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Welcome to the Spring 2018 issue of the S.E.C. Observer. In this issue, Brandon Sanders, S.E.C., the 2018 President of the Society, describes his number-one goal for the coming year.


The Society News Briefs section includes information about our future meetings in Minneapolis, Minnesota, and Greenville, South Carolina, as well as information about our upcoming course, Creating Powerful Transactions That Close, which will be presented by Peter West, S.E.C., CCIM, in March.

In the Spotlight is dedicated to our 2017 award recipients, who received their awards at our annual installation banquet on January 23, 2018. C. Charles Chatham, S.E.C., defines exactly what counseling is, and Richard Reno, S.E.C., provides you with the questions to ask first when counseling your client.

Enjoy this issue. As always, we welcome your comments, suggestions, and submissions of articles to be considered for publication. Please contact the S.E.C. office via email at sec@secounselors.com.

Jackie Hellingson
Editor, S.E.C. Observer
I. President’s Message

My #1 Goal This Year Requires Your Help

Brandon Sanders, S.E.C.
2018 President

I have thought a lot over the past two or three years about my upcoming responsibilities as 2018 president. It’s difficult to deliver an “agenda,” especially to a group of people who have taught me most of my skills along the way. I wanted to take this opportunity to give you a few of the most important items I plan to concentrate on this year, and hopefully it will spur some individual thought and action so together we can make a difference.

In December the Sanders’s traveling circus took a family trip to Disney World. While walking to different bus lines at the happiest place on earth, I noticed areas under construction that were filled with quotes from Walt Disney. There were several motivational thoughts, but one in particular stood out: “You can dream, create, design, and build the most wonderful place in the world . . . but it requires people to make the dream a reality.” It’s not rocket science, and it is something I feel we all know deep in our hearts, but ask yourself: Are you personally doing something to help make a dream a reality? I would like to focus on the Society particularly, but regardless of where your focus might be, I challenge you to make one small change in 2018 that might help your vision materialize.

For the Society, my main focus is production. I personally feel that successful production will take care of just about every other area. If people are having fun and they are also successful, the rest falls into place. The Society consists of a group of individuals with some of the most creative minds I have ever seen. The ideas and the brainstorming sessions that come out of our marketing sessions are incredible. I can remember hearing presentations over the years that appeared to have no possible solution, but as details were provided to the group, these problems were solved and transactions were created. I have been very fortunate to hear these ideas, and in some cases I have been able to use them to help others as problems arise outside of the meetings. The education that takes place in the room is one of a kind, and even more incredible is the help offered by our members without wanting to receive anything in return. Those types of stories are what set us aside from virtually anyone else in the business.

My goal for the year will be Market—Educate—Excite. Now, the call is for your help. I have asked a number of old and new members as well as guests what we can do to achieve successful production, and the response has been fairly consistent—we want more . . .

- Creative sessions, brainstorming from the room
- Real-life stories, new stories, and formulas
- Formal presentations of award winners
- Panel discussions, individual market updates and trends
- Guest speakers, and so on

Ask and you shall receive! We have already started implementing new ideas that will further distinguish the Society as a leader in our industry, but I am going to lean on my peers to turn this dream into reality. Take a look at the list above and think about a place where you can help make an impact. I would like to see more involvement, new stories, more energy in the room. This isn’t a job for one person—but many hands make light work.

We had over 90 people in the room at the last meeting. That’s a lot of brainpower, and you can imagine how many ideas were provided and how much discussion took place. Make an effort to attend this year on a regular basis. While at the meetings, make sure to participate along the way and help offer some creative ideas. Finally, try to check your email later or during breaks; the room thrives on each of our thoughts and knowledge.
II. Feature Article

A. Learning from Failure

Finding Creativity

Stephen D. Barker, S.E.C., CCIM

Editor’s Note: Stephen Barker was the recipient of the 2017 Clifford P. Weaver Award, and this was his submission for the most creative transaction of the year. The Society of Exchange Counselors presented Mr. Barker with the award on January 23, 2018.

I did not have the opportunity to meet Cliff Weaver, as he passed away several years before I received my S.E.C. designation. However, for those Members who did know him, I was the recipient, as many were, of his stories and a legacy of humor, fun, and creative applications to life and the real estate industry. I subsequently learned that Cliff and Colby Sandlian had authored and chronicled many formulas and tools into a body of work, which eventually became a course called “Broker Estate Building.” They taught the course together for many years, and its prominence in educating real estate practitioners remains legendary. I always wondered what further contributions Cliff may have left us with if he had not passed away at such an early stage in his life. What he did leave us with remains invaluable.

Cliff was perhaps not the sole divine focus of discovering creativity, but he was the one who organized it and applied it to a new dimension of countless opportunities. Equally, many of my S.E.C. colleagues are due credit for their years of contribution to any small success I may have achieved. I believe as always that helping others to achieve their potential and success in business and in life is the foundational principle that drives the Society of Exchange Counselors and was an underlying motivation for Cliff.

I was shyly humbled at the thought of presenting a submission for Creative Transaction of the Year, as my efforts were not solely mine alone. Certainly, training and experience over many years of trying to perfect my abilities has been influenced by countless others.

