

| | |
|---|----|
| PURPOSE OF THE COMMERCIAL STRUCTURE | 2 |
| DEFINITION OF TERMS | 3 |
| FORMING A COMMERCIAL DIVISION, COUNCIL, SOCIETY, COOPERATIVE MULTI-BOARD, OR COMMITTEE | 6 |
| ■ Planning: Strategic plan, type of structure, name, and bylaw changes | 6 |
| ■ Implementation: Make the strategic plan work through an action plan | 12 |
| ■ Growth & Evaluation: Monitor, evaluate and modify programs as needed | 14 |
| ■ Conclusion, Sources & Rewards | 16 |
| ■ QUESTIONS & ANSWERS REGARDING COMMERCIAL STRUCTURES | 17 |

The following Appendices are available separately in the CS GUIDE: APPENDIX –

1. **Division as Committee:** Authorizing a Commercial Division as a Committee of a Board
2. **Division as Committee:** Operating a Commercial Division as a Committee of a Board
3. **Division as a Subsidiary:** Authorizing a Commercial Division as a Wholly-owned Subsidiary Corporation of a Board
4. **Division as Subsidiary:** Model Bylaws: Commercial Division Separately Incorporated but Wholly-owned by a Board
5. **Division as Subsidiary:** Operating a Commercial Division Separately Incorporated but Wholly-owned by a Board
6. **Multi-Board/Regional Division:** Sample Agreement between Associations to form a Multi-Board or Regional Commercial Division
7. **Committee:** Forming a Commercial Committee

NAR Commercial

Download a copy of this Commercial Structure Guide at <http://www.realtor.org/ae/manage-your-association/commercial-resources-for-associations/forming-a-commercial-overlay-board-or-structure>

- For information about starting a Commercial Structure, contact Shara Varner, Coordinator; Commercial Development, Commercial and Global Services at 312.329.8282 or email svarner@realtors.org.
- Contact NAR Member Policy staff at 312.329.8399 for questions regarding membership, structure type and governance.

PURPOSE OF THE COMMERCIAL STRUCTURE:

Identity

Provides commercial members a separate REALTOR® identity within their local market area that enhances their image in the corporate community and among commercial practitioners.

Influence

Provides an organizational voice to influence legislation, liaison with other industry groups, and positively impact their local communities.

Representation

Promotes the interests of commercial members at the local, state and national REALTOR® levels.

Education

Offers educational programs, seminars and courses to keep members current on vital issues, better able to serve the public, and that meet state-mandated continuing education license requirements.

Member Services

Provides the services and programs that attract new members, retain existing members, and help them become more successful commercial practitioners.

Database

Facilitates the creation of a local Commercial Information Exchange (CIE) or Commercial Industrial Multiple Listing (C/I MLS) or other property services.

Ethics & Arbitration

Provides the body of peers needed to enforce the REALTOR® Code of Ethics and the Standards of Professional Practice, and to administer dispute resolution.

Professional Development

Promotes professional designations and certification programs that are available through the five NAR Commercial Affiliates (CCIM, CRE, IREM, RLI and SIOR), REALTOR® state associations and through the National Association of REALTORS®.

Affiliate Members

Provides a venue for those in affiliated industries to network with members with whom they conduct business.

Benefits

A CS strengthens the local delivery of services to commercial members. It can also facilitate cooperation with the local NAR Commercial Affiliate chapters.

DEFINITION OF TERMS

Affiliate Members

Some local REALTOR® associations have developed a membership category for title company representatives, attorneys, lenders and others who are involved with real estate but do not qualify for REALTOR®, REALTOR®-Associate or Institute Affiliate membership. Some associations refer to them as “Affiliate” members.

Commercial Investment Division (CID)

Commercial Divisions are sometimes referred to as a Commercial Investment Division or CID.

