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NATIONAL APARTMENT ASSOCIATION

SUMMARY

MARCH 2014

2014 NAA OFFICERS

Chairman

Brad Williams

Chairman-Elect

Tom Beaton

Vice Chairman

Marc Ross

Treasurer

Cindy Clare

Secretary

Jeff Lowry

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Alexandra Jackiw

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GA-KY-NC-SC-TN

David Hirsch

Mike Holmes

Linda Page

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Region V

IA-KS-MO-NE-OK

Jeanette Cox

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Region VI

AR-NM-TX

Gary Blumberg

Mike Clark

Rick Graf

Jerry Winograd

Region VII

AK-AZ -ID-NV-OR-WA

Mike Clow

Bret Holmes

Region VIII

CO-MT-ND-SD-UT-WY

Gloria Froerer

Terry Simone

Region IX

AL-FL-LA-MS

Frank Barefield

Kellie Jackson

Susan Truesdale

Region X

CA-HI

Malcolm Bennett

Rick Snyder

NAA CAPITOL CONFERENCE

March 9-12, 2014

Chairman Brad Williams presided over the Joint Board of Directors and Assembly of Delegates meeting in Washington D.C. The NAA Board of Directors approved the following action items from committees:

ASSOCIATION EXECUTIVES COUNCIL

Approved the Affiliate Association Management Software (AMS) Report as outlined in AMS Report Document.

BUDGET & FINANCE COMMITTEE

Accepted the 2013 Audit.

Amended and approved the motion for approving \$2,426,405 for the implementation of the AMS from the Board designated Operating Reserves to \$2,526,405 to include an additional \$100,000 for contingency items for affiliates.

LEGISLATIVE COMMITTEE

The Governance Committee was referred the following by the NAA Board from the Legislative Committee:

- That the chair of the NAAPAC be made a full voting member of the NAA Board of Directors.
- That the NAA co-chair of the Joint Legislative Committee be made a permanent voting member of the Legislative Committee.

MEMBERSHIP COMMITTEE

Approved a new territory for the Apartment Association of Greater Omaha-Lincoln to include Council Bluffs, Iowa (a suburb of Omaha where there is no NAA affiliate within three hours of Council Bluffs)

Approved Affiliate Assistance Funds (AAF) for AOMA of Milwaukee in the amount of \$8,000 for promotion, outreach, advertising, and NAAEI instructors.

Approved Affiliate Assistance Funds (AAF) for South East Florida Apartment Association (SEFAA) in the amount of \$7,500 for a Forensic Financial Audit of 2012 & 2103 Financial Statements.

Approved Affiliate Assistance Funds (AAF) for Austin Apartment Association (AAA) in the amount of \$11,630 for outreach marketing and advertising with member programs and recruitment campaigns (promotional materials, redesigned website)

NATIONAL SUPPLIERS COUNCIL

Approved the following new companies for the National Suppliers Council membership:

APT Companies Inc.
San Diego, CA
Temporary Staffing

Multifamily Ancillary Group
Ancillary Income, Financial- Resident Insurance
and Telecommunications & cable Services

Community Utility Billing Services (CUBS)
Billing/Collections, Utility Management-
Consulting and Utility Management- Submetering

Choice Property Resources, Inc.
Canal Winchester ,OH
Ancillary Income

Restoration Affiliates
King of Prussia, PA

Fitness on Demand
Chanhassen, MN
Fitness Equipment

Neighborhood Pay Services (they are rejoining
the NSC)
Newton Upper Falls,MA,
Financial- Rent Payment

Notifii LLC
Roseville, CA
Operations Software

APARTMENTS

WE LIVE HERE

Apartments: The New Housing Resource

The apartment industry is a competitive and robust \$1.1 trillion industry that helps 35 million renters live in a home that's right for them. We help build vibrant communities by offering housing choice, supporting local small businesses, creating millions of jobs and contributing to the fabric of communities across the country. And we are increasingly important. Up to half of all new households formed this decade could be renters. And that's good news. Meeting that demand will create millions of jobs. To get there, we need new public policies that support the multifamily housing industry that don't make it harder for renters and their families to find the housing that makes sense for them and their community.

Booming Rental Demand

- One-third of Americans rent their housing and one-third of those live in apartments.
- Changing demographics mean changing housing preferences.
- In 1955, married couples with children made up 44% of all households. Today they constitute just 20%, and that number continues to fall.
- Among the fastest growing population segments in the next decade will be young adults and empty nesters — those most likely to seek options other than single-family houses.
- The almost 80 million Echo Boomers are already entering the housing market, primarily as renters.
- Many of their parents, the 75 million Baby Boomers, are beginning to downsize, and some will choose the convenience of renting.
- In the last eight years, the number of rental households has increased by more than six million. By contrast, there are fewer homeowners now than there were then.

Demand Outstripping New Supply

- We need to be building an estimated 300,000-400,000 units a year to meet expected demand. Yet, in 2013 we built just 185,800 new apartments. More than half that total merely replaced apartment homes lost due to destruction, demolition or deterioration.
- While there is still a surplus of single-family housing, on the apartment side, the surge in demand has outstripped new supply. The shortage of affordable rental units is particularly acute. The Harvard Joint Center for Housing Studies estimates a five million unit shortage nationwide.

A Vital Economic and Jobs Contributor

- In 2011, the nation's 19.1 million apartment homes and the 35 million residents who live in them contributed \$1.1 trillion annually to the economy. They supported 25.4 million jobs.
- To put this number in perspective, that means that apartments and the people who live in them contribute, on average, more than \$3 billion a day to the economy.
- In 2011, new apartment construction produced \$14.8 billion in spending, supported 323,781 jobs and had a total economic contribution of \$42.5 billion.
- The same year, the operation of the nation's existing apartments accounted for \$67.9 billion, 2.3 million jobs and a total economic contribution of \$182.6 billion.
- Apartment resident spending in 2011 totaled \$421.5 billion, supporting 22.8 million jobs and a total economic contribution of \$885.2 billion.
- The collective economic impact of apartments and apartment residents is only set to grow as greater economic stability and stronger job creation lead to stronger house-hold formations.

