RCA Report
REALTORS® Commercial Alliance
REALTORS® Commercial Alliance REALTOR®
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IN THIS ISSUE

Partnerships for growth

Economic development agencies and commercial real estate professionals seem like natural allies. "Who has a bigger stake in how land is used than the real estate community? It's the raw material that sustains our business," notes Dan Lofgren, president of Cowboy Partners in Salt Lake City and vice president of Envision Utah, a long-range planning initiative for the region.

Yet, if goals are similar, the routes to get there often differ—creating tensions that at best slow the development process and at worst create a standoff that stalls progress. But it doesn't have to be that way. Some thought-leading economic development agencies and commercial practitioners are joining forces to re-envision their cities in ways both beneficial and efficient.

One of the biggest problems standing in the way of a true partnership between the private and the public sectors is that the government doesn't understand the private sector's business focus. "In government, there's no bottom line and no profit statement at the end of the year, so there's no sense of urgency about how long a project takes," says Bill Hudnut, senior resident fellow at the Urban Land Institute and former mayor of Indianapolis.

Jack Kennedy, a commercial broker with Coldwell Banker Commercial/Feist & Feist in Roseland, N.J., and an active member of the Northeastern Economic Developers Association, echoes the sentiment, "Brokers only earn an income when they do a deal, while a municipality's salaried workers get paid regularly however long a project takes. It's a basic conflict in working styles," he says.

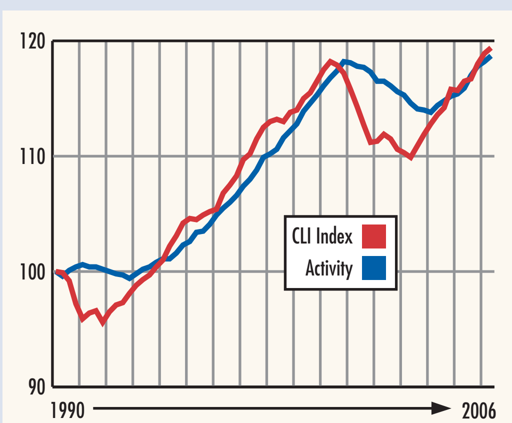
Get on the same side

One way around this seemingly insoluble dilemma is to staff your economic development agencies with real estate professionals, a strategy adopted by the National Capital Revitalization Corp. of Washington, D.C. This quasi-government entity, which works to revitalize the District's neighborhoods, has combined its bureaucratic know-how with the private developer's sense of urgency.

"We recognized we would need to bring development and finance skills in house if we wanted to do deals quickly, says NCRC's President and CEO Tony Freeman. These skill sets, combined with some outside consultants, have also made it possible for NCRC to act as its own developer of properties rather than following the more traditional route of selling off the $1 billion portfolio of properties it oversees. "That's the 'secret sauce' in our model," says Freeman. "By joint venturing we align our interests with the develop-

See **Partnerships** *on back page*

COMMERCIAL LEADING INDICATOR



Market expansion slowing

NAR's Commercial Leading Indicator increased 0.4 percent from the first quarter to the second quarter of 2006. The CLI has increased for five consecutive quarters and is now 2.5 percent higher than it was in the same period last year. However, the latest quarterly increase is a marked deceleration from the 1.1 percent growth rate of last year's fourth quarter and the 0.8 percent rate of first quarter 2006.

The measurable slowdown in recent economic activity—due to higher oil prices and higher interest rates—appears to be slowing the expansion in the commercial real estate sector over the long term. Short-term, commercial real estate practitioners should anticipate a 2.5 percent rise in leasing and sales activity in the fourth quarter of 2006 over last year.

The CLI is a leading indicator, in red, and the Activity line, in blue, represents actual commercial activity. Decreases in the CLI Index imply upcoming decreases in commercial net absorption and commercial construction.