Commercial Real Estate Practitioners

Those brokers and agents who earn some or all their income under the broad classification of commercial real estate are generally engaged in, but not limited to:

| | | |
|---------------------|-------------|----------------------------|
| Sales | Investment | Appraisal |
| Leasing | Exchanging | Auction |
| Property Management | Development | Other specialty activities |
| Counseling | | |

Commercial Real Estate

Commercial Real Estate is defined as any property except property with one to four residential units or condominiums, townhouses, manufactured homes, or individual homes which are sold individually, even though they are part of a larger group. (Non-owner occupied investment residences are included in the commercial real estate category).

Commercial Overlay Board (COB)

The Board of Directors of the National Association of REALTORS® at the 1992 Annual Convention authorized the establishment of COBs. A COB co-exists and shares (overlays) geographic jurisdiction with one or more REALTOR® associations in order to serve members in a commercial market area. At the same time, the territory currently assigned to existing associations remains intact as well as their right and obligation to provide services to their members. COB jurisdictions may be local, multi-market, state-wide or inter-state.

Commercial Structure (CS)

Commercial Structure is a term that refers to a specialized commercial organization within a parent association. While there are similarities between them, each type of structure is tailored to the needs of the members and the resources of the parent association. Whether the division is a committee or a separately incorporated wholly-owned subsidiary corporation, association bylaws must reflect its structure.

- Commercial Division, Society or Council: These are synonymous and the terms are used interchangeably. They may be operated as a committee of a parent association or as a separately incorporated wholly-owned subsidiary of the association (Appendices 1-4).
- Cooperative multi-board: a regional division includes two or more parent associations acting in partnership to service a market area (Appendix 5).
- Commercial Committee: A standing committee of a parent association that allows representation of commercial members and encourages their participation in the organization.

COBs & CS Compared

A COB is a free-standing, self-governing, self-sustaining association of REALTORS®. A CS is a commercial group within an already existing parent association and may be allowed representation on its Board of Directors. For example, COBs are assigned a separate NRDS (National REALTOR® Database System) identification number and are represented on the NAR Board of Directors, whereas CSs do not have a separate identity and are represented through their parent association.

Commercial Information Exchange

A Commercial Information Exchange (CIE) is a property service in which members voluntarily post information about commercial properties for sale or lease; and do so without any offer of cooperation or compensation. For the purpose of this Guide, CIEs are defined as property services that are operated either as a committee or a wholly-owned subsidiary corporation of a local or state REALTOR® association.

Commercial/Industrial Multiple Listing Service (C/I MLS)

A Commercial/Industrial Multiple Listing Service (C/I MLS) is a service in which participants are required to submit exclusive listings of property and in doing so make a blanket offer of compensation to other participants.

Institute Affiliate Membership

Institute Affiliate membership in a COB is only available to those who hold designations awarded by the NAR Commercial Affiliates: The CCIM Institute (CCIM); Counselors of Real Estate (CRE); Institute for Real Estate Management (CPM); the REALTORS® Land Institute (ALC); and the Society of Industrial and Office REALTORS® (SIOR). Institute Affiliate, REALTOR®, or REALTOR ASSOCIATE® (if applicable) membership in a local association of NAR is required to maintain professional designations awarded by an Institute, Society or Councils affiliated with NAR.

Institutes, Societies & Councils

This term refers to the five commercial organizations affiliated with NAR: the CCIM Institute (CCIM); the Counselors of Real Estate (CRE); the Institute for Real Estate Management (IREM); the REALTORS® Land Institute (ALC); and the Society of Industrial and Office REALTORS® (SIOR).

NAR Commercial

NAR Commercial represents the collective commercial constituency within NAR. It is comprised of commercial members, the RCA Committee and subgroups, the COBs and CSs, the commercial affiliate organizations, the RCA advisory board, and commercial products and services.

Parent Association

The local or state REALTOR® association of which the CS is a division, council, or society; or the sponsoring associations in the case of a cooperative multi-board or regional division.