A Strong Track Record

The performance of the apartment industry stands in stark contrast to the single-family sector. It did not overbuild in the housing boom and did not contribute to the housing meltdown. Importantly, default rates for Fannie Mae and Freddie Mac's multifamily business remain below one percent.

Find out how apartments and their residents are contributing to your state or metro area economy at www.WeAreApartments.org. Download a printer-friendly state fact sheet or use ACE — the Apartment Community Estimator — to see how many dollars are generated and jobs are supported for a given number of apartments (new or existing) in your state.

APARTMENT INDUSTRY 2014 POLICY PRIORITIES

The apartment sector is a competitive and robust industry that helps **35 million renters** live in a home that's right for them. It's also an important economic driver, contributing **\$1 trillion to the U.S. economy annually and supporting 25.4 million jobs**. We stand ready to meet the growing demand for rental housing, but we need public policies that don't impede our ability to do so.

Housing Finance Reform: Lawmakers should enact housing finance reform legislation that ensures capital is available in all markets at all times and includes a federal guarantee for multifamily mortgages, whether or not Fannie Mae and Freddie Mac are maintained.

Tax Policy: As lawmakers consider tax reform, we urge them to enact pro-growth reform that does not disadvantage apartment owners and renters relative to other asset classes.

Dodd-Frank Law: Policymakers should work to eliminate the unintended consequences of the Dodd-Frank law that would impede the flow of capital to apartment firms.

Immigration Reform: Immigration is a significant driver of rental housing demand. Congress should enact comprehensive reform to address the current patchwork of state and local laws that impose additional responsibility on apartment firms to verify the immigration status of employees and apartment residents beyond federal requirements.

Fair Housing: The apartment industry is committed to equal housing opportunity for all. However, HUD's 2013 disparate impact rule is unworkable and puts housing providers at risk of inadvertently violating the Fair Housing Act for legitimate multifamily practices that ensure safe and decent housing for residents.

Military Housing: To keep from undermining the long-term stability of the Military Housing Privatization Initiative, the Department of Defense should avoid reducing the Basic Allowance for Housing.

Wetlands: Lawmakers should reject any overly broad expansion of the Clean Water Act that would subject property owners to onerous federal regulations that could increase costs and undermine the supply and affordability of rental housing.

Flood Insurance: Congress should delay the National Flood Insurance Program reform implementation until an adequate assessment is made relative to rate changes and mapping to ensure the program remains viable for the long term.

Terrorism Insurance: The Terrorism Risk Insurance Act fills a critical insurance need and provides stability in the marketplace, but it is scheduled to expire at the end of the year. Congress should pass pending bipartisan legislation that would extend the program and prevent un-necessary market disruption.

U.S. Postal Service Reform: Postal Service delivery policies should recognize the effects on apartment communities and their residents.

Lead-Based Paint: Congress should use its oversight authority to insist that the Environmental Protection Agency evaluate existing regulatory programs and industry practices that address potential lead-based paint hazards before carrying out wide-ranging, duplicative programs.

Energy Policy: Our national energy policy should reflect the energy-efficient nature of apartments, limit reliance on inflexible codes and mandates, and support new re-search, incentive-based strategies and trusted energy and building technology programs.

HOUSING FINANCE REFORM

One in three Americans rent, and 18 million of those households are building their lives in apartments. Many factors influence the apartment industry's health and its ability to meet the nation's growing demand for rental housing, but the availability of consistently reliable and competitively priced capital is the most essential.

NMHC/NAA Viewpoint

Preservation of the mortgage liquidity currently provided by the GSEs in all markets during all economic cycles is critical. This can be achieved either through: (1) the existing GSE structure; or (2) a reformed structure that preserves the high quality and value of the current multifamily secondary mortgage market's activities.

The bursting of the housing bubble exposed serious flaws in our nation's housing finance system. Yet, those shortcomings were confined to the residential home mortgage sector. The Government-Sponsored Enterprises' (GSEs) (i.e., Fannie Mae and Freddie Mac) very successful multifamily programs were not part of the melt-down and have actually generated over \$14 billion in net profits to the government since the two firms were placed into conservatorship.

More than just performing well, the GSEs' multifamily programs serve a critical public policy role. Unfortunately, even during normal economic times, private capital alone cannot fully meet the industry's financing demands. The GSEs ensure that multifamily capital is available in all markets at all times, so the apartment industry can address the broad range of America's housing needs from coast to coast and everywhere in between.

NMHC/NAA urge lawmakers to recognize the unique needs of the multifamily industry. We believe the goals of a reformed housing finance system should be to:

EVEN WITH PRIVATE SECTOR LENDING SOURCES BACK IN THE MARKET, FANNIE MAE AND FREDDIE MAC PROVIDED 45% TO 50% OF MULTIFAMILY MORTGAGE DEBT IN 2012.

1. **Maintain** an explicit federal guarantee for multifamily-backed mortgage securities available in all markets at all times;
2. **Ensure** that the multifamily sector is treated in a way that recognizes the inherent differences of the multifamily business; and
3. **Retain** the successful components of the existing multifamily programs in whatever succeeds them.

For more information, please refer to the NMHC/NAA white paper on GSE re-form, entitled "Key Principles for Preserving Liquidity and Stability for Multifamily in a Reformed Housing Finance System." This white paper can be found at www.nmhc.org or www.naahq.org.

HOUSING FINANCE REFORM KEY TALKING POINTS

Background: Apartments are helping meet the housing needs of people across all income levels in every corner of the nation, from our cities to our smaller inner-ring suburbs and even in our rural communities. Renters include young professionals; empty-nesters looking to downsize; people who want to live near their work; seniors on a fixed income; married couples without children; families working their way up the economic ladder; and households who value the convenience or mobility that renting offers.

Getting housing finance reform right is critical to the 35 million Americans who rely on the apartment industry for their home.

- In the last eight years, the number of renter households has increased by more than six million. To meet the ongoing demand, we need to build at least 300,000 to 400,000 apartment residences each year.
- Preserving liquidity for multifamily is about more than just building new apartments. In 2013 alone, it is estimated that nearly \$100 billion in multifamily mortgages needed to be refinanced, many in areas that do not attract private capital.

A separate solution for multifamily is essential in reform legislation.