VPReport

James Marrelli
NAR Vice President,
Commercial Real Estate

A vision quest to find your future

Many companies—and many individuals—plan for the future by analyzing the past. They use last year's sales figures or income, add in a set factor for inflation and a couple of percentage points for growth, and set their goals accordingly. Analytics are important, but by relying solely on past performance as a benchmark, companies cut themselves off from the creative thinking that could lead to extraordinary achievement.

This inertia is one of the most difficult behaviors to overcome on either an individual or an organizational level. It keeps us where we are unless we choose to move through it. Overcoming inertia is critical if an organization hopes to achieve excellence for itself and its stakeholders. Only by moving beyond the past and choosing to think creatively about all conceivable futures can an organization reach a clear vision of the possible. The RCA has given its staff the tools to foster this creativity through its own organizational development initiatives and NAR's participation in the Investment in Excellence® program from The Pacific Institute a REALTOR Benefits℠ Partner. When combined with books such as *Creativity in Business* by Michael Ray and Rochelle Myers (created from lectures at the Stanford Graduate School of Business), these programs instill techniques for looking beyond the established norms and transforming your business, and sometimes your life. All commercial members will benefit from the results.

Already projects such as CommercialSource.com, the first online commercial convention, and the T&I Briefing CDs of cutting-edge ideas in an accessible format demonstrate the added value that creative thinking can yield. Ongoing initiatives such as the national commercial information exchange and our forthcoming RCA Storefront program for our Commercial Overlay Boards and Structures demonstrate RCA's ability both to anticipate members needs and respond with practical solutions.

It takes planning, commitment, and discipline to be creative in your life or in your career. I would add that a deeper sense of purpose will come from giving of our knowledge through wisdom to others—*Pay it Forward,* as author Catherine Ryan Hyde so aptly termed it. Great leaders in every arena have the wisdom to combine a vision of the possible with the pragmatism and skills to take their ideas from dreams to realities. By rejecting the often self-imposed limitations of the past, reaching a vision of tomorrow, and exerting the discipline to execute on that vision, RCA and its members will continue in their roles as thought leaders for the entire commercial real estate industry.

J Marrelli

To contact NAR Commercial Real Estate staff: 888/648-8321. To find an online version of this newsletter go to *REALTOR.org/RCA*. For a complete listing of NAR legislative and regulatory initiatives, go to *REALTOR.org*.

NAR President
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NAR Commercial Liaison
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Colliers Arnold International

RCA Committee Chairman
A. Joel Criz, CCIM,
A. Joel Criz & Associates

NAR Vice President,
Commercial Real Estate
James Marrelli

CCIM Institute (CCIM)
312/321-4460; *www.ccim.com*

Counselors of Real Estate (CRE)
312/329-8427; *www.cre.org*

Institute of Real Estate Management (CPM)
312/329-6000; *www.irem.org*

REALTORS® Land Institute (ALC)
312/329-8440; *www.rliland.com*

Society of Industrial and Office REALTORS® (SIOR)
202/449-8200; *www.sior.com*

Commercial options expand at NARdi Gras

This year's REALTORS® Conference & Expo in New Orleans promises commercial practitioners more exciting opportunities for learning, networking, and fun than ever before. For the first time, RCA is sponsoring a "Commercial Day" on Saturday, Nov. 11. This day-long slate of education sessions will offer marketing and business development ideas for both experienced and novice commercial practitioners. Other commercially focused sessions and networking events will take place every day of the meeting, which takes place Nov. 10 to 13. Mark your calendar now for these can't miss sessions.

Time to learn

121 Ways to Market Yourself and Your Commercial Business. Develop a business plan sure to help you increase commercial leads and build profits for your commercial business. (Nov. 11, 1:00 to 2:30 p.m.)

Economic Issues and Commercial Business Trends Forum. Will the red-hot commercial sector hold? Find out from NAR Chief Economist David Lereah. Plus get an overview of the new Association of Foreign Investors in Real Estate survey on the commercial buying patterns of offshore investors. Finally, hear the latest trends on commission entitlements in a tightening market. (Nov. 10, 1:00 to 3:00 p.m.)

