



APARTMENT AND OFFICE
BUILDING ASSOCIATION
OF METROPOLITAN
WASHINGTON

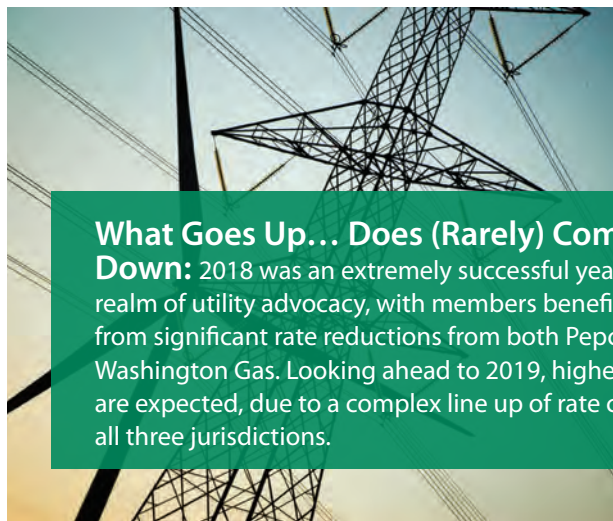
LOOKING BACK AS WE MOVE FORWARD

We are grateful for the strong member support that allowed us to achieve impressive results during 2018 and to plan strategically for 2019. We hope this summary inspires you to become **more engaged** in 2019! As always, **additional information is available online** or from your Association staff.

What made 2018 at AOBA stand out?



Membership Retention Rate is Golden: Even with new members joining the AOBA community, our retention rate remains at a “gold” standard. During 2018, the Association gained an additional 60 members – including 25 multifamily owner/manager firms, and our member retention rate was an impressive 98 percent.



What Goes Up... Does (Rarely) Come

Down: 2018 was an extremely successful year in the realm of utility advocacy, with members benefitting from significant rate reductions from both Pepco and Washington Gas. Looking ahead to 2019, higher costs are expected, due to a complex line up of rate cases in all three jurisdictions.



Gaining Government Affairs Capacity: AOBA expanded its advocacy presence in DC in late October with the addition of Randi K. Marshall as Vice President of Government Affairs, DC – Residential. Randi is working alongside Kirsten B. Williams, Esq., who is now focused on the office building market as Vice President of Government Affairs, DC – Commercial. With this staff addition, AOBA now has two full time advocacy execs in DC, Maryland and Virginia.

Foundation Marks First-Year Milestones:

The newly established AOBA Educational Foundation received its official 501(c)(3) status; two substantial donations will help expand the organization’s workforce development services; four of the Foundation’s Summer 2018 Interns are now employed in the industry; and commercial real estate executive Marc Fischer, who was named Interim Executive Director, is now poised to implement programs for 2019.

DISTRICT OF COLUMBIA

2018 Advocacy Highlights

DCRA Proactive Inspection Program

Changes Reversed: For the past few years, AOBA members have reported that DCRA has undertaken unwarranted programmatic changes – including reducing the five-year inspection cycle to two-years. These procedural changes unfairly targeted members with a record of compliance by subjecting them to unnecessary inspections. Thanks to AOBA's advocacy during hearings, DCRA Director Melinda Bolling reversed these haphazard changes, saving members

countless hours of unnecessary efforts preparing for inspections of code-compliant units.

Evictions Issue Resolved: In the spring of 2018, multifamily members faced a major hurdle – a new requirement to inventory, pack, transport and store an evicted tenants' items for 30 days, since the U.S. Marshal's Service would no longer allow members to move evicted tenant's items into public space. AOBA voiced strong opposition to this rule, and successfully obtained a victory for tenants and housing providers.

The issue's resolution has enhanced notifications provided to tenants, while also ensuring members are not subjected to additional costs involved in packing and storing a tenant's items.

New Commercial Property Tax Structure's Impact Reduced:

Thanks largely to AOBA's advocacy efforts regarding the District's two-cent Commercial Property Tax increase, the Council's final budget included a rate reduction for the properties that would have been most impacted by the new two-tier structure. This reduction saved members millions of dollars in property taxes.