- Single-family and multifamily operate differently, have divergent performance records and require distinct reform solutions.
- Failure to approach multifamily separately could result in capital market failures that put millions of renters, and the \$862 billion multifamily debt market, at risk.

Housing finance reform must maintain an explicit federal guarantee to ensure that there is sufficient capital for all apartments in all markets.

- Without a federal guarantee, the industry would be forced to rely entirely on private capital, which tends to oversupply top-tier markets, but has never sufficiently supplied smaller markets, older properties or smaller (50 units or less) properties.

Housing finance reform should build on and retain the successful components of the existing multifamily programs in whatever succeeds them.

- The existing GSE multifamily programs are profitable and did not contribute to the housing crisis.

U.S. House of Representatives

- **NMHC/NAA oppose the PATH Act** (H.R. 2767) passed by the House Financial Services Committee because it does not maintain the government guarantee in multifamily mortgages or recognize critical distinctions between single-family and multifamily.
- **Members of the House should urge the Financial Services Committee to revise the PATH Act to include a government guarantee for multifamily mortgages.**

U.S. Senate

- The Senate Banking Committee is currently drafting bipartisan legislation to overhaul the GSEs. NMHC/NAA support this effort because it is expected to address our industry's unique needs by preserving the government backstop for the multifamily lending industry.
- **Senators should continue the bipartisan approach on legislation that maintains a government guarantee and addresses the unique needs of the multifamily industry.**

IMMIGRATION REFORM

The outcome of the 2012 presidential election and shifting electoral demographics have reignited debate over federal immigration policy and pressure is mounting for Congress to enact comprehensive reform. Immigration is a noteworthy driver of rental housing demand, and immigrants play an important role in building and maintaining apartment communities. Among immigrants who have been in the U.S. for five years or less, 73 percent rent.

NMHC/NAA

Viewpoint

Immigrants are a key driver of apartment demand and an important force in apartment construction and operations. Congress should enact comprehensive immigration reform to address the current patchwork of state and local requirements that impose additional responsibility on apartment firms for the immigration status of employees and apartment residents beyond federal law.

In the absence of congressional action, state and local governments have approved numerous immigration-related measures, creating a burdensome patchwork of compliance obligations for apartment companies. Rental apartment firms are particularly concerned about those laws that would hold them responsible for the immigration status of apartment residents and impose various additional employment-related mandates beyond federal requirements.

Comprehensive federal legislation would help create predictability and consistency for both businesses and workers. NMHC/NAA support:

1. **Interior and border enforcement** that safeguards national security and strengthens our economy;
2. **A temporary visa program** that addresses changing workforce needs and allows U.S. businesses to hire the talent necessary to grow our economy while preventing future illegal immigration. Arbitrary visa quotas for the construction industry could exacerbate market-level labor shortages and rising development costs, challenging the industry's ability to help meet our nation's housing needs;
3. **A national employment verification system** to efficiently and reliably check the legal status of direct employees. The program should include a safe harbor for employers against liability when acting in good faith and be phased in over time; and
4. **A practical earned legalization process** for undocumented individuals currently working in the U.S.

**ONE IN FIVE RENTER
HOUSE-HOLDS IS
HEADED BY AN
IMMIGRANT.**

WHY IMMIGRATION REFORM MATTERS

KEY TALKING POINTS

Background: Immigration policy directly impacts the rental apartment industry. It's a significant driver of growth in rental housing demand – one in five renter households is headed by an immigrant and among immigrants who have been in the U.S. for five years or less, 73 percent rent. For immigrants here 10 years or less, 68 percent rent. Immigrants also play an important role in building and operating rental apartment communities, and they make up 22 percent of the construction workforce. Without a robust labor force that includes immigrants, the apartment industry's ability to meet the growing demands for rental housing could be compromised.

NAA/NMHC support comprehensive immigration reform.

- Immigration policy is a federal responsibility with national security and economic implications.
- In the absence of congressional action, state and local immigration laws have created a burdensome patchwork of compliance obligations for apartment companies.
- Comprehensive immigration reform legislation should provide for: strengthened interior and border enforcement; an improved employment eligibility verification system; amply sized temporary programs; and a practical process for earned legalization.

Temporary visa programs can help meet the apartment industry's employment needs.

- Temporary visa programs, such as the H-2B Program, should be designed to meet labor demands when local labor markets are inadequate – without capping participation by individual industries.
- Arbitrary visa limits for the construction industry could exacerbate market-level labor shortages and rising development costs, challenging the rental apartment industry's ability to hire workers and help meet housing needs.

The employment eligibility verification process must be reliable, and participation requirements should be predictable.

- The E-Verify employment verification system must be accurate, efficient, and protect employers against liability when acting in good faith.
- State and federal requirements for employer participation in E-Verify are inconsistent, creating an uneven, unpredictable environment for employers, including apartment companies.
- Inconsistent participation requirements limit the system's overall effectiveness in preventing unauthorized employment.

U.S. House of Representatives

- The House of Representatives is considering a number of individual bills aimed at addressing immigration reform. NMHC/NAA are encouraged by the Standards for Immigration Reform, announced by House Republican leaders, for recognizing the critical importance of immigration reform to our nation. **We urge members of the House to pass legislation to meaningfully reform immigration policy.**

U.S. Senate

- The Senate has passed a bipartisan comprehensive approach to immigration reform (S. 744). **We urge senators to continue to support the components of this comprehensive legislation and remove the arbitrary cap on temporary work visas for construction.**

FAIR HOUSING: DISPARATE IMPACT LIABILITY

Forty-five years have passed since President Johnson signed the Fair Housing Act into law, putting a symbolic end to systematic and intentional housing discrimination. Since that time, instances of overt, intentional discrimination are far less common and more likely to be identified and remedied, thanks in part to continued federal support, education and outreach.

However, on Feb. 8, 2013, the U.S. Department of Housing and Urban Development (HUD) issued a final rule that marked a significant expansion of the Fair Housing Act. The rule implemented the act's Discriminatory Effects Standard, which established uniform standards for determining when a real estate practice or policy violates the act. More important, the final rule also stated that, as part of the act, liability exists under the "disparate impact" theory.

