

# Commercial Overlay Board (COB) Guide

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The following contents are located in the **COB APPENDIX**

- A.** Core Standards for Associations (criteria)
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- D.** Agreement to Use the Terms REALTORS® in the Corporate Name of a Local Board
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## F. REALTORS® Commercial Alliance (RCA) Logo Graphic & Style Guidelines

### NAR CONTACTS

- Download a copy of this COB 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 COB, contact Shara Varner, Commercial Development: Commercial and Global Services at 312.329-8282.
- Contact NAR Member Policy staff at 312/329-8399 for questions regarding governance issues and application process

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## THE PURPOSE OF THE COMMERCIAL OVERLAY BOARD

### **IDENTITY:**

Provides commercial members a 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 may 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.

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## **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.

## **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

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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 associations 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. 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:**

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..

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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 and Global Services at 312.329.8282 or Member Policy at 312.329.8399.

### SECTION ONE: MARKET RESEARCH

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

**NOTE:** The following issues are consideration are designed to assist potential applicant groups in assessing the viability of a commercial overlay board. These are not mandatory. The mandatory procedures for submitting a COB application are set forth in Section 2.

#### A. IDENTIFY LEADERSHIP

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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.

## **C. FOUNDING MEMBERS AND FIRMS**

List the founding members and firms of the COB. While no specific numbers are required to submit an application, realistically the COB needs sufficient members and resources in order to provide value added services to its members and meet its responsibilities as a member board of NAR under the Core Standards policy.

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

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

Sources for membership 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 a list of their members.



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## **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.
- Determine member needs: Who competes with the new COB? What are the alternatives? What services, programs, activities are better offered by the COB? 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 and by whom they will be delivered. Not too long after the COB 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 should detail what the Leadership Group will do, when, and who will be accountable as they implement the formation of the COB. The plan should include the following:

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- What will be the COB name
- 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 line 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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## SECTION TWO: Procedures for Processing a Commercial Overlay Board Application (Mandatory)

### COMMERCIAL BOARD APPLICATION PROCESS

**NOTE: A commercial board must be a free standing entity which is not subservient to any existing board(s). However, it is entirely appropriate for a commercial overlay board to contract with an existing board to provide administrative services for the new commercial entity.**

**First Step By Applicant Group:** A letter must be submitted to all affected Boards (i.e., those Boards that will share jurisdiction with the proposed commercial overlay board), advising them of the proposed new board. Affected boards must have at least 60 days to respond. Copies of letters to the affected Boards and copies of all replies shall be furnished to the State Association and the NATIONAL ASSOCIATION OF REALTORS® with the group's application. All of the materials and documentation detailed in Section 4, Administrative Procedures for Processing a Commercial Board Application must also be completed and submitted with the application. If there are no objections from the affected Board(s), then the group's application will proceed as an "uncontested" application. The application must be considered by the State Association's Board of Directors (or other duly appointed group) and the State Association's recommendation shall be provided to NAR's Membership Policy & Board Jurisdiction Committee for consideration and recommendation to the NAR Board of Directors where the final decision is made. In the event the State Association is not recommending approval of the application, the state association's recommendation shall set forth the basis or grounds upon which it is made.

In the event of an objection by an affected Board all parties will have an opportunity to appear at a hearing before the State and National Associations to present their respective position. The criteria to be utilized in considering such disputes is whether the affected Board is adequately representing and serving the needs of

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commercial practitioners within its assigned jurisdiction, and whether establishment of a commercial board will better serve the needs of commercial practitioners. The burden shall be on the applicant group to demonstrate that establishment of a commercial overlay board will better serve commercial practitioners in the disputed area. Section 3 includes a list of factors that may be considered by hearing panels. The list is not all inclusive and is intended to guide panels as to facts, issues, questions and other considerations that may facilitate their reaching fair, equitable, and reasoned decisions.

