

AVALONBAY COMMUNITIES INC
Form DEF 14A
April 05, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of

the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under §240.14a-12

AVALONBAY COMMUNITIES, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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(1) Title of each class of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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Check box if any part of the fee is offset as provided by Exchange Act Rule 0 11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Dear Fellow Stockholders:

I welcome you to join me and the entire Board of Directors at our 2017 Annual Meeting of Stockholders, which will be held on May 18, 2017, at our offices in Arlington, Virginia.

At this year's meeting we will vote on the election of ten directors and the ratification of Ernst & Young as the Company's independent auditor, as well as the adoption of an amended and restated equity incentive plan. We will also conduct a non-binding advisory vote to approve the compensation of the Company's named executive officers and a non-binding advisory vote on the frequency of such a stockholder vote.

Your vote is important. Whether or not you plan to attend the meeting, we want your shares to be represented. Please vote your shares as soon as possible electronically through the Internet, by telephone, or by completing, signing and returning the proxy card enclosed with the Proxy Statement. More detailed instructions on how to vote are provided on page four of the Proxy Statement.

To attend the meeting a government issued photo identification is required and we encourage you to register in advance for admission to the meeting. To register in advance, please follow the instructions on page three of the Proxy Statement.

Our Board of Directors values your participation as a stockholder and appreciates your continued support of AvalonBay.

April 7, 2017 Sincerely,

Timothy J. Naughton
Chairman of the Board
and Chief Executive Officer

AvalonBay Communities, Inc.

Ballston Tower, 671 N. Glebe Road, Suite 800

Arlington, VA 22203

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON MAY 18, 2017

NOTICE IS HEREBY GIVEN that the 2017 Annual Meeting of Stockholders (the "Annual Meeting") of AvalonBay Communities, Inc., a Maryland corporation (the "Company"), will be held on Thursday, May 18, 2017, at 8:00 a.m., local time, at the offices of the Company, Ballston Tower, 671 N. Glebe Road, Suite 800, Arlington, VA 22203, for the following purposes:

1. To elect the following ten directors to serve until the 2018 Annual Meeting of Stockholders and until their respective successors are elected and qualify: Glyn F. Aeppel, Terry S. Brown, Alan B. Buckelew, Ronald L. Havner, Jr., Richard J. Lieb, Timothy J. Naughton, Peter S. Rummell, H. Jay Sarles, Susan Swanezy and W. Edward Walter.
2. To consider and vote upon ratification of the selection of Ernst & Young LLP by the Audit Committee of the Company's Board of Directors to serve as the Company's independent auditors for 2017.
3. To consider and vote upon approval of the Company's Second Amended and Restated 2009 Equity Incentive Plan.
4. To consider and vote upon a resolution to approve, on a non binding, advisory basis, the compensation of certain executives of the Company as more fully described in the accompanying proxy statement.
5. To cast a non-binding, advisory vote on the frequency of a stockholders' advisory vote on the Company's named executive officer compensation.
6. To transact such other business as may be properly brought before the Annual Meeting and at any postponements or adjournments thereof.

The Board of Directors has fixed the close of business on March 6, 2017, as the record date for determining the stockholders entitled to receive notice of and to vote at the Annual Meeting and at any postponements or adjournments thereof. Only holders of record of the Company's common stock, par value \$0.01 per share (the "Common Stock"), at that time will be entitled to receive notice of and to vote at the Annual Meeting and at any postponements or adjournments thereof.

We request that you authorize a proxy to vote your shares by completing and signing the enclosed proxy card, which is being solicited by the Board of Directors, and by mailing it promptly in the enclosed postage prepaid envelope. You may also authorize a proxy to vote your shares by telephone or over the Internet by following the instructions on your proxy card. Any proxy delivered by a holder of Common Stock may be revoked by delivering written notice to the Company stating that the proxy is revoked or by delivery of a properly executed, later dated proxy. Holders of record of Common Stock who attend the Annual Meeting may vote in person, even if they have previously delivered a signed proxy or authorized a proxy by telephone or over the Internet, but the presence (without further action) of a stockholder at the Annual Meeting will not constitute revocation of a previously delivered proxy.