Approximately a year ago, after 37 years in the real estate business, I was suffering from a loss in confidence in my capabilities as a real estate practitioner. Was I just plainly burned out after all those years? I suppose many of us have these speed bumps in life that make us stop and look around. It was a soul-searching time, wondering if I was still relevant to the real estate world and if my journey professionally was coming to a close. Those were extremely difficult days. But gradually, through the support of my family, my sister who gracefully was in tune with her older brother’s maladies and shortcomings, and my close S.E.C. friends, mentors, and counselors, I slowly began to regain my clarity.
It was during this time that I decided to expose myself to uplifting reading and interactions, which continues today. I was searching for the answers to many of life’s challenges and what it takes to be your best in difficult times of your life. How do you persevere in the face of daunting challenges? Especially as it related to the subject of hotel development, which is the focus of this presentation.

By chance, I was referred to the works of Julia Cameron, a well-known author with 40 books to her credit as well as being a songwriter and playwright, among other talents. One of Julia’s most notable books is *The Artist’s Way—A Spiritual Path to Higher Creativity*. Julia’s description and investigation of “Creativity” is profound and should be required reading for every S.E.C. She defines “Creativity” and the elements that block it in a seemingly natural way. After absorbing her book and others, I began to rekindle and redirect my focus back to the creative process and its effect on the real estate world. It was an instrumental doctrine of how even the most seemingly untalented of us can become creative or refresh our creative talents. I believe Cliff and many others in our group understood the basics of the principles she shares. It led me to a new approach at a time when I needed guidance and a big dose of confidence.

A year or so prior to this time I had received a call from the Economic Development Coordinator of a nearby county. He had heard that we were pursuing hotel development projects and asked if I would meet him to explore hospitality needs in the county. I made the trip to meet with him, at which time he introduced me to and toured me through the many corporate and industrial facilities in the area that were little known to the greater region. His last introduction was a relatively new convention center comprising 22,000 sq. ft. of state-of-the-art conference space built by the county and local municipality to promote local, regional, and national events. They had created a problem, however, which diminished the use of the facility. The problem was that to gain larger and more consistent bookings for the center, it required hotel rooms. The existing hospitality inventory in the area was somewhat older and generally did not complement the center and the growing industrial and retail components in the county.

Even though we owned one major hotel, my hotel development efforts prior to that event had been woefully unsuccessful as I had gone under contract or designed hotels for select sites for almost 30 other locations around the US. Malcolm Gladwell, in his book *Outlier* noted that success does not come easy, and repetitive attempts and failure ultimately turn to success. Equally, I noted the concentrated and focused effort of Colby Sandlian in his pursuit of mini storage development and surmised that his journey may have been filled with initial setbacks and difficult circumstances as well. Many in our group have experienced the same effect. Colby’s allegiance to perseverance is certainly legendary. I just kept following my intuition and gaining valuable lessons along the way. I learned that failure provides a resiliency to adversity.
The introduction of a new opportunity provided a new attempt at a hotel. I saw the vacuum created by the market and the growing industry in the county and intuitively felt the need for a good new hotel. My first local attempt was to seek a site close to the center yet be able to attract the heavy concentration of travelers along the adjacent expressway.

Through the efforts of a local real estate friend, I found an ideal periphery site located on the campus of the large local mall, but its limited size prevented development. For roughly six months we negotiated with the owners of the mall for increasing the site size, which altered interior roads and affected many site changes. In the end, the management of the mall imposed strict sanctions on the project, which we were not able to overcome. Many of those obstacles would eliminate any franchising opportunities. We would not be able to comport to the guidelines of a qualified franchisor. Time wasted perhaps, but the opportunity remained. We had to look for another location.

After several months pursuing sites, we were introduced to an approximately three-acre site that encompassed ownership by two separate families. The site was even closer to the center than the mall site and afforded us incredible site visibility. Additionally, we acquired a small parcel across an access road adjacent to the primary sites from a local bank. By acquiring it we provided a greater potential to the primary properties for extra parking. The result was that we had enough land to build both a hotel and a restaurant on the remaining land. The restaurant parcel sell-off would be used to offset expense on the construction of the hotel. This formula, although an amalgamation of Cliff and Colby’s influence, has now been a favorite of mine when searching other locations. Added for-sale profits through the selling or development of excess land can diminish costs for a hotel or other types of development.

The purchase of the sites became an impasse, however, as my contribution financially to the purchase of the land was partial and the Sellers wanted a quick sale. I needed to raise additional equity. I went to several sources in the ensuing months, both locally and out of state. No one was interested in a land play for a to-be-constructed new hotel in a smaller market. My efforts seemed faint at the time, and I scheduled a meeting with the EDC Coordinator and a local official in the office of the broker. I informed them that the acquisition of the land and plans for a hotel were greatly diminished as no one was interested in investing in their county. I mentioned to them that the only way a hotel development would have a chance was if local businessmen and promoters in the area made a commitment financially for the development. I certainly thought this was a last attempt and had little chance of succeeding, as I was aware that many local communities want development but don’t want to invest, especially local governmental agencies. However, I had nothing to lose by mentioning it. I departed the meeting convinced that this was failed attempt 31.

