



SUPPLIER
SUCCESS



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Supplier Success

Participant Guide
December 2020

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Course Objectives

As a result of completing this course, participants will:

- Understand how economic conditions have impacted the apartment industry;
- Learn the role industry associations play in improving multifamily housing quality and professionalism;
- Learn how relationships and participation in associations builds industry strength and lines of business;
- Define various types of multifamily housing;
- Recognize measurements of a property's success;
- Understand the inner structure of the apartment associations;
- Identify financial decision-makers;
- Review property and company organizational charts;
- Review timing, resources, and daily operations of an on-site community;
- Recognize business resources to maximize selling opportunities;
- Learn methods for positioning products/services based upon the goals of an apartment community; and
- Begin relationship building opportunities with other participants.

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Table of Contents

Section I Industry Associations.....Pg.9

Section II Association Marketing Resources, Relationship Building Opportunities, and Ethics and Etiquette.....Pg.24

Section III The /Multifamily Business Overview.....Pg.32

Section IV Apartment Company Organizational Structures.....Pg.42

Section V Apartment Community and Management Company Operations..... Pg.51

Section VI Defining and Demonstrating Value.....Pg.55

Section VII References and Resources.....Pg.60

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Apartment/ Multifamily Housing Overview

State of the Industry

The general state of the economy has an impact on all types of housing, including both multifamily and single-family. The impact on the multi-housing industry has generally been a positive one as people are delaying home purchases and renting has become a housing choice rather than a housing circumstance. The increase in occupancy and subsequent rental rates has been positive for the apartment industry. Housing has always been driven by jobs, demographics, household formation and access to capital.

In its 2019 report, the Harvard Joint Center for Housing Studies reports that from 2006 to 2018 renter households grew at a rate of 850,000 per year. The years 2017-2018 brought declines, but growth is projected to climb back to 400,000 per year for the coming decade. Over the next decade, two generations will dominate the housing markets: Millennials in their 30's and Boomers mostly in their mid-70's, but many still in their 60's. These generations will grow housing by 2.9 million and 11.1 million respectively. National homeownership rates are at 64+%. Prior to 2020, supply had begun to catch up in some markets, but demand for multifamily housing should remain strong over the coming decades.

The apartment industry supports approximately 17.5 million people indirectly and in excess of 1.5 million people directly. The industry contributes \$3.4 trillion to the national economy and houses approximately 39.7 million residents in 21.4 million apartment homes. Source: WeareApartments.org Oct 2020

The apartment association assists members by providing educational opportunities, networking opportunities, and business development opportunities. This orientation is the first step toward numerous career development opportunities. While apartment associations vary in size, staffing and sophistication, all support industry careers. Your membership as a supplier partner in the association provides direct access to owners and managers, as well as growing your own career opportunities.

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SECTION I

Industry Associations

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The Industry Associations section of the course serves as an introduction to the National Apartment Association, its state and local associations and their many benefits to the supplier partner member. Within this section you will learn about how apartment associations work, including information regarding the relationships between local, state, and national associations. The National Supplier Council and other valuable resources will also be reviewed. Additionally, we will explore the unique opportunities presented at state and local associations. You will learn about the many ways to establish relationships with other members.

As a result of completing this section, you will be able to:

- Learn the inner workings of the National Apartment Association
- Evaluate your role on national committees and task forces
- Maximize your membership through thoughtful participation in local and state association events
- Learn how apartment associations can provide the platform for promoting your business



NATIONAL APARTMENT ASSOCIATION

The National Apartment Association is a non-profit trade association organized as a 501(c)(6) as defined by the Internal Revenue Service.

A trade association is a group of business people in the same trade or industry, organized for the advancement of common interests.

Trade associations differ from Chambers of Commerce in that the membership is by industry rather than locality. There are over 92,000 trade and non-profit associations in the U.S.

The National Apartment Association (NAA) is America's leading advocate for quality rental housing. NAA's MISSION is to serve as a trusted, preeminent resource for all stakeholders in the rental housing industry through advocacy, education and collaboration.

As of December, 2020, NAA posted a membership totaling over 85,000 members, approximately 81% Industry Members, 19% Associate Members; more than 10.1 million apartment units and 152 local affiliates.

NAA's PURPOSE is to support an industry that offers safe, affordable rental housing to the public, equitably compensates its workforce, and provides investors with a fair and reasonable rate of return.

How NAA Generates Revenues

- 17%** Membership dues
- 40%** Meetings, Expos, Donations
- 8%** Communications and Advertising
- 32%** Lease and Compliance Programs – Lease templates are sold in 48 states and the District of Columbia

Federation Structure

A federation is an organization made up of smaller groups, parties, or states. The United States is a *federation*; the states all fall under the same federal government. For NAA, its federated members are the local apartment association affiliates. Each affiliate is chartered with territorial rights and responsibilities. Each is a part of the NAA federation. NAA works together with state and local affiliates to create the strongest network in the apartment housing industry. Through those partnerships, the NAA federation continues to grow by supporting one another and the industry as a whole.

Regions and Delegates

NAA is organized into ten regional entities. Each state is allocated delegates based upon its percentage of national dues billed and received by NAA in the previous year. The delegates are chosen by the members in the various states. The delegates within each Region select Regional Vice Presidents to sit on NAA's Board of Directors.

The Fall Governance meeting includes the Assembly of Delegates. The Assembly of Delegates may also convene at NAA's other national meetings. All NAA members are invited to attend this meeting. The Assembly of Delegates:

- ◆ Elects the NAA Officers
- ◆ Approves the NAA Operating Budget
- ◆ Amends the NAA By-laws

The Assembly of Delegates is updated on NAA activities and policies at each convened meeting.

A second meeting regularly occurs in March. The Advocate meeting combines governance and committee concerns with government affairs and representation of the issues affecting the multihousing industry. The session concludes with a Lobby Day visit to Capitol Hill in Washington DC.

A third meeting occurs in June and provides an Educational Conference and National

Expo. Named Apartmentalize, it is the industry’s largest national gathering of multihousing professionals and supplier partner partners.

The National Apartment Association (NAA) recognizes the need to form alliances with global organizations that share our goal of providing quality rental housing. Since 2003, NAA has been conducting outreach to rental housing operators in Canada, Europe, and Asia Pacific. The outreach has included attending international real estate conferences as well as direct contact with individuals involved in the rental housing industry.

Affiliations now include

- The European Property Federation
- Secovi Rio in South America
- The United Kingdom Apartment Association
- Irish Institutional Property
- The Canadian Federation of Apartment Associations
- The International Real Estate Federation representing 50 countries.

Volunteer Leadership

Volunteer Leadership is at the heart of the NAA and its Board and Committees. Throughout its 80 years of existence, extraordinary service and commitment have been recognized in several distinct programs: The NAA Hall of Fame, the Lifetime Achievement Award and Excellence Awards. The Hall of Fame and Lifetime awards are bestowed only when extraordinary service is to be recognized. The Excellence Awards are recognized annually.

NAA Hall of Fame

The NAA Hall of Fame recognizes owner/managers from the rental housing industry for their long-term history of exemplary national service and accomplishments to the National Apartment Association and the rental housing industry. Since 1987, Hall of Fame recipients include the following in order of presentation:

- | | |
|--------------------------|------------------------------------|
| Thomas Mahaffey | Robert Ross and Roland Freeman |
| William H. Shane, Jr. | Barbara MacManus |
| Steven D. Ira | Robert L. Johnston |
| James P. Hepfner | Julian (Perry) Hap Hunnicutt, III |
| Henry Hirsch | Anthony V. Pusateri |
| Deane H. Dolben | Phil H. Carlock |
| Ron Shelton | Tom Shuler, CAPS and Jerry Warshaw |
| David B. Watkins | Jerry Wilkinson |
| William (Bill) Wollinger | Alexandra Jackiw |
| Brad Williams | |

NAA Lifetime Achievement Award

The NAA Lifetime Achievement Award recognizes the contributions of NAA Supplier

Partners and Association Executives for their "long-term history of exemplary national service and accomplishments to the National Apartment Association and the rental housing industry." Since 2013, Lifetime Achievement Award recipients include the following in the order of their presentation:

Ernie Martin	Supplier Partner	Gerry Henigsmann	Affiliate Executive
Marcia Bollinger	Supplier Partner	George Allen	Affiliate Executive
Anant Yardi	Supplier Partner	Gale Lively	Affiliate Executive
Charles Stroud	Supplier Partner	Buddy Patrick	Affiliate Executive
Joseph Marcino	Supplier Partner	Ken Szymanski	Affiliate Executive
		Kristan Arrona	Affiliate Executive

NAA Excellence Awards

The NAA Excellence Awards annually recognize excellence and leadership in the rental housing industry and celebrate communities, industry professionals and affiliate apartment associations that make unique contributions to the industry. The award categories include:

Affiliate Awards

- Advocacy
- Member Engagement
- Chris Christenson Association Executive
- Outstanding Service to an Affiliate
- Community Service

Community Awards

- Military Housing
- Student Housing
- Affordable Housing
- Small (under 150 units)
- Large (over 150 units)

Diversity and Inclusion

Innovation

- Sustainable Living
- Technology

Individual Awards

- Independent Rental Owner
- Rising Star

NAA Education Institute Awards

- Certified Apartment Manager
- Certified Apartment Maintenance Tech.
- Certified Apartment Portfolio Supervisor
- National Apartment Leasing Professional
- Certified Apartment Supplier
- Industry Practitioner
- Industry Educator
- Anthony Pusateri Career Promotion

Supplier Awards

- NSC Achievement
- Supplier Sales Professional

Board of Directors

NAA is governed by its Board of Directors. The Board receives and evaluates reports of the Committees, Councils, Task Forces, the NAA staff, and the Executive Committee. It sets the policies and approves the important initiatives for the National Apartment Association.

The Board of Directors includes the NAA Officers, the Immediate Past NAA Chairpersons, the Regional Vice Presidents appointed by NAA’s ten regions, two Board members at large and the NSC Chairperson.

