

## **PASSA Happenings**

*by Jodi L. Snyder, Executive Director*

PASSA has been busy putting the finishing touches on our “State of the Industry” seminar on September 20th in Allentown. What is going on in the industry? What is an A property? C property, C market? What markets are the national players interested in? How much room is there domestically for the nationals to grow? Are Cap rates permanently lowered for self storage? What will the future bring for the industry?

We have rounded up top-notch, industry-wide experts from around the country to answer these, as well as your questions. You may wish to provide your questions to us in advance or bring them along.

### **Conference Agenda**

9:00 am to 9:30 am

*Registration & Continental Breakfast*

9:30 am to 9:35 am

*Sponsor Presentation - Flexospan*

9:35 am to 10:00 am

*Mike Burnham, TKG Storage Mart Partners*

10:00 am to 10:15 am

*Break with Vendors*

10:15 am to 10:20 am

*Sponsor Presentation - Miller Building Systems*

10:20 am to 10:45 am

*Kelly Gallacher, Devon Self Storage Holdings*

10:45 am to 11:10 am

*Neal Gussis, Beacon Realty Capital*

11:10 am to 12:00 pm

*Questions and Answers of the Panel*

12:00 pm to 1:00 pm

*Lunch*

1:00 pm to 1:05 pm

*Sponsor Presentation - Sperry Van Ness*

1:05 pm - 1:45 pm

*Panel Discussion*

1:45 pm to 2:00 pm

*Break with Vendors*

2:00 pm to 2:05 pm

*Sponsor Presentation - 1031 Replacement Properties*

2:05 pm to 3:00 pm

*Conclusion of Panel Discussion and Final Questions and Answers*

## **About the Experts...**

Mike Burnam started in the self storage business and other family enterprises in 1976. Mike was involved in the site selection and management of self storage facilities that his father Gordon built in Florida, Mississippi, Kentucky, North and South Carolina and Alabama. In 1986 all but 2 self storage facilities were sold, and a new company was formed, Burnam Holding Companies. In 1987 Mike’s siblings joined the family business. Mike was President, and it became the platform by which the self storage portfolio grew from 2 to 58 in 1994. In 1994 they took the company public with an initial capitalization of \$108 million. The company grew to a \$600 million market capitalization in 1999 when it was merged into Public Storage. The family then raised a private equity fund of \$100 million with Warburg Pincus. Starting with 0 properties in 1999, the company stood at 56 stores in 12 states. In June 2006 the Burnam family and Steve Dulle, longtime CFO of various Burnam entities, purchased the company from Warburg Pincus. The company currently has 61 stores in 13 states and one Canadian province. Mike was President of the Self

*continued on page 2*

Storage Association in 1994 and was again elected to the board in 2005. Mike is CEO of TKG StorageMart Partners and deals mainly with relationships in the industry and acquisition of development and existing self storage facilities.

Kelly Gallacher is the President and COO and Managing Director – European Operations for Devon Self Storage Holdings US LLC. Mr. Gallacher is a co-founder of Devon Self Storage which started in self storage in 1990. From 1999 to 2002 he was based in Europe where he was responsible for all of Devon's European activities. While in Europe he served three years on the Board of the Self Storage Association UK which covered self storage operators throughout the United Kingdom and many European countries.

Kelly has overseen the acquisition, conversion and/or operation of over 100 self storage properties and currently manages over 70 sites throughout the United States and the Netherlands.

Kelly is currently president of the California Self Storage Association and serves on the Advisory Council for the National Self Storage Association.

Neal Gussis joined Beacon Realty Capital in 2000 as a senior vice president and became a principal in 2003. He directs Beacon's self-storage origination team, secures debt on all types of commercial property for clients nationwide, and serves as Beacon's primary contact in our strategic alliance with Storage Investment Advisors.

Neal delivers 20 years of diversified financing and lending experience to Beacon clients, as well as a background in corporate and asset management, asset valuation, mortgage-backed securities bond distribution and public accounting. He began his career as a public accountant at Altschuler, Melvoin and Glasser, and then became a founder and principal of First Security Commercial Mortgage, a Chicago-based CMBS lender, before joining Beacon.

Neal is a frequent speaker at self-storage industry events, participant in national and state self-storage trade associations, active member of the Mortgage Bankers Association, and contributing author on real estate financing topics for regional and national publications. A CPA, he received a bachelor's degree in accounting from Indiana University.

Thursday, September 20, 2007

Crowne Plaza Allentown

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There is a block of sleeping rooms reserved for conference attendees at a rate of \$89. Notify the hotel that you are with the Pennsylvania Self Storage Association to receive this rate. To ensure availability and receive this discounted rate reservations must be made by **August 26**.