STEPS TO CREATE A COMMERCIAL STRUCTURE:

In general, creating a Commercial Division/Council, Society, Cooperative, Multi-board or Committee involves the following basic steps:

- Identify leaders within the local commercial real estate community
- Define the market area/geographic jurisdiction
- Identify commercial members and firms
- Assess member needs, services and allied organizations
- Develop a strategic plan
- Develop an action plan
- Provide a framework for commercial members and staff to work together
- Initiate self-governance through a committee structure

Step One: Market Research

Conduct market research to assess the potential for creating a viable CS

A. IDENTIFY A LEADERSHIP TEAM

Identify a core group of respected, dedicated and committed commercial members to organize the effort to propose and create the CS. Choose a team of those who are known, knowledgeable and helpful within the local commercial brokerage marketplace. Leadership must be committed and must make an unwavering commitment to furnish services to the commercial members of the association.

B. DEFINE THE CS JURISDICTION AREA

The CS jurisdiction is that of its parent association. However, to include as many commercial practitioners as the CS can realistically support, a number of REALTOR® associations may joint venture to form a CS. In the case of such cooperative multi-board or regional divisions, the jurisdiction is expanded to include a market area that may either be a city, MSA, or region, depending on the jurisdiction of the associations' involvement.

C. IDENTIFY MEMBERS AND FIRMS

Identify the potential CS members and firms within the jurisdiction. Sources are members of neighboring REALTOR® association that do not have a COB or CS; members of local NAR commercial affiliate chapters, members of allied commercial organizations not affiliated with NAR, and local commercial firms. Potential REALTOR® members can also be located the www.REALTOR.org in member directories that can be searched by specialty, city and state.

D. ASSESS MARKET CONDITIONS, MEMBER NEEDS, SERVICES & ALLIED ORGANIZATIONS

1. Through focus groups, surveys and other formal and informal methods, gauge the viability of creating a CS. Build interest in the identity and services that a CS can offer the local commercial practitioner community. Build the organization from within by starting with the commercial members of the local REALTOR® association. The CS will attract members from outside the REALTOR® association if that first builds a critical mass of support within its own membership. If the association is unable to get its commercial members to support the effort, forming a CS should be reconsidered.
2. Appraise the local market conditions and list the ways a CS can assist commercial practitioners to increase their transactions, network of referrals, develop their professionalism, and generally improve their bottom line. One of the approaches may be to describe the market environment and what economic forces are driving the market.
3. Build a member profile through surveys, focus group discussions and other methods. Where are they located? What are their commercial specialties? How do they do business? What business tools do they use?
4. Determine member needs: Who is the competition? What are the alternatives? What services, programs, activities are better offered by the CS? What services can the CS deliver that are not being offered? Are there niche markets? What services help members improve themselves, their industry and increase the number of transactions individually and collectively? Transaction-oriented core services the CS may consider are continuing education, a CIE, networking opportunities (marketing sessions, trade shows, and special events) and government advocacy.
5. Successful CSs have allied themselves with organizations such as universities, economic development agencies and NAR Commercial Affiliate chapters to collectively enhance commercial services in a jurisdiction.

Step Two: Planning

Develop the strategic plan, identify the structure to be adopted, and propose bylaw changes.

A. DEVELOP A STRATEGIC PLAN

The purpose of a strategic plan is to summarize the information gathered during the assessment stage and give the CS direction. The strategic planning committee should include the top leadership of the association(s) and key commercial members and may involve the local NAR Commercial Affiliate chapters in the early planning stages. The findings from the environmental scan, surveys and focus groups help identify what core services are needed, how they will be delivered and by whom. Not too long after initiating the CS, the strategic plan should be adjusted and modified.

a. Association Resources

The group should examine external trends impacting the market place: government regulatory problems, demographic shifts, and economic conditions. Identifying the geographic dimensions

(local, metropolitan, regional or state) of the commercial market is important too. The group should discuss the association's internal resources, including the members, volunteers, staff, organizational structure, facilities and budget. Other key topics for discussion are the association's strengths and weaknesses as they relate to commercial services, the perceptions and expectations of the key players, and what general assumptions regarding commercial services can be made after analyzing the external and internal forces.

b. Goals

Goals are "broad statements of what is expected to be achieved through providing commercial services." Some examples are:

- Integrate Affiliate members and commercial practitioners into association programs
- Build image awareness and professionalism
- Develop mechanisms to open lines of communications between the association, the Affiliates and the commercial members.

c. Objectives & Strategies

Objectives are statements of how the goals are to be implemented. Strategies are the specific, measurable tactical actions and directions designed to reach the objectives. Strategies may include conducting commercial education programs which meet state mandated continuing education requirements, and establishing Professional Standards and Orientation committees. Other strategies to keep in mind are commercial member representation on the Board of Directors, providing information and acting as a clearing house for pertinent commercial information, taking a leading role in legislative initiatives, and setting a goal to increase the commercial membership by a determined percentage.

B. SELECT A GOVERNANCE STRUCTURE

Once the committee has chosen a strategic direction, it should determine which structure is best suited to meet desired goals. CSs tend to be either divisional structures (division, council or society) or standing committees of the association. Only the local membership and parent association can determine what type of governing structure works best for them.

a. Whether to organize as a Committee or a Separately Incorporated Subsidiary

NAR has recommended for a number of reasons that its local REALTOR® associations seek tax exempt status. REALTOR® associations are normally eligible for this status under Section 501(c)(6) of the Internal Revenue Code. Under this section, any income which is directly related to the tax exempt purpose of the association is exempt from taxation under federal law. Income which is not directly related to this purpose may be taxed as "unrelated business income." If a tax

exempt entity becomes so involved in a business which generates unrelated business income that it becomes the central purpose of the organization, the organization may lose its tax exempt status. Selecting whether a CS should be organized as a committee of the association or as a separately incorporated, wholly owned subsidiary is usually driven by these tax considerations and is a decision that should be made in consultation with the association's legal and accounting advisors.

b. Operation as a Committee

1. Oversight of the CS by a commercial committee of the association will most effectively assure that members see this as a service being provided to them by the association. This will also assure that the Board of Directors of the association will be the final governing authority and thus avoid potential conflicts as to the purpose and function of the CS. If a committee structure is selected, the CS will, like any business operation, require on-going supervision and management. The committee that oversees the CS should be a standing committee of the association so it can fulfill its continuing responsibility to manage the operation of the CS for the association. Membership is available to REALTORS® (primary or secondary), Institute Affiliate and Affiliate members of the association. Membership requirements are discussed in #5 in the *Questions and Answers* section.
2. The composition of the commercial committee should be representative of all sizes and types of commercial firms in the area. Association members and potential members should be encouraged to participate in the meetings. This allows them to take a personal role in the structure's development, and is also an opportunity to introduce non-members to the association and encourage membership. (The size of the group/committee will vary, depending on the size of the local or state association.)
3. Elections: The committee should hold an annual election of the committee chairman. In some cases the Chairman may be appointed by the president of the Board.

4. Meetings:
 - a. A regular meeting schedule should be established. Special meetings shall be called by the chairman.
 - b. An agenda shall be prepared in advance.
 - c. Written minutes shall be maintained by the Secretary and mailed to the committee members with notice of the next meeting.
 - d. The Chairman or his designee shall conduct the meeting.
 - e. Goals and objectives should be determined and distributed to both members and potential non-members.
 5. The Commercial Division, Council or Society are created within the structure of one or more existing REALTOR® associations. Benefits include:
 - Identification of specialty members within the association
 - Special education programs
 - Recognition programs
 - Commercial orientation programs for new members
 - Association support
- c. Operation as a Separately Incorporated Subsidiary
1. Some REALTOR® associations prefer to operate the CS as a separately incorporated subsidiary. As noted, this decision is usually driven by tax considerations. In instances where a subsidiary corporation is the structure selected, the association must be the sole shareholder. If multiple associations are involved, their combined ownership of the CS must total 100%. The association, as the sole shareholder, will use this role to maintain a degree of control over the operation of the CS to assure it does not adopt positions inconsistent with the interests of its shareholder association(s).
 2. The parent association may have separate structures for both residential and commercial members. Members may join the structure that most meets their professional interests. Each structure may have its own leadership and Board of Directors which report to the parent association Board of Directors. This type of structure offers commercial members their own identity, gives them an opportunity to govern their own membership, maintain separate bylaws and budget, and be more motivated to be involved with leadership.

d. Operation as a Cooperative Multi-board Division

This is a regional commercial division organized as a joint venture between two or more REALTOR® associations that own and administer it (similar to a regional CIE). Membership is available to all REALTOR® members (primary or secondary) of the associations that are parties to the agreement.