The 1031 Exchange: The Investor and You. Back by popular demand, this how-to session brings you up to speed on this key tax strategy for commercial real estate investors. Advanced forms of exchanging and case studies are featured. (Nov. 13, 9:00 to 12:30 p.m.)

Advance registration and a small additional fee are required.

Doing Business in Mexico. Do you have clients who want to buy property in Mexico or Mexican citizens who want to work with you? Learn how to capitalize on this opportunity with a half-day session presented by Linda Neil Adrian Arriaga, CCIM, CIPS. (Nov. 9, 1:30 to 4:30 p.m.) Advance enrollment required. Go to *www.REALTOR.org/RCAReport* for related Web links.

Land Use Field Trip in New Orleans. See firsthand just how much rebuilding has been done in New Orleans and the challenges that remain on this bus tour presented by the REALTORS® Land Institute. (Nov. 10, 1:00 to 5:00 p.m.)

Have We Learned Lessons from Katrina? Is your area prepared for the next natural disaster or have the lessons of the Gulf Coast been largely ignored? Get an update on changes in land use planning that have emerged at the Land Use, Property Rights and Environment Forum (Nov. 10, 11:00 a.m. to 12:30 p.m.)

Time to play

In addition to a full slate of education, RCA and the NAR commercial affiliates are making it easier and more fun than ever to get to know your fellow commercial practitioners while you're in New Orleans.

Join RCA, CCIM, and the Louisiana Association of REALTORS® at the first-ever Commercial Networking Exchange dinner. (Nov. 9, 6:30 to 9:00 p.m.)

RCA Jazzin' in the Big Easy. Hit a high note at this lively cocktail reception sponsored by RCA. (Nov. 10, 5:30 to 7:00 p.m.)

To register for the conference and view an updated list of locations as well as more valuable commercial sessions, go to the meetings page at *www.REALTOR.org*.

Dues formula barrier to membership growth

One of the principal strategic goals of the REALTORS® Commercial Alliance is to expand NAR's commercial membership. The Commercial Membership Recruitment Work Group, composed of representatives from the RCA, Member Policy and Board Jurisdiction, Professional Standards, and Association Executives Committees, was created in May to develop programs to help realize that goal. Work Group Chairman Joel Criz presided over two meetings this summer during which the group determined that the Designated REALTOR® dues formula represents a significant barrier to recruiting commercial practitioners as NAR members.

In effect, the NAR DR dues formula is structured so that if one member of a real estate company belongs to NAR, all members of that company must belong. This hurdle occurs because NAR assesses dues to its Member Boards based on the number of individuals licensed with each company. If only one member of a 10-person commercial firm joins NAR, the board, and therefore the company, is still billed for dues as if all 10 people were NAR members. The Designated REALTOR® for the company must also be an NAR member. Commercial brokers consistently cite this policy as the main reason they do not join NAR.

Other issues also present barriers to expanding commercial membership. Commercial real estate firms operate more independently than their residential counterparts, and few list properties in an MLS or need the MLS to offer cooperative compensation to buyer representatives.

Because of these differences, the Work Group believes commercial practitioners should have different membership policies than their residential counterparts. Allowing only some individuals of a commercial firm to join would provide a way to introduce commercial practitioners to the membership benefits offered by the local, state, and National Association of REALTORS®. In turn, this expanded membership would enable local boards to increase member services and thus attract still more members. In addition, the RCA will continue to provide improved services to commercial members, including a tangible benefit for commercial members in the form of a national commercial information exchange platform.

The Work Group is currently conducting research to predict the financial and membership level impact associated with its dues policy recommendations. These findings and the group's proposal will be formally presented to the RCA Committee at the 2006 REALTORS® Conference & Expo.

LEGISLATIVE Update

NAR urges risk profile fit property

On September 14, NAR submitted a statement to the House Financial Services Subcommittee on Financial Institutions and Consumer Credit outlining its concerns about the changes in lending requirements proposed under the Basel II Accords. The changes, which are intended to bring the guidelines for setting capital reserves at smaller banks in line with those of larger lenders, would increase the reserve requirements for commercial real estate loans. In addition, financial regulators issued a draft of guidelines that advised banks to strengthen their risk management practices if too much of their loan portfolio is concentrated in commercial real estate.

