

Mission Statement:

RECSA is the advocate for owners and professionals in the real estate industry, informing and educating its members and community leadership while supporting efforts to ensure a healthy economy and enhanced quality of life in the San Antonio area.

RECSA is proud to represent the industry that:

- Employs over 120,000 people in San Antonio.
- Has an economic impact of \$23.6 billion.
- Is the 3rd largest economic generator, in the SMSA.
- Has a local payroll of \$5.2 billion each year
- Generates nearly \$183 million in local tax revenue



RECSA President's Message

By: *Michael Moore*
 2013 President

Here we are at the end of 2013, a year that started off in grand fashion for RECSA with the Philip Barshop Founder's Award program which featured speaker Red McCombs. As always, this event is very special for our industry, and it was even more special to have Mr. McCombs as our featured speaker.

Unfortunately, we will close this year with a great feeling of sadness and loss with the passing of Sam Barshop on December 9, 2013. Truly a man for all seasons, Sam was an outstanding businessman, family man, and philanthropist who never passed on an opportunity to further higher education or to give back to his community. His legacy of excellence and commitment to help build a better world has been passed on to his family, business associates, those that he taught the real estate business, and those that have been involved with him in various business ventures. An exceptional man of exceptional accomplishments, Sam was a wonderful example of how to do things right, and he will be missed. Please keep the Barshop family in your prayers as they go through this difficult time.

Moving on to our update for the end of the year, November was ushered in with the elections on the 5th, and all nine of the proposed amendments to the Texas Constitution passed very easily. Most notably, the Texas Water Development Plan was passed and received authorization for

\$2 Billion in funding, and San Antonio received a boost when aviation inventories were given an extension on the length of their tax-free status, which will make Port San Antonio more competitive in the aviation industry. On November 19th, we had our Healthcare and Real Estate Program, featuring Mike Zucker with the Baptist Health System and Christopher Davis with Sol Schwartz and Associates. They were able to share some insights as to how the Affordable Care Act, also known as Obamacare, will affect us as well as our businesses in the future. It was a very informative, if not scary, program.

On December 4th, the Annual Government Affairs Update was held with a crowd of approximately 125 people in attendance, including the members of the Leadership Development Class. The program, which also carried a 2 hour MCE credit, covered numerous topics which were presented by different speakers, and VP of Government Affairs Coy Armstrong did a good job in selecting the speakers and the topics. After the program, the Leadership class went to the One Stop Center where they were able to see where things sometimes really do stop. As part of the program, they were able to visit with several elected officials to get some insight into the world of politics. Brad Carson and Brenda Kelly Rowe and their committee are to be given hearty congratulations for their stewardship of this program.

Con't Page 2

Welcome
New Members

*We are pleased to
announce the follow-
ing new members:*

PATRON

CORPORATE

INDIVIDUALS

*William Ellis
Elize Pruske*

Thanks to all of
our renewing
members!!!

RECSA President's Message / Con't

*By: Michael Moore
2013 President*

On a personal note, I want to thank Martha, Sylvia, and Margaret for their help in making my job as President an easy one, and I also want to thank the members of the Executive Committee for their participation this year. As a volunteer organization, these men and women have given one of their most precious assets, their time, to advance the causes that benefit our industry. And last but not least, I want to thank our sponsors, our members, and those who participate in our events, because without

them, we wouldn't be able to accomplish the things we do. As your outgoing President, I am extremely happy to hand over the job of President to Rob Sult, who has already been hard at work trying to get a jump on the job. With your support, Rob and RECSA will have another successful year.

Have a safe and Happy Holiday Season and a prosperous New Year!!

Thank You to Our 2013 Program Sponsors!

January 30, 2013
Philip Barshop Founder's Award
Sponsor: IDS Engineering

February 14, 2013
Transportation Update with Kevin Wolff
Sponsor: Sol Schwartz & Associates

March 21, 2013
Main Event / Fight Night XXII
Title Sponsor: Bury+Partners

May 16, 2013
Commercial Lending Update
Sponsor: Stillwater National Bank

June 18, 2013
Downtown Development
Sponsor: Brown & Ortiz

August 28, 2013
Economic Development Update
**Sponsor: First American Commercial
Property**

September 17, 2013
State Legislative Update
Sponsor: Sol Schwartz & Associates

September 30, 2013
RECSA Council Open Golf Tournament
Title Sponsor: Pape Dawson Engineers

October 17, 2013
Membership Mixer
**Sponsors: Michael Moore, Bury+Partners,
Sol Schwartz & Associates**

November 19, 2013
Healthcare and Real Estate
Sponsor: Sol Schwartz & Associates

December 4, 2013
Annual Government Affairs Update
Sponsor: Kaufman & Killen, Inc.

