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# Making the Right Choice With Ancillary Services

**Owners and management companies' ancillary services generate revenue and improve asset performance.**

**A**

ncillary services can drive significant bottom-line value for property owners, all while promoting onsite efficiency, ensuring asset integrity and building convenience for residents.

Riverstone Residential Group has leveraged the power of ancillary services by offering a service platform designed to maximize benefits for property owners, onsite property teams and residents alike.

## **Riverstone Residential's ancillary services include:**

- CAS Client Insurance, which provides asset coverage for property owners. Since its inception five years ago, participation in this service has grown to 62,000 units.
- Riverstone Receivables Services, which assists property owners in recovering post-tenancy delinquencies. Participation in this service has grown from 30,000 units to 160,000 units during the past four years.
- Riverstone Resident Insurance, which provides residents with coverage and claims

**"The most sophisticated technologies and efficient service packages hold little appeal unless customers feel assured that you are adding convenience to their busy lifestyles."**

—Gardner Rees  
Division President, Ancillary Services  
Riverstone Residential Group

support. This insurance program, which began five years ago, now has more than 90,000 participating units.

- Riverstone Resident Services, which provides amenities for residents including utility connection and disconnection services, concierge services, identity theft protection, furniture and houseware rentals and online discounts.

- Riverstone Screening Services, which screens residents and manages screening policies, procedures and criteria. As part of this ancillary service, Riverstone offers online screening and leasing for property owners who opt to create custom-branded property websites through the company's Riverstone Web

Platform. Of Riverstone's assets under management, 98 percent participate in Riverstone Screening Services' programs. Participation in the three-year-old RWP's screening and leasing integration stands at 75,000 units.

- Riverstone Telecom Services, which provides property owners with telecommunications consulting services and packages. This service, which was launched two years ago, now has 25,000

participating units.

- Rockcreek Utility Services, which provides property owners with integrated utility billing and management services. The electric purchasing program offered under Rockcreek Utility Services also provides owners with greatly discounted electricity rates by bundling purchasing volume across Riverstone's portfolio, primarily in Texas' deregulated markets. Participation in Rockcreek Utility Services has grown from 5,000 units to over 70,000 units during the past four years, and 10,000 units are currently participating in electric purchasing.

### **Leveraging Economies of Scale**

Although properties are never required to participate in Riverstone's ancillary services programs, Riverstone encourages participation at the portfolio and property levels by demonstrating how the services generate more efficiency for onsite operations, higher income potential for property owners and convenience and cost savings for residents when compared with

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## Fogelman Alarm Monitoring Protects Residents, Generates Revenue

### Fogelman Management Group

*John Barger, Vice President—Real Estate Services  
Memphis, Tenn.*

Providing residents with services they desire at “below-retail” pricing is Fogelman Management Group’s goal when implementing ancillary revenue programs.

“I believe prospects and residents place a premium on the savings that they benefit from, which (all other things being equal) results in some competitive advantage over other communities they may be considering,” Barger says. “This competitive advantage makes programs such as these superior to other ancillary programs that are not assigned much value by residents, such as water billing.”

For example, Barger says residents place a very high value on the security-related features of a community. Several of Fogelman Management Group’s apartment homes include intrusion alarms, but Barger found that residents don’t have the alarms monitored because, in addition to the monitoring cost, they would also need to pay for a telephone line.

“If you consider \$25 to \$35 per month for alarm monitoring and another \$35 to \$45 for a landline, the retail rate of a monitored alarm is \$60,” he says.

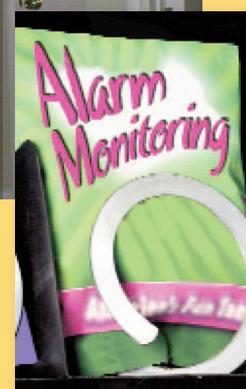
As a result, he says the company has installed alarms in units on some communities that are capable of being monitored wirelessly (without a landline). Fogelman Management Group pays a reduced monitoring rate because the alarms have been installed in every unit, and charges residents a “reasonable monthly fee that generates a healthy revenue stream.”

According to Barger, “Because the monthly fee is modest in comparison to the retail rate for an alarm, residents place a premium on the savings.