Millions Secured in FY'19 Budget for Tax Credits, Tenant Assistance:

After years of encouraging the DC Council to revive the Tenant Assistance Program to provide rental subsidies to low and moderate income residents, the Council approved a pilot tenant assistance program for seniors in the FY '19 budget. AOBA was also successful in securing \$1.25 million for tax credits to property owners of rent-controlled property who experience losses due to rent increase restrictions on elderly and disabled tenants.

Unnecessary Licensing for Property Management Staff Thwarted:

AOBA successfully thwarted legislation that would have required on-site property managers and other personnel to hold a property manager license. This legislation would have required additional, costly courses for licensed real estate brokers and salespersons who are already managing properties.

Members Save Millions in Proposed Rental Unit Fees:

AOBA successfully defeated an attempt to increase the Rental Unit fee in order to secure additional funding to develop a new Rental Housing database. AOBA was successful in urging the Council to undertake additional analysis on the use of the database funds before mandating that housing providers pay any more towards its development. ■



AOBA Alliance Continues to Grow Customer Portfolio



The AOBA Alliance, Inc. experienced substantial growth in 2018 with the signing of new electric and natural gas customers in its core territory of DC, MD, VA and PA as well as in other jurisdictions throughout the country. Through the expansion program with Constellation, current AOBA Alliance

participants with properties outside of the Alliance core territory are eligible to contract for energy using language from the AOBA Alliance agreement.

In addition, the AOBA Alliance successfully renewed multiyear contracts for electric and natural gas customers with terms extending through 2024. Together with Constellation, the AOBA Alliance continues to offer the most competitive

electricity and natural gas supply pricing, green energy offerings, utility budgeting assistance, and a unique energy contract with terms tailored to meet the specific needs of commercial and multifamily customers.

In October, the AOBA Alliance welcomed new team member Kevin Carey, who brings two decades of utility experience to his position as Director of Operations. ■

Signature Events Provide Time for Networking, Recognition



In our digital environment, there's no substitute for face time! AOBA's five, annual signature events offer unique opportunities for members to meet, mingle and honor outstanding industry achievement.

Thanks to all who attended this year's popular special events –

including the **Annual Meeting**, **NAA Maintenance Mania**, **Commercial Awards Celebration**, **Golf Tournament** and **Holiday Party**. And a huge shout out to our generous sponsor firms, as well as our dedicated volunteers who manage everything from judging awards to maintenance contests. We couldn't do it without you! ■



VIRGINIA 2018 Advocacy Highlights

Organized Opposition to Overcome “Tech Tax” Aimed at Data Centers:

AOBA worked with the Northern Virginia Technology Council and Prince William Chamber of Commerce to defeat a proposal aimed at deterring data center development. This proposal would have

tripled the County's tax on computers and peripheral equipment.

Expediting the Unlawful Detainer/

Eviction Process: AOBA advanced legislation to streamline the eviction process by allowing evictions to be scheduled during the tenant's 10-day appeal period, as long as the evictions are not executed prior to its expiration. Some Courts had been significantly extending the timeline for an eviction by not allowing the eviction to be scheduled until after the appeal period had expired.

Defeating Costly, Burdensome “Source of Income” Legislation:

AOBA again defeated legislation aimed at adding “source of income” or “source of funds” to the list of protected classes under

fair housing law, effectively mandating participation in the federal housing choice (Section 8) voucher program.

Protecting Against Overreaching Energy Benchmarking Mandates:

AOBA successfully blocked a legislative effort to allow local governments to mandate that commercial and residential buildings engage in energy benchmarking and turn over the proprietary and confidential data to the locality. AOBA strongly supports benchmarking, but opposes mandatory disclosure of private information.

Keeping Metrorail Viable: As part of a coalition of business groups, AOBA successfully advocated for \$154 million in annual operating funding to support Metrorail to keep the critical transit service viable.

Expanding VIP Programs for

Members: AOBA continued to expand its educational programs for members with interests in Virginia in 2018, adding the new *Mayors & Chairs* event series that provides members with direct access to the region's key elected leaders. ■



MARYLAND 2018 Advocacy Highlights

Opposing Discriminatory Water Rates:

AOBA successfully led the opposition to proposed legislation that would have authorized WSSC to vary water and sewer rates based on customer classes. The bill would have been used to increase water and sewer rates for business customers.

Avoiding Eviction Delays: Along with other housing allies, AOBA successfully opposed legislation that would have made several changes to filings and court procedures by which residential rental property owners repossess their property when the tenant fails to pay rent when due. The bill would have potentially caused significant delays to eviction cases by allowing tenants to contest lead registration information.

