

<b>Inside this issue:</b>	
Obtaining Non-Recourse Loans during the Credit Crisis	2
A-American gives big!	4
Satisfying self-storage customers and building a better business.	5
What to do in the event of a questionable workers' comp claim	6

# The California Self-Storage Report

California Self Storage Association

Volume 2, Issue 1

## CSSA 2008

Happy New Year! 2007 brought many changes to the CSSA and 2008 looks to be no different. We kick the year off with two additions to our Board of Directors slate, Tim Hobin of The William Warren Group and Peter Ingersoll of Sperry Van Ness. Thank you to our outgoing board members Sue Haviland of Price Self Storage, Barry Hoeven of Westport Properties and Greg Houge of Storage Etc for your service and contribution to the CSSA. Our association officers for the 2008-2010 term will be as follows, Jim McNamee of West Coast Self Storage will serve as Association President, Paul Grossberg of SKS Management LLC will serve as Vice President, Carlyn Paterson of A-American Self Storage will continue to serve as Secretary and Christen Gibson of The William Warren Group will serve as Treasurer.

Our association staff is growing! The CSSA has brought Brenda LaFontaine onboard full time to assist our current director in all aspects of association operations.

Our 2008 calendar will be posted on our website, [www.cssaweb.com](http://www.cssaweb.com), in late January. Please review and make sure you do not miss any of our 2008 events. Our 2<sup>nd</sup> annual Owners' Legal and Investment Summit will take place in Oakland on April 24<sup>th</sup> followed by our 4<sup>th</sup> annual Owners' Finance Summit taking place at The Balboa Bay Club in Newport Beach on July 16<sup>th</sup>. Mark your calendars now and so you do not miss these educational events filled with great networking opportunities. The CSSA will also offer multiple SSA Manager Certification Course opportunities in various locations throughout the state. **Be sure to also look for additional owner and manager meetings that will also afford both learning and networking opportunities in 2008.**

# The California Self-Storage Report

---

## Obtaining Non-Recourse Loans during the Credit Crisis

Dave Zorich, Vice President of Business Development

[Buchanan Storage Capital](#)

As the commercial real estate sector continues to be challenged by a volatile capital market environment, how has this “credit crisis” impacted self-storage operators? Prior to the third quarter 2007, a significant percentage of self-storage operators would place their loans in the CMBS (Commercial Mortgage Backed Securities) market. These non-recourse loans are also known as “conduit” loans since once they are funded, they are packaged with many other loans and sold off in the secondary market. As a result of the credit crisis, the institutional buyers of these loans have virtually disappeared. Thus, the many lenders that had been making these loans are now struggling to sell them in the secondary market. This has pushed pricing for CMBS loans up, at its height, to 300 basis points over the 10-year Treasury index. Spreads have subsided recently and CMBS lenders are still funding loans but some borrowers are looking for alternatives to the traditional CMBS loan. So what other options are available in the market today?

During this period of financial uncertainty, some self-storage owners have turned to portfolio lenders to provide alternative financing solutions. The difference between a CMBS lender and portfolio lender is that a portfolio lender will keep the non-recourse loan on their own balance sheet rather than sell it in the secondary market. One program that we have found to be very successful for our clients is a five-year fixed rate loan that provides full-term, interest only payments for the borrower. This program is especially useful for facilities that are not quite at stabilization, 65 to 75 percent economically occupied. The portfolio lender will go down to a 1.00 breakeven debt coverage. This program provides unique features such as prepayment flexibility and additional earn-outs proceeds once stabilized debt coverage is reached.

Insurance companies and regional lending institutions have also proved to be a dependable financing source as an alternative to the CMBS market. They typically have been quoting both five and 10-year fixed rate loans in the low to mid 6 percent range. These types of lending institutions are advantageous as long as the borrower is not trying to push the envelope for maximum proceeds. Depending on the lender, the debt coverage requirements are typically 1.25 to 1.30, which will result in less proceeds. Most of these lenders will offer a 30-year amortization schedule, but will drop down to a 25-year amortization after “interest only” periods on a loan. Again, this will impact the amount of proceeds for the loan. Additionally, a step down prepayment penalty might be offered for the first five years and then minimal to no prepayment for the remaining five years.