C. BOARD APPROVAL AND DIRECTION FOR FURTHER ACTION

- a. The final step in the planning stage is to bring the strategic plan to the Board of Directors for approval, including proposed CS name and type of structure. To show visible support for the plan, the key players should be invited to participate in presenting the plan to the Directorate. If commercial leadership has kept the Directors informed throughout the introductory and planning stages, this procedure should be accomplished as a matter of course.
- b. Seek Board direction on the type of structure, name and changes to the bylaws.

D. CHOOSING A NAME

In general, the name of the Commercial Structure and its parent association must always appear together in print: the REALTORS® Commercial Alliance of Colorado Association of REALTORS®,” “the REALTORS® Commercial Society of REALTORS® Association of the Palm Beaches,” or the “Commercial Investment Committee of the Scottsdale Association of REALTORS®.”

The only exception to this rule occurs in conjunction with the RCA brand logo: If “REALTORS® Commercial Alliance” is already part of the official name of the organization, it need not be repeated. Only the name of the parent association need appear in the text below and to the right of the RCA brand logo (see Appendix 7 for proper use of the REALTORS® Commercial Alliance (RCA) Logo, Graphic and Style Guidelines).

The following examples are taken from current CSs:

- a. Division: The Commercial Division of the St. Louis Association of REALTORS®
- b. Council: The Commercial Council of the REALTORS® Association of Northeast Wisconsin
- c. Society: The Central Florida Commercial Real Estate Society of the Orlando Regional REALTOR® Association
- d. Committee: The Commercial Committee of the Beaumont Association of REALTORS®
- e. Cooperative multi-board/regional division: The Quad City Area Commercial Division of the Illinois Quad City Area REALTOR® Association

E. GOVERNANCE

Submit the strategic plan, the type of structure that has been selected, and proposed bylaws changes to the Board of Directors. (Model Bylaws and Rules & Regulations for the structure alternatives are provided in Appendices 1-6.) If the Board approves the concept and the changes, submit the proposed association bylaws to the National Association of REALTORS® for review. Upon approval by NAR, the association Board of Directors may proceed with implementing the CS.

Step Three: Implementation

The goal of the implementation stage is to make the strategic plan work

A. DEVELOP A START-UP ACTION PLAN

Once the Board of Directors has approved the strategic plan and the structure type and NAR has approved the proposed changes to the bylaws, formulate an action plan and present it to the Board for approval and further direction.

1. During the implementation stage, the strategies are further broken down into a specific action plan and responsibilities are assigned for putting the plan into effect.
2. The action plan describes how the CS will be implemented, what the Leadership and staff of the CS will do, when, and who will be accountable. Any discussion about introducing new services needs to also involve an assessment of the association's human resources and facilities and what the financial impact will be.
3. The action plan should include the following:
 - a. A list of the members and firms.
 - b. Who will manage and staff the CS?
 - c. Where the CS will be located and in which facility, if it is a cooperative multiboard/regional division.
4. The action plan should also include a proposed budget with a detailed description of the following:
 - a. What funds will be needed for the CS start-up?
 - b. Where will the start-up funds come from, if necessary?
 - c. How will the CS be financed going forward?
 - d. Who will prepare a Pro Forma Budget?
 - e. Who will collect the dues?
5. It is strongly recommended that whatever governing structure is selected, the parent association of the proposed CS should discuss its plans with potentially affected neighboring associations well in advance to identify any potential problems and attempt to resolve them before they become divisive.