Nonvoting members of the Board of Directors include: AEC President, Chairs from the Conference, Education Institute, Independent Rental Owners, Legislative, and Membership committees, along with various other Forums, Advisory Boards, and Task Force chairs. Committee and Task Force chairs are appointed by the NAA Chairperson of the Board for a term of one year. The AEC and the NSC elect their Chairperson/President. The Assembly of Delegates, at its annual meeting in the fall, elects the NAA officers.

The Board meetings at NAA’s national meetings are open to anyone interested in attending.

National Committees – Councils – Task Forces

Like its local associations, much of the National Apartment Association’s work is conducted through Committees, Councils, and Task Forces. These posted meetings are open to any interested person, but voting is restricted to the persons serving on that Committee, Council, or Task Force.

All NAA members are encouraged to join any committee or task force in which they have interest. Often the best place to start is with the local apartment association committees but Regional Vice Presidents and current National Committee members can facilitate membership at the national level.

Standing Committees at NAA include:

Affordable Housing	Apartmentalize	Diversity & Inclusion
Global Outreach	Governance	Independent Rental Owners
NAA Budget & Finance	NAA Gives	NAA NextGen
NAA PAC	Nominating	Operations
PAC Ambassadors	Technology	Privatized Military Housing
Marketing & Communications		Membership

NAA Education Institute Committees:

Careers	Curriculum Development	Program Administration
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Typically the meeting is run by a volunteer chair, assisted by a member of the NAA staff. A list of the committee meetings is included on NAA's Web site for each national meeting. Committee members serve one year and are appointed/elected by the Regional Vice President and are also appointed by the NAA Chairman according to NAA Bylaws. Liaisons from various groups serve as non-voting members on Committees/Councils/Task Forces. Committee meetings that are posted at the national meetings are open to anyone interested in attending.



NATIONAL SUPPLIERS COUNCIL (NSC)

The **mission** of the NSC is to be the voice for all apartment housing industry suppliers, providing access to business opportunities, education and advocacy for our members. The National Suppliers Council (NSC) was established for the mutual betterment of the industry supplier partner partners through, education, advocacy and community service. Those three pillars to the NSC are the keys to volunteering, networking and building a brand (personal and company).

Members of the NSC pay dues to NAA as established by the Assembly of Delegates. NSC membership is open to all supplier partner members of NAA.

Members of the NSC enjoy a unique opportunity to elevate their brand and grow their business by taking advantage of some of these exclusive benefits:

- Priority Hotel and Exhibit Selection at Conferences
- Networking Opportunities at NAA and NSC Events
- Access to NAA's membership List
- Company Listing in the NSC Directory
- Mentoring from an NSC Executive Committee Member

NSC members must be a member of at least one Affiliated Local Association if one exists, Affiliated State Association or Affiliated International Association if one exists. If there is no affiliated association in their area, they must then join as a direct member. Membership to the NSC is subject to the approval of the NAA Board of Directors.

In their roles as supplier partner partners, members of the NSC are appointed to serve as Liaisons to the NAA Committees and Task Forces listed above.

Also available to all NAA supplier partner partners, NAA Open Door is a savings and discount program available exclusively to NAA members, that helps members save time and money on products and services they use every day.



NAAPAC

NAAPAC is the bi-partisan political action committee that supports Congressional candidates who represent good government and understand the needs and concerns of the apartment housing industry. From fair housing to flood insurance, energy to the environment, the 535 members of the US Senate and House of Representatives play a huge role in shaping the policy and economic climate for the apartment housing industry.

NAAPAC strives to educate Congress about the apartment industry and guarantees that no decision is made that will affect the industry, good or bad, until its voice is heard. It takes the collective power of the NAA and the work of individuals at the grassroots level to make sure we, as an industry, are at the table and not "on the menu" when important policy decisions are made. A host of issues currently face our industry.

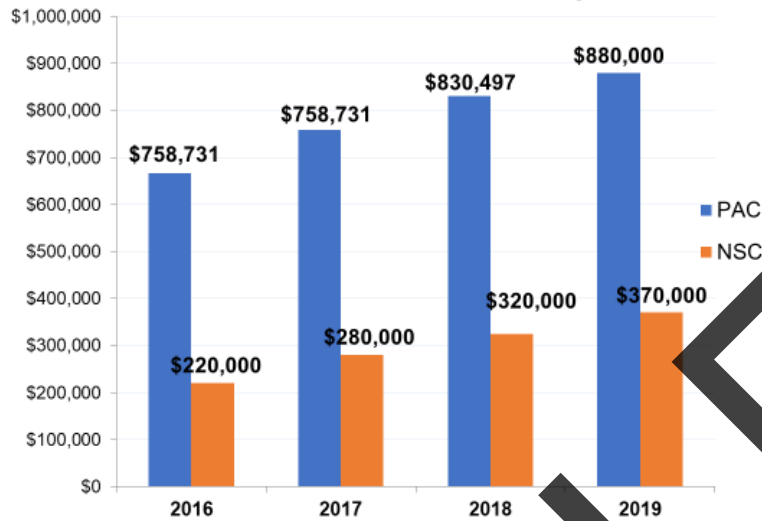
Members of the NAA PAC enjoy:

- **A Seat at the Table** Rather than be on the menu, a seat at the table is the vehicle to support federal candidates who are open to the apartment industry's views on issues crucial to member business and the industry at large.
- **Credibility** NAAPAC gives the multifamily industry political credibility. It shows willingness and capability to support lawmakers who help enact policies that will allow members to keep creating quality apartment homes across America.
- **Success** Growing industry influence in Washington, DC, does not happen easily. It is an ongoing and long-term process that only succeeds as more and more NAA members participate. Member involvement makes NAAPAC grow in strength.

NAA is prohibited from using general account funds such as membership dues or other revenue to contribute to federal elections. That means NAAPAC, by pooling the individual contributions of NAA and affiliate members, is the only vehicle through which NAA and its members may participate in the political process. NAAPAC is permitted to accept only personal contributions from members of the NAA and its affiliates. Any funds collected are disbursed directly to the campaign of a candidate or incumbent member of Congress. This "hard money" donation is heavily regulated and monitored by the Federal Election Commission (FEC).

The graphic below reflects total PAC donations and the significant portion due to NSC contributions. In 2019 the NSC contributed 42% of total PAC contributions while its members made up just 19% of total membership – a startling level of commitment!

NAAPAC & NSC Receipts



PAC Disclaimer:

Contributions to NAAPAC are not tax deductible for federal income tax purposes. Contributions to NAAPAC are for political purposes. All contributions to NAAPAC are voluntary. You may refuse to contribute without reprisal. The proposed contribution amounts are merely suggestions; you may choose to contribute more or less or not at all. NAA will not favor or disadvantage anyone by reason of the amount contributed or the decision whether to contribute.

Federal law requires political committees to report the name, address, occupation and name of employer for each individual whose contributions aggregate in excess of \$200 in a calendar year.

The Advocacy 365 Action Center is a key communication tool in alerting members to issues and legislation being addressed by NAA's Government Affairs department.



NAA EDUCATION INSTITUTE

Mission

The National Apartment Association Education Institute (NAAEI) is the education and research arm of the National Apartment Association. NAAEI's mission is to provide broad-based education, training and recruitment programs that attract, nurture and retain high quality professionals and develop tomorrow's industry leaders.

Whatever the career goals, the NAA Education Institute (NAAEI) has the information members need to learn, to lead and to succeed. With NAAEI learning resources, members will stay on top of the latest industry trends, pick up compliance strategies and expand their knowledge base—through online and classroom training.

Industry Careers Program Development

As housing stocks and household growth continues, the need for trained personnel escalates. NAAEI works to pool resources to address common recruitment, training and retention issues by developing industry-wide solutions. Recruitment from a variety of sources provides an outlet for diversified work forces and fills the need for management, sales and supplier roles. Despite losses in employment due to the pandemic in 2020, jobs remain open and available in the multifamily industry.

These solutions benefit large companies by offering program research and development savings, which is applied to the development of proprietary programs that make companies more competitive. Small to mid-size companies have the benefit of products and services that they could never afford to develop on their own.

Partnerships in Education

Multiple colleges and universities offer four-year degree programs, minors and certificates in property management. In addition, NAAEI and local affiliates are actively partnering with area community colleges and government jobs programs to provide other avenues for credentialing and attracting much needed newcomers. NAAEI and its affiliates work in concert with High Schools and Trade Schools to develop curricula designed for students who have an interest in the field of property management.

Continuing Education via Online Learning

NAAEI plays a key role in providing continuing education for all multifamily housing professionals. Programs include both specialized courses and structured curriculum designed to result in industry certifications of proficiency. Industry supplier partners have partnered with NAAEI to sponsor the development and maintenance of many of the programs.

visto Brought you by NAAEI and Grace Hill, Visto is an online learning platform offering an assortment of online courses and recorded webinars that can be taken anytime, anywhere. Most of these courses count for continuing education credits (CECs) needed for credential renewals.

Specialized programs are designed to focus on specific timely topics such as Fair Housing, Pandemic and Terrorism Response. These programs are written and made available for affiliate delivery across the nation.

Leadership Lyceum

NAA Leadership Lyceum is an exclusive year-long leadership development program for both management and supplier candidates who have been appointed by NAA leaders or selected through a competitive application process. This program is designed to identify, inform and empower successive waves of NAA volunteer leaders.

Lyceum candidates receive extensive knowledge about the NAA, from governance to the work of each department to programs and industry issues. They also learn the key responsibilities of association boards and board members along with the attributes of high functioning boards. In addition, selected candidates will participate in a wide range of leadership development experiences over the course of one year. NAAEI and NAA also provide [fellowships in four distinct categories to](#) qualified industry professionals who are ready to step into a volunteer leadership role. Fellowship categories include culturally diverse, emerging leaders, senior corporate and military veteran.