Fortunately, however, I got a call a few days later and was asked to make a presentation to several local investors. The room, to my surprise, was filled with interested parties, and my
presentation was based on two principles. The first was a successful enterprise that would provide a significant return to investors and second, it would be a great community endeavor to fill a much-needed void. After a few more presentations, we were able to solicit our entire remaining equity and proceeded to fund the acquisition of the subject land without the need for debt. Although I did elicit contributions from a few outside sources once we got started, the creative aspect of this pursuit was the recognition that smaller markets are heavily influenced by local investment. Acres of diamonds in the back yard.

We then began the hard work of assembling our team for the new site. Financial planning, ownership formation, engineering, site planning, appraisals, architectural, construction, and lending were among the main elements. Much the same sequential process that any number of our current S.E.C. developers undergo.

During this time construction costs ballooned by 15–20%. All our hard work was being jeopardized. I approached the partners and asked if they wished to proceed or “call it a day”—sell our property for a profit or regroup and attack the project under the new circumstances. If we proceeded it would take much more time to rekindle the project. We were also beginning to feel the effects of a lender slowdown in financing ground-up hotels. It seemed like the headwinds were not in our favor. The lesson I learned here was that you always need a Plan B in any development. You must always protect the principal investment. We had bought and assembled our land for a profit if all else failed. The other lesson was that good fortune can evaporate in an instant and that we should all take stock of any success we may have to ensure that we anticipate even unforeseen future influences.

The partners concurred that we should not give up. We owned the land, we had the opportunity for additional profits in the extra land, we had secured a great hotel franchise, we knew the general costs, and we had an interested local lender. So, the mission of reconstituting the development proceeded.

After several months of negotiating with our local lender to assist in the development, it became clear that our efforts were futile. We then turned to a mortgage broker we had become acquainted with and he introduced us to a new lender.

The new lender was most knowledgeable and urged us to rebid our construction costs from that of a local builder. By doing so we saved a great deal in overall costs. Our Management Team and Interior Design Team coordinated their efforts and saved substantial costs through their input. The lesson I learned was that to do a great development, you need skilled and trustworthy vendors.

Their influence, no matter their cost, can provide huge benefits.

In the interim, and after almost a year of negotiation with the local community and state road Commission, the small road bisecting our main three-acre parcel and our smaller parcel on the
opposite side was in the process of being abandoned. We had long considered this a possibility, which would increase our land holding and connect the two separate land parcels by the condemnation. This pursuit was to provide greater flexibility and a larger intact parcel for the use of the restaurant outparcel and ultimately larger potential for profits. The lesson here is to address all the possibilities with the land, garnering even small pockets of profitability or enhancement.

We began construction in late June 2017. Unexpected new business has come our way whereby upon completion of the hotel, we will be entertaining four to five initial weeks of increased occupancy through new unforeseen business. Lucky, perhaps, but welcomed without a doubt.

Finding Creativity.

In his new book, Walter Isaacson profiles the creative genius of Leonardo Da Vinci. He states in his foreword, “Sometimes in supernatural fashion a single person is marvelously endowed by heaven with beauty and grace and talent in such an abundance that his every act is divine and everything he does clearly comes from God rather than from human art. In fact, Leonardo’s genius was a human one, wrought by his own will and ambition (Perhaps indicative of Cliff and many other S.E.C.s). It did not come from being the divine recipient like Newton or Einstein, of a mind of so much processing power that we mere mortals cannot fathom it. Leonardo had almost no schooling and could scarcely read Latin or do long division. His genius was the type we can understand, even take lesson from. It was based on skills we can aspire to improve in ourselves, such as curiosity and intense observation. He had an imagination so excitable that its edges flirted with the edges of fantasy, which is also something we can try preserve in ourselves and indulge in our children.”

Whether this lengthy transaction is “indicative of the skills we can aspire to improve in ourselves, such as curiosity and intense observation” remains to be seen. However, it is a testament to the value of the ability to use formulas and experiences passed down from Cliff and many others to search out and combine those interactions to alter or engage different applications to real estate problems.

What the exercise really did was provide us with an incredible array of problems, which once solved invariably will benefit us on future projects. In addition, the financial commitment to my investors and the local community in general was an overriding objective. We made a commitment, and we had to make it happen.

Of importance to note is the incredible support that I received from my staff during this long journey. A cheerleading group that never let me feel the goal was lost. To them I owe much to the success of this transaction, and it is for them and their undaunted perseverance that I submit this transaction.
Over the last year I have renewed my purpose and regained my confidence through this transaction and several others we are now pursuing. The candle of enthusiasm has been lighted once more, and the experience I have lived through this last year has renewed my belief that creativity is a divine right ingrained in all of us. It never really goes away. To recognize its value combined with desire and perseverance in the face of adversity and challenges continues to be an incredible life lesson, and one that I hope to continue to share with others.
Newton’s First Law of Motion Applied to Commercial Real Estate

William E. Stonaker, S.E.C., CCIM

Newton’s First Law is often summarized as “An object in a state of rest or uniform motion will remain in that state unless an external force is applied. For every action there is a reaction.” Have we been in this Goldilocks economy for so long that we have forgotten this law? Interest rates are low.

What external forces can be applied to CRE? The list has no end, but some of the common ones are interest rates, CAP rates, lack of mortgage funds, obsolete uses and/or business models, and outside forces such as war, weather, and other force majeure.

