

# Commercial Overlay Board (COB) Guide

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### NAR CONTACTS

- Download a copy of this COB Guide at <http://www.realtor.org/structur.nsf> or contact NAR Commercial Real Estate staff at 888/648-8321 for a print version.
- For information about starting a COB, contact Emily Line, Manager Development & Outreach: Commercial Real Estate at 312.329-2812.
- Contact NAR Member Policy staff at 312/329-8399 for questions regarding governance issues and application proce

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## **COMMERCIAL OVERLAY BOARDS & STRUCTURES DATABASE**

The database, located at <http://www.realtor.org/structur.nsf> contains basic information on all the NAR COBs and CSs. While most information is pulled from the National REALTORS® Database System (NRDS), each organization should regularly maintain its own information. The database also contains copies of other COB and CS related resources.

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## THE PURPOSE OF THE COMMERCIAL OVERLAY BOARD

### **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 state and national REALTOR® levels.

### **EDUCATION:**

Offers education 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.

### **DISPUTE RESOLUTION:**

Provides the body of peers needed to enforce the Code of Ethics and Standards of Practice of the National Association of REALTORS®, and to administer mediation and arbitration.

### **PROFESSIONAL DEVELOPMENT:**

Promotes professional designations and certification programs that are available through the five NAR Commercial Affiliates (CCIM, CRE, IREM, RLI and SIOR), 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.

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## DEFINITION OF TERMS

### COMMERCIAL REAL ESTATE PRACTITIONER:

Those brokers and agents who earn some or all of their income under the broad classification of commercial real estate are generally engaged in:

Sales	Investment	Auction
Leasing	Exchanging	Other Specialties
Property management	Development	
Counseling	Appraisal	

### 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 Commercial Overlay Boards of REALTORS®. A Commercial Overlay Board co-exists and shares (overlays) geographic jurisdiction with one or more REALTOR® associations, in order to better 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 and inter-state.

### COMMERCIAL STRUCTURE

The term generically refers to a specialized commercial organization with a parent association. The Terms “Commercial Division”, “Council” or “Society” are synonymous and used interchangeably:

- Whether the commercial structure division is operated as a committee or a separately incorporated wholly-owned subsidiary corporation will depend on the needs of the members and the resources of the parent association. The association’s bylaws will need to be modified to accommodate the commercial structure.
- A *Cooperative Multi-Board* or *Regional Division* is established by two or more parent associations acting in partnership to meet the needs of commercial members in a market area.
- *Commercial Committee* is a standing committee of a parent association or association to allow representation of commercial members and encourage their participation in the organization.

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## **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. Not all CIE members are REALTORS®, nor are all CIEs REALTOR® association services. For the purpose of this Guide, CIEs are defined as REALTOR® commercial property services that are operated either as a committee of a COB or a wholly-owned subsidiary corporation.

## **COMMERCIAL/INDUSTRIAL MULTIPLE LISTING SERVICE (C/I MLS):**

A Commercial/Industrial Multiple Listing Service (C/I MLS) is a REALTOR® property 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 (IA) MEMBERSHIP:**

IA membership 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). IA members are required to hold membership in both NAR (at the local, state and national levels) and their designating organization in order to maintain their designations.

## **REALTORS® COMMERCIAL ALLIANCE (RCA):**

The RCA represents the collective commercial constituency within NAR. It is comprised of commercial members, the RCA Committee and subgroups, the Commercial Overlay Boards and Commercial Structures, the Commercial Affiliates, the RCA Advisory Board, and commercial products and services.

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## STEPS TO CREATE A COMMERCIAL OVERLAY BOARD

### INTRODUCTION:

Many local REALTOR® commercial communities are capable of starting a COB without previously having a CS in existence. While it is not required to first have a CS before starting a COB, it is important to note that many successful COBs were created after commercial members gained the knowledge and experience of operating a CS in their parent Associations. The transition was made easier because the CS had already:

- Identified its commercial members and firms.
- Begun the assessment of market conditions and member needs.
- Tested and provided core services over a period of time.
- Initiated the beginning of self-governance through its committee structure.
- Established a history of its financial needs.
- Identified leaders within the local commercial real estate community.
- Provided a framework for commercial members and staff to work together.

