Rural Rental Housing Association of Texas

RRHA Update

FEBRUARY 2016

RRHA OF TEXAS

RURAL RENTAL HOUSING ASSOCIATION OF TEXAS
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INSIDE THIS ISSUE:

FROM THE PRESIDENT'S DESK

As we move into the second half of my year as President of the Rural Rental Housing Association of Texas, I want to express my sincere thanks to each of you for your confidence in my ability to serve as your representative and leader. The Legislative Committee has been actively working on both changes to the QAP and ways to increase our voice with the Texas Legislature. We look forward to finding ways to showcase the fantastic job that our members do in the communities that they serve and will be asking you to be a part of this public relations effort in the near future.

Our Associate Members are integral to the success of the Association and I encourage you to make an effort to use their services and encourage vendors that may not currently be members to join! Some of our newest members are spotlighted in this newsletter and we look forward to spotlighting the rest of our loyal Associate Members in future editions. Look out for exciting new benefits to the Associate Membership as well!

Last, but certainly not least, I want to express my sincere appreciation to Royce Ann, Alison Hunsicker, and the Convention Committee for working so diligently to put together a fantastic convention at an amazing location in Dallas. The training will be top-notch as always and you will have the opportunity to relax in a beautiful resort setting. Alison has worked very hard to secure a mobile mammogram service for your benefit and I encourage to take advantage of this potentially life-saving opportunity. Royce Ann will be providing all of the details as they become available so be on the lookout! Thank you for all that you do and I look forward to seeing everyone in July!

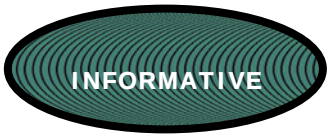
~ Angie Ruddock

RRHA OF TEXAS CONVENTION PLANS

The 2016 RRHA of Texas Annual Convention & Trade show will be held July 19-21, 2016 at the Hilton Anatole in Dallas. Plans for the convention are shaping up to be another great meeting. Without a doubt, RRHA's Annual Convention and Trade Show will be…

. . . only $300 for 2 full days of educational opportunities to give you a professional edge; a unique trade show, and social functions to allow networking among peers

. . . with personally enriching, informative sessions presented by professionals in our industry



. . . with exhibit booths of products, supplies and services important to apartment owners and managers

RRHA's Annual Convention and Trade Show has everything you need to enhance your professional skills and sharpen your techniques to maintain your edge in the housing industry. We fully expect that this year's convention will be one of the most entertaining and educationally beneficial presentations that we have ever had available, but in order to make it truly special, we need you. You make RRHA what it is. So, come on to Dallas, join us for some fun and education, and I promise you will be glad you did. Information on the exhibits, sponsorships, door prizes, award nominations, and registration form will be going out in the next few weeks.

Hilton Anatole | Dallas, Texas | July 19-21, 2016

* Reservations: 800.955.4281, or directly at 214.748.1200
* Reservations for 5 or more sleeping rooms: Contact Simone Adkison at 214.761.7665
* Sleeping Room Rate: $149 single or double rate
* Sleeping Room Cut-off Date: June 18, 2016

FEATURES OF NEW MULTI-MILLION DOLLAR RESORT POOL

- 4,000 sf Leisure Pool
- 7,000 sf Activity Pool with Kids Play Area
- 630-foot Lazy River
- Two 180-foot Winding Water Slides
- Seating for Over 800
- Private Cabanas and Daybeds
- 23-seat Swim-up Bar
- 120-seat Bar & Grill
- Event Lawns
- Exclusive for Hotel Guests
- Opportunities for Poolside Receptions

NEW MEMBER

TARGET RESTORATION SERVICES

Quality you can expect, Integrity you can trust

Let Target Restoration be there for you when you need us.

Our list of services include:

- Water extraction & Desicant dehumidification
- Fire damage restoration
- Drying services
- Structure and contents cleaning
- Temporary power/climate control
- Smoke and odor deodorization
- Mold remediation
- Debris removal
- Board up and temporary repairs
- Building reconstruction
- Duct cleaning and sealing
- Structural and crawl space drying
- Pack out and secure climate controlled storage of contents
- Roof repair/replacement
- 24 Hour Emergency Services

If you have a problem with your home or business and you need help quickly, Target Restoration Services has that someone you can trust to take care of your assets and put you back together with efficiency and a sense of urgency. Target Restoration has over 100 years experience in-house with highly trained technicians and project managers to take care of any problem that may arise (storm damage, fire/smoke damage, roof repair/replacement .... **ANYTHING THAT YOU NEED - WE CAN DO.**

MELISSA NAYLOR | DIRECTOR OF MARKETING
MELISSA@TARGETLLC.COM | CELL: 254.227.2564

NEW MEMBER

REAL ID INCORPORATED

Comprehensive Background Screening Services

"Start leasing with confidence when you use **Real ID**'s credit, criminal and eviction data. Working with apartment communities in Texas and across the nation, Real ID has seen the positive effect of better data.