Disparate impact liability can arise when a business practice or policy statistically demonstrates a discriminatory effect, regardless of whether the discrimination was intentional. HUD's rule establishes a three part burden-shifting test to determine liability for discrimination.

The charging party has the burden of proving a challenged practice caused or predictably will cause a discriminatory effect. The respondent then has the burden of proving that the challenged practice can be supported by a legally sufficient justification. The burden shifts back to the plaintiff to prove there are other practices that can be employed that have a less discriminatory effect.

At issue for apartment owners and managers is that, under the new rule, seemingly neutral and common business policies, such as occupancy limitations, criminal back-ground screening and Section 8 voucher policies, among others, could trigger discrimination claims despite no intention of singling out a particular group for adverse treatment.

In the past two years, the U.S. Supreme Court has twice agreed to hear cases on the matter but both times the parties settled. Currently, the insurance industry is pursuing a legal challenge to the HUD rule.

NMHC/NAA Viewpoint

The apartment industry is committed to equal housing opportunity for all without regard to race, religion, color, sex, national origin, handicap or familial status. However, more clarity is needed on the applicability of disparate impact liability, as it could be used to undermine apartment providers' otherwise valid policies to ensure safe and decent housing for residents.

**DISPARATE IMPACT
LIABILITY IS A JUDGE-MADE
RULE NOT SUPPORTED BY
THE TEXT OF THE FAIR
HOUSING ACT.**

WHY DISPARATE IMPACT MATTERS
KEY TALKING POINTS

Background: In February 2013, HUD issued a final regulation implementing the Fair Housing Act's (FHA) Discriminatory Effects Standard, known as the "disparate impact rule," which may now call into question neutral business practices and policies such as resident screening that are vital to the apartment industry's ability to provide safe and secure apartment homes. This raises the compliance bar for those who have long believed the FHA protections were designed to prohibit intentional discrimination but now must consider the unintentional, or "disparate," impact of policies and practices on protected classes. Many private apartment operators routinely conduct resident screenings that may include a criminal background check.

NMHC/NAA members are committed to equal housing for all.

- The apartment industry is committed to equal housing opportunities for all without regard to race, religion, color, sex, national origin, disability or familial status.

HUD's disparate impact rule threatens to put legitimate, vital industry business practices at risk.

- The disparate impact theory allows a discrimination claim to be filed against a property owner for the use of neutral, legitimate business practices that disproportionately impact a protected class – even if unintentional.
- Vital, non-discriminatory business practices placed at risk by the rule include criminal background screenings, occupancy limitations, credit reviews and certain Section 8 voucher policies.
- The safety and security of apartment residents and communities would be compromised without apartment providers' ability to conduct criminal background screenings on prospective residents. Apartment owners, developers and managers provide apartment homes for 35 million Americans.

Disparate impact creates new uncertainty and shifts the burden of proof.

- HUD's assisted housing program policies require applicant screening for past and current criminal activity. It is uncertain how and if these requirements may be impacted under this rule.
- The disparate impact theory unfairly shifts the burden of proof to the apartment operator to show that a neutral practice is not discriminatory – potentially resulting in a significant expenditure of legal and financial resources to defend vital business practices.
- Ultimately, the financial stability of an apartment community may be threatened as a result of an apartment owner's legal defense of legitimate business practices.

U.S. House of Representatives and U.S. Senate

- Although there is no legislation before Congress at this time related to disparate impact, it is important for lawmakers to understand the broad reach of HUD's rule and its potential to compromise the safety and security of apartment residents.
- NMHC/NAA plan to seek a regulatory clarification from HUD to ensure that apartment owners are not restricted in their use of vital, neutrally-applied resident screening tools. We urge lawmakers to support those efforts to protect the safety and security of apartment residents.

2014 CAPITOL CONFERENCE SUMMARY

AFFORDABLE HOUSING COMMITTEE

Chair – Lori Trainer
Southern Affordable Services

The Affordable Housing Committee met on Sunday March 9. The committee discussed and approved the 2014 Plan of Work.

The committee also discussed possible webinars that the committee could host to educate the NAA membership on affordable housing issues. Webinar ideas included a discussion on marketing affordable housing properties as well as one on how to prepare and what to expect for REAC inspections.

NMHC staff briefed the committee on federal issues related to affordable housing, including HUD's Revision of Handbook 4350.1 on Multifamily Asset Management and Project Services and HUD's Section 8 Policy Renewal Guide Revision.

The committee also viewed and discussed a movie trailer for the film "Home," which discusses why homelessness is on the rise in Central Florida and how the local apartment industry has partnered with hospitality, schools and local non-profits to make a positive impact on the situation.

ASSOCIATION EXECUTIVE COUNCIL

President – Josie Eatmon
Triangle Apartment Association

The newly created AE Retreat was highlighted as occurring August 5-7, 2014. The AE Retreat will be called Boot Camp @ the Breakers and will be at the Breakers Hotel in Palm Beach, FL, at no cost to AEs.

NAA's Government Affairs SVP Greg Brown provided a legislative update and NAA's COO Bob Pinnegar provided a progress report on the NAA-Affiliate AMS project. The AEC voted to support a motion for NAA to provide future additional funding for the AMS initiative.

BUDGET & FINANCE COMMITTEE

Chair – Cindy Clare
Kettler Management

The NAA Budget and Finance Committee reviewed, discussed, and approved \$2,426,405 for the implementation of the AMS from the Board Designated Operating Reserves.

Marc Ross disclosed the audited 2013 financial amounts for NAA and recommended that an audit committee be formed.

Stefanie Cohn from Raffa audit firm discussed the 2013 management letter and required communication letter. An investment update on 2013 year end results was presented by Arun Sardana of UBS, The Sardana Group.

The committee reviewed the Investment and Reserve Policies, 2014 Plan of Work, 2013 restricted reserve expenditures and approved 2014 restricted reserve expenditures. Since there was a net loss for the year, there was no allocation to reserves in 2013. The committee reviewed and discussed the reserves and the target reserve goal of 50% of prior year expenses. The committee approved to maintain the Short Term Fund of investments at the current amount of \$4.3MM due to the expected expenditures over the next few years.

2014 CAPITOL CONFERENCE SUMMARY

The committee was provided with an update on the first three conferences of the year and the affinity program. The committee discussed options for generating additional net income for the 2015 budget.