NAR's statement pointed out that the implementation of both regulatory initiatives might diminish the flow of capital to commercial real estate and dissuade banks from making sound commercial loans even in today's strong market. NAR made clear that the proposed risk treatment for commercial real estate loans in the Basel I Accords, which are currently being revised, do not appropriately capture the unique characteristics of each class of commercial real estate. NAR recommended that the guidance be revised to note that banks may be able to create a diverse portfolio of commercial loans if loans are spread across different classes of property and different geographic areas.

Several prominent subcommittee members expressed similar concerns in their questioning of financial regulators. It is likely that these regulatory initiatives will be the subject of further hearings and scrutiny in the next year and that regulators will continue to revise their proposals. A draft of the Basel II Accords is scheduled for release in early 2007.

Insurance reform high on 2007 Congress agenda

When the newly elected Congress convenes in January, it will face a spate of insurance-related issues to resolve. Over the summer, the House Financial Services Committee and the Senate Banking Committee held hearings exploring several insurance issues.

Property and casualty coverage: Many commercial members have been hit by the lack of affordable property and casualty coverage. Other commercial practitioners have not been able to obtain such insurance at all. These problems seem to be concentrated along the Gulf Coast, although there are pockets of difficulty around the country. Congress is considering pieces of legislation that would

- create an optional federal charter preempting state regulations governing insurance carriers.
- make it easier for insurance brokers to offer surplus lines of coverage when state-admitted insurers have left the market.
- establish a natural catastrophe backstop to help ensure the continued availability and affordability of coverage following a major natural disaster.

NAR is part of a consortium that engaged the Rand Corporation to analyze insurance problems in the Gulf Coast region. NAR will then use those findings to help establish its position on several pending bills.

Terrorism insurance: In 2007, Congress will have to decide whether to extend or modify its current terrorism insurance program, which expires at the end of 2007. In October, the President's Working Group on Financial Markets issued a report stating that insurance backstops put in place under the Terrorism Risk Insurance Act of 2005 have stabilized the insurance industry since 9/11 but may have negatively affected the emergence of a private reinsurance market. The report's conclusions leave the Administration some leeway in supporting the extension of a federal role in the reinsurance market. NAR supports creating a federally sponsored reinsurer. Such a move would help stabilize premiums while shifting the reinsurance to the private sector.

Partners can dissolve at will

A federal appeals court has ruled that members of a partnership created to purchase real estate could extend the life of their partnership, but in doing so, they created a partnership at will that could be terminated by any partner. In the case, four individuals formed a partnership, which was to be terminated after 30 years, according to the agreement. When one of the founding members died, the remaining partners modified the agreement, deciding to continue the partnership. The modification to the agreement also spelled out that partners could transfer interest to family members and gave other partners the right of first refusal and rights to approve sales of partnership interests. The modified agreement also stated that only a partner holding at least 60 percent interest had the right to terminate the partnership.

After the 30-year period had expired, the Tropeanos, partners who held 42.9 percent of the interest, notified the other partners that they wanted to dissolve the partnership relationship. When the other partners denied their request, the Tropeanos sued, seeking their asserted right to retire from the partnership. They argued that the group became a partnership at will when the 30-year period expired and that, therefore, they ought to be able to receive the liquidated value of their interest. A trial court agreed that the partnership could be dissolved. The U.S. Court of Appeals for the First Circuit partially reversed that decision. The appellate court ruled that any partner has a right to dissolve a partnership at will and receive liquidated value at any time under Massachusetts law, which governed the partnership. The modifications made to the agreement did not alter that fact. To read a complete summary of the case, go to *www.REALTOR.org/letterlw.nsf/pages/0806tropeano*.