We will be conducting another legal conference on November 20th in Philadelphia. At the same time, the Operations Module of the MCC will be offered.

We look forward to your continued participation. Watch the website and your mail for details on upcoming events. ❖

## Send Us Your News!

Do you have an industry related article you'd like to share with us? Please email your articles to [jodisnyder@comcast.net](mailto:jodisnyder@comcast.net).



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## Greetings from Your President

by Patricia A. Watson

I hope all are having a wonderful summer.

I just wanted to send a quick reminder to you about “Know Your Customer”.

With the heightened alerts about terrorism, you need to be very careful about who you rent to. Put procedures in place during “rental process”. Your front counter must be your first line of defense. Require valid government Photo Identification such as Drivers license, Picture ID, Military cards, and SS#'s. Get current mailing address, email address and phone number. Post a sign in bold capital letters in your office stating that you require this information and that there will be no exceptions. You may even want to take a photo to keep on file. This information is to protect you, as well as your customers, and will be treated confidentially. Send welcome letters out with “Address Service Requested” to verify address. Consult your Post Office for other sug-

## It's More than Just a Lien Law

By Carlos Kaslow, Esq. - SSA General Counsel

One of the self storage industry's most significant achievements was the passage of lien laws in 47 states and the District of Columbia. The primary purpose of the lien laws is to provide self storage operators with an effective remedy when customers fail to pay rent. While the laws have fulfilled their primary purpose, these lien laws have proved important in many other ways. A recent example can be found in a zoning dispute in Wisconsin.

A storage operator wanted to build a self storage facility in a commercial area and the plan was eventually approved. The approval was challenged by a group of local residents who claimed that self storage facilities could only be built on parcels zoned for warehousing. The Wisconsin Court of Appeals, in *Shultz v. Village of Stoddard*, 2006 Wisc. App. LEXIS 255, conceded that this was a close case. A self storage facility provides a service like many retail businesses in the area, but the service to be offered was like a warehousing operation. The court ultimately turned to the Wisconsin self storage lien law for guidance. The court concluded:

The Schultzes claim, and the Village Board does not dispute, that the proposed facility would provide local resi-

gested methods.

Customer must sign a rental agreement. Your rental agreement should follow the guidelines spelled out on our sample lease provided in your member manual. The agreement must have language that is **CLEAR AND CONSPICUOUS**. Customer agrees that he/she can not store flammable or combustible liquids, or gases hazardous/noxious materials. Walk the facility and be alert! **PROTECT YOURSELF, YOUR EMPLOYEES AND YOUR CUSTOMERS!**

In the event of suspicious or improper behavior, do not be afraid to turn anyone away. Describe and report suspicious behavior to police. Try to get license plate numbers, make and model of vehicle and a description of individuals.

I hope this is helpful to you. If you have any questions, please feel free to contact me. ❖

dents the service of providing leased space to store personal property. Moreover, we note that the Village Board's contention that the proposed facility should be treated as a warehouse is weakened by Wis. Stat. § 704.90, which concerns “self-service storage facilities” and distinguishes such facilities from warehouses. The statute explains that “‘self-service storage facility’ means real property containing leased spaces but does not include a warehouse or other facility if the operator of the warehouse or facility issues a warehouse receipt, bill of lading or other document of title ...” Wis. Stat. § 704.90(1)(G).

The Wisconsin appellate court's reliance on the lien law definition of self-service storage facility in deciding an important legal issue is not an isolated occurrence. Courts have often turned to the statutory definitions contained in state lien laws for guidance on major legal issues. When the Self Storage Association drafted the model lien law, its primary goal was to provide the industry a good remedy, but it also wanted to define the new industry. It succeeded in achieving both these goals. ❖

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## Are You A Member of PASSA?

PASSA's purpose is:

- To provide leadership and open lines of communication on issues that affect the self storage industry in PA;
- To define standards of excellence in the self storage industry within PA;
- To increase members knowledge of the industry through research, discussion and the exchange of information.
- To protect our members from adverse legislative actions, monitor all legal cases involving self storage in PA and provide a "voice" for the PA self storage industry. PASSA has lobbyist representation in Harrisburg to represent the best interests of our state membership.
- To support, communicate and cooperate with the national Self Storage Association (SSA) as a chapter affiliate.
- It is vital to your business to have an entity in place representing your views and the views of the industry. Our website provides the opportunity to access information and view vendor sites. Quarterly meetings, newsletters, mail alerts and annual meetings keep you informed, providing educational opportunities on issues of interest to you.
- With PASSA membership, you will receive a membership manual containing:
  - Auction Procedures and Checklist
  - Legal Precedents
  - Lien Law

- Membership Directory
- Occupancy Agreement with Drafting Instructions and a sample
- Sales Tax Treatment
- Recommended Procedures
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- Invitations to national recognized training classes for you and your managers
- Quarterly newsletters
- Networking with other Successful Owners
- Free listing for your business on our website.
- The Globe magazine, the official publication of the Self Storage Association
- Each Affiliate state only member of SSA will receive a \$50 gift certificate toward SSA-hosted conferences, workshops, seminars and publications.