If you plan to attend the meeting, we encourage you to register in advance for admission to the meeting. To register, please follow the instructions set forth on page three of the accompanying proxy statement. All meeting attendees must present government issued photo identification, such as a driver's license or passport, at the meeting.

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A copy of our Annual Report on Form 10 K for the fiscal year ended December 31, 2016 and our 2016 Annual Report to Stockholders accompany this Notice.

By Order of the Board of Directors
Arlington, Virginia Edward M. Schulman
April 7, 2017 Secretary

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Proxy Summary

This summary highlights certain information about AvalonBay Communities, Inc., a Maryland corporation (the “Company”), and its Annual Meeting of Stockholders and summarizes information contained elsewhere in this proxy statement. This summary does not contain all of the information that you should consider and you should read the entire Proxy Statement before voting. For more complete information regarding the Company’s 2016 performance, please review the Company’s Annual Report on Form 10 K for the year ended December 31, 2016, and the Company’s 2016 Annual Report to Stockholders, both of which are being sent to stockholders with this Proxy Statement. This Proxy Statement and the accompanying Notice of Annual Meeting and proxy card are first being sent to stockholders on or about April 7, 2017.

2017 Annual Meeting of Stockholders Information

Date and Time: Thursday, May 18, 2017, at 8:00 a.m. local time

Place: The offices of the Company, Ballston Tower, 671 N. Glebe Road, Suite 800, Arlington, VA 22203

Record Date: March 6, 2017

Meeting Agenda and Voting Matters

Proposal	Board’s Voting Recommendation	Page References
1. Election of Directors	FOR EACH NOMINEE	6-9
2. Ratification of Selection of Independent Auditors	FOR	10
3. Approval of Company’s Second Amended and Restated 2009 Equity Incentive Plan	FOR	11-20
4. Non-Binding, Advisory Vote to Approve Executive Compensation	FOR	21
5. Non-Binding, Advisory Vote on Frequency of Vote on Executive Compensation	EVERY YEAR	22

Executive Compensation

Election of Directors (Proposal 1)

The Board of Directors recommends a vote FOR each director nominee.

Name	Age	Director Since	Independent	Current Committees*	Proposed Committees*
Timothy J. Naughton	54	2005		IFC	IFC
Glyn F. Aeppel	57	2013	X	AC, IFC (Chair)	IFC (Chair), NCG
Terry S. Brown	54	2015	X	AC, IFC	AC, IFC
Alan B. Buckelew	67	2011	X	AC (Chair), IFC	AC (Chair), CC
Ronald L. Havner, Jr.	58	2014	X	AC, IFC	AC, IFC
Richard J. Lieb	57	2016	X		AC, IFC
Peter S. Rummell	70	2007	X	IFC, NCG	IFC, NCG
H. Jay Sarles**	70	2005	X	CC, NCG (Chair)	CC, NCG (Chair)

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Susan Swanezy	58	2016	X		AC, IFC
W. Edward Walter	60	2008	X	CC (Chair), NCG	CC (Chair), NCG

* IFC = Investment and Finance Committee, AC = Audit Committee, CC = Compensation Committee, NCG = Nominating and Corporate Governance Committee. Immediately following the Annual Meeting, the Board expects to make the changes to committee assignments reflected above.

** Lead Independent Director

Ratification of Selection of Auditors (Proposal 2)

The Board of Directors recommends a vote FOR ratification of the selection of Ernst & Young by the Audit Committee of the Company's Board of Directors to serve as the Company's independent auditors for 2017.

Approval of Amended and Restated Equity Incentive Plan (Proposal 3)

The Board of Directors recommends a vote FOR approval of the Company's Second Amended and Restated 2009 Equity Incentive Plan.