Another financing option for below breakeven debt coverage loans is a floating rate non-recourse loan. Some self-storage operators have been taking advantage of the fact that the market is predicting lower floating rates in the future and are funding short-term floating rate loans and instituting a swap that will fix the interest rate. For example, today a three-year floating rate loan at 300 over LIBOR can be swapped for a fixed rate loan for three years. A similar structure could be used if a client wanted to sign the personal guarantee for “recourse” at 200 to 225 over LIBOR.



Still not a member? Contact Erin King today for information on membership.

888-887-CSSA or [www.cssaweb.com](http://www.cssaweb.com)

---

## Obtaining Non-Recourse Loans during the Credit Crisis - *Continued from Page 2*

Dave Zorich, Vice President of Business Development

[Buchanan Storage Capital](#)

It is important for borrowers to understand that the tight credit market conditions have had a significant impact on both the commercial real estate and self-storage markets, resulting in more stringent underwriting standards. Although there are some alternative financing options currently available in the market, each property is evaluated on an individual basis and may not qualify for these non-CMBS loan programs. For example, a four million dollar loan request for a facility in the heart of Los Angeles will be viewed completely different than a four million dollar loan request in the Sierra Foothills by a lender. The positive news is that today's interest rates are three-quarters of a point under the historical median of rates over the last 30 years. Despite the current credit crisis, today is still a good time to seek financing and take advantage of all the loan options available in the market.

Have a great 2008!

As a Vice President of Buchanan Storage Capital, Dave Zorich is responsible for the business development of capital, advisory and investment sales services in the firm's San Francisco office. Mr. Zorich brings a 20-year background in finance and sales management to the position. Dave is focused on developing long-term business relationships by providing financing for storage owners in the Western United States and is actively involved in the national and state storage associations in his region. He holds a Bachelor of Science degree in Political Science from the University of California at Berkeley.

415.318.4437

[dqz@buchananstorage.com](mailto:dqz@buchananstorage.com)

Buchanan Storage Capital, a subsidiary of Buchanan Street Partners, is the leading provider of capital, advisory and investment sales services to self-storage owners nationwide. BSC's customers access competitive capital through proprietary products like Buchanan Fixed Rate Direct along with structured finance and equity solutions through its advisory services. BSC also provides its clients with disposition and acquisition opportunities through its investment sales services. BSC has provided over \$3 billion of products and services to its customers with offices in Newport Beach, Los Angeles, San Francisco, Chicago, Atlanta and Washington D.C. For additional information, please visit [www.buchananstoragecapital.com](http://www.buchananstoragecapital.com) or call 800.675.1902.

<b>MARK YOUR CALENDARS!</b>
-----------------------------

While portions of our 2008 Calendar of Events is still being finalized please plan ahead for the following events -

1. 2nd Annual Owners Legal/Investment Summit - Oakland, CA April 24th, 2008
2. 4th Annual Owners Finance Summit - Newport Beach, CA July 16th, 2008

Please check our website at [www.cssaweb.com](http://www.cssaweb.com) for an updated 2008 calendar of events or call our office today at 562-304-2864

