

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: *Rob Sult*
 2014 President

"No one will make a great leader who wants to do it all himself or get all of the credit for doing it."

Andrew Carnegie

One of the great attributes of this fine organization is the selfless commitment of time and talents by so many volunteers who really care about fair outcomes as they may impact RECSA members. No better recent example of that is the work of many who helped City Staff and elected officials to understand that the methodology and logic for the proposed Storm Water Fee increases was plain ludicrous. Several of the larger, existing employers in town could have faced a 3000% or more annual increase in this category of fees - not at all sustainable or practical.

We take great pride in recommending experienced industry professionals to serve on various task forces and commissions that the City asks us to join. However, nothing is more exasperating than to be willing to serve and not be listened to (and note - I didn't say "heard").

Unfortunately, of late, we've run up against this on several occasions. Either that, or we are invited to provide comments to proposed ordinances and statutes that have been under consideration by City staff task forces for long periods of time and only weeks before the same are proposed for formal Council consideration, do we get the call for input. Case in point - the recently passed Vacant Building Ordinance.

The Mayor's recent decision to postpone further consideration of the Storm Water Fee increase

was due to coordinated efforts by many organizations, certainly including RECSA - sharing information about the impact on large employers and the potential chilling effects on job growth. We appreciate the support of our volunteers and the many members of RECSA who financially support its efforts. I hope over the next 300 days of the new Mayor's term, we will again be invited to participate and provide expert input to matters significant to real estate development and job creation.

Over the past 6 months, our Community Relations Committee Chair, Kim Ghez (Presidio Title) and Past President, Michael Moore (Ironstone Development) have been advancing the study of additional scholarship opportunities to help a segment of our community that wants an education with a focus on trades and not the traditional 4-year degree. As a result of their work, I'm pleased to announce the creation of the Real Estate Council of San Antonio Trades Scholarship at Alamo Community Colleges. Kim will have an in-depth review of all RECSA scholarship opportunities in the next edition of the Council Monitor. In the meantime, I'd like to extend my personal thanks to her, Michael and Martha Mangum for the extensive research they've undertaken to help us establish this new scholarship.

Looking ahead, our Annual Council Open Golf Tournament is scheduled for Monday, October 6, 2014 - at the Hyatt Hill Country Resort. Many thanks again to our title sponsor - Pape-Dawson Engineering. The Committee has been working hard to prepare an exciting event for us all but we still have some sponsorships we'd like to sell.

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RECSA President's Message / Con't

*By: Rob Sult
2014 President*

Please contact one of the committee co-chairs, Rob Leonhard (CDS Muery) (210-581-1111) or Stephen Gose (Kimley-Horn Associates) (210-541-9166) to discuss remaining sponsorship opportunities. As with our Spring Fight Night Event, the golf tournament is critical to the funding of the RECSA budget and sponsorships are our primary means of raising the same.

I close again by expressing my thanks for the work of Martha Mangum, our Executive Director, and her very competent staff.

Martha has an energy level compared to none and has her ear to the ground and learns of so many of these developing issues thanks to her extensive network of relationships at the City and with Council representatives. She and the team of Kaufman & Killen are leading our efforts to stay abreast of issues encroaching into our industry space and we are thankful to them all for their good work and leadership.

2013-2104 Leadership Development Class Graduates

By: Brad Carson, 2013-2014 LPD Co-Chair

On June 11, 2014, the Real Estate Council of San Antonio proudly held a graduation for its 10th Leadership Development Class. This year's class was a record setter. In addition to being the 10th anniversary of the program, this class, full of dedicated and hardworking professionals, also raised more money in its fundraiser than any prior class. This year's program was co-chaired by Brenda Kelly Rowe, of Goetting Rowe Engineering and Brad Carson of Kruger Carson PLLC. The co-chairs were supported by an outstanding committee of hardworking Real Estate Council members, who did yeoman's work of putting together many wonderful programs for the class.