Credentials

Earning a credential demonstrates a member's commitment to an industry career and offers valuable insights and real-world skills useful on the job. Credentials also validate knowledge and skills, enhance credibility, boost confidence levels and earn respect among clients and peers. Certification programs target proficiency in specific aspects of multifamily housing management. Each course undergoes annual review and update so the material remains accurate and timely. NAA affiliates are equipped to deliver these programs locally. Credentials are earned after completion of coursework and experience requirements are met. The certification programs include:



-  ANSI Certified Apartment Maintenance Technician (CAMT)




-  Certified Apartment Manager (CAM)



-  Certified Apartment Supplier (CAS)



-  Certified Apartment Portfolio Supervisor (CAPS)



-  Certified Apartment Leasing Professional (CALP)



-  Independent Rental Owner Professional (IROP)

Related Associations and Organizations

National Multifamily Housing Council (NMHC)

Based in Washington, D.C., the National Multifamily Housing Council (NMHC) is the leader of the trillion-dollar apartment industry. NMHC brings together the prominent apartment owners, managers and developers who help create thriving communities by providing apartment homes for 40 million Americans. NMHC provides a forum for insight, advocacy and action that enables both members and the communities they help build to thrive. For more information, visit nmhc.org.

NMHC/NAA Joint Legislative Committee

In a unique relationship, the NAA and the National Multifamily Housing Council (NMHC) have worked together for 20 years on a joint Legislative Committee. The partnership creates a clear and consistent voice for the Apartment Industry on Capitol Hill. The joint committee ensures that apartment firms are able to engage government officials in constructive ongoing dialogues and participate in policy decisions affecting their ability to provide housing to millions of Americans.

Additionally, the Joint Legislative Program, in concert with 12 other national real estate organizations, is actively involved with the Congressional Real Estate Caucus (CREC) on Capitol Hill. The Joint Legislative Program will remain in the vanguard of bringing key issues before legislators and regulators in the ongoing debate over federal government's role in supporting apartment living.

The National Center for Housing Management (NCHM)

This organization was founded by Executive Order of the President in 1972 to ensure that the nation's growing investment in community housing was effectively managed at the site level.

The National Association of Residential Property Managers (NARPM®)

The National Association of Residential Property Managers (NARPM®) provides resources for single family/small multifamily residential property management professionals. NARPM® is the premiere association designed for real estate professionals who know first-hand the unique challenges of managing single-family and small residential properties. NARPM provides an effective, professional learning environment for owners of property management companies and their employees. Visit www.narpm.org to learn more.

The National Affordable Housing Management Association (NAHMA)

The National Affordable Housing Management Association (NAHMA) is the leading voice for affordable housing, advocating on behalf of multifamily property managers and owners whose mission is to provide quality affordable housing. Founded in 1990, as an advocate for professional standards for affordable housing providers, NAHMA holds a unique position in the industry. Visit www.nahma.org to learn more.

The Institute of Real Estate Management (IREM®)

The Institute of Real Estate Management (IREM®) is an international membership community of real estate managers across all property sectors who are dedicated to ethical business practices and maximizing the value of investment real estate. An affiliate of the NATIONAL ASSOCIATION OF REALTORS®, IREM is a trusted source for knowledge, advocacy and networking for the real estate community, both commercial and residential. It offers variety of accreditations and membership levels. For more information, visit www.irem.org.

LOCAL AND STATE ASSOCIATIONS

NAA and its state and local affiliates work together to create the strongest network in the apartment housing industry. Through these partnerships, NAA continues to grow by supporting each other and the industry as a whole.

NAA is committed to providing affiliates with a variety of resources and best practices to help them succeed. These range from the Affiliate Exchange (AEX) to the NAA Co-branding program to the AE Brainstorming Conference.

The local and state apartment associations are set up to support the needs of the local and state apartment communities and management firms. They have a full slate of operating committees devoted to supporting the local and state industry.

Additionally, the associations support and host a variety of NAA-designed education courses as well as other educational programs that support the industry, such as mold abatement, bed bug, and other remediation courses. Check the local association for ways to increase participation.

Local Committees – Councils – Task Forces

Much of the local apartment association's work is conducted through its Committees, Councils, and Task Forces. Programs, events, sponsorships and initiatives provide a multiple range of opportunities to match member company cultures with partners' business needs. Larger association affiliates may have full committees similar to the NAA list earlier in this chapter.

The relationships between supplier partners and affiliates are mutually beneficial. This was indicated clearly by a survey conducted for both affiliate representatives and supplier partners. A wide and diverse range of affiliate sizes as well as supplier partner products and services was revealed. The results of the survey reveal how important these relationships are.

Affiliates indicated that these were the top events and activities that engaged the most supplier partners:

- Annual Trade Show
- Food Drive or Other Community Service
- Golf Outing
- Business Exchange
- Committee and Board Service

When supplier partners were asked what events brought the most opportunity to build relationships and business, the following were indicated:

- Committee Service
- Membership Directory Listing
- Sponsorship of events and meetings
- Sponsorship of education programs

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SECTION II

Association Marketing Resources
Relationship Building Opportunities
Sponsorships
Ethics and Etiquette

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ENGAGE, EDUCATE, EXECUTE

The first step to maximizing your membership with the Apartment Association is to participate. It's just that simple. Some associations have welcoming committees, one such group is referred to as the "M" Team: Members Supporting Members. Membership committees and supplier partner councils often include mentor programs for new members. The goal is to help with the onboarding process of new members. Another great way to get started is to ask for a mentor, someone who has participated in the association and knows the ropes. Finally, contact your local apartment association to find out more about getting started.

In 2020, the pandemic greatly affected many association activities and programs, including those listed below. As a result, new, creative, contact-free and virtual solutions have taken precedence, as associations continue to connect with their members. There are many opportunities to continue to engage in the new virtual environments.

1. Member Guide/Directory– Supplier partner dues generally provide a listing in the local association directory. Previously in print, directories are often online and used as a "Yellow Pages" to seek new supplier partners. As a supplier partner member, this can be a very useful outreach tool and provides unprecedented access to membership.
2. Websites – As a supplier partner or associate member, you will gain access to the association website. Using an ID and password, you will be able to stay up to date on events, committee meetings, community outreach and other affiliate activities. The website also offers advertising and sponsorship opportunities at varying levels. Supplier partner landing pages, banners and special sections like Vendor of the Month may be available.
3. Sponsorships – There are many opportunities to sponsor an event with the associations. Often times this is an under-utilized opportunity. If your company chooses to be a sponsor for an educational event, for example, it is important that you are present during the kick-off of the event so that members recognize you and your company as sponsors. It is not enough to just provide a logo or give-away; the real opportunity is for you to have face time with other members. Choose to sponsor an event that is tied to your business philosophy, not just your product or service. We'll talk more about that below.

Opportunities exist in education programs, community service projects, legislative meetings, monthly or quarterly meetings and meals. Many supplier partners participate as sponsors for golf tournaments. There are a variety of opportunities to participate including sponsoring a hole, a team, an award, and so. There are a variety of investment levels and opportunities.

Ethical Considerations: Recognize when it is and is not appropriate to promote your business. For example, if you are participating in an event that is sponsored by another vendor, it would be inappropriate to pass out your cards and/or promotional items to the group. It is, however, appropriate to participate in one-to-one conversations with other participants and provide business cards to individuals.

4. Newsletters – In addition to advertising, newsletters are a great place to contribute up-to-date information on industry-related happenings. Offer to write an article or to serve as a Subject Matter Expert. Most affiliates will welcome content articles for newsletters as well as advertising spots. More and more affiliates are issuing weekly email blasts – which provide more opportunities to be seen.
5. Board, Committee, and Special Interest meetings – Participating on a committee, board, or special interest meeting is an excellent opportunity to forge relationships with fellow members. Often participation is a monthly event that brings many of the same people together to work on a common goal. In addition to providing a great service to the association, participation in these events allows members to get to know one another on a more personal level.
6. Trade Shows – The association trade shows give the supplier partner members a specific venue for face to face interactions with prospective buyers. Many members, both apartment personnel and supplier partners, consider these events to be the top business opportunity of the year. Typically, the event is hosted annually. It may or may not be combined with educational offerings. A trade show floor is filled with supplier partner member booths and then opened to registrants to “walk the floor” and interact with supplier partners. Management companies typically send company representatives from corporate departments to property managers and maintenance supervisors. Thousands of members participate in these events and while not all attendees are “decision makers” today, most are influencers, make recommendations, and will be tomorrow’s purchasing clients.
Simply presenting a product or service will not get attendees to spend time with you. Look for opportunities and draws to your location (games, events, activities) that will set you apart.
7. Business Exchanges – Associations across the country are now using a “reverse” trade show event in which management companies buy booths and send their decision-making personnel. Product supply partners “book” time in generally 15-minute increments to visit with leadership to sell their products or services. These have become very successful events, with proceeds often funding PAC or community agencies.
8. Virtual Meetings and Activities – Associations are adding virtual platforms to their business models. Committee and task force meetings are happening remotely, as are

network and social events. Supplier partner partners are always welcomed to join these sessions, even sponsor them if offered by the local affiliate. In 2020 and beyond, your presence in a virtual environment is almost a necessity in order to continue to contribute.

A CLOSER LOOK AT SPONSORSHIP

Sponsorships vary widely and a better understanding of how they work is essential for fitting this relationship-building opportunity into your game plan.

Companies sponsor associations for a variety of reasons. Some of these activities and events may not align with your product or service; others will open up more appropriate “stages” for your product and service. In a 2018 national survey, 68% of associations were preparing for an increase in partnership revenue from sponsorships. NAA offers unique sponsorship benefits. Local benefits can mirror many of the packages offered by NAA.

Let’s look at a couple of essential terms in evaluating what and how sponsorships can work for your enterprise. The term sponsorship refers to a financial relationship between you and the local association. Clearly, rights and benefits are considered the assets that are awarded as a result of the sponsorship fee.