B. GETTING STARTED

Once the action plan is in place the CS can move on to the other implementation steps.

1. Committees: Keep the number of committees and committee assignments to a minimum initially.
2. Schedule: Set a tentative schedule of meetings and programs for a six month period. If a marketing plan is developed, it should include marketing pieces for the group, and when and where programs will be promoted.
3. Publicity: Publicize the first meeting well. Use every means available: local media, the association's newsletter or other publications, make announcements at association membership meetings, set up a telephone committee to make personal calls to prospective members (this will be the most effective promotional tool as the CS grows).
4. Meetings: Keep the format of meetings simple, fast-paced, and on time. The first meeting should address issues that are important to the CS. Emphasize the importance of networking and membership participation. The leader should let them know the association is interested in working with them. Always be sure to include some time for participants to market their properties – a simple and quick “Haves/Wants” session often works.

C. PROGRAMS

There are some common services which have been developed by other CSs that have gone through this process.

1. Commercial education programs and training sessions have been one of the top priorities and can be easily implemented using commercial member instructors or outside presenters.
2. Most CSs have established commercial orientation programs (scheduled late in the afternoons or in the evenings to accommodate commercial member schedules) and have set up commercial grievance and hearing panels using commercial practitioners.
3. Some have established commercial marketing sessions, while others have introduced a Commercial Information Exchange (CIE) for properties.
4. Commercial membership development and retention committees have been established by associations, comprised of enthusiastic volunteers spreading the word and selling the benefits.

D. RETURN ON INVESTMENT

1. Like all association services, the most appealing are those which give the member instant return on their investment of time and effort. Commercial education programs and forums, which help the member make a sale or fulfill real estate license requirements, are the most beneficial. To teach these commercial sessions, bring in professionals, developers, lenders, buyers, or sellers who are active in the market. Panels of successful agents describing how they were able to complete a complicated transaction draws a crowd. If possible, take the time to investigate the credibility of the presenters before the session, listen to the presenter or instructor before the association event, and assess whether or not the presenter will hold the audience's attention. In other words, quality presentations are very important to the credibility of the programs.
2. It takes time to establish a successful group for commercial practitioners. It's possible that the initial organizational meeting may be attended by only a handful of participants. Even after the organization has been going for a year or so, the leadership may become dismayed when what was thought to be a popular program topic draws a small number of attendees. Part of the learning process is finding out what subjects and activities appeal most to the members.

Step Four: Growth & Evaluation

Be flexible, willing to change, and prepared to either expand or, possibly, eliminate programs.

A. MONITOR, EVALUATE AND MODIFY

1. Once word spreads of the services and benefits, commercial members will want more. Most CSs have experienced an increase in membership, even in adverse markets. While more members is a welcome result, it can put more pressure on staff and other association resources.
2. During the growth stage, it is the responsibility of the governing body to closely monitor commercial services. The action plan should be reviewed quarterly to measure accountability. Committee chairpersons should have the responsibility of reporting periodically to their governing body. Each month keep close track of progress by comparing actual expenses with the budget, reviewing membership trends, and assessing how members are responding to educational programs. Attendance records should be kept at each educational session and staff and committee members should listen to comments in the halls during the breaks and make notes on how programs can be improved.

3. At each education session, evaluation sheets should be available for members to rank the quality of the program, and its value to their business. What other programs does the member want to hear? The evaluation form should include questions on how long the member has been in the real estate business, and to what size firm they belong. Inquire if the member has an interest in serving on a commercial committee and do they know other commercial companies who may have an interest in joining the association.
4. Keep in mind that the commercial members will not always be satisfied. Economic conditions are always changing and so are member needs. Programs that were well attended in the past may not be appropriate in the future. While sometimes a program has merit, it may need extra marketing effort.
5. Plans are made to be revised to stay in tune with the reality of the current marketplace. Those who monitor commercial services should not be afraid to eliminate, modify, or expand programs. Give the members what they want and they will want more.