ATM addition not a structure

A Massachusetts appeals court has ruled that the sublease tenant's installation of an ATM machine in the parking lot does not constitute a breach of a lease that required the landlord's approval to add a structure to the property. In the case, Banknorth subleased a retail space from another tenant, which held the property on a 20-year commercial lease. The bank then installed an ATM machine in the property's parking lot. The landlord contended that this installation was a violation of the lease and demanded its removal in 30 days. This lease gave the tenant the right to make repairs or improvements such as trade fixtures to the property, but required that it get the landlord's approval. The landlord contended that the ATM was a structure and the installation without his approval gave him the right to terminate the lease.

The trial court decided that the lease was terminated because of the tenant's breach, but the appeals court reversed the decision. The court reviewed the questions of whether the ATM was a permanent structure on the property or a trade fixture, which could be removed by the tenant at the end of its lease. A trade fixture is defined as "removable personal property that a tenant attaches to leased land for business purposes." The court decided that because the ATM was installed on a concrete pad in the parking lot and could be removed with little damage to the property, it was personal property, not a structure. Consequently, adding the ATM did not breach the lease and give the landlord a right to terminate the agreement. To read a complete summary of the case, go to *www.REALTOR.org/letterlw.nsf/pages/0806chapman*.

SCORECARD

BROWNFIELDS REGULATIONS

Establishes procedures for assessing the previous ownership and use of property required to claim an innocent landowner exemption from liability for contamination under Superfund.

Last Action: The EPA has issued further regulations to define what constitutes the appropriate inquiry into property condition required under the Small Business Liability Relief and Brownfields Redevelopment Act of 2002. These regulations require owners to conduct additional research and follow expanded inspection protocols in order to ensure innocent landlord protection.

Status: NAR has concerns about the added costs of these expanded research requirements and their negative impact on commercial development but believes that in this case environmental protection and economic protection could coexist.

SMALL BUSINESS HEALTH PLANS

Would improve the availability and cost of health insurance to small businesses and the self-employed by allowing trade associations such as NAR to offer nationwide insurance plans.

Last Action: House leadership had planned to attach the small business health plan legislation (H.R. 525) to the minimum wage bill passed in late July, but at the last minute the provision was bumped in favor of estate tax provisions.

Status: NAR's efforts to advance small business health plans continue. Polling indicates that health and health costs continue to be top concerns for Americans.

BANKS IN REAL ESTATE

Opposes efforts by the federal government to define real estate brokerage and property management as financial, rather than commercial, activities, as well as moves by the Office of the Comptroller of the Currency to allow banks to engage in real estate development.

Last Action: On September 27, NAR President Tom Stevens and Cynthia Shelton, liaison to NAR's leadership on commercial issues, testified before the House Government Reform Subcommittee on Government Management, Finance, and Accountability that the OCC's decision to expand the authority of banks to develop real estate compromises the banks' role as honest brokers of financial services and breaches the line separating banking and commerce.

Status: The OCC has already permitted several national banks to undertake development projects. If the precedents set by the OCC remain unchallenged, any national bank will be able to engage in a broad range of real estate development activities. NAR continues to vigorously oppose all activities that blur the line between banking and commerce.

INDUSTRY Update

Selling land in a global world

Globalization continues to shrink the world, and foreign investors both inside and outside the United States continue to search for real estate as a safe haven for their funds. In 2005, foreigners owned 14,640,915 acres (or 1.2 percent) of U.S. farmland that was in private hands, according to the Farm Service Agency of the U.S. Department of Agriculture. While much has been written on the cultural and tax aspects of working with foreign clients, regulations governing the sale of land—especially farmland—to non-U.S. citizens has not received much coverage in recent years. Yet many states impose restrictions, reporting requirements, and other legal hoops on real estate transactions involving foreign buyers. That's why the REALTORS® Land Institute and the REALTORS® Commercial Alliance have undertaken a project to update and revise a 1992 U.S. Department of Agriculture publication that outlines the state-by-state restrictions on the sale of agricultural land to foreign buyers. The study will be available online at *www.REALTOR.org/commercial*.