“There are many other services that would provide these benefits if communities are able to secure those services at low rates. However, the risk of implementing multiple programs and charges for services is that the residents may perceive they are being nickel and dimed. At some point, communities may reach ‘critical mass’ of ancillary charges where prospects and residents begin to resist the charges for services in spite of the savings.”



Fogelman offers residents a security system.



third-party providers of similar services. In addition, Riverstone conveys the extent to which its ancillary services teams conduct due diligence on its programs and partners, using its expertise and leverage to create efficient and standardized processes as well as better opportunities, terms and referrals. This due diligence prevents property owners and onsite teams from dedicating extensive and often costly resources to assessing and selecting ancillary service options on their own.

As an example, Riverstone notes that asset and resident insurance options can help significantly mitigate the devastating effects of fires, floods, windstorms, earthquakes and other chaotic events affecting property owners and residents. Centralized receivables services eliminate the need for onsite associates to spend

time on pursuing delinquent accounts and identify credit risks with future applicants by feeding their information back into the screening process. Furthermore, effective resident screening programs serve to identify the most qualified residents, increase convenience for residents by integrating with online leasing and payment features and reduce time-consuming tasks and paperwork for onsite associates.

As Riverstone clients begin to understand the benefits of each service and elect to participate, they help to build economies of scale that reap increased revenue generation opportunities for all participants. Gardner Rees, Division President, Ancillary Services at Riverstone, notes that economies of scale provide value in terms of pricing as well as the ability to provide dedicated expert resources

that contribute to the services' success.

"Some of the insider knowledge and specialized focus needed to execute our ancillary services areas require oversight by a team of subject matter experts, as opposed to the oversight of a single associate who is responsible for multiple product types," he says. "Part of our success is due to the fact that we have the dedicated leadership of product specialists to manage the subtleties that make or break an initiative's potential."

Rees says that although every property and portfolio should be able to achieve some amount of notable ancillary income, the level of revenue, value and efficiency increase dramatically when bundling with a large portfolio. Riverstone has witnessed this firsthand as its ancillary services have grown throughout the years. By implementing a timely billing process and capitalizing on the advantages of acting as a first-party collector instead of a third-party collector, Riverstone Receivables Services now experiences recovery rates four to five times greater than those of traditional collection practices. Riverstone Telecom Services generates anywhere from \$5 to \$50 per door, and the program's bundled telecommunications added \$3.5 million to clients' bottom lines in 2012. Another program, Rockcreek Utility Services, generates \$20 to \$75 per door. Many properties have experienced 25 percent to 50 percent savings by

## Trilogy Drives Ancillary Program With Carport

### Trilogy Real Estate Group

*Girish Gehani, COO  
Chicago*

**R**ent revenue stemming from carport use has proven to be a profitable ancillary program for Trilogy Real Estate Group.

Trilogy says one of its Oklahoma communities did not have covered parking, so it built 100 carports. The cost of each was approximately \$1,000 and they are being rented at \$40 per month.

The carports at Trilogy Real Estate Group's, The Villas at Countryside in Oklahoma City, Oklahoma, are more than 90 percent occupied.

"It worked well for us because there was a strong demand from our residents and it created an additional revenue stream," Gehani says. "They are currently 90-percent occupied, so it has shown solid ROI and payback on investment."



Carports at Trilogy Real Estate Group's The Villas at Bailey Ranch, Owasso, Okla.



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## Related Management's Pet-Friendly Services Meet Residents' Needs

### **Related Management/Midwest**

*Curt Bailey, President  
Chicago*

**T**here's a new top dog in town when it comes to pet-friendly city living in Chicago.

At Related Midwest's apartment community, 500 Lake Shore Drive, residents need not leave the building—or even their apartment—to access the best pet care in the city. Instead, residents can call on Dog City, Related's on-site pet care service that offers everything from dog walking and pet sitting to grooming services, routine vet visits and pet training.

“When we designed the community, we researched the types of amenities Chicagoans wanted most in a downtown location,” Bailey says. “We found they love their pets to the point where pet-focused amenities top almost anything else on their list. So we gave residents the best, and first, comprehensive onsite pet care facility in the city.”