Over the course of a year, the class had hands-on training and instruction from many luminaries in our industry and toured numerous developments. They received career advice from Pat Duncan, Marty Wender, Louis Rowe, Jack Spector, Bart Koontz, and Dan Markson. The class also toured infrastructure facilities of CPS, SAWS, VIA, and SARA, and received hands-on media training. They toured Petco's San Antonio offices, and showed a keen awareness of the many economic develop-

ment issues that help our city grow. The class also met with, and asked tough questions of, many of our political leaders, including County Judge Nelson Wolff, Texas State Senator Donna Campbell, Texas State Representative Jose Menendez, County Commissioner Kevin Wolff, Councilman Ray Lopez, Councilman Diego Bernal, and Councilman Ron Nirenberg.

The class worked together on two major projects. The first, Project X, consisted of teams of five making mock development proposals to a fictitious City Council. The class held up very well under tough questioning. The second was planning and hosting the Real Estate Council's Annual Skeet Shoot, which was an outstanding event that was a quick sell-out and raised a record setting amount for UTSA's Real Estate Finance and Development Program.

Many thanks to our wonderful committee and our outstanding class (and their sponsors) for an outstanding Leadership Development Class.



MARK YOUR CALENDAR

THE REAL ESTATE COUNCIL
OF SAN ANTONIO'S

23RD ANNUAL COUNCIL OPEN

TITLE SPONSOR



MONDAY, OCTOBER 6, 2014

HYATT REGENCY HILL COUNTRY GOLF CLUB

CO-CHAIRS

ROB LEONHARD, CDS MUERY

STEPHEN GOSE, KIMLEY-HORN AND ASSOCIATES

BENEFITING RECSA AND ITS SCHOLARSHIP

AT ALAMO COMMUNITY COLLEGES

Scramble

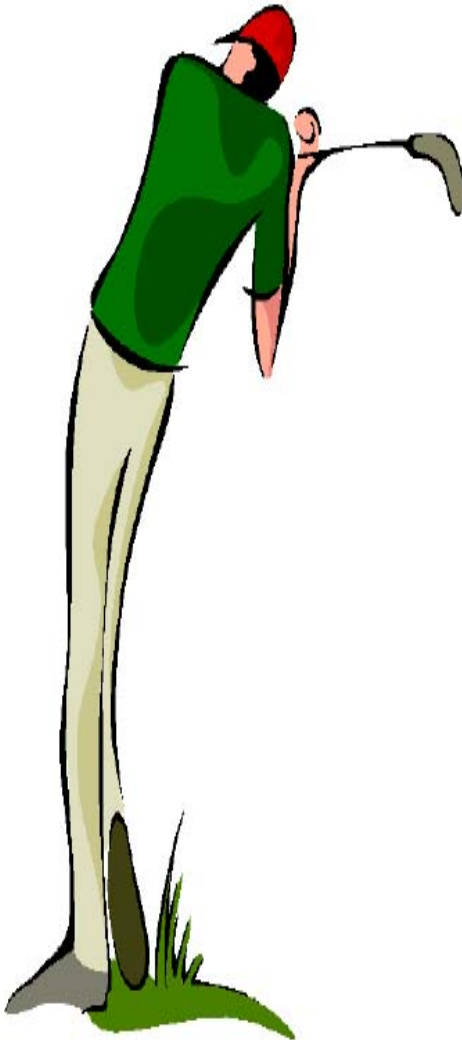
11:00 a.m. Putting Greens and Driving Range Open

11:00-12:30 p.m. Registration & Lunch

12:30 p.m. Tee-Off, Shotgun Start

6:00 p.m. Awards Dinner and Door Prize

*Call Sylvia Cantu at the Council office,
804-1155 for more information.*



Downtown Development Update

By: *Angela Reinhart, Program Committee*

RECSA’s annual Downtown Development Update program was held June 17, 2014 at the Plaza Club. The sold-out program featured speakers Diego Bernal, District 1 City Councilman; Lori Houston, Director, City of San Antonio Development and Operations Department; and Ed Cross, CEO and Founder of San Antonio Commercial Advisors.

Lori Houston gave an overview of residential developments recently completed and in the pipeline. She noted 3,097 housing units are complete or coming online and that number is on track for the city’s goal of 7,500 housing units by 2020 as outlined in the Downtown Strategic Framework Plan. The existing and under construction units represent a total investment of \$508 million and \$46 million in incentives from the City. Lori said over \$1 billion in public improvements are underway in the downtown area, including the Convention Center expansion, the conversion of San Pedro Creek into a linear park similar to the River Walk, and the redevelopment of Hemisfair.