Creating a COB involves the same steps, whether or not there is an existing CS in place. The following is provided to help make the process as understandable and easy as possible. Should you have questions about this information, contact NAR Commercial real estate at 312.329.8282 or Member Policy at 312.329.8399.

### STEP ONE: MARKET RESEARCH

**Conduct market research to assess the potential for creating a viable COB.**

#### A. IDENTIFY LEADERSHIP

Identify a core group of respected, dedicated and committed commercial members to lead the effort to propose and create the COB. Choose those who are known, knowledgeable and helpful within the commercial brokerage market place. Leadership must be committed. They must make an unwavering decision to expend the COBs resources to furnish a minimum level of commercial services to its members.

#### B DEFINE THE COB JURISDICTION AREA

The market area in which the COB commercial members' practice defines the targeted jurisdiction. A market area may either be a city, MSA, region, state or multiple states. It's a good idea to initially encompass the most expansive jurisdiction to include as many commercial practitioners as the COB can realistically support.

#### C. FOUNDING MEMBERS (15) AND FIRMS (10)

List the founding members and firms of the COB. Compile a list of at least 15 commercial members and 10 firms that have committed to be members of the COB. While these are the minimum numbers required to

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submit an application, realistically the COB may need more members in order to be viable (i.e. Provide value added services and meet its responsibilities as a member board of NAR).

## **D IDENTIFY POTENTIAL MEMBERS AND FIRMS**

Identify the potential number of COB members and firms within the proposed jurisdiction.

Sources of members are members of local NAR commercial Affiliate chapters, commercial firms, and members of allied commercial organizations such as Building Owners & Managers Association (BOMA), the International Council of Shopping Centers (ICSC) and National Association of Industrial and Office Parks (NAIOP). Potential REALTOR® members can also be located at [www.REALTOR.org](http://www.REALTOR.org) in member directories that can be searched by specialty, city, and state. The REALTOR® associations that would be within the proposed jurisdiction might also provide or sell a list of their members.

## **E ASSESS MARKET CONDITIONS, MEMBER NEEDS, SERVICES & ALLIED ORGANIZATIONS**

- With or without having the experience of a CS, appraise the local market conditions and list the ways a COB can assist commercial practitioners to increase their transactions. One of the approaches may be to describe the market environment and what economic forces are driving the market.
- Through surveys and focus group discussions, build a member profile. Determine member segments by age, gender, race. Where are they located? What are their commercial specialties? How do they do business? What business tools do they use?
- Determine member needs: Who competes with the new COB? What are the alternatives? What services, programs, activities are being offered that the COB can do better? What services can the COB deliver that are not being offered? Are there niche markets? What services help members increase the number of transactions individually and collectively?
- Only promise what the COB can deliver. As the COB evolves, build upon experience and success. Transaction-oriented core services the COB may consider are continuing education, CIE, networking opportunities (marketing sessions, trade shows, and special events) and governmental advocacy.
- Successful COBs have allied themselves with organizations such as universities, economic development agencies and NAR Commercial Affiliate chapters to collectively enhance commercial services in a jurisdiction.

## **F DEVELOP A STRATEGIC PLAN**

The purpose of the Strategic Plan is to summarize the information gathered during the assessment stage and give the COB direction. The findings from the environmental scan, surveys and focus groups should help identify what core services are needed, how they will be delivered and by whom. Not too long after the COB

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and new Board of Directors, Committee Chairs, Staff and other key players in the new COB settle in, the Strategic Plan should be adjusted and modified.

- Environmental external scan
- What is the Mission of the COB?
- What are the COB goals, objectives and strategies?