Other dog-friendly buildings have restrictions when it comes to pet size and breed, and access to certain entrances and common areas, he adds. “But our overall approach is to be as welcoming to pets as possible, through our building policies as well as amenities like Dog City. Already, we're getting a terrific response from residents who appreciate our pet-friendly philosophy.”

Staffed by a team of experienced pet care professionals, Dog City is located on the first floor of 500 Lake Shore Drive with direct access to a dog park on the east side of the building. Available fee-based services include dog walking and jogging; routine veterinary care; in-home visits and pet sitting, including “nanny” services for puppies and vacation care; professional dog and cat grooming and “paw-dicures;” nutritional counseling and delivery of custom pet meals; and group and individual dog training.



Chicago's 500 Lake Shore Drive offers residents fee-based pet care services on the first floor.



using Rockcreek Utility Services, amounts that can result in hundreds of thousands of dollars in savings per year and create millions of dollars in property value.

### **Capitalizing on Service Demand**

Rees says that behaving proactively is important in determining which ancillary services would most benefit property owners, property operations and residents.

“We continually evaluate potential ancillary service gaps, carefully monitor trends inside and outside our industry and proactively vet those trends with our clients' and residents' needs in mind,” Rees says. “We want to make sure that our clients hear about viable opportunities from us first, and that we are the providers of choice because we leverage those opportunities in the most effective way.”

Rees adds that during the past several years, the company has anticipated trends in telecommunications, utility billing, electricity buying and online payments, all of which drove additions and improve-

ments to its ancillary services platform.

According to Rees, interest in telecommunications services is trending higher as property owners are increasingly becoming aware of the competitive advantages of offering more bandwidth as well as the cost savings that can be realized from bundling services. Today's telecommunications offerings entail some specific and detailed nuances, and property owners benefit when they have an experienced industry insider working on their side. Property management firms who employ in-house telecommunications industry veterans can add value for clients by assisting them in understanding which options would be most advantageous given local market conditions, asset infrastructure and resident needs.

Rees notes that property owners are also experiencing increased benefits from utility billing, which can significantly reduce costs and change residents' behavior by encouraging them to conserve resources. Property management companies with in-house

## Storage Units Boost Equity

### Equity Residential

Angela Keckler, Community Manager  
Arlington, Va.

Most apartment communities have unused space in parking garages or parking lots. To make the most of these dead areas, some operators are now investing in onsite storage facilities.

Built to blend in with the individual apartment community, these mobile storage facilities do not require footers or concrete pads for installation—they are placed directly in excess overflow parking spaces or on common area grounds.

Storage units for garage parking decks include 4-foot-by-8 foot, 6-foot-by-8 foot and 8-foot-by-8 foot models, all of which are 6.5 feet high, as well as smaller garage lockers. Units placed in the parking lots of garden-style communities are typically the size of a parking space. The 128-square-foot structures are subdivided into two, three or four individual storage spaces.

Equity Residential is experimenting with four garage lockers at its Virginia Square Apartments community in Arlington, Va. Property Manager Angela Keckler says the lockers offer 3-by-5-by-8 feet of storage space for everything from sporting equipment to luggage. Residents pay \$40 per month to rent the lockers.

“We have 24 storage ‘cages’ that residents can rent for \$50 per month in a room in our parking garage, but they were all rented and there was a need for additional storage space,” Keckler says. “We didn’t have the room to install additional cages, so we put in four storage lockers in an unused part of the garage. It’s a great amenity for residents because it takes the pressure off of their closet space, which is especially important in the Washington, D.C., area, where apartment square footage is at a premium.”

With Equity’s vendor’s revenue-sharing program, this added amenity costs Equity Residential nothing. The locker company, Apt Storage, collects the storage unit fees, paying 25 percent of the revenue to Equity Residential. The percentage of revenue is based on Virginia Square Apartments’ monthly occupancy level.

In the future, Keckler says she may look into offering reserved parking spaces that include a storage locker above the parking space.



A storage locker at Equity Residential’s Virginia Square Apartments, Arlington Va.



utility billing experts can provide owners with an evaluation of the efficiency of their current billing systems, to what degree their billing systems reflect accurate current rates and whether communities are truly taking advantage of all billing opportunities, including trash and stormwater billing.

