Make your voice heard by participating in the upcoming 2020 CRE Comprehensive Membership Survey!

WINTER 2020

the

COUNSELOR®

Published by The Counselors of Real Estate® | *The professional organization for the most trusted advisors in real estate.*

Investing in Infrastructure as an Economic Development Strategy

AN ANALYSIS BY BRUCE KNIGHT

Planning & Development Director | City of Champaign, Illinois

> Page 3

ALSO IN THIS ISSUE

CRE®
THE COUNSELORS OF REAL ESTATE®

www.cre.org

Nate Hovee/Shutterstock.com

Remaining Relevant and Resourceful

BY MICHEL COUILLARD, CRE®
2020 CHAIR | THE COUNSELORS OF REAL ESTATE
PRESIDENT AND CEO | BUSAC REAL ESTATE

Counselors of Real Estate are forward-thinking leaders who find opportunity when others see only challenges. We're part of an organization whose culture of integrity, respect, selflessness, community, and trust has been a key differentiator since the group's inception in 1953. Yet we recognize the importance of continually assessing the organization's direction in response to a rapidly changing environment of both external and internal factors.

To this end, 2020 is particularly pivotal as The Counselors of Real Estate commences development of its sixth five-year strategic plan, once again with the guidance of an experienced outside facilitator. With strategic planning fundamental to the organization's relevance to its membership and the real estate industry in general, our focus is on targeted objectives that are relevant, attainable, and measurable. To steer us, please plan on completing the comprehensive member survey which you'll receive in coming days. Your opinions are needed and valued. As futurist and filmmaker Joel Barker once said, "Vision without action is a dream."

THE INVITATION PROCESS AND THE COUNSELOR VALUE PROPOSITION

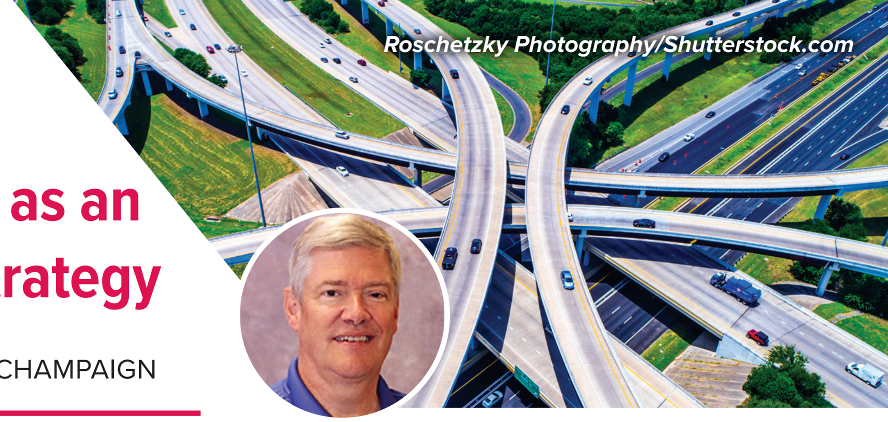
Membership development and recruitment are crucial to the health and vitality of the organization. During its first meeting in November, members of the 2020 CRE Strategic Planning Visioning Group discussed The Counselors' current invitation process, culminating in the appointment of an invitation task force charged with exploring how we might further modernize the application process by utilizing new technologies, simplifying the application forms, and reviewing current membership qualifications.

Demographic shifts and how a new generation of leaders thinks about and participates in professional organizations are also a major focus of the visioning group. It's projected that by 2025 the millennial generation will represent 75% of the nation's workforce. Furthermore, current and potential members of most organizations are increasingly selective as to how they spend their dues dollars, as well as their time, and are seeking a meaningful return. As such, a second task force on the CRE Value Proposition will be succinctly defining why membership in The Counselors is relevant to your business and why it represents a valuable investment. Stay tuned.

BROADENING OUR MEMBERSHIP COMPOSITION AND DIVERSITY

The Counselors of Real Estate's member retention is currently ahead of last year's strong renewal rate of 94%, with CREs now residing in 20 countries and U. S. territories. At the Annual Convention in Nashville, 18 new Counselors were welcomed from Italy, Canada, and the U.S. Specialties among the group include property tax management, valuation, portfolio planning, real estate arbitration and litigation, urban redevelopment, tenant advisory services, investment sales, and economic research.