## **G DEVELOP A START UP ACTION PLAN**

The action plan details what the Leadership Group implementing the formation of the COB will do, when, and who will be accountable. The plan should include the following:

- What will be the COB name (*Appendices 6-9*)
- List the COB Founding/Chapter members and firms
- Define the Jurisdiction
- Who will prepare a Jurisdiction map
- Who will manage and staff the COB (negotiate a management agreement, if necessary)
- Where will the COB be located and in what facility
- What funds, if any, are needed to start-up the COB
- Where will the start-up funds come from, if necessary
- How will the COB be financed
- Prepare a Pro Forma Budget
- Who will collect the dues to be submitted with the application
- Prepare Governing documents.
- Prepare a time chart relating to the Application process including the important dates to meet the requirements.
- Who will be responsible for completing the COB Application?
- Who will represent the COB through the application process at the State and National meetings?
- Who will serve on the interim Board of Directors?
- When will the first Board of Director's election be held?



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## **STEP TWO: NOTIFY LOCAL ASSOCIATIONS**

**After the needs assessment has been completed, the prospective COB notifies other Associations located within its prescribed Jurisdiction of its intent.**

**A. NOTIFICATION LETTER:** (Appendix 3) Send the Notification Letter by registered or certified mail to all associations within the COB proposed jurisdiction. The letter should be accompanied by a detailed description and color-coded map of the jurisdiction; along with the name of the proposed COB.

**NOTE:** It is strongly recommended that the proposed COB consult with the potentially affected associations well in advance of sending the notification letters to identify any potential problems and attempt to resolve them before they become divisive.

### **B. NOTIFICATION TIMING:**

1. Mail 60 days prior to submitting the Application to the State Association
2. Associations sharing territory within the jurisdiction will have 30 days to approve or disapprove of the COB formation.

### **C. COPIES OF RESPONSES**

When submitting the Application to the State Association and NAR, the applicant must include copies of all notification letters and responses.

## **STEP THREE: APPLICATION TO THE STATE ASSOCIATION**

**Once the Associations have been notified, completed and submit the application to the State.**

### **A. APPLICATION**

Complete the *Application for Membership as a Member Board (Appendix 4)*.

### **B. SUPPORTING MATERIAL SHOULD INCLUDE:**

1. Description of the Jurisdiction: A detailed description of the prescribed jurisdiction request for approval must accompany the Application. If space on the Application is not sufficient, attach a separate addendum.
2. Color-coded Map of the Jurisdiction: Submit along with the description a Jurisdiction Map showing the geographic boundaries, the Associations sharing the Jurisdiction, and the contiguous Associations.

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3. Name of the COB must be included with the application. Any name selected must include the term “Commercial” and the phrase, “Board (or Association) of REALTORS® or REALTORS® Commercial Alliance (**Appendix 9**). Descriptive words or phrases may not be used in front of the term “REALTOR® or REALTORS®. Thus a name such as “Commercial REALTOR® of .... is not permitted. (**Appendix 8**)
4. Copies of notification letters in Step One and the responses from Associations within the prescribed jurisdiction.
5. Articles of Incorporation: It is recommended the proposed COB be incorporated. The Articles of Incorporation should accompany the Application but should not be filed with the Secretary of State until the application has been approved by NAR.
6. COB Bylaws (**Appendix 12**)
7. List of new members and firms: Include a list of at least 15 member and 10 firm names that have committed to joining the COB.
8. Dues: A membership dues check must be submitted with the Application computed in accordance with Article II of the NAR Bylaws and prorated from the beginning of the quarter in which the Application will be submitted to NAR for approval.
  - a. *In calculating the dues payable to the State and NAR, individuals who have already been included in an existing Board/ Association’s dues obligation to the State Association and NAR shall not be considered. Any rebate of the local allocation of dues previously paid to a local Board/ Association is at the discretion of that Board/ Association.*
9. If applicable, include governing documents of a Commercial Information Exchange (CIE) or commercial MLS, such as corporate articles, bylaws, and rules and regulations.