Objects in motion tend to stay in motion in a straight line unless acted upon by an outside force. The inertia of our industry has been straight up for so long that we must be reminded not to fall asleep at the wheel, miss the curve, and run off into the ditch of a changing environment.

The SEC has some outstanding new Counselors who have become Members over the last several years. Some remember 2008, but many were not around in 1980, especially in Texas, Louisiana, and Oklahoma. Some have lost some money, but most did not lose their shirts. It is like comparing my experience in Vietnam to World War II. Yes, we went through some tough times, but there is really no comparison to what the WWII soldiers went through.

So what could we forget? Interest rates come to mind. I have spent a lot of time thinking about what the 10-year Treasury bill might look like over the next 12–24 months. We try not to do thin deals, so if interest rates go up 100 basis points, it won’t be preferable, but our deals can still work. We can even stand 200 basis point increases in our permanent financing. But we have to keep in mind the inertia of what that means. If interest rates go up, CAP rates probably follow. If the CAP rate goes up, the appraised value goes down. Do you have enough equity in the deal that you can meet your lender’s loan-to-value and/or the debt coverage ratio if we experience a 200 basis point increase in the Treasury and you get a vacancy? We were doing 75% loan-to-value deals until recently. Now I am basing our developments on 70% loans and will reduce that even further if we get larger increases in the 10-year Treasury.

I preach “covered debt.” I do not like personal liability debt, but I use it to increase the return on capital. I have been able to get banks, typically joint and several lenders that want 100% personal liability on the debt, to agree to several, not joint and several, terms. And my first question in interviewing a new lender is, “Do you see the lack of contingent liability on my
balance sheet?” I ask them up front if they are impressed with the total asset values and the low contingent liability. They always respond “yes.” Then I tell them how I plan to keep it that way. My typical remark is that if they do not think the asset is worth something, they should not make the loan. Therefore, we start out down the path with less than 100% personal liability.

We ask whether our investors can lose 100% of their capital in the deal without changing their lifestyle. As sponsors, shouldn’t we ask ourselves the same question? Cover the debt!

One thing that is certainly having an effect on our real estate is the evolution of retail. I have said many times that retail is not dead; it is just evolving. We see that every day. But what are the effects on industrial because of the changes in retail? I had not even considered the “last mile” industrial concept ten years ago. I guarantee you that it is high on my mind now. I cannot believe that I can’t buy packages of red and green felt-tipped pens at Staples (they now come in mixed packages of several colors, some of which I do not use), but I can get them the next day in boxes of single colors cheaper than buying what I do not want at Staples. I may not want to build the 500,000–2 million sq. ft. last mile warehouse at a 2% spread on a 5% CAP, but I might want to service the suppliers and maintenance people who service them. We need to know what is going on up the food chain.

The same thing is going on with single-family residential, multi-family, hotels, medical offices, and all other types of real estate. The internet has having material influence like we were told it would. Changing demographics is having its effect also.

I do not worry about force majeure. There is no doubt that even the best weathermen and women can’t forecast the weather correctly every time. War is constant, and trying to plan around it is impossible. My time is spent trying to predict things that I can react to or plan for. That is our obligation to our families and partners. For every action . . .
Double Barrel Shotgun

Ted J. Blank, S.E.C., CCIM

Back on the farm, I hunted rabbit and quail with a single barrel shotgun, but dad had a double barrel. I was envious of that gun. It seemed to me he could get twice the game I could.

I see a lot of commercial brokers doing the same—marketing with one barrel. The first barrel is the real estate asset we have been employed to market. The second barrel is a deep understanding of our clients’ needs. Most brokers do a really good job of underwriting the physical and financial components of the real estate. If we added the client knowledge to our real estate knowledge, we would be hunting with both barrels.

What I’m suggesting can be easily shown by an analogy. Assume three commercial condos with similar location, square footage, leases, quality of tenant, finish, amenities, occupancy—they have identical RE traits and therefore similar appraised value. Let’s use $500,000 as the appraised value of all three. We as commercial brokers should all do a similar marketing effort: CoStar, LoopNet, Catalyst, fliers, signage, advertising, and calling brokers and investors, but let’s look closer.

If we have not discussed with our clients in depth what they are trying to accomplish, why they seek to go out of title, and what their objective is, we may miss a marketing strategy. Now back to our three condos. Let’s assume one property is owned by a recently widowed client who wants a passive income; one by a wealthy investor with a low tax basis and no mortgage; and one by a developer of a large equestrian ranch that is not selling, and foreclosure is in process on all his assets, including the condo which he borrowed against. All three clients have different motivations and are seeking different benefits.

The widow may accept an installment sale for the 20-year income stream or sell for cash and invest in stock or an annuity. Or, maybe, as her agent, you can help her find excellent management and remove the property worry from her. The investor is looking to do a 1031 Exchange and move up into a larger asset. If thoroughly questioned, he or she may contribute the condo into a JV in a development deal or use it as a down payment into a simultaneous exchange to a $3 million income property. The foreclosure client needs a 15-day close to stave off the foreclosure and may take some discount in exchange for speed of closing.

Our goal as the Broker is to maximize the benefits for our clients. In this example we can probably sell all for cash, but if we don’t ask, listen, and try to understand what our client is
trying to accomplish, we may not maximize the benefits they seek. Our goal as a professional
Real Estate Broker is to maximize the BENEFITS our clients seek.