*(CONTINUE ON **PAGE 4**)*



INFRASTRUCTURE

Investing in Infrastructure as an Economic Development Strategy

BY BRUCE KNIGHT
PLANNING & DEVELOPMENT DIRECTOR | CITY OF CHAMPAIGN

The City of Champaign, Illinois (population 88,000), where I have worked as the Planning and Development Director for the last 31 years, maintains a 10-year Capital Improvement Plan (CIP) and updates it annually to ensure we are addressing the highest priority infrastructure projects. This is a process that requires a considerable commitment of staff time as well as energy and focus from our City Council. This is an effort that the City is committed to because of the firm belief that investment in maintaining and expanding the City's infrastructure is critical to the City's success as a growing and developing community. One aspect of this is the importance of making routine investments in our infrastructure to extend its life to the extent possible. A few years ago, the Government Accounting Standards Bureau began requiring that a value be established for a community's infrastructure. In 2017 the value of the City of Champaign's infrastructure as reported in the City's Comprehensive Annual Financial Report (CAFR) was $213,221,286. Imagine any local government not doing all it can to protect assets worth over $200 Million by adequately planning for the future of those assets.

A second part of why this is so important is the economic impact that results from having quality infrastructure. This is true of all the City's infrastructure systems, but in particular it is true of the City's transportation network. According to the Rebuilding America report issued by the American Planning Association in 2010,

> *"In many ways, transportation infrastructure forms the backbone of the U.S. economy and our quality of life. Economic activity is dependent on an efficient and well-maintained system of roads and highways, bridges, rail lines, sidewalks, paths, and transit. Continued investment in our Nation's transportation is essential to keep our economy growing. But the current system is at a crossroads: roads and highways are aging, maintenance needs continue to grow, costs of maintenance and new infrastructure are increasing, and revenue levels have remained generally flat. The challenges are manifested at the national level, where according to the American Society of Civil Engineers (ASCE) transportation infrastructure receives an overall grade of C-minus. In addition, congestion costs have crept past $85 billion per year, and the estimated cost to repair and upgrade the current system is $225 billion per year. Local jurisdictions also face challenges, with increasing expenses for pothole repair and other maintenance, while their budgets become tighter. These trends have spurred calls for a substantive change in how we treat transportation infrastructure at all levels."*

Four years ago, the Champaign City Council struggled with the reality that as a result of budget cuts that occurred during the years of the great recession, the City was underfunding upkeep of its street system resulting in a steady decline of their condition. In a difficult debate the Council ultimately passed a four cent per gallon local motor fuel tax to create a revenue stream to rectify the situation both with the intent to be able to direct fund needed improvements, as well as to have the funding necessary to meet local match obligations to pursue grant funding. The deciding vote on this difficult decision came from a City Councilman who was typically very conservative on decisions to raise taxes, but who as a local realtor had heard the reaction of out of town clients looking to buy a house in our community to the declining condition of our roads. In the end he recognized that there is a price to pay to maintain quality of life in a community and that consideration outweighed a general public dislike of taxes.

The City of Champaign has clear examples of the result of investing in infrastructure. In the early 2000s the City's Campustown area was in a state of decline with aging infrastructure and declining commercial properties. This was the result of long term underinvestment in the area's infrastructure.

The Boneyard Creek that flows through the area had a long history of flooding the area and virtually all of the properties in the district were either in the floodplain, or in some cases even in the FEMA designated floodway. Green Street, the major artery that runs through the area was a four-lane street with narrow sidewalks and poor drainage.

The Chancellor of the University of Illinois at Urbana-Champaign came to the City expressing concern over the impact of the declining condition of this commercial area that adjoined the U of I campus on student decision to enroll at the UIUC campus. Starting in 2002, the Champaign City Council made a series of decisions leading to a significant investment in the Campustown infrastructure. Around $50 million of investment was made in a series of flood control projects for the Boneyard Creek resulting in the area being removed from the FEMA designated floodplain and floodway.