## C. SIGNATURE:

The proposed COB President and Secretary or other appropriate representatives should execute The Application and accompanying letters. (**Note:** IA members may not serve as President.)

## D. TIMING:

1. STATE Association must have the Application and accompanying documents 60 days from the date when the notification letter was sent to all the Associations sharing in the jurisdiction territory.
2. Written statements from the parties, including the proposed COB, must be submitted at least 20 days prior to the State Association hearing if the Application is submitted as “contested.”
3. STATE Association’s recommendation is furnished simultaneously to all parties and NAR by registered or certified mail.
4. STATE Association must submit a favorable or unfavorable recommendation to NAR within 45 days after the State Association Board of Directors meeting at which time the application is considered, and must set forth the basis upon which the recommendation is made.
5. NAR must have the Application and accompanying documents 45 days prior to the next regularly scheduled meeting of the Membership Policy and Board Jurisdiction Committee.

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## **E. UNCONTESTED APPLICATIONS BY ASSOCIATIONS:**

If there are no objections from Associations, the State will process the Application as “uncontested” and no hearing is required. However, the State association must take action to recommend approval or disapproval of the application.

## **F. CONTESTED APPLICATIONS BY ASSOCIATIONS:**

Applications not approved by the affected Associations or the State will be processed by NAR as a “contested” application. The procedures used by the Membership Policy and Board Jurisdiction Committee to process contested applications can be found online at:

<http://www.realtor.org/mempolweb.nsf/AssocChgs?Openview>.

1. Criteria for Consideration of a Contested Application for Establishing/Approval of a Commercial Overlay Board (*Appendix 5*).
  - a. The criteria to be utilized in considering such contested applications is whether the affected Board/Association is adequately representing and serving the needs of commercial practitioners within its assigned jurisdiction, and whether the establishment of a COB will better serve the needs.
2. State Association Hearing for Contested Applications.
  - a. All parties will have the opportunity to appear at a hearing by the State Association to present their respective positions.
  - b. Written statements from local Board/Associations, including the proposed COB, must be submitted at least 20 days prior to the State Association’s hearing.
  - c. A hearing panel shall make its recommendation to the State Association Board of Directors for consideration.
  - d. The State Board of Directors considers the contested application and makes its recommendation.
  - e. If the State Association Board of Directors’ recommendation is subsequently contested, the disapproving Association(s) may request a hearing by the NAR Membership Policy and Board Jurisdiction Committee.
  - f.
3. NAR hearing of Contested Applications received from State Associations:
  - a. If a party does not accept the recommendation of the State Association, it may request an opportunity to present its position orally before the NAR Membership Policy and Board Jurisdiction Committee. NAR will provide notice following receipt of the State association’s recommendation.
  - b. A hearing panel of the Membership Policy and Board Jurisdiction Committee is convened to hear the testimony of all parties.

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- c. The hearing panel makes its recommendation to the Membership Policy and Board Jurisdiction Committee.
- d. NAR Board of Directors makes the final determination.