To give readers an overview of some of the issues covered in the report, which will be available in November 2006, we talked to the team researching and writing the piece, James A. Hochman, attorney with Coman & Anderson in Lisle, Ill., and Kimberly Haskell, a paralegal with the same firm.

Q. Why did RLI and RCA undertake this revision now?

A. While real estate markets may be global, ownership requirements are very much issues of state law or even county ordinance. That's why there's no substitute for local market knowledge.

It's also critical that your legal research is current and reflects new laws and court decisions that can alter how and if a transaction occurs so you can advise your client accurately. For example, New Mexico currently prohibits foreign ownership of agricultural land, but on Nov. 2, a constitutional amendment, if ratified, will eliminate all such restrictions.

Q. What are some of the common restrictions brokers would find in undertaking a sale of agricultural land?

A. One of the biggest challenges of working on the project was that every state stands on its own. We had to research 51 different sets of laws, regulations, and court cases. That said, there are some generalizations. One common restriction among the several states that let foreigners own agricultural land is limiting the purchase only to resident aliens. Resident aliens are individuals who live all or most of the time in the state where they are trying to buy land. In other states, resident aliens qualify to own land if they live anywhere in the United States. Some states also have restrictions on the acquisition of public lands by aliens. In some cases, counties and town also have limitations.

At one end of the spectrum are states such as Kentucky that don't permit alien ownership of **any** land in the state. At the other end are states such as Michigan and Arizona, which grant all resident aliens the same rights as any other citizen, including the right to buy land, in their state constitutions.

Q. Do state regulations differentiate between foreign buyers and U.S. citizens in any other way?

A. One interesting factor is that some states differentiate between sales to "friendly" versus "enemy" aliens. If the U.S. has good relations with a particular country, a sale may be permissible. If there isn't a treaty in place, it may not be. Determining friendly status can be tricky. The U.S. State Department maintains a Web site (*www.state.gov/s/l/treaties/c15824.htm*) that lists treaties in force through 2005, but it may take quite a while for a treaty to be posted on the site. And in today's political climate, determining friendly or enemy status isn't easy. For example, if you had a citizen of Lebanon who wanted your help in buying land right now, it might be a good idea to dig further.

Q. What are some other common restrictions brokers should be aware of?

A. Another frequent requirement is some sort of registration or reporting when agricultural land is bought by a foreign owner. Typically, this reporting—generally to the secretary of state or county registrar—is the responsibility of the buyer, but brokers should make their clients aware of any compliance issues.

Another common regulation restricts the size of the parcel an alien can purchase. Again, the regulations are across the board, ranging from limits of a few hundred acres to 500,000 acres in South Carolina.

Q. What legal liabilities does a broker have to meet any state restrictions on land sales?

A. In general, brokers are not the responsible party for meeting public requirements so they don't have significant liability. The sellers and buyers must address this issue. These laws are matters of public record, and most courts hold that where everyone has equal access, it is not the broker's responsibility to inform the client.

Q. What is the best way for commercial real estate brokers to use this new tool?

A. It's important to keep in mind that what we've created is an overview to alert brokers about possible issues in agricultural land transactions. This study should not be considered a substitute for a well-versed local broker, attorney, or title officer who works on these transactions regularly and knows local laws and regulations.

T&I BRIEFING

Now in its second year, the RCA Technology & Intelligence Briefing CD continues to bring you business-changing ideas and up-to-the-minute trends from some of the most innovative thinkers in commercial real estate. Here's a preview of the enclosed CD. Just hit play and start learning.

KENNETH P. RIGGS, CRE, MAI, CEO of Real Estate Research Corp. (*www.rerc.org*)

- The coming of age of commercial investment and an underperforming stock market should help the commercial boom continue. But expect volatility on the coasts and in oil-dependent economies like Houston and Denver.
- Demand fundamentals are improving for office, so rising income growth may offset increasing interest rates long term. Expect to see more pressure on cap rates in 2007.
- Rising worldwide construction costs, especially for steel, concrete, and timber, should help support higher rents and provide stability for prices.