(*CONTINUE ON **PAGE 4***)

INFRASTRUCTURE *(CONTINUED FROM PAGE 3)*

Champaign, Illinois, March 2019: Green Street and Sixth Street in Campustown GrungeElfz/Shutterstock.com

Approximately $30 million ($15 million of which came from a Federal TIGER grant) was invested in rebuilding Green Street as a three-lane and two-lane street which prioritized the pedestrian environment and included attractive streetscape amenities. In the years since the City began this process, private reinvestment in the Green Street corridor has been valued at over $600 million. None of this investment would have occurred without the City first investing in the area's infrastructure making it an attractive target of private investment.

This is just one of several examples of why investing in the City's infrastructure is so important to the City of Champaign. I believe it is a key reason that Champaign is one of the only communities in the State of Illinois that continues to grow. This conscious investment in our infrastructure is a key strategy in the City's efforts to promote economic development and private investment in our community. This includes having a transportation system that allows today's employees to get around our community via multiple modes of transportation… car, bus, bike or as a pedestrian, which we know is an important factor in creating a livable community. Businesses make locational decisions based on where their employees want to live, and the quality of life they will experience there and a City's infrastructure plays a key role in that quality of life.

In my 40 plus years working as a City Planner I have had the good fortune of working for communities that valued planning for their future and saw positive outcomes as a result. During my term as the President of the American Planning Association I had the opportunity to travel the country and the world talking about the positive impacts of planning on the quality of life and economic development of communities large and small. The Rebuilding America and Sustaining Places projects were two initiatives of the organization that I had the chance to work on, both of which spoke to the value created by investing in planning and quality infrastructure to create places of lasting value. During my tenure as President, the organization also implemented the Great Places in America program As APA states on its website, "APA's Great Places in America program recognizes the streets, neighborhoods, and public spaces in the United States demonstrating exceptional character, quality, and planning — attributes that enrich communities, facilitate economic growth, and inspire others around the country… Since launching the Great Places in America program in 2007, APA has recognized 303 neighborhoods, streets, and public spaces located in all 50 states and the District of Columbia. Designees are selected annually and represent the gold standard for a true sense of place, cultural and historical interest, community involvement, and a vision for the future." As is evident from the categories, much of what makes these places great revolves around the quality of the infrastructure that was built to support the vision those communities had for their community. In the end, having a strong vision for your community, and a commitment to investing in the infrastructure that supports that vision is what sets some communities apart from others and makes them great places in which to live, work and play. •

CHAIR'S CORNER *(CONTINUED FROM PAGE 2)*

To accommodate our growing global membership, the CRE European Chapter has added Prague-based staff to strengthen programming and participation throughout the continent, while planning is well underway for the International Conference June 10-12 in Prague at the Czech National Bank Congress Center. Our long-time representation at MIPIM continues March 10-13 in Cannes, France, highlighted by a special CRE-hosted luncheon on March 10 and numerous interviews with the international press. And look for more details soon on the formation of the CRE Asian Chapter based in Tokyo, as well as program specifics on The Counselors' Annual Convention November 8-11 in Vancouver. Of course, we hope to see you May 3-5 at the CRE Midyear Meetings in Boston!

Lastly, in the spirit of believing that giving back is a prerequisite for going forward, I invite you to join a public service interest group (see page 7) to share information and collaborate on important initiatives such as affordable housing and disaster response.

As we continue to build the CRE brand through strategic alliances, speaking engagements, and media relations, it's never lost on me that CRE membership is an honor. The Counselors of Real Estate is unique in its membership and purpose. As with any relationship, the more you give, the more you receive. I welcome your thoughts on how we can make this partnership a better and more rewarding experience for you and your Counselor colleagues. Thank you for your affiliation. •

FashionStock.com/Shutterstock.com

CLIMATE RISK

What's in Your Property?

BY ANDREW GARTE
PRESIDENT | ANDREW GARTE & ASSOCIATES

The 2019-2020 Top Ten Issues Affecting Real Estate listed "Weather and Climate-Related Risks" as issue number three. That topic has been covered in *The Counselor* and many other publications and documentaries and while we need to address the global risks, we must also stay on the alert for the property-related environmental issues we face daily. This is the first in a three-part series that will address Legacy, Redevelopment, and New Development.