Commercial Property Repossession –

Service of Process: AOBA worked with commercial property advocates to enact legislation codifying the ability of commercial property owners to use

private process servers in a repossession action. This enables owners to receive a judgment for both possession and a money judgment in a summary ejectment proceeding.

Carbon Tax Opposed:

AOBA successfully opposed legislation that would have imposed a multi-billion dollar Greenhouse Gas pollution charge on all fossil fuels brought into the state for use or distribution. The bill would have significantly raised members' costs for gas and electricity.

Just Cause Eviction Averted: AOBA led the opposition to legislation that would have required rental property owners in Montgomery County to renew a tenant's lease on substantially similar terms forever, unless they could demonstrate that the non-renewal was based on one of 11 "just causes."

Late Fees Protected: AOBA successfully opposed legislation that would have

tied rental property owners' hands in imposing late fees when a tenant received a government benefit payment after the due date for rent.

Zoning Rewrite Amended in Prince George's County:

Thanks to AOBA's advocacy, an amendment was included in the massive zoning rewrite bill so that new access or

parking could be added at a multifamily property without the need for a special exception or a 30 percent reduction in the number of bedrooms.

MONTGOMERY COUNTY

Recordation Tax Stopped: The Association stalled a proposed recordation tax increase that would have disproportionately impacted transactions valued over \$1 million.

Proposed Solar, Green Roof

Mandates Stalled: AOBA secured the removal of a proposal to mandate solar or green roofs for new and "extensively modified" commercial and multifamily buildings. AOBA advocated instead for increasing funding, including use of fuel/energy tax revenues, for energy efficiency incentives that support a wide array of projects based on the specific needs of a company and building.

Amendments Secured to "Troubled Properties" Program:

The County removed language that would have penalized older buildings based on the age of a rental property. How points are assessed and calculated is important, since this is the methodology used for identifying a "troubled property" that is subject to frequent inspections and enhanced enforcement efforts. ■



Educational Programs Focus on Key Industry Issues

During 2018, members dedicated precious time to polish their skills, share best practices and gain valuable industry certifications.

AOBA offered NALP training, BOMI courses, and seminars on topics ranging from emergency preparedness and OSHA requirements, to fire safety and landlord tenant concerns. Members also benefitted from a wide range of online

training opportunities offered by our national affiliates – BOMA International and NAA.

COMING in 2019: Watch for details on AOBA's exciting new professional development program, the EMERGING LEADERS COUNCIL, geared to property management professionals with three to ten years of experience. ■



Community Outreach Programs Support Region's Youth

Sincere thanks to the Community Outreach Committee and dedicated member volunteers for another impactful year of providing assistance to our region's youth.



In 2018, AOBA selected **Covenant House**

of Greater Washington as our new community partner. This effective nonprofit works to “empower, safeguard and serve youth experiencing homelessness, disconnection, and exploitation in the Greater Washington region.” Although based in DC, Covenant House provides benefits to individuals across the region.

As our first major undertaking, hardy AOBA volunteers participated in Covenant House's SLEEP OUT fundraiser in November, and raised more than \$10,000 for the organization.

Members' Support for Duckworth School Remains Strong: With a new principal and priorities, AOBA members stood by this Prince George's County school for children with disabilities. Volunteers undertook annual spring cleaning, landscaping and painting projects during Clean Up Day, cheered students at the annual *Special Olympics Challenge Day* (top photo), raised funds for school programs and provided gift cards for Duckworth families.

Lending A “Hand Up” to Outstanding

Students: The successful AOBA Scholars program for outstanding Prince George's County high school students is now in its 22nd year. Seven students (lower photo) were presented in the Fall with a \$6,000 scholarship to Prince George's Community College. ■



Members Gain National Strength, Services from BOMA, NAA Affiliation



We have the best of both worlds at AOBA – the opportunity to think and act locally, with the strong support of two national organizations!

The Association's federation with the Building Owners and Operators Association International (BOMA) and the National Apartment Association (NAA) provides members with tangible benefits - from research and education to critical Federal government representation. ■



2018 UTILITY RECAP

AOBA's utility advocacy and litigation team had an extremely successful, busy year **litigating a record 15 cases** before the public utility commissions in the District of Columbia, Maryland, and Virginia.