MATTHEW FERRARA, CEO, Matthew Ferrara & Company (*www.mfseminars.com*)

- In terms of technology adoption, commercial real estate practitioners are where residential brokers were three to five years ago.
- Distinguish your online marketing with 3-D satellite maps on your Web site, weekly podcasts of market info, and regular RSS, or Real Simple Syndication, (*try www.webpasties.com*) instead of an e-mail newsletter.
- Adopt online chat (one source is *ww.helponclick.com*) and video-conferencing to stay in touch.

DR. MARK LEE LEVINE, director, Burns School of Real Estate and Construction Management, University of Denver, and head of the Global Research Project (*http://burns.dcb.du.edu*), a free reference tool that details real estate practices in more than 100 countries.

- Despite low capital-gains rates, 1031 exchanges remain hot; 80 percent of commercial transactions on the West Coast were like-kind exchanges.
- Watch your ownership structure when contemplating a 1031. Individual partners cannot use a 1031 to exchange their interests although the entire partnership can.
- If the Supreme Court ultimately decides that tenant-in-common interests are securities instead of real estate, investors who used TICs for like-kind exchanges may have to pay taxes, and possibly penalties, on gains.

AFFILIATE SPOTLIGHT

IREM studies provide property benchmarks

The Institute of Real Estate Management has recently published its 2006 Income/Expenses Analysis® reports for office, conventional apartments, condominiums, federally assisted multifamily, and retail properties. These comprehensive studies report key property metrics with last year's figures and provide benchmarks by which property managers can compare property vacancies and operating costs with other like portfolios. Figures are reported based on building size, age, and geographic area within each property type.

Some of this year's key findings include

- Total operating costs for suburban office buildings rose 4.8 percent to $8.02 per square foot; downtown buildings saw a 2 percent rise to $9.00 psf.
- Total expenses for all conventionally financed apartments increased in 2005, with smaller low-rise properties experiencing the biggest increases of 4.0 percent. In contrast, expenses for elevator buildings increased only 0.7 percent.
- Replacement reserves for condominium properties increased to an average of $348.17 per unit between 2004 and 2005.
- Operating costs for shopping centers rose to $3.99 psf from $3.49 psf in 2004. Of this amount, insurance and property taxes accounted for 45.1 percent of total costs nationally.

The IREM Income/Expenses Analysis® studies range in price from $164.95 to $187.95 for IREM members to $329.95 to $374.95 for nonmembers (plus shipping and sales taxes). To order, call 800/837-0706, ext. 4650 or e-mail *custserv@irem.org*. Downloads of the studies in either PDF or customizable Excel format can be ordered by accessing the IREM Web site at *www.irem.org*.

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Partnerships

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er's and create value for the city."

For partners such as Sandy Wilkes, chairman of The Wilkes Company, who worked with NCRC on a mixed-use project, working with many governmental planning agencies is like "a remedial development class. With NCRC, you can exchange ideas and talk about strategies in the same language."

NCRC has taken yet another page from the private sector playbook and added immeasurably to its capacity to respond quickly by securing $150 million in equity capital from Morgan Stanley Real Estate. The ability to combine public funds allocated by Congress and private investment lets NCRC "move at the speed we want to operate and need to operate when markets are moving so quickly," says Freeman. At the same time, public monies can be used to fund projects with long-term returns such as securing the parcels for a major project.

Stay in touch with business

While hiring the other guy is a surefire way to understand another point of view, embracing a pro-business philosophy isn't limited to the private sector. In Tinley Park, Ill., a suburb of Chicago, Director of Economic Development Ivan Baker (who's also a licensed commercial real estate agent) and local political leaders have learned there's a payoff in "not putting politics before policies." Baker, whose agency received a 2006 excellence award from the Economic Development Administration, says government has been able to sell the value of new development—by appealing to residents' pocketbooks. "The added tax revenues development has generated have meant the village hasn't had to raise its tax rates since 1971," he says.

