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Make Records Retention More Efficient

As a property manager, you must keep and organize your center's business records. You or the owner may need to refer to these records during lawsuits, audits, or other inquiries. Plus, federal tax requirements and states' "statutes of limitations"—that is, the time limit on making claims or bringing lawsuits—require you to keep a center's records for a certain time period.

However, storing piles of business records can be cumbersome. Those records can take up lots of storage space, especially if you manage many centers. And you can waste lots of time organizing and sifting through piles of paper when you are trying to find particular records. There is a more efficient way to bring these business records under control.

Go Electronic

Turn your center's paper records into electronic data, advise New Jersey property owner and manager John M. Azarian and Pennsylvania real estate consultant Deborah E. Harry. Electronic data has many benefits over paper records. For instance, electronic data is more manageable and less space-consuming.

It is important not to delay in transferring your paper documents to electronic data and then storing it in a safe place, even if only to protect yourself from disasters, says Harry. After all, disasters often strike without warning—as was the case when severe thunderstorms and a tornado tore through central Florida on Feb. 2, 2007, causing death and substantial property damage, she notes.

To convert paper to electronic data, simply scan the records into a computer, save the records as computer data files, and toss out the paper, says Azarian. Then you can free up the storage areas at your office.

Electronic data is easy to duplicate and store on

external storage devices. You can easily keep copies of the data off-site—such as at another office or with a data storage company. That is very important in case disaster strikes and your office and its on-site files are destroyed, explain Azarian and Harry.

Harry knows of a retailer that kept its original paper records at its stores in Louisiana and Mississippi. When Hurricane Katrina hit, those paper documents were destroyed. Having learned its lesson, the company now scans documents, saves them in its Internet-based lease administration software, and burns copies of the documents onto compact discs, which are then kept at several off-site, secure locations in other states.

Also, if the computer data files are properly organized, they are easy to search and forward to others, adds Harry. Of course, you should make sure that the computer data remains properly secure whenever it is stored, so that thieves can't take it. And if you upgrade your server or computer system, make sure that you transfer the data to the upgraded system, adds Azarian.

What to Scan

Because scanning your current business records may seem like an overwhelming task, consider at least scanning the records that are "keepers"—that is, the records you will keep for a very long time, suggests Harry. You can discard other records at the appropriate times without scanning them, she notes. See "How Long to Keep Records for Centers You Manage," in the box at right, to learn which records you should keep and for how long.

By focusing your scanning efforts on the keepers, you are not facing a huge scanning project. However, you are laying the groundwork for an efficient record

retention system. If you scan all future records, the gap will finally close at some point, and you will have all of your records saved as computer data files, she notes.

Azarian suggests also performing a daily tape backup so all billing records will be saved. Take the tape home each evening or keep tapes off-site and update them weekly, he adds.

Records of Formerly Managed Centers

Suppose you stop managing a center. How long should you keep its business records—on paper or in computerized form?

“Being practical, we keep records only as long as we need to [by law] when we no longer manage a center,” says Washington State property manager Richard F. Muhlebach. Records of past centers just cause clutter. Plus, there is a downside if you keep records for your formerly managed properties beyond when you are required to by law. The center’s current owner is apt to keep asking you to look up information from those records, and that could become disruptive or a hassle, warns Muhlebach.

Muhlebach suggests giving a center’s business records, including all leases and agreements with contractors, to its owner immediately after you stop managing that center, unless, by law, you need to keep any of those records. If you must keep any records, consider copying them. If they are paper records, give the originals to the owner. Otherwise, you and the owner should each keep a copy, he says.

Harry adds that if you are no longer managing a center but, by law, have to keep certain business records, you should not have to keep those records indefinitely. Set a limit for keeping those records, she says. The limit should exceed federal tax requirements and your state’s statute of limitations—for example, a maximum of 10 years if your management contract is no longer in effect, she suggests.

Azarian recommends keeping depreciation schedules for the tax life of the asset plus three years, and

► How Long to Keep Records for Centers You Manage

How long should you hold on to your center’s business records? New Jersey property manager John M. Azarian recommends that you keep the records based on the following schedule:

Documents to keep for three years:

- Canceled checks;
- Employee expense records;
- Employee payroll records;
- Paid vendor invoices;

Documents to keep for six years:

- Bank statements;
- General ledger and journals;
- IRA records (after withdrawals);

- Personal investment records (post sales); and
- Sales records and journals.

Documents to keep indefinitely:

- Audit reports;
- Contracts and leases;
- Copies of tax returns;
- Corporate minutes and stock records;
- Insurance policies;
- Real estate records; and
- Tax/legal correspondence.

property records for 10 years after the effective date of record.

Also, bear in mind that the length of time to keep business records may vary depending on federal tax requirements and your state’s statute of limitations, notes Azarian. For example, in New Jersey, lease violations have a four-year statute of limitations, he notes. Therefore, at the very least, a New Jersey owner should keep its leases for the length of the lease term, plus four years, he says. Check with an attorney in your area to determine the length of the statute of limitations in the state where the center is located.

Insider Sources

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