Ted has been a commercial broker and investor in Colorado since 1980. He can be reached at
303-748-9998 or via email at blank1031@gmail.com.
IV. Formulas and Strategies

A. An Overlooked Formula

An Overlooked Formula That I Call Up and Out

Ed Berlinski, S.E.C.

What is the asset class that is always the largest in our Marketing Book? Of course, we all know the answer ….land.

It’s the most challenging asset class to market for a number of reasons. The most innovative/creative formula I’ve seen is what I call the “Up and Out” Formula for those owners who wish to sell their land and cash out but who cannot add cash to a transaction. It’s best described in the following example:

**Able owns a land parcel valued at $100,000.**

**Step One:** Able seeks out an investor/owner, Bob, who is willing to exchange his single-family rental home (SFR) for $200,000 for Able’s land, valued at $100,000, plus $100,000 cash.

**Step Two:** Able seeks out a private lender who is willing to lend, on a short-term basis, $100,000 to Able, secured by the $200,000 home that Able is purchasing. This transaction will provide the cash Able needs to acquire the $200,000 home in addition to his land that he is contributing.

**Step Three:** Able sells the home for $200,000 and repays the $100,000 short-term loan, pocketing the remaining $100,000 cash proceeds.

**Takeaways:**
1. It’s a whole lot easier to sell an SFR than it is a land parcel.
2. If you’re a land owner who wishes to use this formula, seek out a private lender ahead of time who understands what you intend to do so the financing can be arranged quickly.
3. Let’s be honest—the biggest challenge for Abel, the above landowner, is finding the owner of the SFR who is willing to exchange 50% land and 50% cash for his SFR. What are the most likely characteristics of this SFR owner?
   a. He or she is an investor/owner, not an owner-occupant.
   b. He or she wishes to use a 1031 Exchange (thus being able to reduce his or her capital gains tax by taking the house instead of cash)
   c. The SFR should be located within a reasonable distance of the land so the owner is familiar with the value of the land. (It’s less likely that an SFR owner in Florida
will exchange his or her SFR for land in Colorado than it is a Colorado-based SFR owner.)

d. Ideally, an SFR owner who is agreeable to an extended escrow of 60 days or so will give the landowner time to pre-market the home and close quickly, minimizing his or her holding costs.

It’s my belief that a considerable amount of land at our meetings could be sold using this “Up and Out” formula. (Do we have members out there who have used it in the past?)
S.E.C. Education Foundation News

Lance Warner, S.E.C.
2018 S.E.C. Education Foundation President

Spring is nearly here, and the S.E.C. Education Foundation is working to provide our members, candidates, and guests with interesting and timely education in 2018.

We have scheduled Peter West, S.E.C., CCIM, to present *Creating Powerful Transactions That Close* on March 18, 2018, in Minneapolis, Minnesota. Gary Vandenberg, S.E.C., CCIM, will present *Exchange Magic* on November 11, 2018, in Fort Lauderdale, Florida.

We have also scheduled our invitation-only Moderator Course for May in Greenville, South Carolina. This course is an invaluable tool for marketing meeting attendees who wish to serve as moderators.

The educational classes for the upcoming S.E.C. meetings are posted on the S.E.C. Observer Upcoming Events webpage as we confirm them. We are working to schedule education courses in regions where we will host S.E.C. meetings next year. Our goal is to have an education session locally several months prior to our meetings to expand our presence and identify local people who may be potential guests.

The S.E.C. Regional Directors are available to help you bring education and marketing to your region. Contact the S.E.C. Office if you are interested in exploring the possibility of hosting a class or marketing session.

We look forward to expanding our reach to new marketing groups, professional organizations, and individuals who are interested in bringing the best creative real estate education to their regions.

Please visit our website, [www.secedfoundation.com](http://www.secedfoundation.com), to learn more about the courses and programs we sponsor.
S.E.C. National Invitational Marketing Session
Minneapolis, Minnesota
March 18–21, 2018

The S.E.C. National Invitational Marketing Session will be held at:

Millennium Hotel Minneapolis
1313 Nicollet Mall
Minneapolis, MN  55403

Call (612) 332-6000 to make your reservation. Make your hotel reservations early, as we have a limited number of rooms available. The cutoff date for reservations is February 23, 2018.

Visit [www.millenniumhotels.com](http://www.millenniumhotels.com) to learn about the hotel and [www.minneapolis.org](http://www.minneapolis.org) to learn about the area.

Visit [www.secounselors.com](http://www.secounselors.com) and click on the Society Marketing Meetings menu tab for more information. Please contact the S.E.C. office (sec@secounselors.com) if you have any questions about the upcoming meeting.
VI. Society News Briefs

B. Creating Powerful Transactions That Close

Creating Powerful Transactions That Close
Minneapolis, Minnesota
March 18, 2018

The S.E.C. Education Foundation and the Society of Exchange Counselors are pleased to announce that Peter West, S.E.C., CCIM, will present Creating Powerful Transactions That Close from 9:00 a.m. to 5:00 p.m. on March 18, 2018, in Minneapolis, Minnesota.