---

# The California Self-Storage Report

## A-American Self Storage gives BIG!

Two years ago at the Self Storage Association conference in Las Vegas, Nevada, Edmund C. Olson after being inducted into the Hall of Fame along with 6 other individuals for their longtime membership and contributions to the Self Storage Industry, made an announcement. Hurricane Katrina had previously unleashed her fury on the Gulf Coast, particularly on Louisiana, and left thousands of individuals homeless and many businesses destroyed. Mr. Olson, Chairman of the Board and Owner of A-American Storage Management dba A-American Self Storage, donated a total of \$100,000.00 to help the victims of Katrina with a \$50,000.00 check to the American Red Cross and a \$50,000.00 check to the Salvation Army. These checks were sent to help with the rebuilding of lives in Louisiana. In October, 2007 California was on fire and the hardest hit areas were Orange County and San Diego County. Many homes and businesses along with thousands of forested acres were destroyed and in some of these areas people were not allowed access to their neighborhoods for quite some time to determine if their home was even still standing. Once again the Edmund C. Olson Family Foundation/A-American Storage Management Company on behalf of A-American Self Storage contributed \$100,000.00 with \$50,000 in checks to the American Red Cross and/or appropriate local charities in Orange County and the remaining \$50,000.00 in checks to American Red Cross and/or appropriate local charities in San Diego County, to help families rebuild their lives.

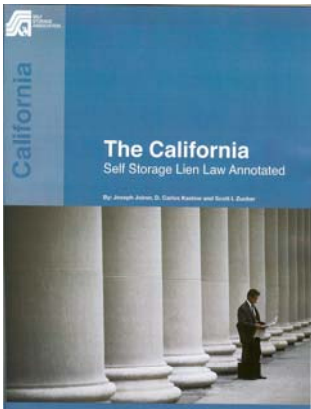
Additionally, A-American Self Storage offered fire victims 30 days free rent plus future discounted rent up to three months at 50% off at any of its Southern California locations.

Call 1-800-499-3524 or visit [www.aamericanselfstorage.com](http://www.aamericanselfstorage.com) for additional information.

**DO YOU HAVE A GOOD UNDERSTANDING OF CALIFORNIA'S LIEN LAW REQUIREMENTS?**

**DO YOU HAVE AN EASY REFERENCE GUIDE ON HAND FOR YOUR EMPLOYEES?**

**NOW YOU CAN ANSWER YES TO BOTH QUESTIONS.....**



**The California Self Storage lien laws are now broken down by section with a Conclusion, Lien Sale Checklist and Notice of Lien Letter.**

*Extensive comments are provided by the Self Storage Legal Network attorneys: D. Carlos Kaslow, Joseph Joiner and Scott Zucker.*

*To order your copy today contact The California Self Storage Association toll free at (888) 887-CSSA (2772) or visit our website at [www.cssaweb.com](http://www.cssaweb.com) to download a copy of our order form.*



Still not a member? Contact Erin King today for information on membership.

888-887-CSSA or [www.cssaweb.com](http://www.cssaweb.com)

## Great Expectations - Satisfying self-storage customers and building a better business.

By: Ted Dobbs, Deans & Homer

When we buy something, a product or a service, we have expectations of what we should receive for our money. A good business will satisfy our expectations whenever possible; a great business will exceed them. When your customers come to you and rent space to store property, they leave with an expectation that their property will be found safe and secure when they return. Unfortunately, you know that no matter how well you manage your business, that can't always happen. If you have been in business for a while, you probably know that a customer's first reaction on finding that their property has been stolen or damaged is usually to blame you. How do you respond?

**You do have options:**

### **1) You can properly point out that you are not responsible for the damage.**

Self-storage operators have traditionally relied on their rental agreements as a defense against responsibility for loss or damage to customer's property. The "insurance" and "release of owner's liability" clauses that are usually incorporated into a rental agreement help to keep you insulated from claims and lawsuits. While these provisions are often effective, they are not 100% reliable, and they do not help the dissatisfied customer to feel that you have met those expectations.

### **2) You can point the customer to the insurance you have made certain is available at your facility.**

Insurance products that may be offered to the self-storage customer at the point of-sale were developed as one possible response to this problem. The storage industry understands the importance of making insurance available to customers. Insurance provides a way for your customer to be reimbursed for the loss, so reducing the chances that the customer will try to hold you responsible. When there is insurance for a loss, your legal insulation is strengthened. But does this third party solution do enough to help the customer's opinion of your service?