LEGACY ISSUES

Legacy issues are those which have been associated with real property and improvements since acquisition or since before implementation of proactive environmental management programs. These include environmental facets of real property that can generally be safely managed in place with appropriate plans and barring unforeseen events or circumstances. These may include hazardous building materials, such as asbestos or lead based paints, or former contamination issues associated with the land itself such as underground storage tanks (USTs) or residual contamination from former industrial uses. These are common in many redeveloped older properties or brownfield redevelopment sites. When these issues are fully documented, and the owners have management plans in hand to manage them in place, they still must be accounted for in the long-term management of the asset.

It is said that familiarity breeds contempt so it is easy to understand how, over time, these issues may become less of a focus and their management becomes routine. This is fine, as long as the routine management is comprehensive, and the situations under which the conditions exist remain the same. For example, managing asbestos materials in place is acceptable, as long as the materials remain in good condition, are serving their intended purpose and facility staff are aware of them and properly trained in their management. However, under a proactive materials management plan, these materials should be undergoing proper removal with each major maintenance effort or systems change. Then, over time, the complete removal of these materials is accomplished, obviating the need for in-place management. This requires remaining aware of the legacy conditions associated with the real property and improvements and updating plans to proactively manage them out of existence, where possible.

Other legacy issues, like residual contamination from former site uses such as USTs or industrial solvent contamination may have been fully addressed to the satisfaction of regulatory authorities at the time the remediation was performed. But are the evaluative criteria or residual contaminant levels still considered to be fully protective of human health and the environment? Many cleanup levels and remediation methods have been refined and improved over time to be more effective and to eliminate exposure pathways that were not considered in the original closure requirements. These newer understandings designed to produce lower levels of potential exposure to residual contaminants should be considered with regard to legacy site contamination issues. A former UST remediation may have left residual volatile contaminants in the ground that are currently understood to have a potential for vapor intrusion into the building and cause indoor air contamination. Similarly, the fact of residual soil contamination may limit the ability to manage stormwater on-site through proactive measures such as groundwater recharge associated with rain gardens.

The importance of staying aware of these issues and managing them out of existence (where possible) is driven by the fact that unforeseen situations occur to varying degrees, and legacy issues can suddenly become significant sources of liability and expense. As illustrated above, it also may limit the ability to modernize on-site improvements to meet the goals of environmental site design (ESD) wherein all runoff generated by improvements is managed on-site. Many municipalities are requiring incorporation of ESD, including retrofits, to the extent practical to address the runoff issues which are only increasing with climate impacts.

*(CONTINUE ON **PAGE 6**)*

Header Photo | *Brooklyn, New York, October 30, 2012: Serious flooding in the buildings at the Sheepshead Bay neighborhood due to impact from Hurricane Sandy.*

Due to climate driven weather events, it is much more likely to have wind or water induced impacts to well managed systems, creating problems even under well managed conditions.

Some recent, disaster-level events have taught property managers to implement changes to minimize effects of even unlikely events. The Fukushima Daiichi disaster was the result of an earthquake promoted tsunami which inundated the nuclear power facility as well as 560-sq. kilometers of coastal area. The 14-meter (46.7-ft) wave also destroyed the emergency backup power and reactor shutdown equipment creating a reactor core meltdown and major nuclear exposure disaster that are still being brought under control today. This event taught property managers to move emergency equipment higher up and harden it against unanticipated, catastrophic events.

Super storm Sandy was a Category 3 hurricane with a 900-mile radius as it approached the coasts of New York and New Jersey but was down to tropical storm strength when it made landfall. Still this storm brought a 12.5-foot storm surge into Rockaway Beach, coastal Brooklyn and southeastern Long Island damaging or destroying 650,000 homes and buildings with an estimated $70.2 billion in damage. This storm flooded neighborhoods and emergency response systems, pushed homes off of their foundations and damaged infrastructure. Waters sloshing through these neighborhoods contained a toxic soup of sewage, heating oil, gasoline and other materials routinely stored in urban areas. Had it been a more direct hit, greater areas of storm induced erosion and surface soils scour from pounding seas and receding waters would have exposed buried materials and washed away real property all together. This storm taught property developers to harden their developments against such impacts and raise construction elevations in coastal areas even higher.