Some of the highlights and subjects that will be covered include these topics:

· The Foundation and Principles of Real Estate Marketing
· Counseling Is the Foundation of Effective Marketing and Completion of Transactions
· Preparing to Market Properties and Buyers
· Transaction Formulas
· Building a Multiple Property Transaction to Get to Closing
· Marketing Venues
· The course will provide you with time-proven strategies to close MORE transactions!

Attendees do not have to be licensed or invited to attend; it is open to everyone, and you may register online at www.secounselors.com by accessing the Education Only link on the homepage.

Mark your calendars now! Please visit the S.E.C. Observer at www.secobserver.com and click the Upcoming Events menu tab to access the calendar of events and view a brochure for the course.
S.E.C. National Invitational Marketing Session  
Greenville, South Carolina  
May 20–23, 2018

The S.E.C. National Invitational Marketing Session will be held at:

Hyatt Regency Greenville 
220 N. Main Street 
Greenville, SC  29601

Call (888) 421-1442 to make your reservation. Make your hotel reservations early, as we have a limited number of rooms available. The cutoff date for reservations is April 27, 2018.

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Deemed too old for foster care, youths find new home

Deborah Yetter
Louisville Courier Journal USA TODAY NETWORK

Moving to Louisville from Mississippi last year, Devontae Pearson, 24, hoped to make a fresh start in a new city.

But instead, Pearson, who spent his late teens in foster care after the death of his grandmother, found himself homeless.

“It was horrible,” Pearson said. “I never took a liking to living in the streets.”

But next month, Pearson plans to move into a new apartment while he works toward a college degree and completes a construction apprenticeship he entered through YouthBuild Louisville, a program that helps young people learn a building trade.

Pearson’s apartment is part of a complex under construction in southwest Jefferson County designed to house youths who have “aged out” of foster care at 18 and need support and housing to continue their education.

It’s the latest project of Family Scholar House, a rapidly expanding Louisville nonprofit organization that until now has focused on single parents seeking to complete college or vocational training.

Cathe Dykstra, Family Scholar House’s president and "chief possibility

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Youths

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officer,” said her organization decided to expand its mission to include young adults who’ve been in foster care because they often lack the support of family and are at greater risk of homelessness and poor educational outcomes.

“It’s always been a population that needed attention,” she said.

Family Scholar House already has four apartment campuses in Louisville that help single parents in school with supports that include academic assistance, financial counseling, cooking classes, child care and a safe community.

The fifth complex, Riverport Family Scholar House, under construction off Cane Run Road, will include 32 apartments for single parents with children and another 32 apartments for former foster youths.

The first units for parents are to open in December and foster youths are scheduled to move into their apartments in January.
Lynn Rippy, executive director of YouthBuild Louisville — where Pearson found support and job training — said the new program for former foster youths is urgently needed to help the increasing number of young adults her program enrolls who lack any family or outside support.

“Most of us have somebody in our lives to talk to, to keep us moving,” Rippy said. “It’s just not true for many kids right now.”

Of the 35 youths in YouthBuild, 12 were homeless when they enrolled last year, Rippy said. The program works with them to find housing.

While state foster care provides the option for some young adults to extend their time in state care until age 21 for financial support and services, many teens choose to leave at 18 because they want independence — only to discover they can’t do it alone, Rippy said.

“Maybe one out of 100 are able to pull themselves up by their bootstraps, but maybe they had a bootstrap,” Rippy said.

“If we want these young people to be productive, we have to offer them the kind of physical and emotional support they need to become self-sufficient.”

For former foster youths, poor educational attainment is a common problem.

In Kentucky, foster children are eligible for tuition assistance to attend a state college or university.

But only about 55 percent of teens who age out of foster care have a GED or high school diploma, according to statistics provided by Kentucky Youth Advocates.

And national statistics show that only 3 percent of children who age out of foster care go to college, and of that group, only 4 percent complete a college education, said Thomas Evans, a young adult advocate at Family Scholar House.

About 500 youths “age out” of Kentucky’s foster system each year, according to a report by the state legislative Program Review and Investigations Committee. The plight of former foster youths was highlighted in October by two young women who testified at a public hearing in Frankfort on the state’s adoption and foster care system, making a powerful appeal for more support and services.

“We don’t have the same supports that other people do,” said Tessa Bowling, speaking to Kentucky legislators on the House Working Group on Adoption.

“We are still people when we get out. We need your help.”

Bowling, who spent two years in a Covington youth shelter before she turned 18, described a host of barriers to independence — starting with the discovery she needed a co-signer for her first apartment though she had no family members to do so.

She was able to get a car but found she couldn’t afford insurance to drive to her part-time job or classes at a community college, so she spends hours riding buses and transferring between them.

“I take the bus everywhere I go,” Bowling said. “I’ve got to leave two hours early for work for what would be a 15-minute car drive.”

Cynthia Schepers, of Louisville, told the legislative panel she wound up in foster care after her mother died of a drug overdose and her father died from cancer while incarcerated.

Schepers, a student at the University of Louisville, opted to remain under state supervision until she turned 21 for additional assistance. But when state support stopped, “I had no idea what to do,” she said.
When she asked for help, her social worker told her, “You should be ready,” Schepers said.

“For the next two weeks I was homeless,” she told the committee. “I slept in my car, in the school library.”

Schepers found help through a mentoring program and lives with a family while she attends school. But she said she believes the state should do more to help foster children transition into life as young adults.