Advisory Vote to Approve Executive Compensation (Proposal 4)

The Board of Directors recommends a vote FOR the resolution to approve, on a non binding, advisory basis, the compensation paid to the Company's Chief Executive Officer and other officers named in the Summary Compensation Table on Page 54.

Advisory Vote on Frequency of Advisory Vote on Executive Compensation (Proposal 5)

The Board of Directors recommends a vote in favor of holding stockholder advisory votes on compensation EVERY YEAR (as opposed to every two years or every three years).

Corporate Governance Best Practices

All directors are independent other than the CEO

Annual election of all directors and majority voting in uncontested elections

Policy on recoupment of incentive compensation (clawback policy)

Lead Independent Director

Director and executive officer stock ownership guidelines

Director and executive officer prohibition against hedging, pledging or borrowing against Company stock

Policy regarding stockholder approval of future severance agreements that provide for severance benefits above a certain level

Executive sessions of independent directors at each regularly scheduled Board meeting

Regular succession planning, including guidelines on director and committee chairman tenure

No former employees serve as directors

No employment agreements with officers

Proxy access provision in Bylaws

No stockholder rights plan ("poison pill") and policy regarding adoption of future plans

Double trigger equity compensation vesting in the event of a change in control

Policy on political contributions and government relations

Policy to encourage and reimburse directors for attendance at director education events

Published comprehensive sustainability and corporate social responsibility report

Annual advisory vote to ratify independent auditor

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I. Some Questions You May Have Regarding This Proxy Statement

Q. Why am I receiving these materials?

A. The accompanying proxy is solicited on behalf of the Board of Directors of the Company. We are providing these proxy materials to you in connection with our 2017 Annual Meeting of Stockholders to be held on Thursday, May 18, 2017, at 8:00 a.m., local time, at the offices of the Company, Ballston Tower, 671 N. Glebe Road, Suite 800, Arlington, Virginia 22203, and any postponements or adjournments thereof (the "Annual Meeting" or the "2017 Annual Meeting"). As a Company stockholder, you are invited to attend the Annual Meeting and are entitled and requested to vote on the proposals described in this proxy statement. Directions on how to attend the Annual Meeting in person are available on the Company's Internet website at www.avalonbay.com.

Q. How can I access the proxy materials electronically?

A. This proxy statement, our 2016 Annual Report to Stockholders and our Annual Report on Form 10-K for the year ended December 31, 2016 are available online at www.proxyvote.com. Instead of receiving copies of our future annual reports, proxy statements, and proxy cards by mail, stockholders can elect to receive an email that will provide electronic links to our proxy materials and an electronic link to the proxy voting site. Choosing to receive your future proxy materials online will save us the cost of printing and mailing documents to you and help conserve natural resources. You may sign up for electronic delivery by visiting www.proxyvote.com. If you elect to receive these materials by electronic delivery, you may change your election at any time.

Q. Who may vote at the Annual Meeting?

A. You may vote all the shares of our common stock, par value \$0.01 per share ("Common Stock"), that you owned at the close of business on March 6, 2017, the record date for determining stockholders entitled to receive notice of, and to vote on, these matters (the "Record Date"). On the Record Date, the Company had 137,480,293 shares of Common Stock outstanding and entitled to vote at the meeting. You may cast one vote for each share of Common Stock held by you on all matters.

Q. How do I obtain admission to the Annual Meeting?

A. If you plan to attend the Annual Meeting, we encourage you to register in advance. All meeting attendees must present government issued photo identification, such as a driver's license or passport, at the meeting. In addition, if you are authorized to represent a corporate or institutional stockholder, you must also present written evidence you are the authorized representative of such stockholder. Please submit your request to register on or before Friday, May 12, 2017, by mailing or faxing a request to the Company's Corporate Secretary at 671 N. Glebe Road, Suite 800, Arlington, VA 22203, facsimile: 703 329 4830 or sending an email to 2017AnnualMeeting@AvalonBay.com. Please include the following information: (a) your name and mailing address, (b) whether you need special assistance at the meeting and (c) if your shares are held for you in the name of your broker, bank or other nominee, evidence of your stock ownership (such as a current letter from your broker or a photocopy of a current brokerage or other account statement) as of March 6, 2017. The meeting facilities will open at 7:30 a.m., local time, to facilitate your registration and security clearance. For your security you will not be permitted to bring any packages, briefcases, large pocketbooks or bags into the meeting. Also, cellular phones, audio (tape or digital) recorders, video and still cameras, pagers, laptops and other portable electronic devices as well as pets may not be permitted into the meeting. Thank you in advance for your cooperation with these rules.