Real ID has successfully implemented tenant screening programs at 1000s of communities, which has increased each community's bottom line.

Curious to see how? Call Adam today at (800) 342-7292 to schedule a free demo.

ADAM GOLDMAN | ACCOUNT EXECUTIVE
ADAM@REALIDINC.COM | 800.342.7292

UNDERSTANDING THE COMING CHANGES TO OVERTIME, EXEMPTIONS, AND HOW YOU PAY YOUR EMPLOYEES

By Michael A. Correll, Attorney, Morgan, Lewis & Bockius LLP

Change is coming to the way you pay your employees. In the world of apartment management, where employees frequently wear a variety of hats and work odd hours, the determination of whether a given employee is entitled to receive overtime compensation for working more than 40 hours per week has always been difficult. Possible upcoming changes to the regulations governing the Fair Labor Standards Act will require you to step back from traditional "rules of thumb" used by many employers to classify their employees—such as salary status and title—and re-evaluate each employee based on his or her individual job functions to determine their proper classification.

The Fair Labor Standards Act (FLSA) requires employers to pay overtime wages to employees who work more than 40 hours per week unless a given employee's job falls into one of a handful of regulatory exemptions. A worker entitled to overtime is referred to as a "non-exempt employee." A worker *not* entitled to overtime is referred to as an "exempt" employee. Over the years, many apartment management companies have used markers such as manager-level titles and whether an employee is paid a salary to guide their classification of employees. These rules of thumb derive from the FLSA's exemptions for executive, administrative, and professional employees—the so-called white-collar exemptions. However, while this approach has always been inadvisable, it will now be even more dangerous as the coming changes will make these markers even less accurate predictors of proper classification.

On July 6, 2015, the United States Department of Labor (DOL) published a notice setting out new proposed exemption regulations designed to make it more difficult—and expensive—to classify employees as exempt. Specifically, the DOL's proposed changes, if adopted, will substantially increase the amount an employee must be paid to qualify as exempt under the white-collar exemptions. Under the new proposed rules, an employee must be paid a salary equal to the 40th percentile of weekly earnings for full-time salaried employees. As a result, based on current wage projections, an employee would need to be paid at least $50,440 annually, or $970 a week, in 2016 to qualify as exempt regardless of job function. Further, the proposed rules provide that this figure will automatically increase on an annual basis to keep pace with market conditions. Additionally, the proposed regulations would raise the amount an employee must be paid to potentially qualify for an exemption under the DOL's more relaxed "highly compensated individual" exemption test. Under the highly compensated individual exemption test as it stands now, an employer may classify an employee as exempt if (1) the employee is paid at least $100,000 per year and $455 per week exclusive of board, lodging, or other facilities; (2) performs office or non-manual work; and (3) performs one or more duties typically attributable to one of the three white-collar exemptions. This standard does not require a searching review of the employee's job functions, thus making it easier to classify a highly paid employee as exempt. Under the proposed regulations, the $100,000 per year threshold would be raised to match the 90th percentile of earnings for full-time employees—an amount currently estimated at $122,148 per year by the DOL.

Importantly, the proposed regulations do not change the definitions of executive, administrator, or professional used to apply the white-collar exemptions. Nonetheless, the DOL has signaled that it may re-evaluate the job duties tests used to apply these exemptions and others found in the regulations. In fact, the DOL has already requested public comment on the possibility of such changes in light of the proposed revisions to the salary requirements discussed above.

These rules are not yet final. Additionally, they may change to some extent in response to public comment. Nonetheless, careful employers will move quickly to evaluate their workforces to determine which of their exempt employees may be affected by the change in salary requirements. Further, with the possibility of changes to the job duties tests on the horizon, this audit process provides an ideal opportunity to confirm that your exempt employees continue to be engaged in the same job functions that led you to classify them as exempt in the first place.

If you have any questions or would like more information on the issues discussed in this article, please attend our Training & Education Forum on Thursday, February 18th in Temple, or contact Michael Correll, Morgan, Lewis & Bockius LLP, at 214.466.4154, or via email at mcorrell@morganlewis.com.