## **STEP FOUR: REVIEW BY MEMBERSHIP POLICY & BOARD JURISDICTION COMMITTEE (MP &BJC)**

### **State submits application to the MP & BJC for consideration**

- A. The State Association of REALTORS® submits the reviewed COB application along with its recommendation, to the NAR Membership Policy and Board Jurisdiction Committee, which considers the application at its regular national meeting and forwards its recommendation to the NAR Board of Directors for action.
- B. Membership Policy and Board Jurisdiction Committee:
  - a. Q: How often does the Committee meet  
A: Twice annually at the regularly scheduled NAR business meetings
  - b. Q: What is the make-up of the committee?  
A: Approximately 80 members with at least one representative from every state.
  - c. Q: Is it appropriate to contact committee members prior to the meeting?  
A: Normally, there is no reason to contact Committee members before a meeting. If an Application is contested, it is certainly not appropriate for any of the parties to the Contested Application to contact Committee members.
  - d. Q: Is it appropriate to contact staff prior to the meeting?  
A: Yes
  - e. Q: What is the usual meeting agenda?  
A: Consideration of policy issues related to membership and jurisdiction. Examples include membership criteria, Board of Choice, Organizational Standards, federated structure of the REALTOR® organization, new member board applications, etc. The committee also resolves name and territorial jurisdiction disputes between member associations through full due process hearings utilizing hearing panels of the committee.
  - f. Q: Are the parties notified of the agenda beforehand? Should they have a representative present at the meeting to make a presentation or answer questions?  
A: The parties are notified of the agenda beforehand. Presentations are required, however the association is asked to have a representative present to answer questions which may arise concerning the application.
  - g. Q: When does the applying association find out the status of its request?  
A: The final decision on new association applications is made by the Board of Directors at its regularly scheduled meeting.

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- h. Q: If the application is approved pending further action, what restrictions are there on the new COB until the further action is complete?  
A: The new COB cannot identify itself as a member association of NAR until all requirements for membership have been met, but it may have meetings and otherwise function. *NOTE:* The pending association will not receive its NRDS ID# or be assigned directors to the NAR Board of Directors until all requirements are met.
- i. Q: How long do associations have to challenge the name of the new COB?  
A: Sixty (60) days from the date it is noticed to associations by NAR.

## **STEP FIVE: APPROVAL BY NAR BOARD OF DIRECTORS**

**The NAR Board of Directors considers and acts on the recommendation of the Membership Policy and Board Jurisdiction Committee**

### **CONCLUSION:**

Over the past number of years, leadership groups have found that the process of creating a COB goes very smoothly. By moving from one STEP to another, using the resources in this Guide, meeting the time lines, packaging the supporting documents and being patient, the committed leadership group can easily fulfill the Local, State and National requirements. Even though all groups and markets are different, the process should take from six months to one year to complete. Reportedly, it is rare that a COB application is contested by the time it reaches the National Association of REALTORS®.

While there will be questions and leadership groups may even run into some stumbling blocks, as many can testify, the Commercial and Member Policy staffs at NAR are very helpful and available to assist you through the process.

### **CHANGE OF JURISDICTION**

Procedures for member boards (including COB's) may be found online at:

<http://www.realtor.org/mempolweb.nsf/AssocChgs?Openview>.

As always, contact Board Policy staff at 312.329.8399 with any questions.

### **QUESTIONS & ANSWERS: COMMERCIAL OVERLAY BOARDS**

1. What are the basic requirements to establish a COB?  
The Organizational Standards for Boards and Associations (Appendix 1 and online at <http://www.realtor.org/MemPolWeb.nsf/bda58f8388018664862568b90059fde1/df1ee097b0b296f2862568b90059e15a?OpenDocument>) state that to be certified, a REALTOR® association must:
  - a) Maintain governing documents (incorporation, bylaws, etc.);
  - b) Abide by local, state and Federal law;
  - c) Enforce the dues formula;

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- d) Have administrative support;
- e) Provide regular communication to its members;
- f) Orient new members; and
- g) Enforce the NAR Code of Ethics and provides arbitration as a member service.

2. How does a COB differ from a CS?

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 the parent 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.

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

Some organizations 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. 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.

5. May a COB and a CS 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.

6. Can a COB limit its membership to commercial practitioners?

Membership may not be limited to only those who practice commercial real estate some or all of the time. All REALTORS®, IA members and other real estate licensees (if allowed) may be eligible to participate. However, in practice, if the commercial organization only offers commercial programs, products and services, those who do not actively practice commercial real estate are not likely to participate.