A lesser known term is activation. Activation is the sum total of the marketing activities you will use to **promote** your sponsorship. Activation fees are not included in the sponsorship. They are additional and are unique to your organization as you customize the ways in which you will inform your customers and the public about your sponsorship. While the association will also advertise this relationship, you will use your own unique databases and products or services to reach out as well. This is the true reality of the partnership you have with the association—sharing brands and access.

Most associations offer a wide variety of sponsorship opportunities. It is important that you find the right blend of sponsorship method and activation. If you are new to the idea, begin in an area – event – activity – that closely aligns with your organization’s critical advantage. Then measure your success in terms of business build – but also in terms of exposure. Sponsorship is best utilized in multiples – a single sponsorship will likely not have the staying power of a repeated and more visible presence.

You will now be introduced to some of the critical guidelines that, based on local, state and federal law guide the day-to-day policies and procedures of the apartment industry. Supplier partners will learn how their business practices, behaviors and contracts can have a positive or negative impact on the community or apartment company.

ETHICAL GUIDELINES AND CONSIDERATIONS

As a result of completing this section, you will be able to:

- Recognize ethical and legal issues;
- Support a wholesome and productive work environment;
- Comply with laws and governmental rules and regulations
 - Weapon-free
 - Drug-free
 - Fair housing compliant;
- Make the right decisions while doing business with the apartment industry;
- Avoid conflicts of interest; and
- Practice non-discriminatory business interactions.

Basic industry event etiquette carries with it a host of recommended conducts. Trade Shows and Expos are often accompanied by many networking opportunities. As customers and supplier partners attend and often compete for the company of owner members, it is vital that you respect your competitors.

The apartment industry is guided in part by local, state and federal laws. These laws direct companies to establish policies and procedures that guide the ethics and business conduct of employees. In addition, supplier partners who interact with employees and residents are expected to follow the same ethical business practices.

1. Conflicts of Interest – A conflict of interest may exist when an individual’s personal interest interferes with the interests of a company. This may include an employee who receives improper personal benefits as a result of his or her position in the company. An example of a conflict of interest would be an employee who hires a vendor to complete a personal project at the employee’s home at a discounted rate. However, if all apartment personnel can participate in the same discount, then it would not be a conflict of interest.

Another example would be an employee who receives a substantial gift from a supplier partner who does business with the company. There are two key factors to consider when a potential conflict of interest exists. (1) Is there an industry standard or practice in your market? For example, is it common practice to pay a bonus or commission to an apartment employee? (2) How does the company view the situation? Is there a guideline established by a policy or procedure? In this example it is important to really know your customer.

2. Gifts and Entertainment - Because gifts may be misunderstood as an attempt to influence business decisions, supplier partners should give careful consideration to the value of the gift and the circumstances under which a gift is given. Gifts of insubstantial

value given as a gesture of professional friendship are generally acceptable. There should be no expectation of a commitment to a business transaction as a result of the gift. Usually gifts that are acceptable would include a meal, or a gift that can be enjoyed by the entire staff, such as breakfast, ice cream, or a cookie tray. Again, the gift should not be excessive or unusual.

3. Harassment - Harassment can include intimidation, threats, and can be sexual or non-sexual. Harassment can occur between peers, boss/subordinate, employee and resident, customer and service providers, and so on. Most companies have policies that specifically outline what is and what is not acceptable behavior among employees and residents or third-party providers. Dating between supplier partners and customers could lead to conflicts of interest and is usually discouraged.
4. Uniforms and identification – Most apartment companies require that their employees wear name tags and/or photo id badges. In addition, there are typically uniforms worn by maintenance staff members and clothing requirements for office personnel. It is expected that supplier partners who work on-site performing services, should also dress appropriately, and wear proper identification.
5. Keys – Since apartment personnel have access to occupied apartments, they must typically complete a background check prior to being hired. In most cases, applicants who have a criminal history are not hired to work at apartment communities – the liability is just too high. The management of keys, or "key/code control" is a top priority for apartment personnel. Most communities use a log in/out method of key distribution or code access. Supplier partners who are issued access should take special care to return keys to the office after completion of work. Lost keys should be reported immediately. In some rare cases, companies use "master" keys. On one such property, a vendor failed to return a master key to the office because it had been lost. Within 12 hours, four apartments were entered with the master key and robbed.
6. Privacy and confidentiality – Apartment communities gather personal information from residents as part of the application process. Apartment files that contain confidential information are kept in locked files or in digital, encrypted files and are only accessible by the apartment personnel. Supplier partners who interact with residents should not share personal information between residents. Likewise, companies may reveal marketing plans, budget information and the like. This information should not be revealed to competing properties and companies. During a contract bidding process, competing supplier partners should not reveal their bids to one another.
7. Fair Housing – Fair housing laws are designed to provide protection from discrimination in housing for certain protected classes. The federally protected classes include race, color, religion, familial status, sex, handicap, national origin. In addition, there are state and local fair housing laws that extend protection to others, such as income, military status, employment, and so on. Fair housing laws also dictate how communities

advertise, select residents, and the number of occupants allowed in a specific size apartment.

Furthermore, apartment communities must make reasonable modifications and/or accommodations in order to provide for residents who have disabilities. This important topic is covered in much greater detail during the Fair Housing course offered by the Apartment Association. Most companies require that Supplier partner partners observe all applicable fair housing laws while on the property.

8. Drugs – Most companies require that their employees complete a drug screening prior to hire. In addition, most companies require employees to submit to a drug test if there is an accident or injury that occurs while working at the community. Often, if a supplier partner is injured while performing a job on a property, they will be asked to submit to a drug test as well. Many companies require that supplier partners perform drug screening on employees who will be working on-site.
9. Business Requirements – Business hours, special entries for service providers, interaction with residents and others are examples of typical business requirements. Always respect what the property or company determines is a necessity. For example, reserved parking spaces, usually designated for rental prospects, should not be used for parking business vehicles.

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SECTION III

The Multifamily Business Getting to Know the Owner Member and Your Client

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TYPES OF HOUSING

The apartment industry is made up of numerous types of housing. Some of those types include:

1. Condominiums, Duplexes, and Townhouses
2. Conventional Market-Rate Apartments
3. Military Housing
4. Affordable Housing
5. Student Housing
6. Senior Housing
7. Workforce Housing
8. New Construction
9. Rehab and Renovation Projects

1. Condominiums, Duplexes, and Townhouses are often owned and managed by Independent Rental Owners (IRO). Co-ops have a unique ownership structure where owners own a “share” of the property, not a single unit. IROs have their own division within the Apartment Association that is designed to provide specific services for this group. Many IROs own rental properties as a source of additional income and typically work outside of the industry. Some IROs will select a third-party management firm to oversee the day to day management activities of their properties. These types of companies are referred to as “fee-management” companies.
2. Conventional Market-Rate Apartments are multiple apartment units that share certain characteristics. Conventional market-rate housing rental rates are market-driven and represent the majority of apartment rental housing. Typically, these communities are managed onsite by owners and/or management companies, but vary greatly. Learning the various owner relationships will enhance your ability to sell your product or service to this group. Types of ownership will be covered in greater detail during this module.
3. Military Housing - In 1996 Congress established the Military Housing Privatization Initiative to improve quality of life for service members. They entered into agreements with private companies to maintain and operate the housing on 50-year contracts. The result is a more mainstream living experience for residents including amenities while incorporating the supporting programs required for our service people and their families. All of the service branches participate and thousands of military homes and apartments are now operated by industry management professionals.

Single family homes, historical homes, bachelors’ quarters and executive homes are just samples of the variety of housing available to service members and their families. Military housing now often competes openly with private sector housing. As of late 2011, virtually all installations have been privatized so future changes will come in development shifts and management agent changes. Challenges include the government Basic Allowance for Housing (BAH) which can impede rental rate increases and competition between off-base and on-base housing options.

4. Affordable Housing encompasses a variety of financial programs ranging from public housing programs, Section 8, bond financing (income-based rentals) tax credit, etc. Most are financed by the federal government and typically serve the lowest income households. Conventional housing properties may have a percentage of affordable housing units at a given community too. Many government-funded or supported businesses have stipulations on processes, methods, and even sources of products and services that may be purchased and used. Challenges include the inability to increase rents over government-stipulated levels and to apply additional services and products charged back to residents.
5. Student Housing may include conventional market-rate apartment housing that is marketed to students of local colleges and universities. The seasonality of this housing will impact the manner in which units are marketed and turned (cleaned and prepared for new residents). Student housing may also be an “as-built” product on campus and in surrounding areas. Leasing is often done “by the bed” and management is focused on the particular needs of the student and their parents.

Amenities, property configurations and operating rules are geared toward enhancing the student’s university experience. Most of the newer construction provides individual bedrooms with baths for each resident. Additional amenities are typically provided that address the wants and needs of students including improved media and fitness centers, group activities, as well as being positioned for easy access to educational facilities (proximity and available transportation).

6. Senior Housing varies from conventional marker-rate housing designed for residents 55 and older to progressive housing; individual apartments and graduating to full-service nursing assisted housing. Senior housing is generally purpose-built with deed restrictions applying to ages and services. Senior housing amenities may include such things as sight- and hearing-assisted features and features that are designed for people with other disabilities. Often communities provide extensive social programs, and may also include meal services and other specialized amenities.
7. Workforce Housing is a subset of affordable housing designed to provide housing for people who earn between 60% and 100% of the area’s median income. Workforce housing gaps typically exist in high-cost areas that are major centers of employments, such as Boston, San Francisco, or New York.

8. Construction and New Development are rapidly growing areas of the multifamily industry as the economy firms. Typically, construction periods range from just under a year to twenty months – based on the size and scope of the community. Supplier partners who support this type of housing may deal with IROs, institutional investor owners or individual owners. The units may be affordable, conventional, student, workforce, seniors or others. Products and services range from major building and land development components to marketing and leasing expertise, including technology.
9. Rehab and Renovation Projects have become increasingly evident in the last several years with the advent of more available capital. There continues to be a very active market for rehabbing, upgrading and retrofitting older “B”, “C”, and “D” products in primary, secondary and even tertiary markets. Many of these properties are located in good locations and merit the investment in future asset proceeds. In many markets, well-positioned B and C properties are outperforming A properties in rent growth and occupancy.

