

Multifamily Executive's 1996 Executive of the Year

Terry Schwartz

CEO of Village Green

by Gregory Sandler

When Rusty Lykes got up on stage last year during the annual awards program for employees of the Village Green Companies, he was supposed to present the employee award for landscaping. But, in an impromptu and emotional reflection on his nine years with the company, he thanked his wife Deborah and Village Green CEO Terry Schwartz for all of their help and support. Schwartz quickly dashed on stage to hug his protégé, and there wasn't a dry eye in the house.

Lykes, a vice president in Village Green's Cincinnati office, says Schwartz "will push you to do your best." And that's exactly what Schwartz has done for dozens of executives at Village Green, and for the company itself. Village Green is by no means the biggest player in the multifamily housing industry, but it is one of the best. Much of the credit for the success of Village Green Management Company — part of the Village Green Companies (see sidebar) — goes to Schwartz, the company's chief motivator. His impressive track record during the past 12 years at Village Green is precisely the reason he has been named *Multifamily Executive's* first-ever Executive of the Year.

"We selected Terry as Executive of the Year because of both his performance with Village Green and his contribution to the industry," says Edward J. McNeill Jr., publisher of *Multifamily Executive*. "By stressing customer service and professionalism, Terry has set a new high watermark for the multifamily housing industry."

'THE RITZ CARLTON OF MULTIFAMILY'

Schwartz, who some of Village Green's 1,100 employees refer to as "coach," is also a demanding boss who believes in a tough love approach to management. "I'm a student of great coaches," he says. "In particular, how they motivate superstars to perform. And I believe practice should be tougher than the game."

While Schwartz characterizes himself as passionate, demonstrative and optimistic, he admits that his type A personality can take over sometimes. "I can be a little overbearing," he says. "But I think I'm very readable, very consistent and very, very loyal. My accomplishments are the direct result of the people who make up the soul of our company."

Jonathan L. Kempner, president of the National Multi Housing Council in Washington D.C., observes that Schwartz, a member of the executive committee of the NMHC's board of directors, "is the quintessential new professional property manager. He doesn't just maintain properties, he adds value to them."

Christine M. Hovey, senior vice president at Allegis Realty Investors L.L.C., formerly Aetna Realty Investors Inc., agrees: "Village Green's people on-site are always well-trained, and they know how to maximize the value of the properties."

Village Green manages four properties for Allegis, and Hovey has worked with the management company since 1990. "Terry's tough, but he can also be very charming," she says.

Kempner credits Schwartz with helping build Village Green into a strong regional player. "The company," he says, "is like the Ritz Carlton or Four Seasons of the multifamily housing industry."

Financially, Village Green had its best year ever in fiscal '96, which ended on Sept. 30. The company, which has about \$1.5 billion in combined assets and annual revenue of about \$360 million, reported double digit revenue growth. Village Green added 1,700 units to its portfolio through new construction and rehabbed another 1,900 units. Six projects are under construction, and five more are in development.

According to the NMHC, Village Green is the 31st largest manager of multifamily housing in the U.S. The company owns or manages 26,000 units in nine states. Its Village Suites subsidiary doubled in size last year — to 1,000 units — and is now one of the largest furnished corporate rental housing companies in the Midwest. In addition to Village Green's impressive financial performance, Schwartz has transformed what had been a somewhat old-fashioned family enterprise into a corporate business. Changes during his tenure have included establishing separate departments for information technology, risk management and marketing. The company also has implemented a formal budgeting process and created the University of Village Green for employee training (see sidebar).



"Human resources and technology are two areas that are really driving us right now," says Schwartz. In fact, the company's proprietary, Windows-based property management software — which, in 1995, won a "Technology in the Workplace" award from *Crain's Detroit Business* — is being upgraded to serve as the backbone for a company "intranet" using the Internet. The company also is moving forward with plans for a video conferencing system.