CA LARGE MEMBER GROWTH TASK FORCE

Chair –Tom Sloan
Camden Property Trust

The Task Force met to review ways that NAA might engage the large companies headquartered in California to become involved with our local affiliates and with NAA. The Task Force focused on what companies to approach, who the key contact at the company is and what products or services we have to offer that would be considered valuable.

The Task Force identified 16 companies that will serve as our initial target list. Once all the data is compiled, staff will send this information to the AE's in NAA's eight California affiliates and ask them to list any housing owned by these companies within their affiliate, that are not currently members.

When the list is compiled we will initiate a series of meetings, dinners etc. with the key contacts of the target companies in order to educate them about NAA's efforts in California with the goal of bringing them into membership.

COMMUNICATIONS ADVISORY BOARD

Chair – Jordanna Paciorek
Edward Rose & Sons
Vice Chair – Scott Wilder
Lincoln Property Company

The Communications Advisory Board discussed the 2014 Plan of Work, sub-committee assignments and NAA Today, the onsite daily publication during the NAA Education Conference & Exposition.

The 2014 Plan of Work was unanimously approved by the committee, and committee members were asked to sign-up for one of five sub-committees, based on the plan of work: branding, website and digital outreach, marketing, public relations and publications.

The committee briefly went over the 2013 Plan of Work to acquaint new committee members with the recent history of the CAB, and better understand why the 2014 Plan of Work was chosen. Chair Jordanna Paciorek reminded the committee of the upcoming Income and Expense Survey and asked committee members to participate. Vice Chair Scott Wilder stressed the importance of NAAPAC and asked committee members to contribute this year.

The committee also discussed the value of NAA Today, and voiced the opinion that while the print edition still has some value, the popularity of a digital version is greatly increasing. Committee members suggested decreasing the number of print editions to balance out the audience preferring the digital version, and to cut back on the number of print issues on Saturday because many people leave on Saturday morning.

In closing, the committee watched the clip from Designing Spaces that featured NAA and apartment living, including CAB Chair Jordanna Paciorek. Becky Sullivan shared the news that NAA will be participating in three additional episodes of Designing Spaces this year.

2014 CAPITOL CONFERENCE SUMMARY

2014 CONFERENCE COMMITTEE

Chair – Jeff Lowry
Madera Companies
Co-Chair – Pete Regules
CORT
Co-Chair – Josie Eatmon
Triangle Apartment Association



Jeff Lowry reported that there were only 100 days until the start of the 2014 NAA Education Conference & Exposition in Denver.

Jeff thanked the 23 metal sponsors of the conference.

DIAMOND SPONSORS

Appliance Warehouse of America
AT&T Connected Communities
AZUMA Leasing
Coinmach Corporation
HD Supply
The Home Depot
Lowe's Companies
RealPage
Time Warner Cable
Yardi

PLATINUM SPONSORS

Apartment Finder
Behr Pro
CORT
Criterion Brock
For Rent Media Solutions
Property Solutions
Restoration Affiliates

GOLD SPONSORS

Apartment Guide
Apartments.com
Mac-Gray, The Laundry Room Experts
Rent.com
ResidentCheck
Wilmar

NAA will Reach New Heights in Denver this June starting with our speakers including Michael J Fox; Bill Rancic; Barbara Corcoran and Daymond John from The Shark Tank.

There will be more than 40 education sessions in 8 different learning areas for attendees to choose.

2014 CAPITOL CONFERENCE SUMMARY

NAA Exposition

We currently have sold 830 booths, at this point last year we had sold 749 booths. We need to sell 119 more booths to meet the budget.

Registration

Today we are 14 weeks out from the conference and we currently have 2,622 full paid conference registrations, putting us at 74% of our goal of 3,565 full paid registrations. At this point last year, we were at 1,868 full paid conference registrations. Congratulations to the Conference Committee on all of their hard work to date.

Reminder:

The next registration deadline is Friday, April 18. After April 18, registration rates will increase \$125 (from \$775 to \$900).

Please make sure you tell your customers, your members, and your employees to register today. Mr. Lowry looked forward to welcoming everyone to Denver in June.

CONFERENCE GROWTH TASK FORCE

Chair – Ron Shelton

Amalgamated Management Company

The Conference Growth Task Force discussed the current status of NAA conferences as well as identifying new audiences and segments to target for future growth of NAA conferences as well as for the future involvement and growth of NAA.

GOVERNANCE TASK FORCE

Chair – Alex Jackiw

McKinley

Chairman Jackiw reviewed the past year noting that in 2013 NAA embarked upon a process of self-examination to explore how to best serve our members through research, consultation and discussions. The Governance Committee will spend 2014 examining NAA's operations and governance structure in light of the discussions and research in 2013 to make decisions in 2014.

The Committee then met in 3 separate table discussions regarding Regions and the RVP; Affiliates and the Member Service Agreement between National and its Affiliates; and Engaging New Leadership.

INDEPENDENT RENTAL OWNERS COMMITTEE

Chair – Brian Chase

Landmark Property Services

Vice Chair – Steve Ross

Bob Ross Realty

The IROC was briefed by the NAA Communications Department with regard to IRO-related *units* magazine initiatives.

New cost-savings purchasing programs were highlighted: IRO Buyers Group and Lowes. These savings program are designed to not only save IRO members money on commonly purchased products, but also to serve as a member benefit that attracts non-members to the NAA Network.

2014 CAPITOL CONFERENCE SUMMARY

An IRO purchasing group task force was formed to ensure the right products and services were developed. In addition, greater participation in the 2014 NAA Income & Expense Survey will be addressed.

INTERNATIONAL TASK FORCE

Chair - Rick Graf
Pinnacle

The International Task Force reviewed the Task Force Activities during 2013 and then moved into specific activities for 2014.

There will be an International Investment Panel on Friday, June 20th during the NAA Annual Education Conference and Exposition in Denver. Rick Graf will moderate the panel and we are in the process of finalizing the panelists.

A long time sponsor of NAA's involvement at Expo Real has withdrawn its financial commitment as they no longer have a book of business in the US market. The group agreed that it would be important to continue these activities so we discussed increasing the amount of International Sponsorship from \$7500 to \$ 10,000 and to seek a minimum of two additional sponsors for 2014.