Apartment housing is typically financed with long-term debt instruments. As with any investment, the cost and availability of financing rise and fall with the markets in general. The rise and fall in the cost and availability of capital can affect your business results as it affects your clients.

The cost of financing is factored by economic conditions, inflation, default risk, interest rate risk and ongoing regulatory and legislative activity. Changes in economic conditions have impacted the amount of equity that must be provided. For example, in past years financial institutions would require 5% down; under recent economic times, a financial institution may require as much as 25% down.

Financing is generally obtained from commercial banks, insurance companies, pension funds or retirement funds - for example, State retirement funds and teachers’ funds are heavy real estate investors. IDS - American Express is a huge real estate investor. There are also banks, mortgage brokers and private sources. GSEs (government-sponsored enterprises) such as Freddie Mac and Fannie Mae have been very active in the industry; unrest about futures of both organizations has caused uncertainty in many markets. If either organization goes away, it could have potentially disastrous effects on the industry.

As an industry supplier partner, you may find your business impacted by the financing aspects of your owner clients. If the portfolio or community is being refinanced, or is faced with missed occupancy thresholds and loss of short-term funding, you may find a reluctance to make purchases, slow payments of invoices, downgrading of activity or the reverse – additional purchases, urgency for completion of capital projects, etc. It is important to have an understanding with the owner and/or his/her supervising agent. You may become aware of

these changes through business activity rather than being told. It is important to ask for further information.

To learn more about finance, sign up to attend one of the finance courses or enroll in the CAS program made available through your local apartment association.

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TYPES OF OWNERS AND MANAGEMENT FIRMS

There are a variety of types of owners and management firms in the apartment industry. The differences impact how financial decisions are made. In addition, each company has its own culture that determines how decisions are made. Learning more about these ownership entities will assist the supplier partner in his/her methods of making sales and obtaining contracts.”

1. Owner Management firms are companies who own and manage their portfolios. Often times these are small to mid-sized companies who are involved in the day to day operations of each community. When working with these companies, the on-site management staff (including managers and maintenance directors) is often responsible for developing the annual budget and for negotiations between communities and supplier partners. However, district/regional staff members may also be responsible for the negotiations with partners that supply goods and services.
2. Investor-owned communities are often managed by a third party. Typically, these can be institutional investors who own multifamily properties as a part of a larger investment strategy. They can also be cash investors in LLC or TIC structures. In many instances, there are Asset Managers who determine capital expenditures. In many cases a local or regional manager determines who purchases supplies and services based upon a pre-established budget.
3. REITS are Real Estate Investment Trusts; publicly held companies with numerous investors. REITs typically own large numbers of apartment communities, employ numerous people, and have departments that specialize in different aspects of real estate management. Often times, REITS will have a procurement department that negotiates purchasing on a large scale. Typically, the majority of the apartment communities are required to participate by using only those items that have been obtained through the procurement department. However, some items may still be purchased at the site level. The REIT structure requires SEC oversight and quarterly distribution of proceeds, unless shareholders vote to reinvest dividends into growing property value.
4. Third-Party Management - Also known as “fee” management. In this setting, management is provided by an entity with no ownership interest in the property. Typically contracted one year at a time, the management company acts as agent for the owner and under terms and conditions outlined in a management agreement. Management “fees” are based generally on a percentage of gross income and may also

include specific reimbursements for specialized services such as IT, risk management and payroll. Furthermore, the management company is responsible for maximizing cash flow to owner, insuring housing practices are in compliance, and making recommendations to owners for capital improvements, investments, budgets, and all financial issues. Ultimately, owners-investors have the final decision and in some cases fee managers must prioritize investment recommendations. Third-party management companies may develop programs for properties they oversee but cannot always demand compliance by owners.

5. Limited Liability Companies (LLCs) – combine the aspects of corporations (protection from personal liability for business debts) and partnerships or individual owners (a pass-through tax structure). Most LLCs consist of two or more members, but many states allow a single-member LLC. This structure is often used for investors who choose not to be involved in day-to-day operations of the asset
6. Independent Rental Owners (IRO) – Owns small investment properties. The goal for the IRO is to maintain the asset and increase its value. The Independent Owner may take a very active role in daily management or hire a third-party management firm to manage the assets. Generally, many IROs both own and manage their assets.
7. Others - Apartment communities may also be owned by individuals or sole proprietors, joint ventures created solely for the purposes of owning a particular asset or by tenants-in-common. Limited liability partnerships, LLPs, are other avenues that allow individuals to own real estate. In recent years, crowdfunding and angel funding have become very active in owning real estate. Third-party managers generally supervise these assets.

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MEASUREMENTS OF SUCCESS

A community's success may be measured in several different ways. The most common methods for determining success include: occupancy, income, ROI, and NOI. As a supplier partner, it is critical that you understand how the owner is structured AND how the company measures success.

All owners want to further their investment goals, but those goals can be very different. For example, a long-term ownership group may focus on long-term occupancy and NOI. They may want to ensure that top quality components and services are provided. A fee manager for an institutional owner may work in a disposition mode with a focus on maintaining rents and occupancy to increase perceived value of the asset. Typical goals are: a specific rate of return, regular cash flow, tax benefits, investment diversification, quick profit from repositioning, increased value over time or pride of ownership. Let's take a look at some of these measurements:

Occupancy - Many companies use physical occupancy as a method for determining the overall success of a community. Occupancy rates can be compared with those of similar communities in a given market. Other companies may use economic occupancy to determine community success. Economic occupancy measures rental income of a property collected against potential rental income.

ROR – Simply stated, the rate of return is the percentage of return – or yield – on the total amount invested for a given period of time. It measures the financial performance of the investment. Investment may be equity investment or simply cash.

ROI – Return on Investment is used to determine the amount of time required for a financial investment into products, services, or processes to recover the initial investment cost from savings or performance improvement. Generally expressed in time (days, weeks, months, years)

Income – Communities use income as a method for measuring success. Because apartments are income-producing investments, the value of the investment is directly related to its ability to create income. The value of the property is based on income from rents, fees, and services – the higher the income the greater the value of the property. This is particularly true when expenses are properly managed and net income grows.

NOI – Net Operating Income is the profit realized after expenses have been deducted from total income. This measurement vehicle is a widely used calculation in conventional rental housing. In many cases, employees’ bonuses are directly tied to NOI. Capital, replacement, and extraordinary expenses are examples of line items that are typically NOT calculated in NOI. Capital expenditures must meet certain Federal tax requirements in order to be considered as such.

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SECTION IV

Apartment Company Organizational Structures

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The Apartment Company Organizational Structures section of the course is designed to assist supplier partners in identifying the best sources of contact decision-makers based upon the product/service being sold. You will be introduced to “typical” owner/management operating platforms and property organizational charts with examples of various authority levels for making purchasing decisions. In addition, you will further explore the role of procurement departments within larger organizations, and dotted line responsibilities between owners and asset management representatives.

The charts represent “typical” employment charts based upon the sizes of the communities. In this case we’ll look at a 200-unit community, a 450-unit community and two examples of larger organizations. A rule of thumb for employees, in the apartment industry is, “one employee in the office and one in the field for every 50 or so apartment units;” however, this calculation can range from 1 to 35 to 1 to 75, depending upon the community’s age, location, demographics and company culture.

ORGANIZATIONAL CHARTS

Organizational Chart I Notes:

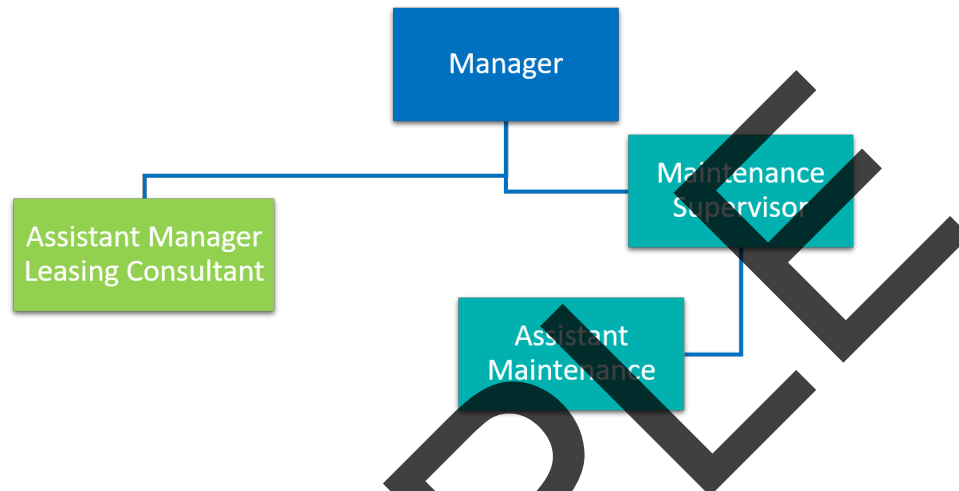
Small communities of 200 units or less, typically operate with a very lean staff. Usually there is an on-site Manager, and an on-site Maintenance Technician. In some instances, there may also be an Assistant Manager or Leasing Consultant. Some companies will assign a Manager to manage two small communities or a Maintenance Technician to oversee two small communities.

The most important things to recognize about small communities are that there may be more limits on resources and less influence in decision-making or supervision. Conversely, a strong, independent manager may be just the ticket for a small, but remote location. It is always important to understand what the community owner wants and expects from even the smaller properties. Your ability to add value to the bottom line may be even more critical!

Tips for calling on a community of this size

- Be sensitive to the time of day that you visit such a community. Avoid times when residents may be in the office such as early morning and late afternoons. Late morning through mid-afternoon is a good range of time for visiting the site. If you are able to set up an appointment in advance, that will also increase your chances of actually having a few minutes to visit with staff members.

- Taking lunch or a snack to the employees of a smaller community will likely put you in good favor as these folks typically do not have time to close down the office or leave the property for lunch.