Q. What constitutes a quorum at the Annual Meeting?

A. The presence, in person or by proxy, of holders of a majority of all of the shares of Common Stock entitled to vote is necessary to constitute a quorum for the transaction of business at the Annual Meeting. Abstentions and “broker non votes” will be counted for purposes of determining whether a quorum is present for the transaction of business at the Annual Meeting. A “broker non vote” refers to a share represented at the meeting held by a broker, as to which instructions have not been received from the beneficial owner or person entitled to vote such shares and with respect to which, on one or more but not all matters, the broker does not have discretionary voting power to vote such share.

Note that under New York Stock Exchange (“NYSE”) rules, if you hold shares through a bank, broker or other institution and you do not provide your voting instructions to them at least 10 days before the Annual Meeting, that firm has the discretion to vote your shares on proposals that the NYSE has determined are routine, such as the ratification of the appointment of the independent public accounting firm. A bank, broker or institution that holds your shares cannot vote your shares on non routine matters, such as the election of directors, approval of compensation related matters, or a proposal submitted by a stockholder, without your voting instructions.

Q. What proposals will be voted on at the Annual Meeting?

A. At the Annual Meeting, stockholders will be asked to: (1) elect ten directors of the Company, (2) consider and vote upon ratification of the selection of Ernst & Young LLP as the Company’s independent auditors for 2017, (3) consider and vote upon a resolution to approve the Company’s Second Amended and Restated 2009 Equity Incentive Plan, (4) consider and vote upon a resolution to approve, on a non binding, advisory basis, the Company’s named executive officer compensation, (5) consider and vote upon a resolution, on a non-binding, advisory basis, to determine the frequency of advisory votes on executive officer compensation and (6) transact such other business as may be properly brought before the Annual Meeting, in each case as specified in the Notice of Annual meeting and more fully described in this proxy statement.

Q. How do I vote?

A. Whether you hold shares directly as the stockholder of record or indirectly as the beneficial owner of shares held for you by a broker or other nominee (i.e., in “street name”), you may direct your vote without attending the Annual Meeting. You may vote by granting a proxy or, for shares you hold in street name, by submitting voting instructions to your broker or nominee. In most instances, you will be able to do this over the Internet, by telephone or by mail. Please refer to the summary instructions below and those included on your proxy card or, for shares you hold in street name, the voting instruction card provided by your broker or nominee.

By Internet—If you have Internet access, you may authorize your proxy from any location in the world by following the “By Internet” instructions on the proxy card or, if applicable, the Internet voting instructions that may be described on the voting instruction card sent to you by your broker or nominee.

By Telephone—If you are calling from the United States or Canada, you may authorize your proxy by following the “By Telephone” instructions on the proxy card or, if applicable, the telephone voting instructions that may be described on the voting instruction card sent to you by your broker or nominee.

By Mail—You may authorize your proxy by signing your proxy card and mailing it in the enclosed, postage prepaid and addressed envelope. For shares you hold in street name, you may sign the voting instruction card included by your broker or nominee and mail it in the envelope provided.

For shares held directly in your name, you may change your proxy instructions at any time prior to the vote at the Annual Meeting. You may do this by granting a new properly executed and later dated proxy, by filing a written revocation with the Secretary of the Company at the address of the Company

set forth above, or by attending the Annual Meeting and voting in person. Attendance at the Annual Meeting without further action will not cause your previously granted proxy to be revoked. You may change your proxy instructions for shares you beneficially own by submitting new voting instructions to your broker or nominee in the manner and within the time periods they prescribe.