The Task Force discussed the willingness of our attendees to participate on panels during Expo and staff was directed to find ways in which we could secure attendee participation. The group agreed that as NAA would now pay some of these fees in advance we would ask attendees to provide a credit card we could charge in the event an attendee canceled at the last minute and we were unable to secure a refund.

The group agreed that the post Expo trip this year would be to Copenhagen and that the first day in the city would be spent touring Danish multifamily properties and a dinner meeting with local owners would possibly be held while in the city.

LEASE ADVISORY COMMITTEE

Chair – Chris Burns
Lincoln Property Company
Vice Chair - Stephanie Puryear Helling
Greystar

The Lease Advisory Committee approved its 2014 Plan of Work. NAA staff briefed the committee regarding the new name, tagline and logo of the lease program and the forthcoming official marketing roll out and provided an update on the continued development of new forms and addenda nationwide.

The Lease Optimization Subcommittee heard three presentations from potential document management providers. Blue Moon Software provided updates on their continued technology enhancements as requested by the Subcommittee.

The Legal Guide Subcommittee reported on their discussion regarding the content outline of potential legal guides as well as continued discussions with affiliates regarding the financing and revenue streams for guides.

New Business before the Committee consisted of discussion of a potential joint effort with the Operations Committee for nationwide research regarding allowable ancillary fees.

2014 CAPITOL CONFERENCE SUMMARY

LEGISLATIVE COMMITTEE

Chair – Rick Graf
Pinnacle
Nation Issues Chair – Mike Clark
Alpha-Barnes Real Estate Services
State & Local Issues Chair – Terry Danner
Riverstone

The Legislative Committee discussed and approved its 2014 Plan of Work, including specific tactics for achieving each goal.

Committee members participated in breakout groups to discuss key issues of importance to the apartment industry in their regions including: Music Licensing, Property Tax Assessments, Disparate Impact and Medical/Recreational Marijuana policies

Updates were provided to the Committee on the NAAPAC, specific working groups on the Uniform Law Commission's Landlord Tenant Act Revision and building codes and recent activity around the issue of Fair Housing Disparate Impact. The Committee also heard a brief update on federal advocacy efforts from staff of the National Multifamily Housing Council.

The Committee discussed two new efforts to revise Industry Mobilization Fund selection criteria and to develop for operational guidance for NAA members on key policy issues.

As part of its approval of the 2014 Plan of Work, the Committee formally approved two recommendations. First, that the NAAPAC Chair be made a voting member of the NAA Board of Directors. Second, that the NAA co-chair of the Joint Legislative Committee be made a full voting member of the NAA Legislative Committee. Both recommendations were sent to the NAA Board of Directors and the Board forwarded it to the Governance Committee for their consideration.

MEMBERSHIP COMMITTEE

Chair – Bret Holmes
Advanced Management Group
Vice Chair – Don Brunner
Denizen Management

The Membership Committee approved the 2014 plan of work and discussed NAA's current and future membership growth initiatives and participation in the 2014 NAA Income & Expense Survey.

There was an approval of affiliate territory expansion request from the Greater Omaha-Lincoln Apartment Association (AAGOL) and approval of Affiliate Assistance Funds for the South East Florida Apartment Association (SEFAA), the Austin Apartment Association (AAA), and AOMA of Milwaukee.

MEMBERSHIP GROWTH TASK FORCE

Chair – Bill Wollinger
WinnResidential

The Membership Growth Task Force met and discussed the current membership growth efforts in existing and non-existing NAA markets.

Two new initiatives were highlighted (1) 2014 Affiliate Membership Challenge (2) The use of data provider ALN Data to reach a larger non-member segment and the use of the services to identify opportunities within NAA's

2014 CAPITOL CONFERENCE SUMMARY

current membership. In addition, greater participation in the 2014 NAA Income & Expense Survey was addressed.

NAA EDUCATION INSTITUTE

President - Diana Pittro

RMK Management Corporation

Vice President – Stephanie Puryear Helling

Greystar

Secretary/Treasurer –Marc Ross

Bob Ross Realty

NAAEI Board approved the following action items:

- Adoption of revised NAAEI Investment Policy
- Hiring of a second Education Coordinator, first tier customer service for designation candidates, designates and affiliated association staff
- Upon receipt of legal guidance from an expert in association certification, NAAEI will operate its certificate/designation programs as part of its 501 C 3 organization
- CAMnesty was extended until December 31, 2014
- The move to a two-part, scenario-based CAM exam has doubled the number of CAM designates who complete their designation

NAAEI Budget & Finance Committee approved the following action items:

- Adoption of revised NAAEI Investment Policy
- Hiring of a second Education Coordinator, first tier customer service for designation candidates, designates and affiliated association staff
- Upon receipt of legal guidance from an expert in association certification, NAAEI will operate its certificate/designation programs as part of its 501 C 3 organization

Diana Pittro reported that NAAEI was pleased to report that thanks to the work of Rick Graf and Barbara Wolf, we have reached \$2.9 million and are only \$850,000 towards our \$3.75 goal for this June. This will take us to the halfway point for the NAAEI NOW campaign. Here is an update on some recent pledges:

- AUM has invested \$100,000
- Gables \$75,000
- AMLI \$50,000 and
- Waterton \$25,000

NAAEI's move to replacing the CAM Community Analysis with a two-part scenario-based exam has resulted in a 100% increase in CAM completions in 2013.

NAAEI is offering the NAAEI Leadership Experience Powered by Dale Carnegie shortly. This program targets regional employees including all regional positions such as Regional Manager and Regional Maintenance. It also targets corporate department heads. Programs will be offered in:

- Dallas on April 1-2
- Baltimore on April 30-May 1
- Cincinnati on October 8-9 and
- North Carolina this fall

NAA member tuition for this program is \$1,700.

2014 CAPITOL CONFERENCE SUMMARY

NAAEI also has a program for High Potential Executives, NAAEI Executive Leadership NOW. This 3 day program is facilitated by Gallup and includes Clifton Strength Finder and Q12 assessments before the program and individual coaching during and after the program.