The hearing by the State Association shall include an opportunity for oral presentations by the parties (i.e., the applicant group and any objecting associations), questions from the hearing panel, and closing comments of the parties. All parties shall also have the opportunity to challenge any member of the hearing panel for disqualification from the hearing panel for valid cause. The allocated time frames shall be as determined by the state association. With respect to the oral presentations, each party may utilize a single spokesman or multiple spokesmen to present their respective cases, but must hold to the time frame provided irrespective of its election. Each party shall submit a written statement (and any supporting materials) setting forth the basis upon which the application should be granted or denied. The written statement must be submitted at least 20 days prior to the hearing by the State Association. The written statements and oral presentations by the parties should speak to the criteria and factors for consideration (Section 3), as this is the criteria that will be utilized by the State and National Associations in considering such disputes. Other issues concerning the duration, nature, scope and conduct of any hearing shall be within the sole discretion of the State Association.

The State Association shall be requested to make a recommendation to the National Association based upon the information contained in the written statements and the oral presentations made by the parties at the hearing before the State Association. The recommendation shall be made within forty-five (45) days after the meeting of the Board of Directors, and shall set forth the basis or grounds upon which it is made. The State Association shall also furnish to the National Association copies of any written statements (and supporting materials) submitted by the parties in accordance with these procedures which shall be utilized in any subsequent hearing by the National Association. No further written materials may be submitted by the parties. The State Association may recommend approval of the application; approval of the application with modifications to the requested territory; or may recommend denial of the application.

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The recommendation of the State Association shall be furnished to all parties by the National Association. Any party may request a hearing by NAR's Membership Policy and Board Jurisdiction Committee provided such request is made within thirty (30) days after completion of service of the recommendation of the State Association. If the parties accept the recommendation of the State Association, then the matter would not proceed to a hearing at the national level. However, any uncontested application for commercial board status is subject to final approval by the Membership Policy and Board Jurisdiction Committee and Board of Directors of the National Association.

Any hearing by the Membership Policy & Board Jurisdiction Committee (or duly constituted hearing panel) shall include an opportunity for oral presentations by the parties (i.e., the applicant group and any objecting associations), questions from the hearing panel, and closing comments of the parties. All parties shall also have the opportunity to challenge any member of the hearing panel for disqualification from the hearing panel for valid cause. The allocated time frames shall be as determined by the Chair. With respect to the oral presentations, each party may utilize a single spokesman or multiple spokesmen to present their respective cases, but must hold to the time frame provided irrespective of its election. Other issues concerning the duration, nature, scope and conduct of any hearing shall be within the sole discretion of the Committee. The Committee (or duly appointed hearing panel) may recommend approval of the application; approval of the application with modifications to the requested territory; or may recommend denial of the application. The decision of the Committee (or duly constituted hearing panel) will be final, except that any party may file a request for procedural review of the decision by the NAR Board of Directors based only on alleged procedural deficiencies or other irregularities the party believes constitute a deprivation of due process. Requests for procedural review shall be considered in accordance with the procedure established by the Board of Directors.

All filings or other documents required under this procedure which are not filed within the time limits prescribed herein may be accepted at the discretion of the Chair of the hearing panel.

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Commercial overlay board hearings are not “legal” proceedings or “trials” and are not subject to the customary rules applicable to judicial proceedings such as rules of evidence or cross examination of the other parties’ presenters.

**The Membership Policy and Board Jurisdiction Committee shall not consider an application for establishment of a commercial overlay board if, within a period of two (2) years prior to the date the application is received, the NAR Board of Directors has denied the same or substantively similar application provided, however, that the relevant criteria for considering establishment of a commercial overlay board has not been amended during that two (2) year period.**

## **SECTION 3 - CRITERIA FOR CONSIDERATION OF A CONTESTED APPLICATION FOR ESTABLISHMENT OF A COMMERCIAL OVERLAY BOARD**

When considering a "contested" application for establishment of a commercial overlay board, the hearing panel must determine whether the affected Board is adequately representing and serving the needs of non-residential practitioners within its assigned jurisdiction, and whether establishment of a commercial board structure will better serve the needs of non-residential practitioners. The following is a list of items by which to measure the performance of an affected Board, and to measure the abilities of the applicant group to fulfill the obligations of their application. These are typical of, but are not all inclusive of, the questions or factors to be considered by the hearing panel in its deliberations.