If a properly signed proxy is submitted but not marked as to a particular item, the proxy will be voted (i) FOR the election of the nominees for director of the Company named in this Proxy Statement, (ii) FOR the ratification of the selection of Ernst & Young LLP as the Company's independent auditors for 2017, (iii) FOR approval of the Second Amended and Restated 2009 Equity Incentive Plan, (iv) FOR the non-binding, advisory resolution to approve the Company's named executive officer compensation, and (v) in favor of EVERY YEAR on the non-binding advisory resolution on the frequency of advisory votes on executive compensation. It is not anticipated that any matters other than those set forth in the Proxy Statement will be presented at the Annual Meeting. If other matters are presented, proxies will be voted in the discretion of the proxy holders.

Q. What is householding?

A. If you and other residents at your mailing address own shares of Common Stock in street name, your broker, bank or other nominee may have sent you a notice that your household will receive only one annual report, notice of annual meeting and proxy statement. This procedure is known as "householding" and is intended to reduce the volume of duplicate information stockholders receive and also reduce our printing and postage costs. If you consented or were deemed to have consented to householding, your broker, bank or other nominee may send one copy of our annual report, notice of annual meeting and proxy statement to your address for all residents that own shares of common stock in street name. If you wish to revoke your consent to householding, you must contact your broker, bank or other nominee. If you are receiving multiple copies of our annual report, notice of annual meeting and proxy statement, you may be able to request householding by contacting your broker, bank or other nominee. If you wish to request extra copies free of charge of our annual report or proxy statement, please send your request to the Corporate Secretary at the address below, call us with your request at 703 329 6300 or visit the "Investor relations" section of our website at www.avalonbay.com.

The Company's 2016 Annual Report to Stockholders and a copy of the Company's Annual Report on Form 10-K for the year ended December 31, 2016, as filed with the Securities and Exchange Commission ("SEC"), are being mailed to stockholders concurrently with this Proxy Statement. The Annual Report to Stockholders and Form 10-K, however, are not part of the proxy solicitation materials. A copy of any or all exhibits to the Company's Annual Report on Form 10-K, and a copy of the Company's Code of Business Conduct and Ethics, may be obtained free of charge by writing to the Company at its principal executive offices at the following address: AvalonBay Communities, Inc., Ballston Tower, 671 N. Glebe Road, Suite 800, Arlington, VA 22203, Attention: Corporate Secretary or by accessing the "Investor relations" section of the Company's website (www.avalonbay.com).

II. PROPOSALS

Proposal 1: Election of Directors

The Board of Directors currently consists of eleven members. As previously announced, Lance R. Primis, a current director, has decided not to stand for re-election. The Board of Directors has nominated for election the other ten current directors, and has reduced the size of the Board to ten to eliminate the resulting vacancy, effective immediately following the Annual Meeting. Accordingly, ten nominees will stand for election at the Annual Meeting and if elected will serve until the 2018 Annual Meeting of Stockholders and until their successors are elected and qualify. The following individuals have been nominated by the Board of Directors to serve as directors: Glyn F.

Aepfel, Terry S. Brown, Alan B. Buckelew, Ronald L. Havner, Jr., Richard J. Lieb, Timothy J. Naughton, Peter S. Rummell, H. Jay Sarles, Susan Swanezy and W. Edward Walter (each, a “Nominee” and, collectively, the “Nominees”). The Board of Directors anticipates that each of the Nominees, if elected, will serve as a director. However, if any person nominated by the Board of Directors is unable to serve or for good cause will not serve, the proxies will be voted for the election of such other person as the Board of Directors may recommend. You may not vote for more than ten directors at the Annual Meeting.