Schepers said her future is looking better because in January, she said, “I’m headed to Family Scholar House” and one of its new apartments for former foster youth.

Pearson, with the help of YouthBuild, found a place to live while he completed work on his GED and began carpentry work as an apprentice. His jobs have included working on the Omni hotel under construction in downtown Louisville.

Pearson said he discovered he likes building and he thinks he wants to pursue carpentry as a career.

Meanwhile, he said he’s looking forward to having his own apartment at Family Scholar House while he works on an associate degree at Jefferson Community College.

“I think this is a good experience for me,” Pearson said. “I hope there will be many others who have the opportunity.”


The Riverport Scholar House off Cane Run Road will include 32 apartments for single parents with children and another 32 apartments for former foster youth.

ALTON STRUPP/ COURIER JOURNAL
Visitors receive a tour of the Riverport Scholar House campus. The building will offer academic coaching, counseling, art therapy, peer support, food pantry and computer lab services. ALTON STRUPP/COURIER JOURNAL

Former foster children Tessa Bowling (right) and Cynthia Schepers (center) talk with Rep. Melinda Gibbons Prunty after the two spoke at a hearing in Frankfort.

DEBORAH YETTER
Kevontae Pearson, 24, moved to Louisville a year ago to live with family, but soon found himself homeless. He discovered YouthBuild. He is going to school for construction and will soon be a resident in the new Scholar House apartments.

ALTON STRUPP/COURIER JOURNAL
FOR IMMEDIATE RELEASE
Contact: Rebekah Revello
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Alex Ruggieri Joins IHC Global Board

Washington, DC, January 14, 2018— IHC Global is proud to announce that Alex Ruggieri has joined the IHC Global Board of Directors, where he represents the National Association of Realtors (NAR), one of IHC Global’s founding sponsors. As he stepped into his new role, Ruggieri said, “I am looking forward to serving IHC Global’s important mission to address urban challenges through better development and improved living conditions around the world. I hope to bring new ideas and perspectives to the table.”

“Alex brings to IHC Global a special blend of expertise and commitment, which we greatly value,” commented IHC Global Board Co-Chair Joe Hanauer in announcing Ruggieri’s appointment. Co-chair Bob Dubinsky added “We welcome Alex to the Board! The real estate sector is a key player in this time of unprecedented urbanization, helping robust emerging markets to develop and nurturing local economies through jobs, housing and opportunity.”

Ruggieri serves as a senior advisor for Sperry Van Ness, specializing in the sale of investment properties in Champaign-Urbana and Central Illinois. With almost 40 years of commercial real estate industry experience, he has an outstanding record of business achievement and service to the real estate industry and has also been active in the broader community. A frequent commentator on commercial real estate, Ruggieri hosts a popular radio talk show Central Illinois Business on WDWS 1400AM, and also writes a column for the Illinois REALTOR Magazine. His community service includes serving as a Board Member of Court Appointed Special Advocates CASA and Champaign Housing Corporation.

“We are delighted and honored that Alex has joined the IHC Global Board,” said President and CEO Judith Hermanson. “His real estate business acumen and deep experience in commercial real estate will be a huge help to IHC Global and our partners around the globe.” She added, “We know that transparent property markets, individual property rights and other fundamentals of real estate practice are critical to ensuring better housing and living conditions for everyone. Alex will help to get us there!”

In addition to an MBA from the University of Illinois, Ruggieri holds a number of prestigious real estate credentials, including Counselor of Real Estate CRE (https://www.cre.org/), Certified Commercial Investment Member CCIM (http://www.ccim.com/), and Certified International Property Specialist CIPS (http://www.realtor.org/designations-and-certifications/cips-designation).

IHC Global is an independent 501 (c ) (3) organization and a 50+ member coalition standing at the nexus of civil society, the private sector, and governments around the world, engaging all stakeholders in its approaches. IHC Global develops and advances policies and programs focusing on affordable housing delivery, functioning property markets, clean drinking water, effective sanitation, and other sustainable approaches to create better urban living conditions and more fulfilled and hopeful lives for everyone. With more than half of the world now living in cities and urban communities, sustainable urbanization represents both a major challenge and a significant opportunity for the 21st century.
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VII. In the Spotlight

A. 2017 Award Recipients

Congratulations to our 2017 Award Recipients!

Counselor of the Year Award
The Counselor of the Year Award is presented to the Member who has contributed the most to the wellbeing of the Society throughout the year. When voting, the members consider whether the person has a productive record of ethical business practices; whether they demonstrate our motto – Service, Experience, and Counsel; and whether they have a record of continued service to the Society.

Gary Vandenberg, S.E.C., the 2017 recipient, has a long history of volunteering, teaching, serving on the S.E.C. Board of Governors, the Executive Committee, and as president of the Society in 2013. Gary is always willing to help where needed and his efforts are much appreciated.

Cliff Weaver Award
The Clifford P. Weaver Memorial Award was established to honor one of the most creative Counselors of all time, and is given in order to publicize the creativity of our membership, in recognition of his outstanding contribution to the real estate investment and exchange profession during an all too short life. The first trophy was awarded at the April 1976 conference in Las Vegas.