***www.paselfstorage.org***

Membership dues are \$200 for the first facility and \$50 for each additional facility (with a \$500 maximum). A vendor membership is \$250.

***To obtain an application, visit our website today, or call (800) 599-8816.***



## Drug Sniffing Dogs on Your Property

By Carlos Kaslow, Esq. - SSA General Counsel

In a Sept./Oct. 2005 article (*Minnesota Says No to Drug Dogs*), we reported that the Minnesota Supreme Court had ruled that a drug dog sniffing the exterior of a self storage space was a search and that police officers must have a reasonably articulated suspicion of drug activity before conducting such a search. The Minnesota Court of Appeals, in *State v. Davis*, 2006 Minn. App. LEXIS 48, recently provided guidance in what constitutes a reasonable suspicion. Davis was convicted on drug charges. His apartment was searched pursuant to a search warrant based upon a drug dog's positive reaction to the presence of drugs when sniffing at his apartment door. Davis appealed the conviction.

The court of appeals concluded that the use of drug sniffing dogs was a search, but because it took place in the apartment hallway the police were only required to have a reasonably articulated suspicion to

conduct the dog sniff. In this situation the police had information from apartment employees that Davis had growing lights and other drug paraphernalia in his apartment. He had also acted suspiciously on several occasions. The court concluded that information provided by the employees created the required level of suspicion to justify a drug dog sniff at Davis's door.

This opinion suggests that it would be improper for police to take drug dogs through a self storage facility to randomly sniff at tenants' doors. However, the use of drug dogs to sniff a specific storage space based on information of possible drug-related activity from site personnel would be adequate to justify a search. Such a non-intrusive search does not require a search warrant, only a reasonable suspicion. If the dog reacted positively, the police would then need a search warrant to enter the storage unit. ♦



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## PASSA PAC Accepting Contributions

PASSA created the Pa Self Storage Political Action Committee (PAC) for the purpose of raising money to assist legislators, who are helpful to our industry, with their campaigns. Our PAC will be an essential tool to help our Association be successful in Harrisburg.

The Self Storage PAC needs you to write a personal or partnership check for \$100 or \$200 payable to the Pa Self Storage PAC. Corporate checks are not permissible under Pennsylvania law.

It is imperative that every member take a personal interest in the happenings in Harrisburg. The Self Storage PAC will help ensure that legislators that lend a hand to facility owners and small business operators stay in office. We can't afford to lose legislators that fight for our well-being.

Please include your check payable to Pa Self Storage PAC and mail to 908 N 2nd St, Harrisburg, PA 17102.

## Are You Watching Your Building...Or Your Customer?

### The New Way of Looking at Self Storage Sales in the USA

By Mark Wright

In the 1989 movie *Field of Dreams*, Kevin Costner's character is inspired by a mysterious voice to build a baseball diamond in his cornfield. That mysterious voice in his head kept telling him, "Build it...and they will come."

Well, a lot of people in the self storage industry must have seen that movie back then, because no phrase better conveys the development and sales philosophy that has guided storage entrepreneurs for many years. Like the movie, that concept is a true classic.

As "classic" lines go, however, you might want to hearken back to an earlier movie for an approach that is better suited to today's market conditions: as Humphrey Bogart said "Here's looking at you, kid."

Not only are we into a new year now, the U.S. self storage industry seems to be in a new era. No more putting up the cheapest building possible, on whatever plot of land can be had at the right price and on a well-traveled road. The focus has shifted from the building to the customer.

"The new way of looking at self storage sales in the USA is to design, develop and market products, programs and services that our local market wants and is willing to pay for," says Anne Ballard, president of Smyrna, Georgia-based Universal Management. "Top of the line" used to mean the facility was paved and had a fence around it, she recalls. After that it meant there was a resident manager...then security cameras...then climate control.

Now, top of the line means, "What does your customer really want?" Today's consumer just isn't "wowed" by a new coat of sealer on the asphalt driveway. Prospective customers in high-end communities are willing to pay more, says Ballard, for a facility that's better looking and provides convenient peace-of-mind – a place they know their valuable possessions will be safe, and where the customer will "feel" safe and comfortable while visiting.