An overview of the new Downtown Streetscape Guidelines and the Vacant Building Registration Pilot Program provided RECSA members some insight into how the implementation of these initiatives will affect commercial property owners. In particular, Lori informed the group the Vacant Building Registration area had been expanded to include a ½ mile radius around all active military bases, meaning the program affects many more property owners than originally anticipated. The Vacant Building Registration Pilot Program was subsequently unanimously approved by City Council on June 19th and will go into effect on January 1, 2015.

Councilman Diego Bernal provided RECSA members some of the backstory on why he proposed the Vacant Building Pilot Program, and what he hopes to achieve from its implementation. The Councilman believes the program will be an effective way to manage the pervasive problem of neglected and abandoned properties, and will force derelict property owners to either bring their properties up to city code, or sell to owners who will restore and re-tenant the properties.

Developer and real estate broker Ed Cross provided a 12-Step timeline for re-development of downtown areas, and noted that downtown San Antonio is currently in Step 8, moving into Step 9 (see diagram).

THE TWELVE STEPS



Source: Christopher B. Lehninger, Anasazi Land Co. and Robert Charles Lessor II Co.

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Ed sees a lot of positive indicators for continued development in downtown San Antonio, including Moody’s forecast that San Antonio’s employment base will exceed the national average in every sector over the next five years. He believes San Antonio’s competitive advantages for attracting jobs are its low cost of living and excellent quality of life factors, a vibrant restaurant scene downtown and a culturally and economically diverse population that’s attractive to millennials. In his recap of some of the new multifamily developments coming online, Ed noted Silver Ventures luxury multifamily The Cellars at Pearl will tap the high-end of the rental market, with rents at \$2.50 to \$3.00 per square foot.

Some developments to watch include the Cavender Cadillac site on Broadway and Transwestern’s acquisition of the site directly across from La Tuna and Blue Star on the south end of downtown. Ed closed his presentation with some demographic statistics from his 1221 Broadway development, noting that 76% of the residents are single, 56% are male and 43% of the residents have incomes in the \$41,000 to \$60,000 range.

Thanks to all the speakers for making this an engaging and informative program. The full presentations from Lori Houston and Ed Cross are available on the Real Estate Council’s website <http://www.recsanantonio.com/>.



4 Reasons You Cannot Miss the November Program

Thursday, November 13, 2014 at the Petroleum Club

By: Laurie Griffith, Program Committee

Our November 13 Breakfast Program is the start of an Annual “Speaker’s Series” for the Real Estate Council of San Antonio. We are honored to have as our featured speaker, Jeffrey DeBoer, President and CEO of The Real Estate Roundtable out of Washington, DC. The Real Estate Roundtable’s motto is “Where Real Estate Meets Public Policy.” Jeff advocates the real estate industry for all of us in Washington on a daily basis.

This will be an especially exciting program given that mid-term elections will have just been completed the week before his visiting us and we look forward to his insight on the outcome and its impact on our industry.

Here are the four reasons you CANNOT miss the November Program:

1. **Get the inside track on Washington and top real estate movers and shakers.**

- The Roundtable’s business and trade association leaders seek to ensure a cohesive industry voice is heard by government officials and the public about real estate and its important role in the global economy. The Board of The Real Estate Roundtable include the Presidents or CEO’s of Lincoln Property Company, Public Storage, Inc, Colliers International, Forest City Enterprises, Marcus and Millichap Company, MetLife, Equity Residential, Hillwood, Berkshire Hathaway Home Services, Starwood Capital Group, Host Hotels and Resorts, Inc, just to name a few.

2. **Be in the know on the state of the US market for investors/developers and regulatory roadblocks.**

- The looming expiration of the Terrorism Risk Insurance Act (TRIA) at year-end, which if not addressed in a timely manner, could choke off credit to the recovering commercial real estate sector and slow recovery and job creation, particularly in construction
- Tax reform proposals that could cause major dislocation for real estate markets by up-ending decades of established tax policy; targeting economically-motivated activities; and applying draconian changes retroactively, to existing investments
- Advancing corporate tax reform without addressing business owners who pay tax through the individual tax code — a recipe for picking economic winners and losers
- Failure to enact the “Main Street Fairness” bill that would put Internet retailers under the same obligation to collect

state sales taxes as “brick-and-mortar” retailers

- The concurrent implementation of overlapping Dodd- Frank rules and other regulatory policies affecting commercial real estate credit and capital availability