In order to motivate employees, Village Green has developed a performance-based compensation system that "ties people to performance of the assets." Schwartz believes that asset management and customer service are the one-two punch that separates Village Green from the competition. "Our management of assets has to drive value," he says.

Performance, of course, is measured by the bottom line, which means net operating income, cash flow and property values. "Our NOI has been growing at seven to eight percent a year," he says.

A LONG WAY FROM R&B

By any performance standard, Schwartz, 45, has come a long way since starting his career in multifamily housing in San Jose, Calif. He got his start in 1977, as an assistant manager for a 789-unit complex owned by R&B Properties.

Working for R&B, says Schwartz, — a New Haven, Conn., native — had an indelible affect on his career. On one occasion, for example, Clyde Starr-Keddle, a former R&B vice president, challenged Schwartz about the only two delinquencies in the Van Nuys, Calif., complex where Schwartz made his managerial debut. "I thought I had a great delinquency report," recalls Schwartz, "but this guy pointed to the entries with his long fingers and asked me, with his British accent, 'Terry is that your mother? Father? Relative? Close friend?' I said, 'I don't know these people,' and he said, 'It's a shame you'd jeopardize your job over a total stranger.' I could collect rent from that point on, and aggressive rent collection is still how I gauge a manager today."

In fact, Schwartz expects a lot from himself and his employees. One way to get results, he says, is by empowering employees to make decisions and be accountable for their own performance. At the same time, Schwartz has learned that he cannot and should not do everything. "I cross the line when I get into micro-managing, and people that know me tell me when to back off," he says.

Schwartz credits his wife Susan and Village

Green Chairman Jonathan Holtzman, 42, with being two of the most influential people in his life.

"Susan has been 100 percent supportive of my numerous career moves and Jonathan gave me an opportunity to prove I could lead an organization," says Schwartz. "He is a tough, unrelenting individual, who has continually challenged me during the past 12 years. We don't always agree, but I'm better for the experience. And he looks to me to run the business."

TEAMING UP WITH HOLTZMAN

These days, Holtzman focuses on doing the deals, while Schwartz handles the property management. "We affectionately refer to Jonathan as 'Captain Concept' because of his keen conceptual focus," says Schwartz. "My job is to take the concepts and make them come true."

Holtzman has nothing but praise for the manager he recruited 12 years ago.

"Terry's role is that of a great coach of a winning team," he says.

Hiring Schwartz was a bold step for the third generation owner of Village Green. "I recognized that we needed to make the transition from a family business in which family members run the company to instead have the best talent we could find run the company," recalls Holtzman.

Schwartz started out overseeing the management company, but gradually became more involved in other aspects of the business. Last year, he was formally named CEO of the Village Green Companies, the holding company for five different operating companies (see sidebar).

Village Green Management is currently separate from the rest of the companies. But Holtzman is trying to buy controlling interest in order to create one, unified company. "If we pool everything, we can be more efficient," says Schwartz.

Working for a family business is not always easy. "When families disagree, there can be ugly conflicts," says Schwartz. "And I tend to be the best person to resolve them."



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says Village Green will remain focused on high-end construction and rehab/repositioning projects. "We didn't invent branding, but we were one of the pioneers. We think we have tremendous market width and with market width, our name branding has been very successful."

Village Green also has plans to leverage both its name brand and the attractive demographics of its properties. "We're going to capture more of our resident purchasing and get a piece of that pie," says Schwartz. "Our goal by end of 1998 is to produce \$30 a month per apartment in ancillary revenue outside of rent — from cable, phone, laundry and all these other things we are thinking about. Currently, we're getting about \$11 a month."

"There is no question that Terry is the guy to take this company into the 21st century," says Village Green Chairman Jonathan Holtzman.

Schwartz wants to strengthen Village Green's position for the real estate market slowdown that he predicts will hit within the next three years.

"We were about two percent softer in the fourth quarter of '96 compared to '95," he says. "That's usually a tell-tale sign."

