

THE BUSINESS TOOL FOR REAL ESTATE PROFESSIONALS

# REALTOR<sup>®</sup>

MAGAZINE

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# Front Lines

NEWS ■ TRENDS ■ ANALYSIS ■ PEOPLE

FEDERAL LEGISLATION BY ROBERT FREEDMAN

## Climate-change crossfire

*As Congress looks at energy legislation, will real estate come out a loser?*

TUCSON ISN'T A CITY FOR WALKERS. THE metro area encompasses more than 100 square miles and has no public transportation beyond a bus system. If you're one of the large number of residents living in the outlying parts of Pima County, you can't get a carton of milk without a car trip. Few people live within a mile of the nearest store, and walking in 110 degree summer heat isn't practical.

So climate-change legislation—a priority this year for Democratic leaders of the U.S. House and Senate—isn't just an academic interest for Tucson real estate professional Bill Arnold.

To Arnold, chair of NAR's Land Use,

Property Rights, and Environment Committee and a specialist in land and ranch sales, the issue is no longer whether Congress should take action on climate change. "That train has already left the station," he says, referring to the growing consensus among lawmakers, scientists, and business leaders, both in the United States and abroad, that action is needed to curb greenhouse gases.

Rather, the issue is what form the action will take. If it relies on market choices and incentives, he says, there's no reason to think real estate markets will be negatively affected. "It's like the water conservation program we have here in Tucson," he says.

"Show the city your receipt that you upgraded to a low-flow toilet, and you get \$50. Who can say no to that?"

But if Congress sets rules and mandates, "it could tank real estate just as it did with the 1986 Tax Reform Act," he says. In that law, tax provisions favorable to real estate investment were modified or eliminated, chilling markets across the country.

### First skirmishes: unrealistic standards

Already REALTORS® are getting a taste of possible battles to come. And although so far they're coming out on top, bigger measures are coming down the pike, say NAR analysts.

This spring, when the Senate Energy and Natural Resources Committee marked up legislation (H.R. 6, the Renewable Fuels, Consumer Protection, and Energy Efficiency Act of 2007) to switch incentives from domestic oil exploration to renewable energy production, among other priorities, lawmakers attached an amendment limiting the use of mortgage insurance through the FHA and the Rural Housing Service to homes meeting a little-used set of energy standards called the International Energy Conservation Code (IECC). The provision was expected to be applied to homes receiving VA mortgage guarantees as well.

NAR, as part of a broader real estate coalition, argued that the requirement would deal a significant blow to the attraction of



**HEATING UP** Bill Arnold, who chairs NAR's Land Use, Property Rights, and Environment Committee, is asking Congress to rely on incentives rather than mandates to curb greenhouse gas emissions. Arnold a Tucson, Arizona, practitioner, arranged the land leases for this dude ranch at the base of the Rincon Mountains east of Tucson.

PHOTO FOR RM BY DAVID SCHMIDT/TANQUE VERDE GUEST RANCH ©2007



the FHA, VA, and RHS as affordable financing sources for homes, since so few homes would meet the standard, and expensive retrofitting would harm affordability at a time when it's desperately needed.

"With fewer homes available that meet the new, higher energy code standard, home buyers using those financing options will be at a comparative disadvantage to those who have the resources to use conventional mortgage financing," the coalition said.

The amendment was replaced with something far weaker: a requirement that the secretaries of HUD, RHS, and VA determine whether application of the IECC would hurt housing affordability and availability. If so, the code won't be applied.

Meanwhile, separate energy legislation coming out of the House Energy and Commerce Committee has raised concerns among commercial practitioners. They've labeled as "unrealistic" a requirement that commercial buildings become no-net-producers of carbon emissions by 2025.

To reach that goal, buildings would have to produce as much of their own energy (through on-site wind and solar sources, among other things) as they consume through the local utility. That would pose a huge cost to building owners, according to NAR and other groups. As of late June, it wasn't clear whether the provision would be removed from legislation.

A wave of legislation expected to come later this year could go even further, by requiring commercial buildings to become zero-net consumers of energy by 2050, meaning they would have to produce all the energy they use on-site rather than buy it from the local utility.

Already the House has taken a first step toward that goal by including a provision in the legislation from the Energy and Commerce Committee requiring all federal buildings to go green with sustainable, low-energy materials and processes. In early summer, that provision seemed very likely to pass the House.

### Green tax incentives

As part of its energy legislation, called the Energy Advancement and Investment Act of 2007, the Senate is looking at tax initiatives to speed development of large-

See **Climate change** page 16

Have you heard about this?

## Famous TV Star Discovers FREE Book That Reveals How You Can Create A Million Dollar Real Estate Business

Dear Friend,

My name is Dick Van Patten. You may remember me from my TV show "Eight is Enough." I wanted to tell you about a brand new book for real estate agents that has just been released. **This book will be worth a small fortune for you.** The book is titled "Renegade Millionaire Strategies for Real Estate Agents." It was written by a real estate agent who sells 30 homes a month working just 2 hours a week. I know this might sound impossible, but he is doing it. He shows you how in this new book.