SUBSECTION 1: Which group can better serve the needs of non-residential practitioners in the areas described below:

- A. Provide an effective non-residential group that will attract new members and retain existing members.
- B. Identify and develop services which meet the needs of non-residential practitioners.
- C. Provide educational opportunities to advance the level of professionalism and competence.
- D. Provide networking opportunities.
- E. Provide a focal point to address legislative issues affecting non-residential real estate.

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- F. Foster relations and interaction with chapters of the Institutes, Societies and Councils.
- G. Have an established communication process for non-residential issues.
- H. Provide liaison with other related industry groups.
- I. Maintain a functioning professional standards process to enforce the NAR Code of Ethics and provide for mediation and arbitration.
- J. Protect and promote proper use of the REALTOR® registered trademark.

SUBSECTION 2: In addition to the criteria established in Section I, the hearing panel may also consider the following issues:

- A. What programs, services, and administrative support are being provided to non-residential members by the affected Board(s)?
- B. What is the degree of Member satisfaction with these services?
- C. What is the ratio of commercial membership to total membership within the affected Board(s)?
- D. What percentage of the affected Board's budget is allocated to non-residential services?
- E. Do a majority of non-residential members within the affected Board(s) support the petition of the applicant group?
- F. Do petitioners have sufficient members, financial resources and management support to conduct the activities and programs required of a Member Board of the NATIONAL ASSOCIATION OF REALTORS® pursuant to Core Standards?

## **SECTION FOUR: ADMINISTRATIVE PROCEDURES FOR PROCESSING A COMMERCIAL BOARD APPLICATION**

The formation of a new Member Association of REALTORS® starts at the local level, proceeds to the State Association and then to the National Association of REALTORS® where the final determination is made.

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The following criteria for the establishment of a New Member Association of REALTORS® govern the acceptance and consideration by the Membership Policy and Board Jurisdiction Committee of an application for Charter status as a constituent Member Association:

The following forms and items must be submitted to the State Association for review and recommendation prior to transmittal to the National Association for its required approval:

1. **Application for Member Association Status:** This form must be completed, signed by the proposed Association's President and Secretary, and considered by the State Association. The recommendation of the State Association must be dated and signed by the State President and forwarded to the National Association.
2. **Agreement to Use the Term REALTOR® in Name of Member Association:** This form must be completed and signed by the proposed Association's President and Secretary. When and if the proposed Association is approved by the National Association, the President and Secretary of the National Association will sign the agreement and provide a copy to the new Association for its official records.

NOTE: There are two (2) forms of the Agreement to Use the Term REALTOR® in the name of local Association, one for incorporated Associations and the other for unincorporated Associations. The proper form must be utilized consistent with the Association's intended corporate status. It is strongly recommended that the proposed new association consider incorporation.

3. **Description of Territorial Jurisdiction:** A detailed description of the requested territorial jurisdiction must be placed on the application form, or it may be submitted as an addendum to the application form if insufficient space exists on the form. The description must specify either the town(s), cities, counties or the metes and bounds comprising the jurisdiction.
4. **Map of Territorial Jurisdiction:** A detailed map must be submitted to indicate the territorial jurisdiction requested. The entire boundaries of the requested territorial jurisdiction should be outlined in a distinctive color on the map.
5. **Release of Territory:** If a portion of an existing Member Association's territory is being requested, a written release from the existing Member Association must be included with the territorial jurisdiction description. The release of territory by another Member Association is a "Change of



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Jurisdiction" and, as such, requires that the Association releasing the jurisdiction complete an application for a change of jurisdiction and follow the procedures specified.