WELCOME NEW MEMBERS

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HOUSING

2016 Housing Outlook

Federal Boost, Affordability Problems Persist

Take the good with the bad. As far as mantras go, that's an appropriate one for the affordable housing industry as 2016 begins. With several years of budget shortfalls and sequestration in the rearview mirror, and a presidential election and changing interest rate environment on the road ahead, the housing industry begins the year with reasons to be thankful and reasons to be concerned.

On the positive side, the 2016 federal budget was kinder to the housing industry than it has been in several years, as many programs saw funding increases versus 2015. Further, a floor was finally implemented for the 9% low-income housing tax credit (LIHTC) interest rate, providing more equity and certainty for developers nationwide. On the negative side, the affordability crisis is only getting worse, as construction costs and rents continue to climb while wages remain stagnant.

A Renter's Crisis

In what comes as no surprise to those in the housing industry, affordability remains a severe problem with no plausible solution in sight. According to the latest analysis from The Joint Center for Housing Studies of Harvard University, the number of households spending more than 50% of their income on rent is expected to rise at least 11% in the next decade, from 11.8 to 13.1 million. The problem is most dire for those who need assistance the most, as 11.2 million extremely low-income households compete for 7.3 million homes affordable to them—a 3.9 million shortfall. Further exacerbating the issue, just over a quarter of eligible very low-income households receive rental assistance, leaving 7.7 million unassisted very low-income renters with worst case housing needs.

The cause of the problem is clear—the private sector is unable to provide new apartments with rents low enough to reach low-income renters. At last measure, the median rent of a newly constructed apartment of $1,290 was equal to approximately half the median renter's monthly household income. According to the latest Urban Land Institute Consensus Forecast, rents are expected to rise by 4.6% in 2015 and 3.5% in 2016. Unemployment, however, is projected to decrease to 4.8%[1], which could put upward pressure on wages and help alleviate the problem.

Good News from Washington

In general, the fiscal year (FY) 2016 omnibus appropriations bill was good to the affordable housing industry, a positive sign that this Congress sees affordable housing as a priority. Rental assistance from the U.S. Department of Housing and Urban Development (HUD) and from the U.S. Department of Agriculture (USDA) were both up versus 2015. USDA 521 Rental Assistance for FY16 is at $1.39 billion, up from $1.09 billion in FY15. In addition, $75 million of the FY16 amount is set aside for renewal rental assistance contracts that use up their funds before the end of their 12-month contract periods. At HUD, tenant-based rental assistance for FY16 is at $19.63 billion, up from $19.30 billion in FY15. HUD project-based rental assistance is also up for FY16 at $10.62 billion as opposed to $9.33 billion in FY15.

As for soft funding sources, the news from the appropriations bill is also positive. After years of short extensions, the New Markets Tax Credit (NMTC) program received a five-year extension at its current annual funding level of $3.5 billion, providing welcome certainty. The Community Development Block Grant (CDBG) maintained the same funding level as FY15 at $3 billion. The HOME program was increased from $900 million in FY15 to $950 million in FY16.

	FY15 Appropriation	FY16 Appropriation	Difference
USDA 521 Rental Assistance	$1.09 billion	$1.39 billion	*+$30 million*
HUD Tenant-Based Rental Assistance	$19.30 billion	$19.63 billion	*+$33 million*
HUD Project-Based Rental Assistance	$9.33 billion	$10.62 billion	*+$1.29 billion*
New Markets Tax Credit Program	$3.5 billion	$3.5 billion	*None*
Community Development Block Grant	$3 billion	$3 billion	*None*
HOME Program	$900 million	$950 million	*+$50 million*

1. Bloomberg Survey, Jan 14, 2016.

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HUD has also announced a new program that will benefit developers—the Small Building Risk Sharing Initiative. The program invites select lenders to work with FHA to provide long-term, fixed-rate lending products to multifamily property owners with mortgages up to $3 million, and up to $5 million in high-cost areas. Approved lenders assume 50% of the risk, and, in return, underwrite and service the loans subject to minimum standards, with the goal of reducing processing times as compared to traditional FHA mortgage insurance programs. The fact that the FHA assumes half the risk frees up lenders' balance sheets, allowing them to expand their lending activities.