B. NEW PROGRAMS

1. When members recognize that the association has a sincere interest in providing quality benefits, they will be the best source of ideas for service improvements. Occasionally, the market may force the introduction of a new service or benefit. During the midyear and annual meetings of the National Association of REALTORS®, at the Commercial Leadership Forum, local associations have the opportunity to share their innovative programs and learn about what others around the country are doing. The CS should network with other CSs, not be afraid to try something new, and test the market.
2. Some examples of value-added programs are a Commercial Information Exchange (CIE), monthly newsletters, certified education programs (such as the GRI and those of the NAR Commercial Affiliates), and a commercial speakers and writers bureaus. Specialty marketing sessions with guest speakers and a "Haves/Wants" session are also very popular.
3. Other services include special functions to recognize commercial production and volunteers, "Deal of the Year" awards, discounts on signs, mobile connectivity, health and errors and omissions insurance, and staff support services for Commercial Affiliates. Try to include networking and business opportunities. If the networking session generates business, it will more than offset their expense and time out of the office and will be an incentive to attend and support future programs.
4. The growth stage requires leadership's patience, listening skills, compromise, planning, and flexibility. This is the period when the association will receive the most gratification: membership will undoubtedly grow and the volunteers will be enthusiastic.

CONCLUSION

The CS will experience several stages of development after it makes the commitment to deliver new commercial services to its members. Thoroughly completing each stage, one step at a time, is important for the whole process to be achievable. Each stage requires strong leadership, dedicated volunteers, a core of active members, and a supportive staff.

RESOURCES

To save time, network with and learn from other CSs to see what services they make available and to share their successes and disappointments. Also, a valuable resource is the Commercial Real Estate staff team at NAR.

REWARDS

The rewards of establishing a commercial structure are numerous. Commercial members add an extra dimension to the association, the membership will grow, the residential practitioners will have an opportunity to expand their horizons, and the volunteer participation will increase. Most of all, members will be better served, more competent, and more profitable.

QUESTIONS & ANSWERS: COMMERCIAL STRUCTURES

1. **Why are there so many different types of Commercial Structures?**

There is no one style of CS that fits all situations. For some, with a large number of commercial members in a complex market, a division, council or society is best. For others, a committee of the association is sufficient. Each association must determine what structure works best for its unique situation and market.

2. **Is one type of commercial organization preferable to another?**

The selection of the type of commercial organization is entirely at the discretion of the local commercial members who best know what they need and can support. If the parent association is already providing the needed programs and services through its CS, a COB may not be appropriate. However, in areas where individual associations have not been able to provide specialized services because of limited resources and few commercial members, or because their jurisdictions are smaller than the market area, either a cooperative multiboard/regional division or a COB may be the solution.

3. **Is it a rule of thumb that CSs evolve into COBs?**

Some REALTOR® associations have developed a viable CS before creating a COB. Because of different circumstances, other groups chose instead to develop a COB without going through the step of first building a CS. It is not a rule of thumb that a CS will necessarily become a COB.

4. **May a CS and a COB coexist within the same jurisdiction?**

There are instances where a CS is serving its members in a sub-market and coexists with the COB serving the larger market area. This is especially the case with local CSs and state-wide or regional COBs.

5. **Can a CS limit its membership to commercial practitioners?**

A CS may establish qualifications for membership beyond those ordinary required for membership in a Board of REALTORS®. However, if the CS operates an MLS or CIE, participation must be available to all REALTOR® members who are principals in a real estate firm

6. **Can a REALTOR® be a member of multiple REALTOR® associations?**

“Board of Choice” is a membership option only for REALTORS®. It allows them to hold primary membership in one association and secondary membership in others.

7. **Can Institute Affiliate (IA) members belong to more than one association?**

While IAs are members of the association in whose jurisdiction their principal business address is located, they may purchase commercial services from other associations that provide them.

8. **Do the services of a CS or COB differ from those of other local associations?** Commercial practitioner needs are different from their residential counterparts. Services offered by CSs and COBs are tailored to the commercial specialties of their members.