3. **Understand why the branding of real estate in Washington is important as a powerful economic sector and part of the solution to key policy challenges facing the nation.**

- Proposals to reform the Foreign Investment in Real Property Tax Act of 1980 (FIRPTA), which would help attract significant new foreign capital for U.S. infrastructure, energy efficiency, and other real estate development projects;
- Policy reforms to encourage “deep” energy efficiency retrofits of commercial and multi-family buildings, which have the potential to create tens of thousands of domestic jobs in manufacturing, sales, construction, engineering, architecture, building inspection, and other fields;
- Pro-growth immigration reform that ensures adequate and varied levels of workers (from low-skilled laborers to highly educated people with advanced “STEM” degrees); appropriate incentives for foreign entrepreneurs to invest in America (e.g. the “EB-5” and “EB-6” programs); and “JOLT Act” visa reforms to encourage more in-bound travel;
- Infrastructure reform that fosters healthy, “livable” cities; offers commuters, residents and older Americans a broader array of transportation options; and eases the movement of goods and workers through the economy;
- Smart tax and regulatory policies that spur economic growth, capital formation, innovation, entrepreneurship, and competitiveness in the global economy;
- Pro-growth tax policies that treat real estate equitably (vis-a-vis other industries); assure predictable “rules of the road” for long-term investment; put industries and taxpayers on a level playing field; and remove tax considerations from business decisions.

4. **TREC MCE Credit**

- Every Hour counts and therefore we will offer one valuable hour of MCE credit.

You will regret missing out on this program, so mark your calendars NOW for **Thursday, November, 13th, 7:30 a.m.**

Welcome New Members

We are pleased to announce the following new members:

PATRON

Kennedy Wilson

CORPORATE

AREA Real Estate LLC

Bella Vista Homes

KB Homes

**Mosaic Land
Development**

INDIVIDUALS

Christopher Swisher

Clay Hefty

David Gill

Eric Reblin

John Prather

Madeline Slay

Marcus Segui

Travis McCoy

Membership Upgrades

PATRON

HFF

Pulman, Cappuccio,

Pullen, Benson, &

Jones, LLP

CORPORATE

INDIVIDUALS

**Thanks to all of
our renewing
members!!!**

Member Matters

By: John Taylor, Membership Chair

On behalf of the membership committee, I would like to welcome the new members and thank those who have renewed and upgraded their membership. We hope your membership is an investment that will return benefits that far exceed any investments any in the organization. Getting both you and others in your organization involved in RECSA is the best way to reap the value of your membership so sign up to be a part of a committee right away.

As we view our existing members as the best ambassadors for the value of RECSA, we would like your help in growing our membership. If you know any company that could be a high-quality contributing member, please invite them to an event or send their contact information to the RECSA staff or myself and we will be glad to follow up with them.

While we are finalizing the details of what should be a great membership event, please mark your calendar for Thursday, October 30th from 5:30-7:00pm. This will be a fun opportunity to network with existing members and invite new potential members to learn more about RECSA.

The RECSA staff and our webmaster are working to update and upgrade our website. This will include on-line registration capability for our programs and events. Stay tuned for an announcement when this is completed!!!

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

September 2014

SUN	MON	TUE	WED	THU	FRI	SAT
	1	2	3	4	5	6
7	8	9 7:30am- Executive Committee	10 11:30am- LDP	11 7:30am- Medical Program	12 9am-COSA DPTF	13
14	15	16	17 9am- SAWS	18	19 8am- LDP Retreat	20
21	22	23	24 9am- CPS	25	26	27
28	29	30				

October 2014

SUN	MON	TUE	WED	THU	FRI	SAT
			1	2	3 10am-Bexar Co DPTF	4
5	6 Council Open	7	8	9	10 9am- COSA DPTF	11
12	13	14 7:30am- Executive Committee	15	16 8am- LDP Utility Tour	17	18
19	20	21	22	23	24	25
26	27	28	29	30 5:30pm- Member Mixer	31	

Council Monitor Sponsor



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



Jennifer Larson



Monica Mendez

“How Should You Pay Tax: Dealing with Long-Term Contracts”

If you have a construction contract which is not completed in the same year it was entered into, it is considered a long-term contract. The IRS typically requires you to report your income using one of two methods: percentage-of-completion and completed-contract. Which one is best for you?