Required Vote and Recommendation

Only holders of record of Common Stock as of the close of business on the Record Date are entitled to vote on this proposal. Proxies will be voted for all of the Nominees unless contrary instructions are set forth on the enclosed proxy card. Under the Company’s bylaws, a majority of the total votes

cast as to each Nominee is required to elect such Nominee. Under Maryland law, abstentions and broker non-votes are not treated as votes cast. Accordingly, an abstention or broker non-vote will have no effect on the result of the vote.

The Board of Directors unanimously recommends a vote FOR all of the Nominees.

Information Regarding Nominees

The following biographical descriptions set forth information with respect to the Nominees, based on information furnished to the Company by each Nominee, and include the specific experience, qualifications, attributes and skills that led to the Board's conclusion that each should serve as a

director in light of the Company's business and structure. There is no family relationship between any Nominee, director or executive officer of the Company.

Employee Director Nominee:

Timothy J. Naughton

Mr. Naughton, 55, is the Company's Chairman of the Board, Chief Executive Officer and President and has been a director of the Company since September 2005. He has served as Chairman of the Board since May 2013, as Chief Executive Officer since January 2012, and as President since February 2005. Mr. Naughton's prior roles included serving as the Company's Chief Operating Officer, Chief Investment Officer, and Regional Vice President—Development and Acquisitions. Mr. Naughton has been with the

Company and its predecessors since 1989. Mr. Naughton serves as a director of Welltower Inc., a publicly traded investor in healthcare real estate, and Park Hotels & Resorts, Inc., a publicly traded hotel real estate investment trust. Mr. Naughton serves as Chairman of the National Association of Real Estate Investment Trusts ("NAREIT"), is a member of The Real Estate Round Table, is a past chairman of the Multifamily Council of the Urban Land Institute ("ULI"), and is a member of the Real Estate

Forum. Mr. Naughton received his Masters of Business Administration from Harvard Business School in 1987 and earned his undergraduate degree in Economics with High Distinction from the University of Virginia, where he was elected to Phi Beta Kappa. The Board has concluded that Mr. Naughton should serve as a director based on

his history with and knowledge of the Company, his performance and achievements as Chairman of the Board, President and Chief Executive Officer of the Company, and his strong background in the real estate business, including years of experience in both property investment and development.

Non Employee Director Nominees:

Glyn F. Aeppel

Ms. Aeppel, 58, has been a director of the Company since May 2013, and has more than 30 years of experience in property acquisitions, development and financing. Ms. Aeppel established a hotel investment and advisory company, Glencove Capital, in June 2010 and serves as its President and Chief Executive Officer. From October 2008 to May 2010, Ms. Aeppel served as Chief Investment Officer of Andre Balazs Properties, an owner, developer and operator of luxury hotels. From April 2006 to October 2008, she served as Executive Vice President of Acquisitions and Development for Loews Hotels and as a member of its Executive Committee. From April 2004 to April 2006, she was a principal of Aeppel and Associates, a

hospitality advisory development company, during which time she assisted Fairmont Hotels and Resorts in expanding in the United States and Europe. Prior to April 2004, Ms. Aeppel held executive positions with Le Meridien Hotels, Interstate Hotels & Resorts, Inc., FFC Hospitality, LLC, Holiday Inn Worldwide and Marriott Corporation. Ms. Aeppel is a director of Simon Property Group, Inc., a publicly traded retail real estate company. She also serves on the board of Exclusive Resorts, a private luxury resort and vacation rental home company. The Board has concluded that Ms. Aeppel should serve as a director based on her broad background and long experience in property acquisitions, branding, development and financing.

Terry S. Brown

Mr. Brown, 55, has been a director of the Company since January 1, 2015, and is the Chairman and Chief Executive Officer of Asana Partners, a private real estate investment company, which he helped found in 2015. Prior to that he was Chairman and Chief Executive Officer of EDENS, one of the country's leading private owners, operators and developers of real estate. Mr. Brown joined EDENS as its CEO in 2002. Before joining Edens he was Chief Executive Officer of Andersen Corporate Finance LLC

(NASD broker-dealer subsidiary of Arthur Andersen LLP) where he was responsible for strategy and investment banking activities on a global basis across the real estate, manufacturing, technology, services and energy industries. The Board has concluded that Mr. Brown should serve as a director based on his significant experience in a sector of the real estate industry that is complementary to the Company's multifamily platform.