Mark Your Calendar!!!

**Main Event XXII -
Fight Night**

**Thursday, March 20, 2014
Henry B. Gonzalez Convention Center
Ballroom A**

Purchase Your Table Now!!!

Ring Side \$2700 (Before Jan 17)

\$3000 (After Jan 17)

Sportsman \$2500 (Before Jan 17)

\$2800 (After Jan 17)

Table Selection is in the order payment is received.

Event Chairman:

Aaron Parenica, Bury

Auction Chairman:

Derrich Rodriguez, Amegy Bank

For table information call RECSA offices, 804-1155

**A Presentation of
The Real Estate Council of San Antonio
and Title Sponsor**

BURY

Philip M. Barshop
Founder's Award Luncheon

January 22, 2014

Pearl Stable
314 Pearl Parkway, Building 2

11:30am - Registration
12 Noon - 1 p.m. - Lunch and Program

Presented By:

Embrey Partners Ltd.
and
The Real Estate Council of San Antonio

Ticket and Table Prices:

\$60 per person / \$70 per person after January 17
\$650 per table of 10 / \$750 per table after January 17

And Special thanks to Sol Schwartz & Associates
for sponsoring all editions of the
2013 and 2014 Council Monitor!

For more information on these meetings, call the Council office, 210-804-1155.

January 2014

SUN	MON	TUE	WED	THU	FRI	SAT
			1 New Years Day	2	3	4
5	6	7	8	9	10 9am - COSA DPTF	11
12	13	14 7:30am- Execu- tive Committee	15 2pm- CPS	16	17	18
19	20	21	22 Barshop Luncheon	23	24	25
26	27	28	29	30	31	

February 2014

SUN	MON	TUE	WED	THU	FRI	SAT
						1
2	3	4	5	6	7 10am-Bexar County DPTF	8
9	10	11	12	13	14 9am- COSA DPTF	15
16	17	18	19	20 Fight Night Table Party	21	22
23	24	25	26	27	28	

Council Monitor Sponsor



Sol Schwartz & Associates, P.C.
Certified Public Accountants

**John
Gilbert,
CPA**



Taxation of Subdivision Developments

In a subdivision land development project the developer improves the subdivided lots with the addition of common improvements such as water lines, utilities, roads, greenbelts, street lighting, sidewalks, etc. Following the addition of the common improvements the developer then sells the subdivided lots to homebuilders. In addition to the cost of acquiring the real property, the cost of the improvements are added to the cost basis of each of the subdivided lots. Unfortunately, many land development projects are longer than one tax year. In fact, many projects have numerous phases and multiple years before completion. So what happens to the future costs which have not been incurred when the first lot is sold?

Generally, costs attributable to the subdivided lots can only be those costs which have been incurred or paid for when the lots are sold. Any future costs are not included in the costs of lots sold early in the development. This inability to increase the cost basis of the lots of future development costs means the lot sales in the early part of the development will result in higher gain recognition and acceleration of the payment of any tax due. Since many lots of land are sold prior to the completion of all of the common improvements, there is a method to include a prorata share of the estimated future costs of common improvements to the cost basis of the lots sold. Effectively, the developer can increase the cost basis for costs before they are incurred. Revenue Procedure 92-29 provides that taxpayers who qualify can include the property's allocable share of the estimated cost of common improvements in the basis for property sold during the year whether or not they have been incurred. In order to qualify the taxpayer must obtain consent from the IRS to adopt the "Alternative Cost Method".

The "Alternative Cost Method" under Revenue Procedure 92-29 is an election available to developers that allows them to allocate costs that have not been incurred to the lots in a subdivision project. The expected costs are obtained from the development budget for the subdivision project that is updated annually to reflect the costs that have been incurred and the remaining estimated costs. The estimated costs must be common improvements that the developer is contractually obligated to provide and must benefit two or more lots separately held for sale. In order to use "Alternative Cost Method" the developer must obtain permission from the IRS by filing the request to use "Alternative Cost Method."

The request to use "Alternative Cost Method" will only be filed only once; the initial year. The developer must sign a restricted consent extending the statute of limitations on assessment with respect to use the "Alternative Cost Method." The consent is filed with Form 921 and must be filed annually. In addition, the developer must file an Annual Statement on the "Alternative Cost Method" for the development project.