LIHTC Prices High, 9% Floor Established

Prices for LIHTCs in 2015 remained at pre-recession levels, with investors seeing recent bids as high as $1.18 and $1.21 in strong Community Reinvestment Act (CRA) markets. Adding to that bright outlook is the fact that after years of advocating, the affordable housing industry finally got its permanent 9% LIHTC fixed interest floor of 9%. In recent years in the absence of the fixed rate, a floating rate was used that hovered around 7.5%, meaning projects were losing a substantial amount of tax credits. With construction costs continuing to rise, the added equity and certainty of the permanent fixed rate floor is essential and provides a big boost for developers pursuing LIHTC deals. The floor, however, does not help 4% LIHTCs, which still operate on a floating rate.

2016 Market Outlook

David Lacki, managing director of the housing group at Lancaster Pollard, expects the market to grow at a strong pace in 2016 with commercial mortgage-backed securities (CMBS) leading the way, followed by life companies, Fannie Mae and Freddie Mac, banks and FHA.

"The multifamily originations market grew by 13% from 2013 to 2014.[2] It would seem reasonable to expect an 8% increase in 2015 and a similar increase in 2016," said Lacki.

Although Lacki is encouraged by the high LIHTC pricing and generally favorable outlook for the housing industry, he notes that a lack of gap financing and the worsening affordability problems are real concerns.

"High LIHTC pricing certainly helps but the lack of gap financing is a larger obstacle," he said. "The favorable accounting change announced in January of 2014, which permits companies to recognize the cost of LIHTC investments 'below the line' in income tax expense versus the equity accounting method, has helped in this area. But with rents outpacing wages, we will see a continued widening in the affordability gap and more new construction opportunities where a market rate deal works but an affordable deal does not."

As for the rising interest rate environment, David Bonomo, senior vice president at Lancaster Pollard, thinks any increase in rates will have minimal impact on the pace of activity.

"I don't think a modest increase will slow down originations because the impact will not be prevalent on the long end of the yield curve," said Bonomo. "It's likely that the rate increase will be on the short end, resulting in a flattening of the yield curve."

Bonomo points out that the 10-year treasury is expected to be in the 2.10% to 4.36% range in 2016, according to Bloomberg. "The average since 1984 is 5.70%, so we will still be in a historically low interest rate environment throughout the year," he said.

In terms of the impact rising interest rates will have on 4% LIHTC transactions, Bonomo notes that taxable structures have outperformed their tax-exempt counterparts for many years. "In the beginning of 2015, the taxable structure was more attractive by about 24 basis points. Now that has grown to 40 basis points. It's hard to envision how that will change, especially with the political uncertainty caused by the election, so I'd expect to see most 4% LITHC deals utilize short-term, cash-backed tax-exempt bonds along with permanent taxable debt," he said.

Two trends to look out for in 2016, according to Bonomo, are deals hitting either the 10- or 15-year mark.

"The 10-year treasury averaged 4.79% in 2006 so those deals coming out of their 10-year lockout or yield maintenance periods should make sense to pursue this year," Bonomo said. "In addition, there were 68,542 LIHTC units financed in 2001 that are coming out of their compliance period that will need to be recapitalized."

As 2016 unfolds, housing developers have some certainty (a 9% LIHTC floor and improved funding levels) and some uncertainty (a presidential election and worsening affordability problems). Navigating the terrain will be a challenge, but at least there is some brightness on the horizon.

~ *Reprinted with permission from Lancaster Pollard's "The Capital Issue, February-March 2016".*

David Lacki is the managing director of Lancaster Pollards' housing group. David Bonomo is a senior vice president with Lancaster Pollard in New Jersey.

2. Mortgage Bankers Association, "2014 Annual Report on Multifamily Lending," 2015.

USDA SUMMER FOOD SERVICE PROGRAM

What is the Summer Food Service Program?

Just as learning does not end when school lets out, neither does a child's need for good nutrition. The Sumer Food Service Program (SFSP) provides free, nutritious meals and snacks to help children in low-income areas get the nutrition they need to learn, play, and grow throughout the summer months when they are out of school. This program is a federally-funded, state-administered program.

Who does the Program serve?

The SFSP serves children and teens age 18 and younger.

Why is the Program important?

Children need healthy food all year long. During the school year, many children receive free and reduced-price breakfast and lunch through the School Breakfast and National School Lunch Programs. When school lets out many of these children are at risk of hunger. Hunger is one of the most severe roadblocks to the learning process.

Lack of nutrition during the summer months may set up a cycle for poor performance once school begins again and make children more prone to illness and other health issues. The SFSP is designed to fill that nutrition gap and make sure children get the nutritious meals they need.