7. How does the REALTOR® organization benefit from COBs?

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COBs strengthen the local delivery of services to commercial members and offer a more focused connection with the entire REALTOR® organization. They can facilitate cooperation with the local Commercial Affiliate chapters. They also relieve the pressure on associations that feel they are not able to deliver services to commercial members

8. Who may initiate the request to establish a COB?

An application may be submitted by a group of at least 10 firms and 15 members seeking recognition from NAR as a COB. Interest from commercial practitioners who are not members of the Association may also be used to support the application.

9. How is COB jurisdiction defined?

It is its market area which can be a city, region, MSA, state or even multiple states.

10. On what basis is jurisdiction granted to a COB?

COB jurisdiction is based on market areas and the association's ability to service its members and the public. No more than one COB may be chartered for the same jurisdiction.

11. How is the dues formula applied?

National dues for REALTOR® members in a COB are the same as any other association. State Association dues are also the same. Dues for the designated REALTOR® (DR) of a commercial firm are calculated on the same "size" formula basis that dues for a DR of a residential association are calculated (i.e., a base amount as determined by the association plus an amount as determined by the association times the number of individuals licensed with the REALTOR® who do not hold membership in NAR). In cases where the designated REALTOR® holds membership in both a residential and COB, licensees affiliated with the firm may hold membership in one or both associations. The designated REALTOR® declares which licensees are non-residential and which are residential and the dues formula is applied by the appropriate association.

12. Can a REALTOR® be a member of multiple NAR commercial organizations?

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

13. Can IA members belong to more than one association?

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

14. Do the services of a COB or CS differ from those of other local associations?



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Commercial practitioner needs are different from their residential counterparts. Services offered by CSs and COBs are tailored to the commercial specialties of their members.

15. What representation does a COB have in the State and National Associations?  
COBs have all of the same privileges and obligations of existing associations of REALTORS® as set forth in the Constitution and Bylaws of the State and National Associations.
16. If a COB encompasses more than one state, how are state director representation and dues determined?  
If the territorial jurisdiction of a COB crosses state lines, the association is considered a member of each state association where the association maintains jurisdiction. Unless otherwise agreed upon by the states involved, representation in the State and National Associations (i.e., director entitlement, etc.) and assessment of State and National dues is based on the actual number of members who maintain or are affiliated with an office located within each state.
17. Do COBs have different procedures for Code of Ethics enforcement than residential Associations?  
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 residential associations 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.
18. If a REALTOR® is a member in a COB and another local association, which one would process ethics complaints or requests for arbitration?  
REALTORS® are subject to the REALTORS® Code of Ethics in any association with jurisdiction over them (see next question).
19. 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/mempolweb.nsf/pages/code>)
20. 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



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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.

21. 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/mempolweb.nsf/pages/code>). 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® is also 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).
22. If the jurisdiction of a COB is multi-state, which state laws are used to arbitrate?  
The association may utilize various methods to determine which state arbitration statutes will apply in a particular arbitration hearing (e.g., if the complainant and respondent are from the same state then that state's arbitration statutes would apply, etc.). However, it would appear that the most effective method is for the association to determine in advance, based on the advice of Legal Counsel, which state arbitration statutes will apply to all arbitration hearings conducted by the association. Membership in the association may then be granted based on the applicant's agreement to arbitrate all disputes, as required under Article 14 of the Code of Ethics, in accordance with the arbitration statutes of the chosen state. This should be an isolated concern since most state arbitration statutes are patterned after the Uniform Arbitration Act.
23. Can a COB outsource its administration and association management responsibilities?  
A COB may contract for services and office space from an existing local association or other entities that provide association management services.

# Commercial Overlay Board (COB) Guide

## COB INCOME & EXPENSE BUDGE MODELS

The following is a compilation of budget detail from a representative sampling of small (S), medium (M), large (L) and state-wide (SW) COBs. The list does not contain budget amounts because expenses and income vary for each association. Also, not every item is included for each COB because each must decide what programs and services it will be able to provide its members based on its resources and market size.