Percentage-of-Completion Method

You might not have a choice. The IRS generally requires the use of the percentage-of-completion method. Under Percentage-of-completion method, a percentage of the revenue is recognized each year for which the contract is in progress. The percent is based on a cost analysis of actual costs-to-date to total-estimated-costs to complete the project.

Since the percentage-of-completion method is based on an estimate, once the contract is complete the IRS requires you to "look back" and recalculate the income or loss per year using actual costs. If you overpaid taxes in a previous year, you may be entitled to interest on the difference; however, if you underpaid you will be liable for the interest.

Completed-Contract Method

Under the completed-contract method, revenue is recognized the year the contract is completed. The Tax Reform Act of 1986 limited the use of the completed-contract method primarily to two types of contracts:

Small Construction Contracts - When estimated completion date is within 2 years of the contract commencement date and the average annual gross receipts for the taxpayer's preceding three tax years is not greater than \$10 million.

Home Construction Contracts - When 80% or more of estimated total contract costs are for the construction of four or fewer dwelling units.

Alternative Minimum Tax

If you are subject to Alternative Minimum Tax (AMT), the IRS generally requires you use percentage-of-completion for calculating AMT (home construction contracts are the main exception to this), even if you are using the completed-contract method for your regular income tax calculation. AMT Tax results from the difference between the Percentage-of-Completion Method and the Completed-Contract Method. When using the two different methods, it may appear you are subject to double taxation on the same income; however, AMT typically provides a tax credit to avoid double taxation.

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Certified Public Accountants

“How Should You Pay Tax: Dealing with Long-Term Contracts”- *continued*

Advantage and Disadvantage of Each Method

Percentage-of-Completion Method

Advantage - recognize income and pay the corresponding income tax on an annual basis through the life of the contract.

Disadvantage - revenue collections for the year potentially may not exceed income taxes due.

Completed-Contract Method

Advantage - can defer the payment of income taxes until the year the contract is completed.

Disadvantage - if several contracts are completed in the same year, the revenue and corresponding income taxes from all the contracts will need to be recognized and paid in the same year. This also means the funds will need to be available to pay all the corresponding income taxes for the contract in one year.

Disadvantage - Potential AMT tax accelerates tax to earlier years.

The reporting of long-term contracts for federal income tax purposes is complex and unique to each type of long-term contract, but most importantly, it is unique to each taxpayer. Other variables to consider include, whether the taxpayer is a large or small contractor and whether the taxpayer must use GAAP for financial reporting purposes. Please contact Sol Schwartz & Associates P.C. for more information and any questions for your specific business.



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:

Rob Sult
USAA Real Estate Company

PRESIDENT ELECT:

Coy Armstrong
Bury

SECRETARY/TREASURER:

Brian Biggs
Wells Fargo

VICE PRESIDENT/GOVERNMENT

AFFAIRS:

Cynthia Stevens
Koontz McCombs

GOVERNMENT AFFAIRS:

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Kruger Carson PLLC
Cara Tackett
Pape-Dawson Engineers, Inc.

Greg Gibson
Casey Development

Jami Carr
Bitterblue, Inc.

John Kirk
Embrey Partners, Ltd.

Steve Schuetze
Metropolitan Contracting

2013-2014 LEADERSHIP DEVELOPMENT:

Brad Carson
Kruger Carson PLLC

2014-2015 LEADERSHIP DEVELOPMENT:

Eric Abati
ATKG, LLP

COMMUNICATIONS:

Jim Akin
First American Commercial Property Group

COMMUNITY RELATIONS:

Kim Ghez
Presidio Title

PROGRAM:

Laurie Griffith
Texas Capital Bank

EDUCATION:

Doug Becker
Chicago Title

MEMBERSHIP:

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HFF

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Gene Dawson, Jr.
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Silvia Gangel
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George Peck
Civil Engineering Consultants

Brenda Kelly Rowe
Goetting Rowe Engineering

Michael Moore
Ironstone Development

Richard Capps
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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

Magda Coronel, Administrative Assistant

magdac@recsanantonio.com