Organizational Chart II Notes:

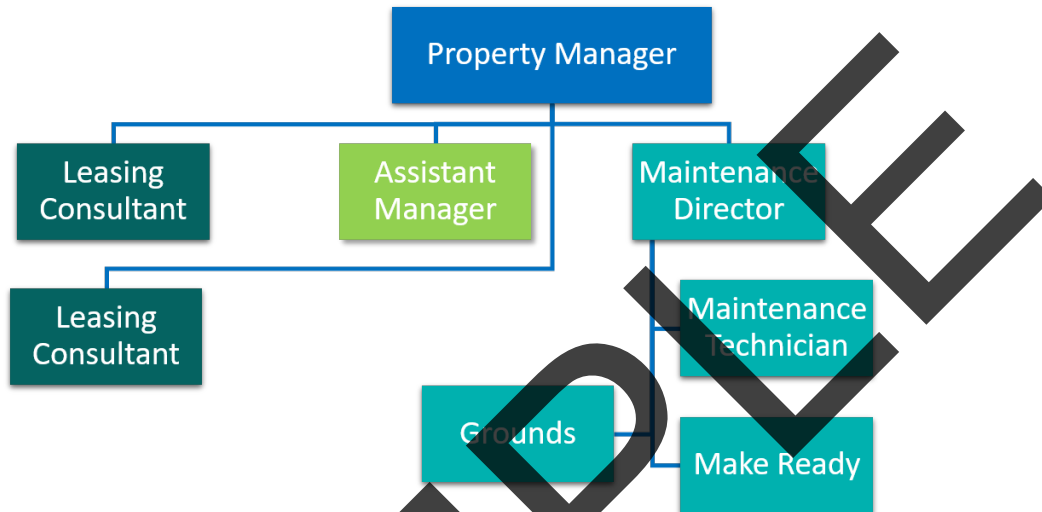
A large community such as this 450-unit example is staffed very differently than the previous example. The Manager and Maintenance Supervisor are both business directors. On the larger communities the Manager may manage the budget, and operations, however in many cases the Maintenance Supervisor has the responsibility of making purchases for maintenance-related items. Both may be part of an incentive program for positive budget performance. On a community this size, the Manager may have a budget approval level of \$500 or \$1000.

In some cases, the Maintenance Supervisor reports to the Manager and in other cases the Manager and Maintenance Supervisor have a peer relationship. It will be important to have a good relationship with both parties if you are a supplier partner of maintenance-related goods or services.

In this textbook example, the Maintenance Supervisor reports to the Manager. You will notice that the maintenance staff reports up through the Maintenance Supervisor. Company cultures vary greatly and decision making follows suit.

This community has an Assistant Manager and two Leasing Consultants. There could be a Leasing Director, and/or Administrator as well.

You can expect that communities this size will keep a large supply of maintenance-related items on-hand. If annual turnover is 50% (nationally in 2019 it was 51%), there will be at least 225 apartment units that will turn. In addition, many services may be performed in-house while others will be performed by outside vendors.



Organizational Chart III Notes:

A small management firm with 5,000 units may be set up as seen on the organizational chart. There is a President who oversees all operations, and typically four different functioning departments. There will be great variety in titles. Let's take a look at this example.

In this example, there are four distinct departments.

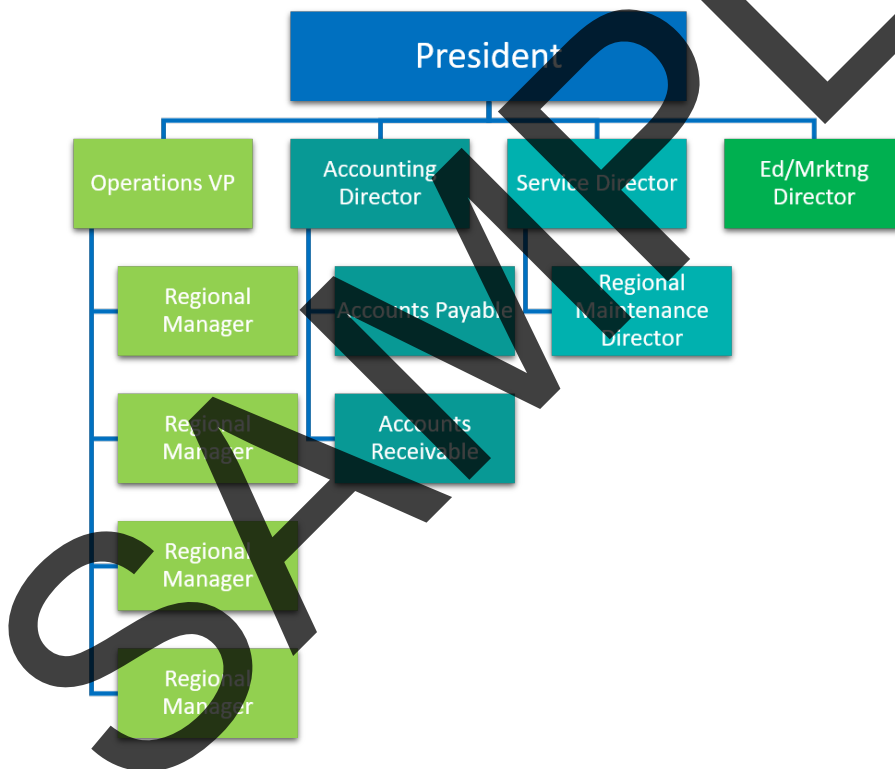
The Operations department provides direct supervision to the apartment communities. Typically, there are Regional or District Managers who oversee between 4 to 8 communities. Often, the Regional or District Manager will negotiate contracts and select supplier partners. They work closely with the Service department on maintenance related programs. A Regional/District Manager may have the ability to make financial decisions ranging from \$1500 to \$5000. This position may also handle capital improvements if no service group exists.

The Accounting department oversees rent collections (receivables) and accounts payable. There are financial reports produced that reflect the financial status of a given

community or set of communities. A property management software program is likely used.

The Service or Technical department consists of one or more individuals who oversee maintenance. This person usually conducts maintenance audits, establishes preventative maintenance programs, and creates specs for bid letting processes. This person may also negotiate large maintenance contracts.

The Marketing/Education department provides training to on-site associates. The marketing arm conducts market surveys and works with communities to position them to maximize rents and occupancy. They may work with advertisers, sign folks, rental furniture companies and the like. They will often recommend updated features and fixtures to better position a community to maximize the community's "marketability."



Organizational Chart IV Notes:

This 20,000-unit company is led by a President or CEO. The subsequent four departments are designed to provide greater support to the field. The very large companies may provide departments and services that might otherwise be contracted out to others by small to mid-sized companies.

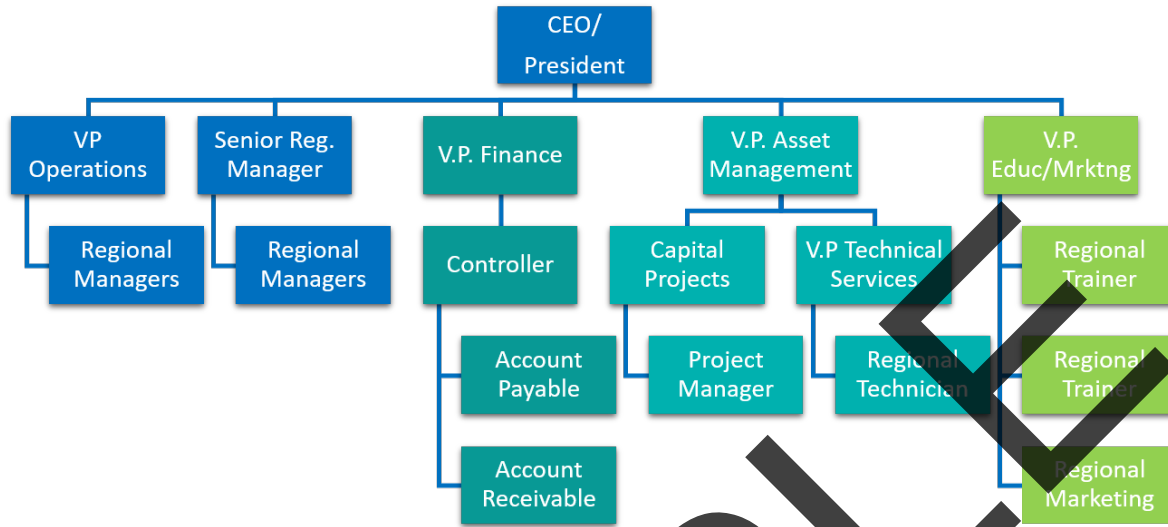
The VP of Operations would typically oversee the Senior and Area Regional staff members. It is likely that this individual would have regular contact with the entire regional staff as well.

The Finance Director would typically oversee the accounts receivable and accounts payable groups. This person would keep an active “pulse” on what is happening with the company’s finances and would produce daily, weekly, monthly reports. The Director would analyze trends, identify gaps in budgets and provide direct feedback to the President or CEO. This executive may work with asset managers or serve as the asset manager in portfolio financial decisions such as refinancing, owner initiatives and exit strategies.

The Asset Manager typically represents the owner in portfolio analysis and decision-making. While responsibilities may vary, most asset managers monitor code and deed restriction compliance, regulatory reporting, construction and capital project management, often insurance loss management and funding requests. As such, the asset manager is a critical link between owner and operations, interacting most frequently with corporate departments – accounting, risk, legal and human resources – and property supervisors and on-site personnel. Sometimes an adversarial relationship may exist between Asset Management and Operations. The Asset Manager is revenue and bottom-line oriented.

The Vice President of Marketing and Education would oversee the sales and marketing efforts of the communities, negotiate advertising contracts and the like. This person often oversees the training of on-site personnel too. This person would determine who provides training and training support materials.

