Be sure that you have enough outlets and determine if any of the equipment requires a dedicated circuit when planning your workout area.

Room temperature and ventilation. A comfortable temperature and low humidity will make a fitness room a much more enjoyable and inviting place to exercise. Room temperature and adequate air flow is critical. Exercise equipment, as well as physical activity, produce heat, therefore, the temperature and air flow need to be adjusted for maximum comfort. Also, ceiling fans, portable fans and window shades when direct sunlight is present can help keep a room comfortable.

Lighting. Be sure to use adequate lighting in your workout area. Windows that allow for natural light and outside viewing are ideal and can enhance the workout experience. Generally, the more hand-eye coordination an activity demands, the more illumination is required. Group exercise areas should have flexible lighting.

Floor coverings, aesthetics and comfort. It is important for the materials used within the workout and activity room to absorb sound. The multiuser commercial floor coverings should consist of durable, yet warm and comfortable products. The overall area needs to be warm and inviting to keep users coming back. Many commercial fitness and exercise facilities have migrated from out-of-the-way places to welcoming showcases within the entrance of the business.

Motivation and diversion. Visual and auditory stimulation can be motivating to many exercisers. Wall-mounted TVs or individual screens within the pieces of equipment are options. In addition, individual iPod and iPad docking stations often help keep the exerciser motivated and energized. The addition of plants, artwork or photos also can go a long way to add interest and motivation to the room. Be sure to consider other uses and activities that may complement your client's workout experience, including stretching, TRX suspension training, small-group training areas, and relaxation and treatment facilities.

Equipment maintenance and cleanliness. Maintenance and cleanliness of equipment is important to protect the investment and maintain a high level of safety. Today, strength and cardiovascular equipment is much less maintenance intensive than it used to be, yet a quarterly or semi-annual checkup by a qualified individual or company is always recommended. To keep equipment clean, provide disinfecting wipes or spray and encourage users to wipe down machines between uses; assign daily and weekly cleaning tasks to staff.

Funding and financing options. There are numerous equipment and facility upgrade financing options. The new or established business usually will have access to competitive leasing or bank loan options. In addition, there are commercial fitness equipment dealers that will consider a trade-in value on present equipment within the facility.

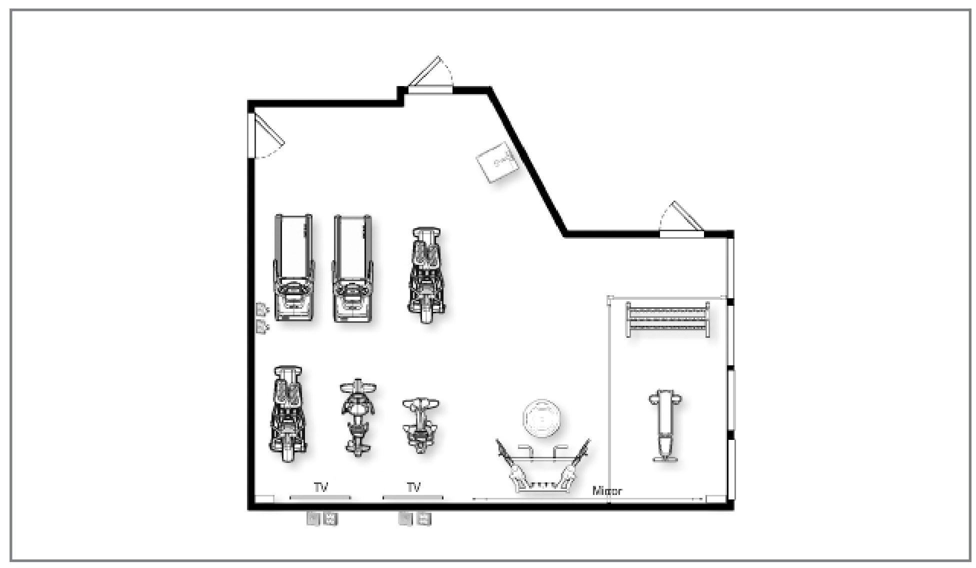
A word on costs – while it is tempting to spend less money on lighter-duty fitness machines, you will save money in the long run by purchasing higher-quality equipment with a longer lifespan and less down time due to repairs. Take warranties into consideration. A good warranty can lower the cost of ownership. Good planning also can save you money so that you buy the right equipment for the space and buy what users want and need.

These inclusions and enhancements to a workout area can help an organization's perceived benefit value and can be viewed as a significant benefit to employees, guests and clients, as well as a great selling point. Most importantly, the company and facility will be viewed as a state-of the-art business that is in tune with today's needs and requirements.

If you decide that your facility would benefit from an upgraded or new fitness center, where do you begin? If this type of expertise is outside of your company's comfort zone, there are resources to help you avoid expensive, time-consuming mistakes. Commercial fitness dealers are a great place to start. These experienced specialists can help plan the space and provide direction on the best exercise equipment to suit your needs as well as provide equipment service, and maintenance and trade-in programs. In addition to design and sales, fitness center management companies can provide on-site management, fitness programs and more. If do-it-yourself is more your speed, there are free online planning tools like Matrix Fitness' Room Planner tool available at www.matrixfitness.com.▲

Photos courtesy Healthstyles Exercise Equipment

The important balance of strength and cardiovascular equipment should be paired with the right accessories, such as floor matting and specific training needs.



Before purchasing any equipment, measure the dimensions of the area, making sure to determine the "active area" of the piece of equipment, not just the actual size.

Be sure to use adequate lighting in your workout area. Generally, the more hand-eye coordination an activity demands, the more illumination is required. Group exercise areas should have flexible lighting.