6. **Notice to Adjoining Member Associations:** Notice must be sent to adjoining member associations to advise them of the proposed association's application. The purpose of this notice is to determine if there are competing claims for the territory. Associations shall have reasonable time to respond to the notice (not less than 45 days) and copies of all notices (and any replies) shall be submitted with the application.
7. **Multi-State Jurisdiction:** A new association application requesting assigned territorial jurisdiction in more than one state must include any agreement between affected state associations concerning state membership for REALTOR® members of the newly formed association. Where there is no agreement to the contrary between affected state associations, current NAR policy provides that REALTORS® holding primary membership will hold state membership in the state association where their office is located. Applicant associations are encouraged to discuss and resolve this issue with affected state associations early in the formation process. A copy of the agreement between state associations or, alternatively, written notification that no agreement exists must be included with the new association application.
8. **Proposed Name of New Association:** Any name selected by a commercial board must include the term "commercial" and must also include the phrase "Board (Alliance or Association) of REALTORS®." Example: "ABC Commercial Association of REALTORS®." However, the terms "commercial" and "REALTORS®" may not be used consecutively (i.e. Commercial REALTORS® of ABC).
9. **Proposed Bylaws of New Association:** The proposed Member Association's Bylaws must be submitted with the application to the National Association for review and approval to ensure compliance with the policies of the National Association. Model Association Bylaws are available on realtor.org at <http://www.realtor.org/governance/governing-documents/model-bylaws-for-local-boards>
10. **Membership List:** A roster of charter members and firms must be submitted with the application.
11. **Membership Dues:** NAR dues shall be prorated from the beginning of the month in which the application is approved by the NAR Board of Directors.

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12. **45-Day Requirement:** All requests to place items on the agenda for consideration by the Board Jurisdiction Committee for its subsequent recommendation to the Board of Directors and all required forms of application and supporting documentation must be received in the Chicago office of the National Association at least 45 days prior to the next regularly scheduled meeting of the Committee.
13. **Core Standards Compliance:** A new association application must include an executed certification acknowledging the duties imposed and resources necessary to comply with Core Standards.

## ***LOCAL ASSOCIATION CHECKLIST***

- Application for Membership signed by President and Secretary.
- Agreement to Use the Term REALTOR® signed by President and Secretary
- Jurisdiction description
- Map of proposed jurisdiction of new association
- Copies of letters to adjoining associations advising formation of new association, and copies of any replies
- Copy of agreement regarding state membership or written confirmation that no agreement exists. (Applies only to proposed new associations requesting assigned territorial jurisdiction in more than one state.)
- Copy of proposed association's bylaws
- Roster of charter members and firms
- Required forms and supporting documents submitted to the State Association for review and approval of its Directors

## ***STATE ASSOCIATION CHECKLIST***

- A review of submitted forms and supporting documents of the proposed New Member Board.
- Submission of the proposed New Member Association's Application to the State Association's Directors for a favorable or unfavorable recommendation to the National Association

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- Completion of State Association's portion of the Application, dated and signed by State President.
- Submission of the forms and all supporting documents to the National Association's Chicago office no later than 45 days prior to the next meeting of the Membership Policy and Board Jurisdiction Committee for its consideration and recommendation to NAR's Board of Directors for its approval.

## QUESTIONS & ANSWERS: COMMERCIAL OVERLAY BOARDS

### 1. What are the basic requirements to establish a COB?

Local, state, and territorial associations of REALTORS®, as a condition of membership in the National Association of REALTORS®, must meet NAR's [Organizational Alignment Core Standards](#): (Appendix A and online at Local, state, and territorial associations of REALTORS®, as a condition of membership in the National Association of REALTORS®, must meet NAR's [Organizational Alignment Core Standards](#))

- a) Code of Ethics
- b) Advocacy
- c) Consumer Outreach
- d) Unification efforts and support of the REALTOR Organization
- e) Technology
- f) Financial Solvency

### 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?

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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?

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

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8. How is COB jurisdiction defined?

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

9. 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.

10. 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.

11. 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.

12. 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.

13. 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.

14. 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.

15. 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.

16. 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.

17. 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).

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

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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>)

19. 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.

20. 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/code-of-ethics>). 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).

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21. 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 (or mediate if required locally) all disputes, as required under Article 17 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.

22. 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.



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## COB INCOME & EXPENSE BUDGET 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

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- Education	L
- Form Sales	L, M
- Investment Income	M

<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

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- 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

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- Independent Contractor	L
- Program Expenses	L, M

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

<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

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- 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
- 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

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- 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