### **3) You can meet and exceed your customer's expectations!**

A customer respects a business that responds to a problem and sees that the customer is satisfied. This is true even when the business did not cause the problem. In fact, the highest praise is often given to the business that responds even though it has no legal duty to correct a problem. People will often pay a higher price for a product or service when they believe that they are purchasing something of superior quality; something that has a better chance of meeting their expectations than a competing product or service. Your rental agreement can become a vehicle to superior service. A rental agreement not only defines the terms and conditions for property storage but it also defines limits of your liability, and often shifts the legal responsibilities between the parties to the agreement. In a contractual relationship, risks and burdens may be allocated to one party up front to avoid having to assign blame after the fact. Responsibility for property - its care, maintenance, repair, replacement, and insurance is often assigned in a rental agreement.

Your rental agreement could be structured to offer the customer a choice. Rent space where you accept no responsibility for loss or damage to stored property for one price; rent space where you accept some responsibility for loss or damage to stored property for a slightly higher rent. The option and the difference in the rental rates would serve to strengthen the release of your liability in the lower-priced option while giving customers a clear opportunity to satisfy their expectations with a higher-priced option.

This is a new concept that is currently being explored in the industry. The concept is being designed as a method to meet or exceed customer expectations of the self-storage industry while providing a vehicle for increased profit and legal insulation for the self-storage owner. There is an insurance product available to back the additional liabilities you assume in your new rental agreement that allows you to limit your exposure.

With a properly drafted rental agreement and a tailored insurance product to stand behind your promise, you can have a program that will increase your legal insulation, respond to your customer's loss, and meet your customer's "great expectations". This could be the start of something great for the storage industry.

# The California Self-Storage Report

---

## WHAT TO DO IN THE EVENT OF A QUESTIONABLE WORKERS' COMPENSATION CLAIM

**By: Lauren R. Ziminsky, Millennium Corporate Solutions**

So you have a workers' compensation insurance claim for an injury you feel: (1) is exaggerated, (2) did not occur at work or (3) is a total fraud. What do you do?

First of all, it is important to understand California State time restrictions regarding workers' compensation insurance claims. Upon receipt of a claim, the workers' compensation insurance carrier has a maximum of 90 days to accept or reject an applicant's claim. The 90-day time limit begins from your date of knowledge of the claim. If it is not accepted or denied within those 90 days, you as the employer have "bought" the claim. In the event of such claims, it is essential to immediately notify your insurance company to expedite claim investigation. Most insurance companies have a toll free telephone number to report claims.

When first reporting the claim, contact the insurer's representative with the following: (1) identify any fraudulent portions of the claim; and (2) request that the claim's examiner assigned to the file contact you within 24 hours. When the claim's examiner calls he or she must be made aware of the reason(s) why the claim appears to involve an element of fraud. Also, the examiner should be told if you are aware if the injured employee is working elsewhere and/or is involved in activities that could have caused or contributed to the alleged injury. The identity of any witnesses should also be provided at that time. It is also important to immediately investigate the area where the alleged injury occurred to determine whether the condition could cause further injury to other employees/customers and/or damage to property. Any photographs or videos should be preserved. If possible, the injured worker's statement should be taken at the time the injury is reported to you. He or she should write the statement or at least sign and date any statement prepared by someone else. Witness statements also should promptly be taken from all persons who may have viewed or have knowledge of the cause of injury.

The injured employee also should immediately be directed to your insurance company's Medical Provider Network (MPN) for a medical evaluation. The MPN not only provides discounts on the cost of medical care (often as much as 20% below fee schedules) but they also work with the insurance company and you to assure proper and only necessary medical treatment with the goal of returning the employee to work. If you do not know the identity of your MPN, your insurance broker or insurance company can provide the information to you.

Depending on the evidence of actual or potential fraud, you may want to request the involvement of the insurance company's Special Investigative Unit (SIU). The SIU will evaluate the evidence and work with the examiner and you to determine if surveillance is warranted. There have been times when claims have actually been referred to the District Attorney's office for criminal prosecution.

Throughout the claims adjustment period you should maintain contact with the claim's examiner and/or the assigned attorney to assure that the investigation and handling of the claim is moving forward. You, as the injured worker's employer, have a right to review certain medical information and attend hearings, depositions and the trial.