Vendor Relations

Snow considerations for the summertime

The past winter was brutal for many parts of the country. Feet of snow fell in short periods of time for weeks on end, roofs caved in due to the weight of snow and ice, and big cities, like Boston and New York, simply shut down due to the overwhelming amount of snow. Here on the Front Range we experienced a winter closer to average. Nonetheless, everyone celebrates when spring comes.

Even though many snow and ice management companies also celebrate the end of overwhelming demand and long work hours, the rest is short lived. Spring and summer are the times when snow mitigation companies perform a lot of work analyzing the previous year and preparing for the year ahead.

Before discussing what you can do now to wrap up your snow season and begin the next season with strength, it's important to understand exactly what snow and ice mitigation companies are and what they aren't. Snow and ice mitigation companies are companies that specialize in every aspect of snow management. These companies are different from the typical landscape company that attaches a snowplow on the front end of a truck during the winter months.

During the winter months, mitigation companies plow, de-ice, blow snow, and haul out or melt snow if necessary. In addition, they help manage your liability, keep your customers safe, and protect and build your brand. Hiring a snowplow means that your parking lot gets plowed. Hiring a mitigation company means that your sidewalks are shoveled and de-iced, entrances and exits are cleared correctly, the parking lot is plowed in the time allotted by law, and the snow piles are created in the correct spots. Mitigation companies specialize in helping the property manager reduce the risk of damage, falls, slips and trips.

Matthew Haas
Owner, Summit Outdoor Solutions, Fort Collins

The biggest difference between the two types of companies is that a traditional snow removal company is reactive – they react to a specific need based on a weather event. Snow and ice mitigation companies not only react to the immediate need, but also are proactive in approach to the harsh winter environment and work with the property manager or owner to help identify and improve areas of risk. Traditional plowing companies don't manage the "thaw and refreeze" issues faced in Colorado, while mitigation companies provide a more holistic service. Mitigation companies are the knowledge experts when it comes to snow and ice, performing the duties of snow removal during and after a snowstorm, and providing guidance and support to help protect your property from the destructive forces of snow and ice, as well as protecting your organization from costly and damaging litigation.

During the spring and summer months, mitigation companies spend their time performing audits, conducting specialized training for personnel, maintaining and upgrading equipment, and redefining internal business processes. They also work with local clients to keep clients up to date on how to best keep the property safe.

Mitigation companies specialize in helping the property manager reduce the risk of damage, falls, slips and trips.

It is important to keep up with the latest snow and ice removal methods. In the past, some of the treatment methods would cause long-term damage to concrete and sidewalks. Newer treatment methods are available and mitigation companies should work with the property manager to find the best method of ice mitigation, which is one that provides less risk and damage.

The summer months are the perfect time for equipment maintenance activities. January and February are the wrong months to realize that the brakes need to be fixed or that the hydraulic system needs a major overhaul. Preseason is also the time for proactive planning regarding ice-melt materials. The last few years the industry, and Colorado in particular, has experienced ice-melt shortages. A proactive service provider has plans and contingency plans regarding ice melt for sites. The companies work hard so they can go into autumn knowing they are ready for whatever Mother Nature decides to throw at them.

Part of the summer process includes visiting clients to make sure that the entrances, exits, hydrants, loading docks, parking areas and walkways haven't changed from the year before.

One new feature that is not marked on the removal plan could make the difference between a property that is safe and one that is open to risk when snow or ice hits. Snow management companies should create written plans for all clients' properties. These plans include maps, backup strategies and policies regarding client-specific requirements.

Just as spring and summer are working months for the snow companies, it is also the time for property managers to think about snow. Property managers must evaluate whether the plan for the previous year worked as well as it should have, whether there are property risks that need to be alleviated and whether they need to renegotiate existing contracts or perform a vendor search.

When it comes to planning for the next year, here are four steps property managers can take.

Perform a post-season walkthrough. This is the physical walkthrough. It's important to bring along the previous year's map with the high-priority areas. As the manager walks through the property, the map should either be verified as accurate or corrected with updated information. New sidewalks should be marked, changes in parking lots should be notated and high-priority areas should be reviewed and verified. This is also the time to address any property damage incurred throughout the course of the winter.

Post-season contractor evaluation. This is the time to go through the previous winter's activities and determine if the contractor met the contractual obligations as required. Property managers should ask if the contractor was prepared, consistent and professional. If not, then it is time to solicit new proposals in order to find a vendor that is a better fit.

This is also the time to make sure the vendor choice is a proper fit and meets the needs of the property owner. Although some vendors may provide the service as required, that doesn't mean those vendors are the best for the property. Each vendor is unique and the property owner should find the one that provides the most benefits for the residents or consumers of the property. For the purposes of snow removal, the goal of most property managers is to find a vendor that can mobilize the fleets quickly, respond to urgent needs, keep the property safe and have a well-trained crew that performs the duties specified within the contract in a professional manner.

Scope of work evaluation. During this phase the property manager determines what type of work will be required in the coming winter. For example, if ice dams or roof snow removal were not covered in the previous year's work, it is probably a good idea to add these into the contract for the upcoming season. Each season brings new lessons and during this phase the lessons should be added to the scope.

Contract evaluation. In this stage the property manager reviews the different types of contracts available by the local snow mitigation companies and picks the one that best meets the defined scope of work. Most mitigation companies offer "per push" contracts, "per event" contracts as well as "annual" contracts. Understanding the difference between these billing styles and their unique advantages can help a property manager meet budget requirements while maintaining a high level of service.

In the end, the property manager and the snow and ice mitigation companies have a lot to do during the hot summer months. Not only do they have to think about snow during 90-degree weather, but also managers have to start preparing for it. I would suggest taking a few minutes now to jot some notes about your experience over the last six months, then work your way through the four steps.▲

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