The terrorist attack of September 11, 2001 directly resulted in the deaths of approximately 3,000 people. However, the unanticipated regional air contamination and resulting exposure from the dusts generated by the buildings' collapse have had an even greater impact on human health. The dust from this disaster could have been a little less toxic through the complete abatement of asbestos, lead based paints and older interior features. However, even so, the air impacts from such a disaster would still have been remarkable. The exposures to air pollution from this event have been found to impact birth weights for mothers pregnant at the time of the attacks, caused a range of cancers and respiratory ailments and resulted in the creation of a $2.775-billion compensation fund to help those affected.

Major disasters such as these cannot be fully accounted for in all real estate development, but the impacts of disasters like these can be lessened for affected property through proactive environmental asset management. Had the emergency generators and backup equipment at Fukushima been situated on the rooftops of buildings, the equipment would not have been flooded and the resulting meltdown could have been avoided. Tying buildings to their foundations, securing oil tanks, providing self-sealing vents and hardening hazardous materials storage and sewage processing facilities would have reduced the damage and toxic exposures from Super Storm Sandy. Complete removal of asbestos containing materials and lead based paints throughout the World Trade Center complex would have reduced the toxicity of the dusts resulting from the buildings burning and collapse.

Each of these scenarios show an improved ROI for proactive legacy issues management and mitigation. While there are limits to the type of unexpected event for which one can feasibly manage, some levels of emergency planning should be incorporated into all facility management plans. We know that, like with Super Storm Sandy, climate change is bringing stronger storms with higher winds and stronger, deluge type rain events. This increases the likelihood of a natural disaster type event affecting your real property investments. This is true of property located within extended flood plains as well as coastal areas. At minimum, a listing of all hazardous building materials in place and those materials stored in bulk on the property and their locations should be kept up to date and accessible. Facilities with larger amounts of hazardous materials on-site, or those located in locations more prone to storm or environmental impacts should also share these lists with the local emergency response and firefighting organizations. These reportings can be modeled on the requirements of the Emergency Planning and Community Right to Know Act (EPCRA).

Proactive management of legacy environmental issues will help minimize their adverse impact to the bottom line. This should include review of issues that may have been closed at the time of acquisition to verify that a new understanding has not arisen that could wake these sleeping giants. Removal of hazardous building materials as a matter of course during routine maintenance and upgrades will also help eliminate these risks. Keeping facility managers aware of legacy issues associated with a property allows their management to be factored into emergency response and modification planning for the facility. As warranted, these data should be shared with emergency first responders to prevent unnecessary exposures.

The next two articles in this series will discuss emerging environmental issues in redevelopment and new development respectively. We all want our properties to be as profitable and functional as possible. Understanding the limits of environmental issues associated with the real property will facilitate the planning and design of redevelopment and new development that will stay ahead of these issues across the life of the asset. •

Discover the Benefits of Change with the New CRE Foundation

$1,000,000 in Grants. 80 Projects Funded. Countless Beneficiaries Worldwide. One Foundation.

Fifty-three years in the making and because of **benefactors like you**, the Counselors of Real Estate Foundation enters a highly proactive new era in 2020. How?

The CRE Foundation is committing **more money** to **game-changing projects** that have a **consequential connection to real estate**—projects that will make a **meaningful difference** in **YOUR community** and communities around the world.

You are positioned to play a central role in the Foundation's ambitious, results-oriented new mission by proposing initiatives and monitoring their progress. Together, we will **execute solutions** that impact and transform lives now and for generations to come.

Our funding priorities for 2020 include:

1. Addressing concerns identified in the Top Ten Issues Affecting Real Estate, such as **affordable housing, infrastructure** initiatives, and **technology** innovation;
2. Assignments undertaken by the **CRE Consulting Corps** to provide market-driven counsel to nonprofit owners of real estate;
3. Assisting regions and communities affected by **natural disasters** to rebuild or mitigate the effects of reoccurrence;
4. Grass roots projects which feature collaboration among the **private sector, local governments** and other community stakeholders to actively address issues related to real estate and economic development.