Regardless of what's ahead for the industry, Schwartz is committed to managing the continued growth of Village Green. And, says Holtzman, "There is no question that Terry is the guy to take this company into the 21st century." ■

Gregory Sandler is a freelance journalist based in Northampton, Mass.

Back To School at the University of Village Green

Anyone who plans on applying for a job with the Village Green

Companies better be prepared to go back to school. That's

because new hires, managers and maintenance personnel

are all required to attend classes at the

University of Village Green (UVG).

Modeled after the widely acclaimed Disney University, UVG

was created in 1989. The curriculum includes courses in

leasing, marketing, executive management,

advanced maintenance.

"UVG is our in-house training program," said Village Green

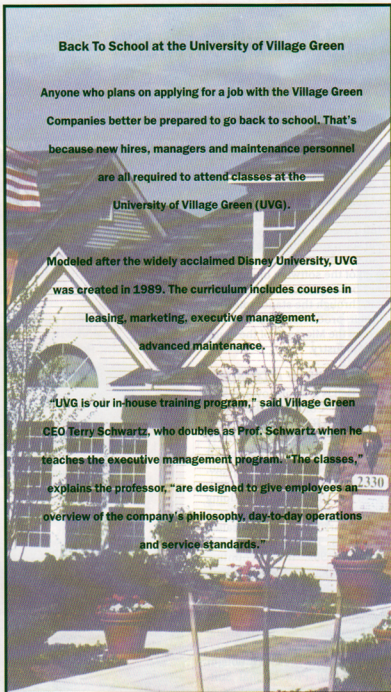
CEO Terry Schwartz, who doubles as Prof. Schwartz when he

teaches the executive management program. "The classes,"

explains the professor, "are designed to give employees an

overview of the company's philosophy, day-to-day operations

and service standards."



Midwest expansion continues with regional office

1993

Regional office opens in Minneapolis

1995

Village Suites acquires Chicago-based firm

1995

Developed, acquired or built approximately 3,600 units

1996

Terry Schwartz named CEO of the Village Green Companies

1996

The Village Green Companies traces its roots back to a real estate company founded by Joseph Holtzman in 1919.

Today, the company has combined assets of \$1.5 billion and annual revenue of about \$300 million.

The Village Green Companies include:

Village Green Residential Properties

Upscale apartment communities, including luxury and moderate priced apartments.

Village Green Construction

Residential apartment development.

Village Green Communication

Full service in-house ad agency.

Village Green Management

The management arm of Village Green Companies' apartment portfolio.

Village Suites

Furnished short-term corporate rentals.

Much of the credit for the success of Village Green Management Company goes to Schwartz, the company's chief motivator.

In the mid-80s, Schwartz says he felt like he became part of the family. Still, he only owns a small equity stake in the management company and does not sit on the board of directors. And like his own management team, Schwartz has performance-based standards to meet. "My bonus is tied to the bottom line," he says, "which is why I'm called the budget monster."

A LEADER IN THE MIDWEST

Crunching the numbers is just part of keeping the company on track, adds Schwartz. And he promises that focused growth is ahead for Village Green. The company has had some missteps in the past by venturing out of its core market in the Midwest and by teaming up with the wrong partners. But Schwartz says Village Green is poised "to grow aggressively" in the Midwest through a combination of acquisition, new construction and joint ventures. By the year 2000, he expects the company to own or manage 40,000 to 50,000 units. Moreover, he says, "we want to be the leader in the Midwest in short-term corporate furnished."

The company has teamed up with an impressive array of partners for new construction, joint ventures and project management. Among the companies Village Green works with are The Prudential Realty Group, Teachers Insurance Annuity Association and the AFL-CIO Building Investment Fund. Access to capital, says Schwartz, is not a problem. "There is plenty of capital available for performers with a track record."

While Schwartz sees continued expansion, he

T I M E L I N E

Village Green Milestones

Terry Schwartz
begins career at
Village Green

1984

First annual
employee
seminar takes
place

1985

University of
Village Green
holds first class

1989

Midwest expansion
begins with
first regional office
in Dayton, Ohio

1990