In summary, questionable claims should be immediately reported to the insurance company, and medical treatment should be directed to the Medical Provider Network. It is important that you stay in communication with the representative handling your claim until the conclusion of the process. It is possible to reduce or eliminate workers' compensation fraud but it does require a unified team approach.

*Lauren R. Ziminsky is the program Administrator for the workers' compensation insurance program sponsored by the California Self Storage Association. The program provides workers' compensation insurance coverage for resident managers, full and part-time daily employees, operational supervisors, maintenance employees, etc. She can be reached at Millennium Corporate Solutions at (800) 576-2129 or [lauren@mcsins.com](mailto:lauren@mcsins.com) to discuss any insurance issue and/or coverage.*



3780 Kilroy Airport Way  
Suite 200  
Long Beach, CA 90806  
Phone: 562.304.2864  
Fax: 562.304.2865  
E-mail: [erin.king@cssaweb.com](mailto:erin.king@cssaweb.com)

## Working Better Together

---

The California Self Storage Association is managed by the Executive Director, under the guidance of the all volunteer Board of Directors who all are actively involved in the industry as owners, managers and vendors. The Board of Directors represents the interests of the large multi-site operators as well as smaller, single site operators.

### Our Mission:

The mission of the CSSA is the promotion of a high standard of professionalism which is adhered to by all of its members, to provide a unified voice for the Self Storage Industry for the State of California and to enhance the performance and quality of the services our industry has to offer.

---



## Endorsed Standardized Rental Agreement

Carlos Kaslow, Esq. of the Self Storage Legal Review, headed up the CSSA's efforts to create a Standardized Rental Agreement that conforms to California's Self Storage Law. Originally created in September, 2003 and current as of April, 2007 we are proud to offer this form for a nominal fee to all of our members. For just \$299 you can purchase the CSSA Endorsed Standardized Rental Agreement that is guaranteed to be compliant with current California law. This is an approximate savings of \$1500 if you were to have an attorney draft a rental agreement just for your facility. If California laws change and result in changes to the agreement, you will receive a new copy of the Rental Agreement, with all applicable changes, free of charge.

Upon purchasing the Standardized Rental Agreement, members will receive, via priority mail, a burned CD-ROM containing the Rental Agreement that can be taken to any printing store and copied on triplicate paper for immediate use in your facility. The CD is accompanied by a paper copy of the model agreement and instructions for its proper use. We provide the CD so that if any changes need to be made to accommodate your facility, you may do so. This rental agreement can also be easily integrated into several industry standard software packages for self-storage operations. Our hope is that by offering our members a model for creating a current and reliable lease, we will be able to provide California operators a degree of protection from unnecessary legal disputes.

In addition to the Standardized Rental Agreement, we now offer an addendum to the Rental Agreement for RV & Boat Parking/Storage. The Parking Addendum is available for an additional \$100 and is also guaranteed to be compliant with current California law. We do require purchase of the Standardized Rental Agreement before purchase of the Parking Addendum.

If you are interested in purchasing the CSSA Endorsed Standardized Rental Agreement and/or the Parking Addendum, please contact our Member Services by phone at (888) 887-CSSA or (562) 304-2864, or by email at [info@cssaweb.com](mailto:info@cssaweb.com). For more information on the CSSA, the benefits of membership in the CSSA or our upcoming events please see our website, [www.cssaweb.com](http://www.cssaweb.com).

---

## Have you joined your industry's state association? Join the CSSA today

Join the CSSA today to begin taking advantage of our membership benefits. Some of those benefits include affordable membership, Advocacy and Lobbying, News and Information, Networking and Meetings, Educational Programs, Communication and Publications, National Association Relations and more. The CSSA has approximately 700 members to date with new operators and industry vendors joining daily. If you would you like additional membership information call or email Erin King today at 562.304.2864 or [Erin.King@cssaweb.com](mailto:Erin.King@cssaweb.com).