WHAT'S PAST IS PROLOGUE

New Ecology, Inc., supported workforce affordable housing initiatives and sustainable real estate development in underserved communities in metropolitan Boston.

The Coalition for the Homeless of Central Florida worked with city government to run a shelter and family services program without deterring economic development in a gentrifying neighborhood.

First Nations, an indigenous Canadian people, was meaningfully impacted by learning real estate fundamentals, general business theories and management principles, enabling their informed protection of native lands with dignity and honor.

This work—and the other projects underwritten by the CRE Foundation—are possible because of **YOU** and your CRE colleagues. Join us in **affecting change** that **makes a difference. Through real estate.**

New Public Service Interest Groups Enhance Counselors' Giving Back

Giving back is a core value of Counselors. This "Giving Back" culture has long been established through existing initiatives including the CRE Foundation, CRE Consulting Corps, and the leadership and participation by individual Counselors in nonprofit organizations addressing a range of challenges. Envisioned and spearheaded by Scott Muldavin, CRE, the Giving Back Task Force aims to enhance Counselors' giving back efforts and expand opportunities for members to collaborate around public service activities through the formation of five CRE special interest groups:

- Affordable Housing
- Sustainability and Climate
- Nonprofit Real Estate Strategies
- Infrastructure
- Disaster Response

These groups provide a forum for members with a common interest to utilize their real estate expertise for the greater good. Steering committees (in formation) will guide the interest groups and clarify and prioritize their efforts, including:

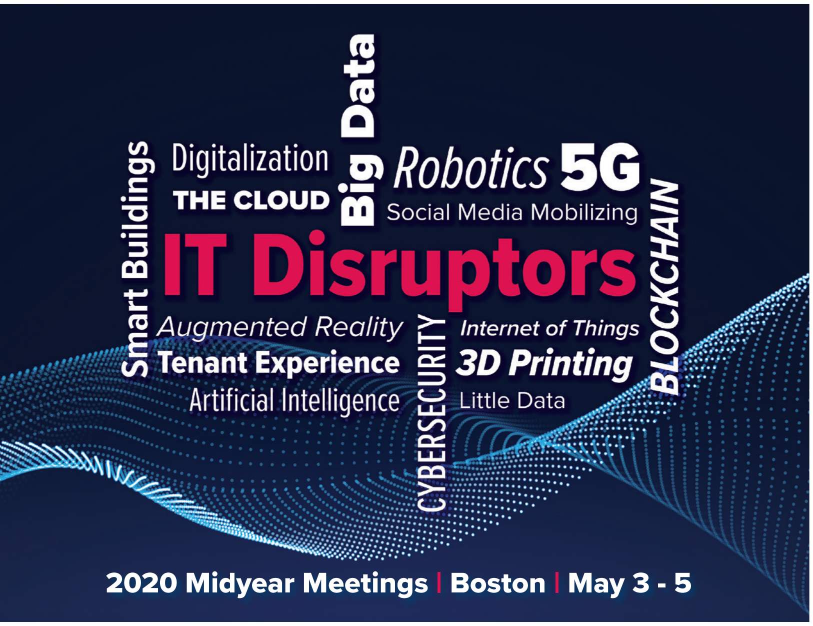
- Sharing information
- Serving as a resource to one another
- Identifying potential Consulting Corps assignments or projects for Foundation support
- Addressing additional projects as determined by the group

For more information or to join an interest group, please contact Samantha DeKoven (sdekoven@cre.org), Director of Public Service Initiatives at The Counselors of Real Estate.

THE COUNSELORS OF REAL ESTATE®

430 North Michigan Avenue
Chicago, Illinois 60611

2020 CRE Meetings



Don't Just Join the Conversation. Start It!

One of The Counselors of Real Estate's strongest assets is the diversity of its membership. Help us promote this distinction—and the thought leadership for which Counselors are known—by sharing interesting assignments you've completed, books or articles you've authored, and honors you've achieved. Tell us your stories by emailing us at info@cre.org.

CONNECT WITH CRE ON SOCIAL MEDIA

@CounselorsofRE
CounselorsofRealEstate
TheCounselorsofRealEstate
TheCounselorsofRealEstate