2018 began with a series of rate decreases and rate credits. Looking ahead, 2019 looks to be a year of potential rate increases and substantial shifts in the utility paradigm.

While several regulatory proceedings are in progress or pending before the utility commissions, AOBA's efforts in 2018 led to the following successful outcomes for members in each jurisdiction:

District of Columbia

PEPCO Rates Reduced Significantly, Rate Credits Issued: AOBA's efforts in the proceedings were successful in achieving a reduction in Pepco's distribution rates by \$24.1 million due to the consolidation of Pepco's requested rate increase of \$66.2 million with the proceeding considering the impact of the Tax Cuts and Jobs Act of 2017. Additionally, due to AOBA's efforts commercial customers received a one-time bill credit in September 2018 of \$24.9 million, approximately a 5% distribution rate credit.

Washington Gas Rate Credits for Commercial Customers and Rate Increase Moratorium: AOBA's participation in the Settlement of the acquisition proceeding by AltaGas of WGL resulted in non-residential customers receiving a \$5.4 million one-time distribution rate credit. WG's last rate case was decided on March 3, 2017 and in that case non-residential rates were increased by \$2.7 million. Essentially, this rate credit offsets approximately two years of the rate increase granted in March of 2017. In addition, the Settlement provides for the AOBA Educational Foundation,

a 501(c)(3) Corporation, to receive \$250,000 per year for seven years, a \$1.75 million total.

Rate Increase Moratorium: AltaGas has also agreed that WG will not file a new application requesting an increase in base rates in the District of Columbia until after January 3, 2020.

Washington Gas Rates Reduced, Additional Credits Achieved: AOBA was able to achieve as part of a Settlement in the case considering the effects of the Tax Cuts and Jobs Act of 2017 ("TCJA") on WG, a reduction in WG's rates of \$8.2 million for all customer classes on August 1, 2018, including the interruptible class of approximately 5%. Further, AOBA was able to achieve a rate credit of \$5.1 million, which is in addition to the AltaGas/WG merger credit of \$5.4 million for WG non-residential customers.

AOBA Challenges DC Undergrounding Statute: By statute and subject to DC Commission approval, Pepco and the DC Department of Transportation (DDOT) are permitted to recover the cost of the relocation of specific power lines underground. In an appeal argued in late September, AOBA challenged the statute's validity as well as the DC Commission's decision to allocate 90 percent of the costs to be recovered by Pepco and DDOT to AOBA members. A decision on the AOBA appeal is expected by the end of 2018.

Maryland

PEPCO Rates Reduced Significantly, Rate Credits Issued: After a Settlement was reached in the combined Pepco request for a \$41.4 million rate increase filed on Jan. 2, 2018, which included a phase-in of an additional \$15 million, with the proceeding considering the impacts of the Tax Cuts and Jobs Act of 2017, AOBA's efforts were successful in achieving a reduction in Pepco's

distribution rates by \$15 million effective June 1, 2018. In addition, due to AOBA's efforts, Maryland customers, including all commercial customers, received a one-time bill credit beginning July 31, 2018 of \$9.7 million, approximately a 2% distribution credit.

Washington Gas Rate Credits for Commercial Customers: AOBA's participation in the proceeding of AltaGas acquisition of Washington Gas resulted in the Commission agreeing with AOBA's position that non-residential customers were entitled to rate credits totaling \$8.8 million.

Virginia

Washington Gas \$37.6 Million Rate Request in Progress: In July of 2018, Washington Gas filed a request to increase its rates and charges for usage beginning with the January 2019 billing cycle, subject to refund. WG has proposed an increase of its annual operating revenues by \$37.6 million, with approximately \$14.7 million of the request relating to infrastructure investment costs associated with the Steps to Advance Virginia Energy Plan (SAVE).

The SCC will consider the effects of the accrued liability resulting from the Tax Cuts and Jobs Act ("TCJA") beginning Jan. 1, 2018, as well as the TCJA's impact on gas rates going forward in this new proceeding. This case is currently in progress.

Dominion Underground Rider Proposal in Progress: AOBA intervened in the proceeding reviewing Dominion Energy Virginia's application for revision to the company's Rider U for the recovery of costs associated with Dominion's Strategic Underground Program for the rate year Feb. 1, 2019 through Jan. 31, 2020 pursuant to SB 966 to protect our members' interests. A decision is pending. ■