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Note the characteristics of this size organization relative to levels, responsibilities and structure. It is similar to the previous organizational structure, however, it demonstrates additional supporting personnel for each of the four departments. In this scenario, there is more opportunity for delayed decision making due to multiple approval levels and institutional standards. Technology may be more advanced but purchasing may be more structured and controlled.

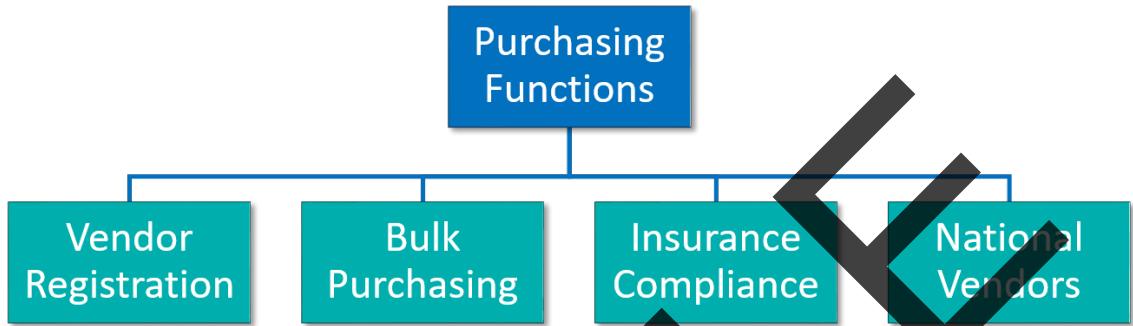
Purchasing and Vendor Selection Chart V Notes:

A purchasing department will establish and, often times, administer the bulk purchasing of goods and services, guide national vendor selection, administer vendor registration, and oversee insurance compliance.

A Purchasing Department will likely report to one of two departments; the Operations Leadership group or the Administration Leadership group. Purchasing is one of the most heavily integrated functions since it impacts so many aspects of the management operation.

Purchasing Departments are led by a Manager or Director with significant contractual authority – although he/she will work with Operations and Asset Management to obtain approvals on large contracts or loss/renovation projects. If there is a Project Management function (large companies) – this will be a key relationship as well.

Purchasing function will be heavily influenced by Risk Management, Legal and IT; will work closely with Accounting if sophisticated electronic billing models are used.



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SECTION V

Apartment Community and Management Company Operations

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TYPICAL ANNUAL ON-SITE OPERATIONS

- **First Quarter** – In most parts of the country, seasonality plays a large role in how budgets are allocated and where spending is focused. What are some of the seasonality considerations?
 - Weather – snow and ice removal, freeze alerts, burst pipes, readying building and grounds for spring, etc.
 - Budget – some budgets may be approved during the first quarter of the year; therefore, many communities are working from previous year’s numbers.
 - Residents - typically low turnover except in “snow bird” markets such as Arizona and Florida, and student properties. January is a recovery month for Senior Housing.
 - Maintenance – capital projects are slow, preventative maintenance, service requests are steady

- **Second Quarter** – Spring means properties are well into their year and beginning to feel the effects of the busiest half of the year. Expense and income management is an on-going process.
 - Weather – summer preparations such as swimming pool prep, A/C preventative maintenance, landscaping, exteriors, etc.
 - Budget – capital projects are likely underway in order to precede the typical summer leasing and turnover season.
 - Residents – resident turnover is active, heavy leasing and renewals
 - Maintenance – unit turnover, service requests, retrofits or rehab

- **Third Quarter** – Summer ends and schools begin their fall term. Properties are still experiencing exceptional property needs.
 - Weather – summer is still strong in many areas, storms may develop, pool maintenance, A/C repairs and replacements, landscaping, etc.
 - Budget – budget season is likely underway. Current year capital projects and expenses are at their highest levels. Bids and quotes for the coming year are being gathered.
 - Residents – resident turnover is active, heavy leasing and renewals as residents stabilize before the fourth quarter
 - Maintenance – unit turnover, service requests, capital projects

- **Fourth Quarter** – Property activity begins to slow as budget performance by year-end and financial wrap-up looms large.
 - Weather – In some areas, winter begins in intensity, “winterizing,” pools and landscaping shut down.
 - Budget – budget preparations are long underway; budget review and approvals are taking place. Last-minute spending is taking place.

- Residents – resident turnover is low, most move-ins occur before October 31, renewals and leasing slow
- Maintenance – capital projects under completion, service requests, initial heating calls, wind down exterior work, preventive maintenance

30 DAY CALENDAR EVENTS

Week 1 – During the first week of the month, an apartment community is collecting rents, interacting with existing residents, demonstrating apartments, turning apartment units, and conducting move-ins. Operations activities are at their height. The corporate offices are typically not busy.

Week 2 – During the second week of the month, late notices have been sent and collections activities are wrapping up. Apartments that were vacated during week one are being turned and completed. Service requests from new move-ins are completed. Leasing, administration, and office activities are fairly routine; however, most communities will be generating accounting, collections, and turnover reports.

Week 3 – During the third week of the month, collections are at a minimum. Typical service requests are being completed and office activities are fairly steady.

Week 4 – During the fourth week of the month, residents are paying rent, units are turning, units are being prepped for new move ins. Leases are being prepared, packets assembled, units being walked and inspected. Lease renewal notices are being prepared and delivered. Month-end receivable and payable accounts are closing. Operations activities are at their height.

Days of the Week – As a general rule, Mondays and Fridays are not good days to call – on Fridays, units are being readied for move-in, staff is conducting final walk-throughs and some new residents may be having lease-signing appointments. On Mondays, office and maintenance staffs are catching up from weekend activity and frequently have weekly reporting due to the supervisor.

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SECTION VI

Defining and Demonstrating Value

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HOW YOUR PRODUCT ADDS VALUE TO THE OWNER

Products and services should be positioned based upon the goals of the apartment communities. We will explore a variety of community-driven success factors that will provide supplier partners with a variety of venues for promoting their goods and services. During this section, you will:

- Identify methods to position your product or service to match the goals of a variety of communities;
- Learn the hot buttons for promoting a community and how to focus on those marketing opportunities;
- Align your products and services to a community's NOI;
- Determine various methods for aligning your product to maximize a community's promotions

The success of the apartment industry is guided by the ability to establish strong rental rates that create a positive Net Operating Income (NOI). Furthermore, managing the timing of lease expirations to minimize vacancies and rental loss play an important role in NOI. Apartments are income-producing assets so their value is directly connected to their ability to produce net revenue, both today and in the future.

Keeping a handle on the pulse of the market is a huge guide in the process of pricing and lease management. In addition, reducing "down time" from the time an existing resident moves out and a new resident moves in is crucial to minimizing rent loss. It is important to note that many management companies are moving toward revenue management systems. This is a product that helps management companies maximize rental increases and minimize vacancy and manage lease expirations. Leases may be 5 months or 12 months in length to balance lease expirations by unit type.

Supplier partners who participate in the turn-key process must consider planning and timing in the scheduling of services performed. For example, if a painting or carpet vendor misses a scheduled deadline to perform their respective services, the length of time that a unit remains vacant will increase; creating a financial loss for the community.

Increasing rent is a great opportunity for supplier partners who provide items that add value to the community. It is critical for supplier partners to investigate the ROI on replacement items that will add value to a particular unit. For example, a new appliance, such as a refrigerator may be a necessary replacement item but it is wise to recognize that the value of the item may make the unit more "marketable" to future residents, or perhaps allow the community to position itself as a hearty competitor with other communities within its given market.

On the slide is a real-world example of how a product or service fits into the math of demonstrating value as we just discussed.

This example uses a standard 6.5% cap rate. Across the country, apartment properties are experiencing cap rates that range from 4% to 12% based largely on supply and demand. A cap rate is the expected rate of return that an investor wants for a particular property type and location. It varies by market much like an interest rate.

Awareness of pricing and lease management puts the supplier partner in a superior role to other competitors who lack the knowledge to adequately market their goods and services.

HOW TO ALIGN PRODUCTS/SERVICES TO INCREASE VALUE

1. Time savings –In the apartment industry vacant units equate to lost revenue. Time really IS money! Every single day that an apartment remains vacant, the rent lost can never be recaptured. Much like the airline business, an empty seat on an airplane is not an expense that can be recovered, hence the rapid and varied fare changes. How can your product or service reduce days vacant and vacancy rent loss? How can you close the gap in the length of time it takes to turn a unit?
2. Increase occupancy –Do you represent a product or service that will assist an apartment community by raising occupancy? Increased occupancy equates to increase income. Additional amenities or services may help a property compete in its marketplace and appear more attractive to customers. Any product or service cost would have to be offset by added – and new – income. This could also include marketing, lead generation, and virtually all services that find and direct residents to the site.
3. Resident retention –The easiest lease is a renewal—keeping the existing resident in the apartment. New carpeting, window coverings, updated appliances, are just a few upgrades that can be made to an apartment to encourage resident to renew their leases. What are some other ideas for retaining residents through product placement? Unit enhancements and services are big business!
4. Increase “market”-ability – Increasing a community’s marketability with your product or service creates a win/win for both you and the customer. One such example would be to provide a feature that other competitors have and this community does not, such as gourmet kitchen features—or offer a new service or technology that creates a “buzz” of anticipation among customers. Describe how your product or service could serve as a method for increasing this community’s marketability and market share.