The program will be held at Gallup World Headquarters in Washington DC on April 8-10.

Executive Leadership NOW usually retails for \$10,000 and is being offered to NAAEI for \$7,500. NAAEI is offering this pilot program at the special price of \$5,000 and even offers easy payment plans.

NAAEI was pleased to announce that AUM has invested \$100,000 as the naming sponsor for the Lyceum over the next 5 years - the NAA Leadership Lyceum Powered by NAAEI and Presented by AUM.

NAAEI CURRICULUM DEVELOPMENT

Chair – Jennifer Staciokas
Lincoln Property Company

NAAEI PROGRAM ADMINISTRATION

Chair – Debbie Haukenberry
Apartment Association of Kansas City

The Curriculum Development and Program Administration Committee met and discussed NAAIEs leadership programs with Franklin Covey, Dale Carnegie and Gallup. The Committee also discussed curriculum updates to NALP and CAMT in 2014 as well as the status of the Learning Management System. The Committee voted and approved to extend the CAMnesty deadline to December 31, 2014.

NAAEI APARTMENT CAREERS COMMITTEE

Chair – Stephanie Puryear Helling
Greystar

The Apartment Careers Committee approved its 2014 Plan of Work, including specific tactics for achieving each goal.

Committee members watched a presentation by Reingold, the marketing firm hired to manage the NAAEI Apartment Career Outreach Campaign, under the NAAEI NOW Capital Campaign. The presentation highlighted the plans for branding and marketing apartment careers, the redesign and functionality of the new careers website and the plan for outreaching to specific target audiences.

Committee members were presented with a partial report of 2014 Apartment Careers Month activities and made aware that a survey of activities will be going out soon.

The committee heard a report from the Austin Apartment Association, highlighting a new workforce development initiative with Goodwill Industries and the Austin Community College.

The committee participated in a brainstorm session designed to highlight opportunities for participation in the various strategic components of Reingold's plan for 2014. Jason Eaves, VP of Training and Education with Hawthorne Residential in Greensboro, NC was the winner of the 2014 Get Reel Video Challenge. The committee viewed the winning entry.

NAAPAC

Chair – Robert Tinning
Churchill Residential

The NAAPAC Board of Trustees is the governing body of the NAAPAC. The Trustees reviewed the 2013 NAAPAC Financials and the 2014 NAAPAC goals. The Trustees also discussed changes to the Fund Our Future program that involves an automatic increase every year to the formula for members and units.

2014 CAPITOL CONFERENCE SUMMARY

2013 Review

- PAC Goal was \$400,000. Raised \$424,500
- Better Government Fund goal was \$150,000. Raised \$159,000
- We had the most individuals participating → 2,653 donors
 - 48% from owner / managers
 - 41% from supplier friends
 - 11% from affiliate staff and NAA staff
 - 56 affiliates meet their goal – the most ever
- NAAPAC disbursed \$319,800 to members of Congress and candidates.
 - 62% Republicans / 38% Democrats

2014 GOAL: \$750,000

- \$75,000 as of March 1st

Committee Participation:

- NAA Board of Directors – 100% participation.
- Legislative Committee – 99%
- NAAPAC Board of Trustees – 99%

Several opportunities throughout the year to participate in the NAAPAC. During the Capitol Conference:

- The BGF event at the Hay-Adams Hotel sponsored by AUM.
- Raffle Diamond Earrings sponsored by the Apartment Association of Greater Orlando.

Affiliate participation.

- The NAA Board of Directors has 100% participation and Robert challenged affiliate boards to do the same. Even if it's \$20 a person.
- Every affiliate has a PAC goal.
- We already have 8 affiliates who have met their goal.

PAC Capital Campaign

- A group of individuals raising \$25,000 each for the NAAPAC including: Tom Beaton, Mike Holmes, Bill Wollinger, David Hirsch, Frank Barefield, Malcolm Bennett, Curt Knabe, Rick Snyder, Rick Graf, Mike Clark, Gunti Weissenberger

Robert recognized individual \$5,000 donors including: Frank Barefield, Chris Carter, Mike Clark, Doug Culkin, Mike Gorman, Rick Graf, David Hirsch, Alex Jackiw, Greg Lozinak, Bob Pinnegar, Marc Ross, Gunti Weissenberger, Bill Wollinger, and Jerry Wilkinson.

Doug Culkin reported that this year 100% of eligible NAA staff made contributions in the amount of \$33,333. to NAAPAC which is an increase of 23% over last year's contribution.

NATIONAL SUPPLIERS COUNCIL

Chair – Pete Regules

CORT

The NAA National Suppliers Council heard an overview of the NAAEI NOW campaign and industry insights from Rick Graf, President & CEO, Pinnacle.

The NSC received an update on the 2014 NAA Education Conference from Jeff Lowry, NAA Conference Chair.

They discussed the 2014 NSC Plan of Work focusing on Supplier Education, Member Value, Supplier's investing in attendee acquisition for NAA events and supporting the revitalization of the NAA Affinity Program.

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NEXT GENERATION TASK FORCE

Chair – Jeannette Cox
Oddo Development Company
Vice Chair – Chris Carter
Carter-Haston Real Estate Services

During the first meeting of the Next Generation Task Force, the members voiced their personal experiences and opinions dealing with being new members of NAA and also 2nd or 3rd year members.

The discussion centered on how leadership can become involved with the younger generation and what steps need to be taken to properly orientate those that want to step into leadership roles.

The Task Force spoke specifically about first timer experiences at the Capitol Conference, and the relationship between new members, RVP's, NAA staff, and Leadership. "How do you crack the already structured committee process?" was the main topic discussed. The Next Generation Task Force also spoke on the general outlook for the year and how to fully define and interpret the Task Force as a whole.

OPERATIONS TASK FORCE

Chair – Mike Beirne
The Kamson Corporation

The Operations Task Force, established in 2014, convened its first meeting on Monday, March 10 at the NAA Capitol Conference. The Task Force discussed and identified priority issues for 2014 (focusing on "hot button," operational issues affecting the broad spectrum of entities in the apartment industry nationally). The Task Force also approved this year's Plan of Work.

