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Presidents message: Highlights of the IREM leadership summit

April 30, 2008 - Owners Developers & Managers

I always find visiting Washington, D.C. for the Institute of Real Estate Management's legislative leadership summit very informative and uplifting. That focuses on legislative issues and provides the members the opportunity to participate and influence public policy that affects our industry. This year the institute had 275 participants with 220 meetings with members of congress covering 40 states. David Barrett the chapter's legislative chairman and I met with the staff of congressman and senators from both Mass. and N.H. We were walking down the marble hallways with the colors of the states flags we saw other citizens meeting with members of congress to present their issues and positions. It is very clear to me that to affect public policy. First you have to participate, second you have to develop relationships with the staff and third be able to present your position. One more thing to remember the government does not have all the answers to problems. They rely heavily on its citizens with knowledge to create laws that affect us all. Below are the issues that were presented on our capitol hill visits.

Energy Tax Credits

IREM believes that incentives for energy efficiency investments are the best way to promote conservation. While many proposals threaten to require mandates for green buildings and "zero-net" energy, we believe positive incentives are the better way to achieve the goal.

IREM supports H.R. 5351, the "Renewable Energy Conservation Tax Act of 2008." This legislation will extend tax incentives for energy efficiency in commercial buildings and allows a five-year recovery period for the depreciation of qualified energy management devices.

Climate Change/Energy

Today, commercial buildings make up 73 billion s/f of real estate in this country. Our lawmakers need to understand the benefits of market-based incentives to retrofit existing buildings for energy efficiency and the serious consequences to mandating the same.

Natural Disaster Insurance

The intensity of large natural disasters in recent years has made the acquisition of adequate property insurance very difficult in some areas. Insurers are declining to write policies, canceling existing policies or increasing premiums on existing policies. Recently, hurricanes Katrina and Rita have refocused attention on this issue. The viability of the insurance market is critical to real estate financing. Both commercial and multifamily properties should be covered in addition to homeowner's insurance.

IREM members lobbied their legislators to amend the "Homeowners Defense Act" (H.R. 3355 and S.2310) to include protection for commercial and multifamily properties.

Leasehold Improvements

It would be unrealistic to revert to the prior recovery period of 39 years depreciable life for tenant

improvements. A realistic cost recovery period, such as 10-15 years, is a reasonable incentive to keep downtown office, commercial and retail space modern, efficient, and competitive with suburban space. In addition, such a change would more closely mirror corresponding lease terms for these properties.

IREM supports the "Leasehold Improvement Depreciation Act of 2007" (H.R. 2014/ S. 1361) which would make the 15-year recovery period for leasehold improvements permanent.

Capital Gains/Depreciation Recapture

Under current law, capital gains are taxed at a maximum rate of 15%. This rate is temporary and will revert to 20% as of January 1, 2011. When capital gains tax rates were reduced to 15% from 20% in 2003, the depreciation recapture rate remained at 25%. Before 1997, depreciation recapture amounts were taxed at the same rate as capital gains. IREM supports a level playing field for those who choose to invest in real estate and thus oppose rates for depreciation recapture that are higher than the capital gains rate.

If you have never attended this conference I highly recommend it. Try it you will like it.

Just a quick reminder that May 17th is the New England Region's 70th celebration at Granite Links. This is a celebration the past present and future by inducting Robert Nordblom and Harry Gilbert into the New England Hall Of Fame. In addition, we will be inducting Candice Thayer as a CPM. The induction will be performed by her father Douglas Thayer chapter president 1991. Thayer is the great granddaughter of Harry Gilbert the first vice president of the chapter. Reggie Mullins will be talking about the future of the institute. There will be a wine tasting and dancing. Do not miss the fun.

Winder Nordblom is the 2008 president of the Boston chapter of IREM, Boston, Mass.

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