Electricity buying opportunities can change quickly, adds Rees, as utility prices are subject to unexpected fluctuations and state governments continue to deregulate. Property owners who are unfamiliar with changes in their local areas may be missing out on cost reductions. By working with a property management company, property owners can learn more about the electricity market in each community and take advantage of bulk buying opportunities to bundle with larger portfolios in deregulated areas.

Online payment capabilities are a must-have for residents, many of whom consider the process of

writing a paper check and waiting for leasing office hours to deliver that check inefficient and outdated. In addition to adding convenience for residents, online payments save on-site associates time that might otherwise be spent taking checks to the bank, and remove uncertainty as to whether residents’ checks will clear. An online payment system that includes rent payment functionality and integrates with an online application and leasing platform (such as the Riverstone Web Platform) helps to drive leases and renewals while freeing up leasing associates’ time to perform other critical tasks.

### Seeking Long-Term Service Integrity

To promote long-term service continuity and build in long-term value for clients, Rees says that whenever Riverstone must utilize third-party supplier partners, those partners are selected through an

## Property Damage Loss Waiver Helps Residents, Owners' Bottom Lines

A property management company with 18 communities in Nevada and Texas (totaling 4,136 apartment homes) began implementing a property damage loss waiver program on an “as lease renews” basis.

They elected to take advantage of the ancillary revenue income component by charging \$2 above the base price. Not only have they currently protected more than half (2,800 units) of the total, but are using the online management tracking software to ensure the remaining units join the program.

As of August, the current annual ancillary run rate for the 2,800 enrolled units is \$67,200, with a potential for all 4,136 units to be \$99,264. At a modest \$2 per unit, the price to the resident is still several dollars lower than the average of \$15 to \$25 per unit per month that residents typically pay for their own individual coverage. For the “cost of a hamburger or movie ticket” they can rest assured they are covered.



## Holland Residential's Bike Program Shifts Into High Gear

### **Holland Residential**

*Bryan Pierce, Dir. of Revenue Management  
Vancouver, Wash.*

When it comes to maximizing ancillary income opportunities across your apartment portfolio, creativity is the key. “Holland Residential leverages most of your traditional ancillary income items like parking, storage and utility bill backs and are always a huge win,” says Holland Residential Director of Revenue Management Bryan Pierce.

“But stretching outside of those basics always becomes unique to the community—it’s about finding something that speaks to people and that means knowing the heart of your resident demographic.”

At Holland’s newly developed Union SLU property in downtown Seattle, a “Bike Lounge & Storage” area, is pulling in \$855 per month in ancillary income and has a waitlist for joining per Mike Voorhees, its Divisional Vice President.

“The Bike Lounge can only be used if you are paying for storage but has been very well received with the downtown demographic,” Pierce says. “It creates an area where residents socially mingle and work on their bikes. And any time I hear ‘waiting list’ I know I have demand, and demand says there is additional revenue to be captured because your price isn’t quite high enough.”



The bike lounge at Holland Residential's Union SLU, Seattle.



extensive RFP process. During the process, partners are evaluated on their financial backing, company history and stability, customer service orientation and service capacity. Prospective partners are also scrutinized with regard to their footprint; because Riverstone wishes to provide uniform access to ancillary services for properties nationwide, the company cannot contract with partners who operate solely on

a local or regional level.

Additionally, Rees affirms that the reputation of prospective partners also plays a role in Riverstone’s evaluation process. If a prospective partner has worked with Riverstone properties, residents or clients in the past, that partner’s previous performance is appraised. If a prospective partner is new to Riverstone, that partner is investigated with

## Lincoln Beta Tests Help Perfect Ancillary Offerings

### **Lincoln Property Company**

*Theresa Kaiser-White, Vice President  
Dallas*

**A**ny time that Lincoln Property Company formulates a plan and implements strategies for ancillary sources of income, it first conducts thorough market research to see what opportunities are viable in a particular market and what is allowable per city, state and national guidelines.

Careful consideration is placed on Lincoln's owners/clients investment guidelines regarding ancillary income as some have restrictions on the amounts or types of revenue that can be collected.

Resident surveys can be helpful with determining what types of additional services and programs that its residents are seeking, and this helps Lincoln create the right plan for each respective asset. Lincoln's core business is leasing and managing apartments and providing quality living environments for its residents. Ancillary income programs come secondary to its core focus.