Alan B. Buckelew

Mr. Buckelew, 68, has been a director of the Company since September 2011. He was appointed Chief Information Officer of Carnival Corporation, a publicly traded cruise line holding company, in December 2016. From 2013 to 2016 he served as Carnival's Chief Operating Officer. Prior to that he was President of Princess Cruises, Inc. from 2004 to 2013, overseeing the brand and operations of Princess Cruises. Mr. Buckelew also served as Chief Operating Officer for Cunard Line from 2004 to 2007. Prior to

these roles, Mr. Buckelew served from 2000 to 2004 as Executive Vice President of Corporate Services for Princess Cruises, with responsibility for the Company's strategic planning, marketing and yield management functions. The Board has concluded that Mr. Buckelew should serve as a director based on his significant experience as an executive in an industry that, like multifamily apartment communities, is capital intensive and consumer-driven.

Ronald L. Havner, Jr.

Mr. Havner, 59, has been a director of the Company since September 2014. Mr. Havner is the Chairman of the Board and Chief Executive Officer of Public Storage, a publicly traded real estate investment trust that primarily acquires, develops, owns and operates self storage facilities, where he also served as President from 2002 through 2016. He was elected Vice Chairman and Chief Executive Officer of Public Storage in 2002 and was elected Chairman of the Board in August 2011. Mr. Havner has been Chairman of the Board of PS Business Parks, Inc., a publicly traded real estate company, since March 1998, and has served as a director of California Resources Corp., a publicly traded oil and natural gas exploration and production company, since 2014. Mr. Havner was the 2014 Chairman of the Board of Governors of NAREIT.

In considering the nomination of Mr. Havner for re election to the Board, the Nominating and Corporate Governance Committee and the full Board considered whether Mr. Havner's role at Public Storage and PS Business Parks, together with his service on the Board of California Resources Corp., would allow him to dedicate sufficient time and focus on his duties as a director of AvalonBay. The Board considered Mr. Havner's performance as a valued and reliable member of the Board and its Committees over the past year, including his 100% attendance at Board and Committee meetings during 2016. In accordance with the Board's standard practice, Mr. Havner reviews three years' of regularly scheduled

AvalonBay Board and Committee meeting dates so that he has time to arrange his schedule to provide for availability at AvalonBay meetings.

In determining that Mr. Havner's other commitments would not prevent him from dedicating sufficient time and attention to the Company, the Board and the Nominating and Governance Committee considered the substantial overlap between his duties at Public Storage and at PS Business Parks. Public Storage owns a significant percentage of PS Business Parks, PS Business Parks' financial records are reflected in Public Storage's financial statements under the equity method of accounting, and there are a number of contractual relationships between the two entities, including a cost sharing and administration services agreement.

The Board and the Nominating and Governance Committee also believe that Mr. Havner provides great value to the Board and is an important contributor to discussions and decision making. Mr. Havner is a highly respected and experienced member of the real estate industry with current executive experience with a leading developer and operator. Accordingly, the Board has concluded that Mr. Havner should serve as a director based upon his business and investment expertise acquired in successfully leading an equity REIT for over a decade and his demonstrated reliability and commitment to service on the Board.

Richard J. Lieb

Mr. Lieb, 57, has been a director of the Company since September 2016. Mr. Lieb has been a Managing Director and Chairman of Real Estate at Greenhill & Co., LLC, a publicly traded investment bank, since November 2016. Mr. Lieb previously served Greenhill in a variety of senior positions, most recently as head of Greenhill's Real Estate, Gaming and Lodging Group. Mr. Lieb was also Greenhill's Chief Financial Officer from 2008 to 2015. Prior to joining Greenhill in 2005, Mr. Lieb

spent more than 20 years with Goldman, Sachs & Co., where he headed its Real Estate Investment Banking Department from 2000 to 2005. Mr. Lieb is also a director of CBL & Associates Properties, Inc., and VEREIT, Inc., both publicly traded REITs. The Board has concluded that Mr. Lieb should serve as a director based on his experience working with real estate clients on a wide range of capital markets, capital allocation, strategic planning and corporate transaction matters.