During the meeting, the group considered a proposed energy efficiency program, presented by Brad Setser, Yardi's Vice President of Marketing. No action was taken by the Task Force as NAA and NMHC will co-host a meeting in the coming months for all industry partners and interested parties to discuss the proposal further.

PAC AMBASSADORS

Chair – Victoria Cowart
Darby Development Company

The PAC Ambassadors discussed responsibilities for the members, including making a PAC presentation to their local affiliate board and another affiliate board. The Ambassadors also kicked off the PAC Ambassador Challenge.

PRIVATIZED MILITARY HOUSING COMMITTEE

Chair - Sam Merrick
Lincoln Military Housing

The Privatized Military Housing Committee received reports from both the Education and Legislative sub-committees.

The Education sub-committee reviewed the sessions for the NAA Education Conference in Denver and put forth a goal to increase the number of sessions by 2 for 2015.

The Legislative sub-committee reviewed updates on the Department of Defense budget process.

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A new Marketing sub-committee was announced, which will give its first report at the June meeting in Denver.

The Committee also discussed the Military Housing Roundtable agenda, reviewed its Plan of Work, and considered future projects including an advocacy tool and an awards ceremony.

STUDENT HOUSING COMMITTEE

Chair - Dan Oltersdorf

Campus Advantage

Vice Chair – Steve Crawford

American Campus Communities

The Student Housing Committee met Wednesday, March 5 immediately following the 2014 NAA Student Housing Conference in Las Vegas March 3-5 at the Aria Resort. This year's show was a big success with a record number of exhibitors and sponsors.

Highlights included, Opening Keynote speaker, Peter Sheahan, Founder & CEO of ChangeLabs who discussed Creative Strategies for Turning Challenge Into Opportunity and Change Into Competitive Advantage; the Executive Panel General Session with insights from leaders from top companies of all sizes within the industry as well as a Closing General Session featuring Seth Mattison of FutureSight Labs who spoke on When Generations Connect and how to create a better workplace that includes employees from across four generations. The committee discussed goals and plans for 2014/2015 which will feature not only planning another successful conference, but also continuing to work with NAAEI on a potential Student Housing designation.

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STATE AND LOCAL REPORT MARCH 2014

NAA Engages in Uniform Residential Landlord Tenant Act Revision

For the better part of 2013, NAA has injected the rental housing industry's voice into the Uniform Law Commission's (ULC) effort to update the 1972 Uniform Residential Landlord Tenant Act (URLTA). Starting with the formation of a NAA Working Group comprised of industry leaders from across the country, to the consensus document detailing the industry's concerns, NAA has made considerable headway into helping ULC Commissioners understand the real world consequences of the changes being proposed to the act.

The initial concerns posed by NAA in a July 2013 letter resonated with commissioners and led to significant changes in the ULC's draft language proposed earlier in the year. A more comprehensive letter by NAA's working group followed and was presented by a contingent of affiliates at ULC's November meeting. While the ULC was not able to complete consideration of the working group's letter at that meeting, NAA was successful in affecting additional changes and, more importantly, delayed the final consideration of the draft URLTA from summer 2014 to the following year. Full consideration of the NAA working group letter is expected by March of this year.

Special thanks go to 2013 NAA State and Local Issues Chair, Mike Clark of Alpha-Barnes Real Estate Services, for his leadership and shepherding this process. Paul Cohen of Cohen and Willwerth, P.C., David Mintz of the Texas Apartment Association, and Joe Puckett of the Washington Multi-Family Housing Association were critical to our success thus far in attending the ULC's meeting as regional representatives. Finally, we greatly appreciate the hard work and valuable insights of the entire NAA Working Group.

For a report describing the outcome of each recommendation, please contact Nicole Upano at Nicole@naahq.org or at (703) 797-0646.

NEW NAA Committee – Property Operation Task Force The Operations Task Force focuses on current and emerging operations issues that concern or hinder our members who operate in affordable, conventional, military and the student housing markets. The task force will identify “hot button,” operational issues affecting the broad spectrum of entities in our industry nationally. Based on this list of priorities, the group will work with NAA staff to develop documents and other tools, such as white papers, best practices, model legislation, and 50-state statutory charts, that support NAA affiliates' and members' advocacy efforts on these issues.

The task force may also recommend issues be referred for regulatory or legislative action. The task force will report to the Board about such issues, why they are important and make recommendations. The goal of the task force is to affect change in the area of operations through proactive measures.

Current committee priorities include the following:

Sustainability – To address the increasing green mandates placed on rental housing providers. For more information, contact Alison Berry at Alison@naahq.org or (703) 797-0630.

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Current committee priorities include the following:

Taxes/Fees – A roster of fees assessed on rental housing providers. And any Federal, state or local prohibition or caps on pass-throughs. For more information, contact Carly Simpson at carly@naahq.org or (703) 797-0672.

Disparate Impact – To provide education and a full accounting on rental housing liabilities. For more information, contact Nicole Upano at Nicole@naahq.org or at (703) 797-0646.

Publications

Death of the HotSheet

For the affiliates that rely on the HotSheet for the most up-to-date legislative trends around the nation, do not despair. The HotSheet has been reincarnated in the Government Affairs flagship publication *Apartment Advocate*. The monthly online publication encompasses the entire GA department's news-you-can-use in one easy to read communication. HotSheet aficionados can find what they are looking for in the "Around the Nation" section.

2013 State and Local Policy Review Now Available While state and local governments are already in full swing for 2014, we wanted to take a look back at 2013 and the many accomplishments of our affiliates. The 2013 State and Local Policy Review have been completed and can be accessed at <https://www.naahq.org/sites/default/files/2014-March-State-and-Local-Outlook.pdf>

Highlights include:

- Legislative victories such as governors' vetoes on rent control bills in New Jersey and California.
- Energy benchmarking initiatives in the cities of Boston and Chicago as well as inspection initiatives and property tax legislation.
- Updates on the Uniform Law Commission's national effort to rewrite the Uniform Residential Landlord Tenant Act. Specifically, NAA staff and select members of the NAA Working Group efforts during the ULC's Fall meeting in November.
- A recap of the highly contested 2013 gubernatorial elections in New Jersey and Virginia, and a look forward to the 36 states will hold gubernatorial elections in 2014.

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