The same customer focus is needed, however, for any type of community, she notes. A blue collar area or subdivision of starter homes may require storage that caters more to construction contractors who need to store valuable tools and equipment. They need "spaces with oversized height, electrical outlets, lights, a place to recharge their tools at night," Ballard observes.

Ditto for retiree-heavy communities full of baby boomers that need spacious storage for their RVs, boats,

golf carts, or whatever recreational über-toys and mobility-enhancing devices they might own. Does a 62-year old's boat require climate control? Probably not; but the 62-year old himself might need a fish-eye mirror or two in his unit so he can back the boat in without misjudging his depth of field.

"Paying attention becomes more and more incumbent on us," says Ballard. When you're spending \$5 million, or \$10-15 million, on a self storage development, "you'd better know what your market is willing to pay for," she adds.

#### Does 'One-Mile Rule' Still Rule?

"The one-mile radius will always be relevant," says Rosemary Jensen, a broker/consultant specializing in self storage at CalPacific Investment Properties in San Francisco, California. "This is a convenience business, so it will always draw people from nearby. There are times and places where the one-mile rule has changed, such as when you have geographic barriers that make it inoperable. And marketing can affect it. But when you have the ability to have a concentric circle market, you still draw customers from close-in. Most people want the convenience of storing nearby."

That doesn't mean you can be complacent, of course. "You have more competitors in that old radius," explains JoBeth White, president of Development Services, Inc. in San Clemente, California. You have to think more in terms of a "drive-time market" rather than a "radius market," she adds.

Ballard agrees, noting that SSA's demand study "proves customers will tolerate up to a 19-minute drive-time. That means different things in every community. How far can you drive in that time at rush hour or on a Sunday? If you're located beside a freeway and people can easily get in and out, 19 minutes probably spans a 40-mile radius. So, listening to what the demand study says about drive-time is very important. Our own freeway locations pull from an elliptical shaped radius from all over the area. Our stats say that 74 to 78 percent of our customers come from five miles or less."

#### Customers Can See You Before You See Them

The Internet has altered that geography somewhat, says White. It has also changed the way self storage space is marketed.

"Self storage customers have matured," White observes. "A lot of that is due to the Internet. They can get on there without feeling like they have to be sold. Clients' abilities to search (for facilities) are much greater. They can look at a

facility before they even have to talk with anyone. It changes how clients find you, and they have a different comfort level than they did before.”

White notes that the Internet has become a filter for consumers. “They are not even calling facilities they don’t want to use,” she says. “If they can’t find you on the Internet they assume you won’t have what they need. It’s sad, because you might have a really nice (facility).”

### Retail Rehab

Ballard suggests four criteria to boost the odds of success.

1. “The facility has to look upscale—even if you’re using the most inexpensive materials you can get away with, and even if only the office looks upscale. People have emotional attachment to their valuables, so a facility has to look deserving.”
2. “It has to look retail. That dictates the use of seamless glass storefronts — the more glass out there, the more we’re saying we are retail.”
3. “It has to look stable and solid...not flimsy.” (A lesson from Hurricane Katrina.)
4. “It has to look high-tech, even if you have only a tiny budget for security systems.” Customers need to see themselves on a big monitor the minute they walk in the door.

Ballard also points out that, “you can rehab your operation even if you can’t rehab your location.” Clinging to old style rules and systems can be hazardous to business, she counsels. Keep the office open after 5 p.m. Stay open during lunch — like other retail businesses — since the peak transaction period tends to be from approximately 11:00 am to 1:30 pm. Track hourly activity so you can see when you’re taking in the most payments, when customers are coming in, when you’re doing the most move-ins. (Software is available to help with this.) Of course, take all four credit cards and allow for online payments.

The brave new world of retail means catering to customers. “If you call a site and nobody answers, you don’t call back,” notes White. “Clients are very volatile and mobile, and you have to address those needs quicker or you lose out to a competitor. Marketing used to be something you’d talk about doing if you absolutely had to. Now, you absolutely have to.”

White sees innovations like kiosks and call centers as positive signs for the future of self storage retailing. Such systems put you “one step closer to your client’s needs.”

Is self storage still a field of dreams? Sure, as long as you understand that the field has a lot more players, and that the fans (i.e. customers) have a lot more choices at their virtual fingertips. Oh, and they’re often no longer satisfied with the same old popcorn and peanuts. Whether they drive in, call in, or click in, prospective customers want to see you smile and say: “Here’s looking at you!” ❖

# Chateau Ad



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