<b>DUES INCOME</b>	
- Brokers	L, M, S
- Broker Assessments	L, M, S
- Secondary REALTORS®	L, M, S
- Broker Associates	L, M, S
- Affiliates	L, M, S
- Institute Affiliates	L, M, S
- Membership Application Fees	L, M, S

<b>PROPERTY DATABASE INCOME</b>	
- Allocation of Overhead Expenses, relates to Management Agreement	L
- Dividend	L

<b>OTHER INCOME</b>	
- Advertising Revenue	L
- Brochure Delivery Service	L, M
- Education	L
- Form Sales	L, M
- Investment Income	M

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<b>OTHER INCOME (cont.)</b>	
- Printing	M
- Special Events, Golf, Networking, etc.	M
- Sponsorships	M, S

## COB Operating Budget: Expenses

<b>MEMBER SERVICES</b>	
- Board of Directors Election	L
- Board of Directors/Governing Committees	L, M
- Brochure Delivery Costs	L
- Charity Projects	M
- Coffee/Soda	L
- Commercial Production Awards	L
- Dues & Subscriptions	L, M, S
- Dues Billing Expenses	L
- Education	M
- Ethics Training	M
- Executive Officer Expense	L
- Flowers, Cards, Gifts	L
- Inaugural/Volunteer Recognition	L, M
- Leadership Expenses	L
- Leadership Retreat	L
- Library	L

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<b>MEMBER SERVICES (cont.)</b>	
- Member Development & Retention	L
- Membership Directory	M
- Membership Solicitation	M
- NAR Meetings	L, M
- NAR Public Awareness Campaign	L
- Quarterly Meeting Expenses	S
- Special Events, Golf, group luncheons	L, M
- State Meetings	L, M, S
- Travel	M
- Web Site Administration	M

<b>PUBLIC RELATIONS &amp; MARKETING EXPENSES</b>	
- Newsletter	L, M
- Media Relations	L
- Public Relations Consultant	L

<b>GOVERNMENT AFFAIRS EXPENSES</b>	
- Commercial Program Expenses	L
- Independent Contractor	L
- Program Expenses	L, M

<b>PROFESIONAL STANDARDS EXPENSES</b>	
- Professional Standards	L
- Arbitration Expenses	L

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<b>PERSONNEL EXPENSES</b>	
- Auto Allowance, CEO	L
- Employee Benefits-Medical	L
- Employee Benefits – Pension	L
- Employee Training & Education	L
- Employer Payroll Tax	L
- Employment Expense	L
- Pension Administration	L
- Salaries	L, M, S
- Temporary Help	L

<b>PROFESSIONAL SERVICES EXPENSES</b>	
- Accounting	L, M
- Computer Assistance	S
- Legal	L, M

<b>OPERATING EXPENSES</b>	
- Bank Charges	L, M, S
- Computer Services & Support	L, M
- Copy Machine Rental & Maintenance	L, M
- Credit Card	L, M, S
- Filing Fees	S
- Funded Depreciation	L
- Insurance	L, M

# Commercial Overlay Board (COB) Guide

- Office Equipment Repair & Maintenance	L, M
- Office Supplies	L, M
- Other Office Expenses	L, M, S
- Postage & Deliveries	L, M, S
- Printing, in house and customer	M
- Telephone	L, M, S

<b>FACILITY EXPENSES</b>	
- Building Maintenance	L
- Grounds Maintenance	L
- Janitorial Services	L
- Janitorial Supplies	L
- Outside Storage	L
- Personal Property Taxes	L

<b>FACILITY EXPENSES (cont.)</b>	
- Property Taxes	L
- Trash/Snow Removal	L
- Utilities	L

<b>OTHER EXPENSES</b>	
- Management Fee, if not covered above	M, S
- Reimburse Association for COB Start-up Costs	S