Stephen D. Barker, S.E.C., the 2017 recipient, sets an example of professionalism and creativity in all aspects of his life and business. You may read about the winning transaction that Steve submitted in the article, Finding Creativity, in this issue of the Observer. Steve and Cliff Weaver would have been fast friends.

Jack Hunt Excellence in Education Award
The S.E.C. Education Foundation established the Jack Hunt Award in December 2002 to honor Jack for his dedication to creative real estate education. The recipient of the award must have demonstrated “vision, dedication, and service” with regard to the Society’s and the Ed Foundation’s education mission; they must have gone above and beyond their normal volunteer duties; and they must have succeeded in advancing the Foundation’s education mission.

Wes Dingler, S.E.C., the 2017 recipient, certainly fits the description above. He has been an active instructor, including teaching the Moderator Course that was written by Jim Brondino; he served as president of the S.E.C. Education Foundation, and he is always willing to help promote the S.E.C. Education Foundation and the Society’s education and marketing.
Most real estate practitioners believe they are counseling now. Nothing could be farther from the truth. The common concept of “real estate counseling” is that of a nose-to-nose confrontation with the prospect or client.

Let us examine a dictionary definition of counseling: "A practice or professional service designed to guide an individual to a better understanding of his problems and potentialities by utilizing modern psychological principles. and methods, especially in collecting case history data, using various techniques of the personal interview, and testing interests and aptitudes.”*

Did you notice the words, "A practice or professional service?” Is that your description of the real estate field today? How professional is the modern broker's practice?

Translated to broker language, we offer in our classes, "The Art of Real Estate Counseling," Courses No. 500 and No. 1,000, the following definition: "Counseling is a real estate practice on a professional level, designed to guide a client or customer to a better understanding of his real estate ownership problems and their probable solutions, utilizing modern principles and methods of questioning and listening to establish ‘Client Management.’"

These definitions require an attitude almost completely foreign to the modern broker and salesman. They require a listening, questioning, probing attitude, which is diametrically opposed to the attitude believed absolutely necessary in expert salesmanship.

The real estate industry's 50-year search for the key to professionalism has been rendered non-productive, because no one recognized that real estate professionalism is dependent upon the principles of counseling, and contrariwise, expert counseling is dependent upon the policies of real estate professionalism. For some inexplicable reason, everyone connected with the real estate field has assumed it can be successful only through the expert execution of the rules of salesmanship.

The concept always has been that real estate is "merchandise," and must be sold as though it were on the merchant's shelf. All of the other errors commonly made and condoned in today's real estate practice continue to feed, and occasionally flourish from, this premise.
In the writer's opinion, the real estate field has been blessed constantly with far more than its share of sincere, devoted, and intelligent individuals who love the principle of helping others. However, the methods believed necessary to sell "merchandise," to beat out the competition, to control faithless and sometimes dishonest clients and customers, constantly have extracted their toll of these earnest practitioners.

In fact, there have been times in the history of real estate, when the "turn over" of old and new licensees has been as high as 50%! The reason for this high mortality rate has been that good, conscientious people many times can not tolerate what has to be done in order to be successful. They can not - will not - adjust to the type of salesmanship required to survive in the "real estate jungle."

Fortunately, thousands of us have proven that salesmanship's tricks and techniques are an absolutely unnecessary ingredient of a successful real estate practice. In fact, salesmanship itself is the major disastrous ingredient, causing tens of thousands of failures each year. Those of us who wish to make real estate a productive, profitable, and respectable career must change our entire method of operation, our basic concepts of what real estate is and is not, and shift our standpoint from one of selfishness to one of selflessness.

*Merriam-Webster's Third New International Dictionary.*
“Ask These Questions First”

Richard R. Reno, S.E.C.

Editor’s Note: This article first appeared in the April 1975 edition of the Real Estate News Observer.

Many things have been written and said about real estate counseling. Here are some random questions which should be answered prior to exposing the property and the client to the marketplace.

1. Why does the client desire to move his equity and what is the real motivation for selling or exchanging the property?

2. Is the client a buyer and what are the guidelines in using equity for a down payment?

3. What will the client take “in lieu of” his existing equity?

4. Is there a mandatory cash requirement needed in the transaction?

5. The client has an immediate objective. Have I really determined what it is and what is behind the immediate objective motivation?

6. Does the client understand “benefits” (money, appreciation, depreciation, income etc.)?

7. Why would someone want to own the property being offered by my client?

8. Is the client mentally committed to a fixed price for his real estate or is the client oriented toward increasing benefits?

9. Have I determined what items the client can add to the real estate offering to make the entire “package” more attractive?

10. Has the client verbally accepted other properties in our counseling sessions?

11. Have I explored the idea of the client being a user for a business opportunity?

12. Will the client make offers to solve his real estate problems if the offers solve his immediate objectives and lead toward his long range objectives?
13. Is the client capable of a joint venture with his equity or portions of his equity?

14. Is the client under a third party influence?

15. Has the broker done all of the homework needed to move title?

16. Does the client have any geographical limitations?

17. Has the property been offered on the market prior to my listing?

18. Does the client or his real estate offer management problems?

19. Frankly, is the client a realist?

20. Do I really feel I have a client who does have a real estate problem?

The above are just a few questions that real estate agents should determine in their counseling sessions prior to offering the property to the marketplace.