To support his pro-business agenda and ensure that the agency and the local real estate community work in tandem, Baker spends the majority of his time focusing on real estate issues and keeping commercial practitioners informed about village plans. "My coordination with brokers is critical," he says.

This approach allows brokers to be "proactive instead of reactive and saves everyone a lot of headaches," says Al Vallejo, a broker who oversees commercial operations at three RE/MAX offices in a trade area that includes Tinley Park. For example, says Vallejo, if you've listed a property of five acres and after consulting with the economic development agency find that four of those acres are zoned as wetlands, you can go back to your client and rethink your selling strategy and price. "You don't look unprofessional by getting the deal almost to completion only to have it rejected."

This role of mediator/liaison between the business users of the real estate and local planning and economic development groups is a perfect fit for the real estate community's skills, says Bruce Wolf, broker/owner of Prestige Real Estate, Littleton, Colo., and immediate past president of the community's Business Industry Advisory Committee. "For example, if a building needs to change its parking ratios to attract a tenant or a business wants a traffic light for access, we make a call," he says.

BIAC also functions as a sort of think tank for local land use. "The council says we're the eyes and ears of the city," says Wolf, who's also NAR's 2006 Treasurer. A recent success was the BIAC recommendation to convert an abandoned stone railway station into a stop for the light rail line from nearby Denver.

One way to ensure speed and cut down on frustration on both sides is to eliminate the need for major negotiations about what is and isn't acceptable economic development, says Judy Corbett, executive director of the California Local Government Commission. A number of the state's communities, such as Petaluma and Ventura, have adopted detailed design and construction standards based on form-based codes. This method uses preset standards to ensure planned development and to make it significantly easier for smaller projects to understand parameters and gain approval. Although form-based codes were originally associated with Smart Growth and New Urbanism concepts, the basic idea of preset standards could be adapted to any development strategy.

Perhaps the ultimate manifestation of rulemaking as a way to ensure a shared vision for development is the work of Envision Utah in Salt Lake City. This public-private partnership, lead by a board of key business and industry leaders, has enlisted more than 18,000 community stakeholders to develop a shared vision of what they want the Greater Wasatch Area of the state to look like in the coming decades. Envision Utah then created a toolbox of planning strategies to help governments implement these ideas for zoning, transportation, and land conservation.

"Amazingly," says Ted Knowlton, Envision's planning director, there was widespread general consensus on the need for sustainable development and more reliance on mass transit among constituencies from boosters to conservationists.

The long timeframe of the planning horizon, ranging from 2020 to 2040, removed the immediacy of the deal (which can cloud judgment) and allowed real estate professionals and other stakeholders to focus on the common points on the horizon, says Lofgren, who serves as vice chair for group.

"It's no magic bullet, but because enough of the community feels ownership in the plan, elected officials will be emboldened to follow it in the face of NIMBY pressures," Knowlton says.

Yet, whether the goal is a better future or a stronger property tenant, real estate professionals must become and remain engaged in the process.

Grow your own

In most cases, economic development activities center on attracting new businesses to an area. Yet with thousands of competing communities, lots of time and money is spent cultivating deals that don't gel or that founder when the economy turns. These days, some thought-leading communities are altering their focus to build economic growth—and commercial real estate demand—from within. Chris Gibbons, director of business and industry affairs in Littleton, Colo., has even coined a term to describe the idea. He calls it "economic gardening." Gibbons and his staff foster local companies by providing marketing and other business tools and techniques too expensive for most small and midsized companies. Whether it's teaching a firm how to optimize its placements in Web searches, researching potential markets in China for a manufacturer, or using GIS capabilities to locate a new site for a mall, the government agency offers free advice to any local company that requests it. The result is a home-growth boom that increased the Littleton tax base from $6 million to $19 million in 15 years and more than doubled the jobs in the community. Gibbons and his staff have already helped some 500 communities learn more about economic gardening. How's that for a bumper crop?