9. Do CSs have different procedures for Code of Ethics enforcement?

No. In order to ensure fair, impartial and knowledgeable enforcement of the Code of Ethics arbitration and mediation, all REALTOR® associations must maintain an adequately large group of trained members from which the necessary committees and tribunals can be appointed. While the parent associations of CSs are required to enter into cooperative enforcement agreements to ensure there is an adequately large group of trained and knowledgeable members, COBs are not required but may do so to ensure impartial and knowledgeable enforcement.

10. If a REALTOR® is a member of multiple associations, which would process ethics complaints or requests for arbitration?

REALTORS® are subject to the REALTORS® Code of Ethics in any association where REALTOR® membership is held or where the REALTOR® is a participant in the association's multiple listing service.

11. What if the REALTOR® is also a member of an NAR Commercial Institute, Society or Council?

REALTORS® who are also members of an NAR Commercial Institute, Society or Council that maintains and enforces a code that is *different* from the REALTORS® Code of Ethics, are subject to that organization's code in addition to the REALTORS® Code. A complainant can file a complaint with a local association with jurisdiction over the REALTOR® or with the Commercial Institute, Society or Council (or both). There is no "double jeopardy" issue since the codes are distinct. If the Commercial Institute, Society or Council maintains and enforces a code that is the *same* as the REALTORS® Code of Ethics, then the REALTORS® are subject to the Code either in a local association of REALTORS® with jurisdiction over them or with the Institute, Society or Council. Since complainants have a choice of jurisdiction, the forum is determined by where the complainant files the ethics complaint. The REALTOR® cannot be subject to hearings in two forums under the same code (*NAR Code of Ethics* and online at <http://www.realtor.org/code-of-ethics>)

12. To whom are ethics complaints or requests for arbitration involving IAs directed?

In general, if the respondent is not a REALTOR®, then he or she is not subject to the REALTORS® Code of Ethics. IAs are not REALTORS® and therefore are not subject to the jurisdiction of local associations of REALTORS® with respect to the REALTORS® Code of Ethics. Complaints should be filed with the Commercial Institute, Society or Council in which the IA holds membership alleging a violation of the code which that organization has adopted and enforces.

13. To whom should requests for arbitration involving commercial members be directed?

All REALTORS®, regardless of specialization, are subject to the arbitration obligation established in the REALTORS® Code of Ethics *Article 17* and *Standards of Practice 17: 1-4* (<http://www.realtor.org/governance/governing-documents/the-code-of-ethics#DutiestoRealtors>).

If the REALTOR® also belongs to a Commercial Institute, Society or Council that maintains and enforces a code that is different from the REALTORS® Code of Ethics, then that REALTOR® may also be subject to arbitration under that organization's code. Depending on the complainant's membership status, he or she may have the choice of requesting arbitration pursuant to the REALTORS® Code of Ethics (in which case arbitration would be conducted by a local association of REALTORS®) or under the code of the Commercial Institute, Society or Council (in which case arbitration would be conducted by that organization pursuant to its established procedures).

The following is a compilation of budget detail from a representative sampling of CSs. The list does not contain budget amounts because expenses and income vary for each association. Note that the list will be different for each association based on what programs and services it can provide its members in light of its resources and market size.

CS OPERATING BUDGET INCOME

Dues

Brokers
Broker Assessments
Secondary REALTORS
Broker Associates
Affiliates
Institute Affiliates
Membership Application Fees

Property Database, Inc.

Allocation of Overhead Expenses
Other

Other Income

Advertising Revenue
Education
Special Events, Golf
Sponsorships

CS OPERATING BUDGET EXPENSES

Member Services

Charity Projects
Commercial Production Awards
Dues & Subscriptions
Education
Ethics Training
Member Development & Retention
Membership Directory
Membership Solicitation
NAR Meetings
Special Events, Golf, group luncheons
Travel
Web Site Administration

Public Relations and Marketing

Newsletter
Media Relations

Governmental Affairs

Commercial Program Expenses
Independent Contractor
Program Expenses

Professional Standards

Professional Standards
Arbitration Expenses