Council Monitor Sponsor

Below is an example of the “Alternative Cost Method”:

ABC Company started a subdivision development project with 50 lots. The company estimated total common improvements costs for the development project will be \$1,000,000 over 5 years. At the initial year-end, ABC had incurred only \$200,000 of these costs and had sold 5 lots. If ABC Company uses the “Alternative Cost Method”, it would allocate \$100,000 as the basis to the 5 lots sold in the current year, instead of \$20,000 which would be the basis for the 5 lots under the general accounting method.

<u>General Method</u>		<u>Alternative Cost Method</u>	
Total Lots	50	Total Lots	50
	\$200,000		
Costs incurred in current year	0	Total estimated common improvements	\$1,000,000
Cost per lot	\$4,000	Cost per lot	\$20,000
Lots sold in current year	5	Lots sold in current year	5
Cost per lot	<u>\$4,000</u>	Cost per lot	<u>\$20,000</u>
Basis of the lots sold	<u>\$20,000</u>	Basis of the lots sold	<u>\$100,000</u>

The “Alternative Cost Method” has a limitation on the amount that can be allocated to the basis of the lots sold. The limitation is the amount of the common improvements costs actually paid or incurred at the end of the year. In the example above, the limitation would be \$200,000.

Obviously, by electing the “Alternative Cost Method” the income tax liability associated with the lot sales is matched with the sales and proper amount of the lot’s cost basis in order to allow for the correct amount of taxable income to be recognized in each year. Because the recordkeeping requirements for complying with Revenue Procedure 92-29 are so onerous and the extension of the statute of limitations is troublesome, many developers chose not to make the election. You must perform a cost/benefit analysis prior to electing the provisions of Revenue Procedure 92-29 in order to determine if the election beneficial. In addition, consult with your tax advisor before making this election.

Co-author: Marlene Mendez, CPA



Join the Real Estate Council Today!

RECSA is the advocate for owners and professionals in the real estate industry, informing and educating its members and community leadership while supporting efforts to ensure a healthy economy and enhanced quality of life in the San Antonio area.

There are three levels of membership in the Council:

- Patron
- Corporate
- Individual

At each level, members benefit from a wide range of services and opportunities for participation, including MCE credit opportunities, regular membership meetings and networking opportunities, bi-monthly newsletter and industry representation before legislative and regulatory bodies.

For more information about the Real Estate Council of San Antonio and its activities, contact the Council office at 210-804-1155.

RECSA Executive Committee

PRESIDENT:

Michael Moore
Ironstone Development

PRESIDENT ELECT:

Rob Sult
USAA Real Estate Company

SECRETARY/TREASURER:

Brian Biggs
Wells Fargo

VICE PRESIDENT/GOVERNMENT AFFAIRS:

Coy Armstrong
Bury

GOVERNMENT AFFAIRS:

Brad Carson
Kruger Carson PLLC

Rob Leonhard
CDS Muery

Cynthia Stevens
Koontz McCombs

2012-2013 LEADERSHIP DEVELOPMENT:

Ruth Jordan
The Jordan Group

Tim Swan
Metropolitan Contracting Company

2013-2014 LEADERSHIP DEVELOPMENT:

Brad Carson
Kruger Carson PLLC

Brenda Kelly Rowe
Goetting Rowe Engineering

COMMUNICATIONS:

John Taylor
HFF

COMMUNITY RELATIONS:

Kim Ghez
Presidio Title

PROGRAM/EDUCATION:

Jim Akin
First American Commercial Property Group

MEMBERSHIP:

Laurie Griffith
Texas Capital Bank

ECONOMIC DEVELOPMENT:

Dean Bundrick
Orion Partners, Inc.

AT LARGE:

Gene Dawson, Jr.
Pape-Dawson Engineers, Inc.

John Kirk
Embrey Partners, Ltd.

Silvia Gangel
SiGa International

George Peck
Civil Engineering Consultants

Brenda Kelly Rowe
Goetting Rowe Engineering

Debbie Avery
CST Brands

Council Monitor Sponsorship Opportunities Available

Sponsorship Opportunities are available for all of the upcoming 2015 Council Monitor newsletters. If you are interested in sponsorship please contact: **Sylvia Cantu at the Council office, 210-804-1155.**

The Real Estate Council of San Antonio

8626 Tesoro Drive, Suite 803

San Antonio, TX 78217

Ph: 210-804-1155 Fax: 210-804-1166

www.recsanantonio.com

STAFF

Martha Mangum, Executive Director

martham@recsanantonio.com

Sylvia Cantu, Member Services Director

sylvia@recsanantonio.com

Margaret Turner, Administrative Assistant

margarett@recsanantonio.com