This agent is named Rob Minton, and he built his real estate business to run without his day-to-day involvement. This book contains some eye-opening ideas and strategies for real estate professionals. I don't usually make such a bold recommendation, but in this case I am. In this book, Rob will show you:

- How to **triple** your income yet work less, with a lot less stress.
- How to have your income UNAFFECTED BY slow markets
- How to benefit from millions of dollars of advertising, pre-conditioning certain clients to do business with you-free
- How to add a \$50,000 to \$80,000 extra income stream — as PASSIVE income.
- How to give yourself a new kind of Expert Status—overnight
- How to get new clients calling, applying, quite literally standing in line to be accepted by you — and then doing business on your terms
- How to STOP doing all the "uglies" of real estate: NO MORE open house sitting, finicky buyers, tour guide work, competing with other agents with bigger ad budgets — this changes everything.

The majority of real estate agents see their sales from a limited perspective. In Rob's real estate business, he has gone through major transformation by learning to see and think about his business as an entrepreneur. Rob details exactly how he grew his business from \$407,040 of gross income in 2004 to \$1,404,566 in 2006.

In 2004, Rob spent a day with marketing legend Dan Kennedy. "This day changed my life", he says. "It was like seeing the world from an entirely

new perspective." Rob began to use some of Dan Kennedy's strategies in his business and sales began to go through the roof. "My sales have doubled and my income has tripled every two years since implementing Dan's strategies."

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This new book will not tell you to make more prospecting phone calls, solicit your sphere of influence, or teach you any fancy telephone scripts. These "old school" strategies aren't effective in today's market.

This book is priced at \$19.95, but is available for FREE for a limited time. There is a \$8.95 shipping charge. You may order by:

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Rob Minton's New Book - FREE while supplies last



## Climate change

From page 15

and small-scale alternative power initiatives.

In many cases, provisions are simply extensions or expansions of existing incentives. Most of them are modest and noncontroversial provisions for green retrofitting of properties, including some that target home owners. One provision, for example, would extend until the end of 2010—and increase the value of—a credit for taxpayers who retrofit their home with solar, electric, or water heating systems.

What might prove to be more controversial is a proposal being floated that would require utilities to generate at least 15 percent of their power from renewable sources. Such a requirement—not part of any current legislation—could result in higher utility costs for home and building owners, analysts say.

"Anything that has the effect of raising the price of electricity affects real estate,"

says Kyle Danish, an attorney in Washington, D.C., who follows energy issues. "It will certainly increase demand for more energy-efficient buildings and homes. That's occurring now, but the trend could be speeded up."

Danish says it's reasonable to believe that such a proposal will make its way into future legislation. Congress can't realistically address emissions without considering the energy that goes to home owners and commercial property owners. In some estimates, buildings account for more than 40 percent of greenhouse gas emissions.

## The impact on your driving

The other main focus of Congress—curbing emissions from cars—could also impact real estate.

"Laws that make it costlier to drive will certainly affect a lot of people, including REALTORS®," says Arnold. Higher prices at the pump increase the cost of doing busi-

ness, particularly for practitioners who spend a lot of time driving to listings. Costly fuel may also force consumers to rethink where to live and how much home they can buy. "If the government says, 'Raise the federal tax on gas by a dollar a gallon,' that could shock the economy," he says.

A gas tax hike isn't on the table, but a hike in gas mileage standards, part of H.R. 6, is. Supporters call the existing standards—known as the corporate average fuel efficiency (CAFE) standards and created in the 1970s during the energy crisis—one of the great environmental success stories, saving the country billions of barrels of oil that would otherwise have been burned in the 30 years since enactment of the law.

Arnold thinks consumers—and he includes REALTORS® in the mix—would probably support reasonable requirements for higher gas mileage, even if it raised the price of cars a bit. "If it increased the price of cars \$50 or \$100, most people wouldn't balk," he says. "Carmakers are moving in that direction anyway."

But higher CAFE standards might not be the way Congress goes. Speaking before business leaders in Detroit, Rep. John Dingell, D-Mich., chair of the House Energy and Commerce Committee and a pivotal player on any energy bill coming out of the House, made it clear he won't let Congress reduce gas emissions disproportionately on the shoulders of the auto industry. Cars "and light trucks account for only 25 percent of our economy's greenhouse gas emissions," he said in his speech. "Rather than ratchet down only on cars and light trucks, I propose we spread the burden evenly and equally."

Among the ways Dingell wants to do that is to up incentives for the production of domestic biofuel, which includes gasoline made with corn-based ethanol.

Whatever legislation Congress passes this year, it'll be only the opening salvo of what analysts expect to be a long-term focus on climate change. "We're going to be dealing with these issues," says Arnold. "It's important that we get out in front of them."

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