How Does it Work?

There are three main entities involved: State agencies, sponsors, and sites.

1) ***State agencies*** administer the program and communicate with USDA.
2) ***Sponsors*** run the program and communicate with the State agency. Schools, local government agencies, camps, faith-based and other non-profit community organizations that have the ability to manage a food service program may be SFSP sponsors.
3) ***Sites*** are places in the community where children receive meals in a safe and supervised environment. Sites may be located in a variety of settings, including schools, parks, apartment complexes, community centers, churches, and migrant centers. Sites work directly with sponsors. These meals could be served at your property. There are literally hundreds of "Sponsors" around the state that prepare and deliver these meals. Chances are, there is one in your area.

I know that many of you are providing extra services to your residents like health screenings, tutoring, computer labs, etc. This would be just one more positive thing that your property could do for its residents, as well as, for the others who live in your community. What more positive thing could you do than provide a breakfast and lunch to a child that might not be able to get one?

State agencies

- Recruit sponsors and publicize sites
- Provide training and technical assistance to sponsors
- Monitor sponsors and sites
- Process claims and distribute reimbursements to sponsors

Sponsors

- Recruit sites and provide them with training and technical assistance
- Monitor sites
- Report meal counts and submit claims for reimbursement to the State agency
- Conduct outreach to families in the community

Sites

- Feed and supervise kids
- Provide activities
- Conduct outreach to draw kids to sites

If you are interested in participating in the Summer Meals program as a site, please contact Royce Ann Wiggins at the Association Office at 254.778.6111, or via email at office@rrhatx.com.

This program is strongly supported by USDA Rural Development State Director Paco Valentin and he is looking forward to more MFH properties participating this summer.

RRHA OF TEXAS UPCOMING EVENTS

FEBRUARY 18, 2016
Training & Educational Forum
Chamber of Commerce
Temple, Texas

MARCH 22-23, 2016
Rural Development 3560 Training
Embassy Suites
Lubbock, Texas

*** APRIL 2016**
Interactive Property Management Training
Corpus Christi, Texas

*** APRIL 2016**
Rural Development 3560 Training
Corpus Christi, Texas

APRIL 26, 2016
Convention Committee Meeting
Austin, Texas
- Location to be Determined

APRIL 27, 2016
Board of Directors Meeting
Todd R. Kercheval Office (Conference Room)
Austin, Texas

*** MAY 2016**
Rural Development 3560 Training
Temple, Texas

*** MAY 2016**
Fundamentals of Property Mgmt. Training
Temple, Texas

*** JUNE 2016**
Interactive Property Management Training
Waxahachie, Texas

JULY 19-21, 2016
38th Annual Convention & Trade Show
Hilton Anatole
Dallas, Texas

**** indicates still tentative as of press time***

- FAIR HOUSING SESSION - JULY 2015 (Susan Weston)
- TAKING ON CONFLICT - JULY 2015 (Susan Weston)
- ADD MORE VALUE THAN YOU COST - JULY 2015 (Susan Weston)
- REAC INFORMATION - JULY 2015 (powerpoint)
- UL CHANGES TO EXCLUSIONS OF INCOME
- - RULE CHANGE FOR CALCULATING STUDENT INCOME
- ATTACHMENT TO RRHA OF TEXAS RENTAL APPLICATION - FOR USE ON 515 PROJECTS WITH PROJECT BASED SECTION 8 ASSISTANCE [1 PAGE]
- IRS GUIDE FOR COMPLETING FORM 8823
- GUIDE FOR COMPLETING ACTUAL BUDGET
- GUIDE FOR COMPLETING A PROPOSED BUDGET
- NEWSLETTER - FEBRUARY 2016
- CRIMINAL TRESPASS AFFIDAVIT [SAMPLE]
- POLICE NOTICE - YELLOW STICKER [SAMPLE]
- REASONABLE ACCOMMODATIONS [at 2011 convention] - POWERPOINT
- REASONABLE ACCOMMODATIONS.504 [at 2011 convention] - POWERPOINT
- REASONABLE ACCOMMODATIONS DOCUMENTATION [at 2011 convention] - POWERPOINT
- AFFIRMATIVE FAIR HOUSING MARKETING PLAN - MULTIFAMILY HOUSING
- LIST OF CERTIFIED RURAL HOUSING MANAGERS (by company)
- 2014 CONVENTION PHOTOS
- TX MF Hsg Summit Report 3-6-15