Ancillary income is an important component to creating value, but Lincoln Property Company always wants to make sure that residents feel great about their living experience and Lincoln Property Company needs to be assured that its residents see value in these service programs. When residents realize value, quality and convenience, they are willing to pay for it. Lincoln Property Company never wants residents to feel negative about paying and, therefore, it tailors and promotes the plans carefully.

Many times, Lincoln Property Company beta tests the effectiveness of its programs on hand-selected assets before the program is launched to a mass of assets. This assures Lincoln Property Company that the programs are well-received in the market and make sense with our investment goals.

Lincoln Property Company is considering implementing a "hassle-free" cleaning program at several of its assets. When residents give notice, we provide them with a flier that outlines convenient cleaning options available to them, so they can enjoy this convenience and not have to worry about these details during the often hectic move-out period.

Cost for this cleaning range from \$85 to \$150 per move-out based on unit size. Moving boxes and packing tape also is available for bundle purchase at a premium to regular cost.

Lincoln Property Company already charges a monthly premium for new carpet through the initial lease term at select assets. It also charges residents for decorator features, including accent walls, closet organizers and under-cabinet lighting on a one-time basis. At some assets, flat screen televisions have been installed and a premium to rent charged for the lease term.

One of its assets is located near a lake and bike trails. Lincoln Property Company offers a place for residents to repair their bikes, storage units for bikes and for other recreational lake equipment. It offers simple bike supplies such as standard tire tubes and other accessories. This makes it more convenient for residents to enjoy their biking experiences.

Many Lincoln Property Company assets include retail components. In some cases, it is investigating and considering programs where restaurants/retailers can deliver food/drinks to the residents, or offer services to residents with service fees attached. These fees, negotiated with individual vendors, are based on the services. This creates a win-win situation for the retailer, community and the residents.

During holidays, Lincoln Property Company sets up seasonal programs to help residents with gift wrapping for a small fee. Samples of wrapping options are displayed and these services are extended during select evenings. Offering this type of convenience puts a smile on residents' faces and helps support a carefree lifestyle.



Some Lincoln Property Company communities offer holiday gift wrapping for a small fee.



regard to their overall reputation and quality of service delivery to other companies, both inside and outside the multifamily housing industry.

## Ensuring Satisfaction

Ultimately, Rees argues, ancillary services that look successful on paper won't enjoy longevity unless property owners, onsite property teams and residents recognize them as being customer-focused. He confirms that Riverstone evaluates ancillary services program data on a regular basis to ensure that the services offered are efficient, effective and backed up with high-quality customer service, whether that service comes directly from Riverstone or from partnering with an outside supplier.

"The most sophisticated technologies and efficient service packages hold little appeal unless customers feel assured that you are adding convenience to their busy lifestyles, generating measurable value and providing them with 24/7 support," asserts Rees. "The key is successfully balancing broad service offerings and economies of scale with a personalized brand of service that takes into account individual needs and local market conditions." ■■

*For more innovative ideas on generating ancillary income, check out past articles at [bit.ly/IRO\\_Connect](http://bit.ly/IRO_Connect). Join the IRO Community to brainstorm ideas at [www.naahq.org/connect/community/iro-community](http://www.naahq.org/connect/community/iro-community).*

## NAA's Income & Expenses Survey Says

Ancillary income collected by apartment communities is tracked on a national and individual market basis in NAA's annual Survey of Income & Expenses, which was published in September, based on reported performance figures from 2012, as reported by 4,526 properties containing 1,138,056 units overall. This includes market-rate and subsidized housing.

Broken down, in the market-rent category for individual-metered properties, which covers 3,497 communities, totaling nearly 1 million units, the average unit brought in \$827 per year in "other revenue."

Other revenue is defined as total collections from laundry, vending, cable, deposit forfeitures, furniture, parking, amenity charges, etc. It does not include interest income. It does not include utility reimbursements (i.e., RUBS) in GPR or rental revenue. All utility reimbursements are subtracted from gross utility expense. This total also is divided into garden-style and mid- and high-rise property figures.

This sample size is smaller. In the market-rent category for master metered properties, covering 620 communities totaling 141,603 units, the average unit brought in \$1,170 per year in other revenue.

More details and the full chart on "other revenue" and many other metrics are on page 59 of this issue.



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