5. Conservation and Sustainability – “Green” businesses are on the rise. Customers are eco-conscience and prefer to spend their money in ways that are meaningful. Recycling, reducing consumption, re-using or re-purposing products, zero-scaping, all contribute to conservation. Energy savings—your ability to provide energy savings ideas for both owner and resident—are especially attractive. From “blankets” for hot water heaters to low-flow aerators or window caulking or light bulb retrofits, smart meters and timers, these items are extremely attractive in today’s market. How does your product or service contribute to conservation?
6. Long-term savings –Long range savings may be included as part of a preventative maintenance plan. An example may include replacement of components that will extend the life of an item, such as an air conditioner or hot water heater. Long term owners appreciate and have the time for value compounding over a longer period. It is critical you understand the owner’s exit strategy for the property.
7. Multiple site bundling – Often companies will seek negotiated rates for products and services for multiple sites. Landscaping services are often performed on multiple sites as are carpeting and painting contracts. How could your product or service benefit multiple site bundling?
8. Safety –Safety is often a motivator for prospective residents. It is frequently rated a top priority among renters. While the apartment community will never guarantee the safety or security of a resident, there are certain features that residents and prospects desire that make them feel safe. One feature may be well-lit building and parking areas. What are some other items that would be considered a safety item?
9. Guarantees – Many communities guarantee resident satisfaction or the resident may terminate his or her lease. This usually pertains to products and services within the individual apartment. How will your product or service support an apartment community’s guarantee? What are your guarantees?
10. Government and Judicial Legislation - The apartment industry is widely impacted by court rulings, tort and contract law. Areas of concern include safety and health codes, nuisance laws, fair housing and housing rights, design restrictions, rent controls and sustainable housing. Does your product or service provide the owner a “leg up” or advance notice and awareness of coming rules? Will you provide this type of ombudsman service?
11. Regulatory Requirements –The industry also bears the impact of changing municipal and other regulations in addition to laws. These regulations often result in new operating policies and new products. They can affect repair, replacement, and general maintenance as well. Does your membership in your own product or service trade association provide you with insight and heads-up for changes coming to your industry? Will this affect multifamily clients? Will you offer assurance that you have checked and ensured regulations are being met?

12. Ancillary and Supplemental Income – Do you offer a product or service that would benefit the resident and increase the income stream through additional scheduled or non-scheduled income? Consider billable resident concierge services, amenities or member advantages.

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SUPPLIER SUCCESS



Section VII

References and Resource Materials

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TERMS, ACRONYMS, AND DEFINITIONS

Amenities – Features of an apartment community such as swimming pool, tennis court, covered parking, etc.

Americans with Disabilities ACT (ADA) – Federal law designed to allow equal access to public facilities to people who have disabilities.

Appreciation – Increase in the value of an asset.

Assessed Value – An assessed value on land and buildings for use in levying real estate taxes.

Bid – A price offer made by a supplier in exchange for goods and/or services.

Capital Gain – Profit made as a result of the sale of a capital asset.

Capital Reserves – Designated portion of a budget that is assigned to capital expenditures.

Capitalization – The formula for estimating the value of a property.

Capitalization Rate – The rate of return used to estimate a property's value based on the net operating income.

Cash Flow – The amount of cash available after all payments have been made for operating expenses and mortgage principal and interest.

Chart of Accounts – A classification or arrangement of account items according to a designated grade or class.

Capital Asset – A major replacement item or project that is outside of a normal operating expense. An example may include stairwell replacement, porch replacement, landscape renovations, and the like.

Capital Expenditure – A major one-time expense representing the purchase price of a capital asset.

Collateral Materials – Commonly refers to print advertisement, brochures, floor plans, and business cards.

Competitive Community – Apartment communities who share similar features, pricing, and geographic location. Typically, these communities appeal to a similar demographic of potential and existing residents.

Competitive Community Survey – A survey conducted among competitive apartment communities. The survey is designed to obtain up-to-date rental rates, square footages, and deposits. The surveys are utilized to establish rental rates and concessions in order to actively compete with similar apartment communities in a given market.

Concession – A designated incentive designed to assist Leasing Professional in the process of closing sales. Usually this consists of reduced rates on such things as deposits, first month’s rents, or reduced rental rates.

Corporate Out Reach – Contact made between an apartment community and area employers. The goal is to establish a relationship in order to promote the apartment community to employees of the employer.

CREC- Congressional Real Estate Caucus

Curb Appeal – The first impression that is made by an apartment community. This typically refers to the “drive-up” appeal and may determine whether a prospective resident visits the community. Signage, parking lots, landscaping, flags, etc., all contribute to the curb appeal of the community.

Debt Service - The mortgage, including interest, on an asset.

Default – Failure to meet the legal obligations of a lease.

Deferred Maintenance – When ordinary maintenance is not performed on a building or unit, it is generally referred to as deferred maintenance.

Delinquent Rent – Past due rent.

Department of Housing and Urban Development (HUD) – Government agency oversees home mortgage lending practices.

Deposits – A variety of deposits may be charged to a potential resident. The most common is a Security Deposit which is designed to reserve an apartment until the resident moves in and is furthermore used to ensure that the terms of the lease are adhered to. Examples include damages beyond normal wear and tear, the lease term is met, and so on. There are a number of deposits that may be charged including such deposits as pet deposits, keys and garage door opener deposits, and so on. Deposits and fees differ as fees are usually considered non-refundable.

Depreciation – The loss of value, including physical deterioration, functional depreciation, and economic obsolescence.

Down time – Usually refers to the period of time that transpires between the time a unit is vacated until it is reoccupied and rent is being collected.

Economic Obsolescence – A loss of value due to factors outside of the apartment community. For example, if a neighborhood is in economic decline, the apartment community may lose its ability to generate satisfactory financial results.

Economic Vacancy – the number of apartment units that are not producing income. This may include models, vacancies, down units, staff-occupied, units and so forth.

Equity – The interest or value of an asset that is over or above the mortgage.

Eviction – The legal process for reclaiming a real estate asset from a resident who is in default of a lease agreement.

Federal Fair Housing Law – A federal law that prohibits discrimination in housing against protected classes. Those classes include religion, nationality, race, handicap, familial status, age, and sex. State and local laws may also have legislation that protects other groups such as, military status, marital status, credit history, source of income, and so on.

Features – Commonly referred to as items that enhance the value of a particular apartment. Examples may include fireplaces, views, up-dated appliances, decorator colors, and the like.

Floorplan – A scaled drawing of an apartment unit that illustrates the lay-out of bedrooms, living areas, dining, kitchen, closets and so forth. Many include dimensions of each room.

Gross Income – The monthly total income from all sources, including rent, utilities, vendor income, etc.

Gross Possible Income – The monthly total income from all sources, including rent, utilities, vendor income, etc.

Hold Over – When a resident retains occupancy of dwelling after the lease agreement has expired.

Interest – A share in the ownership of a property; a payment for the use of money borrowed.

Late Fee – Fee charged for late payment of rent.

Landlord-Tenant Law – Laws enacted by various jurisdictions that regulate the relationship between landlord and tenant.

Lease – A contract for the possession of a property for a stipulated period of time in consideration of payment of rent.

Lease Conditions – The provisions or covenants setting forth the agreed privileges, obligations, and restrictions under which a lease is made; also called lease terms.

Lessee – The tenant in a lease agreement.

Lessor – The landlord or owner in a lease agreement.

Liability – In insurance, a legal responsibility for injury or damage.

Lien – The legal right of a creditor to have his or her debt paid out of the property of the debtor.

Maintenance – Care and work needed to maintain a property in good physical order.

Management Plan – A strategy for a property's physical, fiscal, and operational management designed to achieve the owners' goals.

Market Analysis – A general study of market conditions that impact supply and demand that affect prices for a particular property.

Market Value – A property's most probable selling or renting price, given the conditions of the market.

Miscellaneous Income – Additional scheduled or unscheduled income such as income from vending machines and the like.

NAHMA – National Affordable Housing Association

NCHM – National Center for Housing Management

Net Operating Income (NOI) – Total collected monies less operating expenses.

NMHC – National Multi-housing Council

Notice to Vacate – A legal notice requiring a tenant to vacate the dwelling within a stated period of time.

Occupancy Rate – The ratio of rented and occupied space to the total number of rentable spaces.

Occupational Safety and Health Act (OSHA) – A law requiring employers to comply with job safety and health standards issued by the U.S. Department of Labor.

Operations Manual – A manual designed to establish policies and procedures to adhere to.

Operating Expenses – The expenditures used to operate a community. These expenditures include such items as: salaries, taxes, insurance, utilities, and so forth.

PHMA – Professional Housing Management Association

Possession – Occupancy or control of the property; the right to use and enjoy the premises.

Preventative Maintenance – A planned maintenance program designed to extend the life of certain items such as air conditioners, boilers, and other mechanical components.

Pro-rated rent – The monies charged for actual days occupied. This occurs when a resident moves in or out before or after the first day of the month.

Prospect – A prospective resident or potential resident.

Purchase Order (PO) – A written authorization to an outside supplier to provide certain goods and services in a given amount, at a given price, and at a certain time and place.

Recurring Expenses – Operating expenses that occur monthly or periodically, such as those for utilities, supplies, salaries, waste disposal services, insurance, and taxes.

Referral Fee – A fee paid to an agent when a prospective resident referral results in a signed lease and occupancy of a dwelling.

Renewal – A lease renewal that occurs at the expiration of the previous lease agreement.

Renovation – A general term covering the modernization, rehabilitation, or remodeling of existing real estate.

Rent loss – The difference between projected rental income and actual income. This is usually the result of vacancy, vacant down time, and bad debt or unpaid rent.

Resident Profile – A compilation of data regarding the profile of residents living in an apartment community. The data may include such things as income, types of jobs held, and other common factors.

Resident Handbook – A guide for residents containing policies and procedures of the community. Such items as office hours, emergency telephone numbers, swimming pool guidelines and other helpful information would be included.

Service Request – A written request for services to be performed in an apartment unit or common area.

Site Plan – A plan or drawing of an apartment community showing locations of buildings, parking areas, amenities, and roadways.

Square Footage Cost - Also referred to as, price per square foot, is the amount of rent divided by the square footage of the dwelling.

Sublet – The act of renting a dwelling to a third party.

Turnover – The number of apartment units vacated during a specified period of time, usually calculated monthly and annually.

Term – Duration of a resident’s lease.

Traffic – A term used to describe the number of prospective residents who visit an apartment community during a given period of time.

Unit Mix – Refers to the breakdown of various types of apartment styles at a given community. For example, there may be 20 – one-bedroom units, 40 – two-bedroom units, and 15 three-bedroom units.

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