Peter S. Rummell

M. Rummell, 71, has been a director of the company since September 2007. He is currently a private investor and most recently served as the Chief Executive Officer of the Jack Nicklaus Companies in Palm Beach, Florida, from August 2008 through May 2009. The Jack Nicklaus Companies runs Mr. Nicklaus's worldwide golf

course design and related licensing business. Prior to that, from January 1997 until his retirement in July 2008, Mr. Rummell was Chairman and CEO of The St. Joe Company, one of Florida's largest real estate operating companies and the state's largest private landowner. From 1985 until 1996, Mr. Rummell served as President of Disney

Development and then as Chairman of Walt Disney Imagineering, the division responsible for Disney's worldwide creative design, real estate, research and development activities. From 1983 until 1985, he was Vice Chairman of the Rockefeller Center Management Corporation in New York City. Mr. Rummell is a past chairman of

the ULI. The Board has concluded that Mr. Rummell should serve as a director based on his experience in leadership positions of companies with significant real estate holdings and operations and his broad knowledge of the real estate industry.

H. Jay Sarles

Mr. Sarles, 71, has been a director of the Company since September 2005, and has served as the Lead Independent Director of the Company since May 2015 (see "Board of Directors and its Committees—Leadership Structure and Lead Independent Director"). He retired from full time business leadership positions in 2005, having most recently served as vice chairman of Bank of America Corporation. Prior to that he served as Vice Chairman and Chief Administrative Officer of Fleet Boston Financial ("Fleet") with responsibility for administrative functions, risk management, technology and operations, treasury services, corporate strategy and mergers and acquisitions. During his 37 years at Fleet, Mr. Sarles oversaw

virtually all of Fleet's businesses at one time or another, including the company's wholesale banking business from 2001 to 2003. These included commercial finance, real estate finance, capital markets, global services, industry banking, middle market and large corporate lending, small business services and investment banking businesses. Mr. Sarles is a director of Ameriprise Financial, Inc., a publicly traded financial planning services company. The Board has concluded that Mr. Sarles should serve as a director based on his extensive experience as an executive officer with a variety of responsibilities at a large financial institution with varied operations.

Susan Swanezy

Ms. Swanezy, 58, has been a director of the Company since September 2016. Since 2010 she has been a partner at Hodes Weill & Associates L.P., a global advisory boutique firm focused on the real estate management industry. Previously Ms. Swanezy served as Managing Director, Global Head of Capital Raising for Real Estate Products at Credit Suisse Group AG, and held a variety of positions at Deutsche Bank AG and its affiliates, including serving as a Partner and Managing

Director – Client Relations for RREEF, the real estate investment management business of Deutsche Bank's Asset Management division. The Board has concluded that Ms. Swanezy should serve as a director because of her broad

and varied experience in evaluating real estate companies, investment opportunities and real estate asset allocation strategies.

W. Edward Walter

Mr. Walter, 61, has been a director of the Company since September 2008. He has been the Robert and Lauren Steers Chair in Real Estate at the Steers Center for Global Real Estate at Georgetown University's McDonough School of Business since November 2014. He served as President and Chief Executive Officer of Host Hotels & Resorts, Inc. ("Host"), a publicly traded premier lodging real estate company, from October 2007 through December 2016. From 2003 until October 2007, he served as Executive Vice President and Chief Financial Officer of Host. From 1996 until 2003, he served in various senior management positions with Host, including Chief Operating Officer. Mr. Walter was a member of the Board of Directors of Host from October 2007 through December 2016. Mr. Walter is also past

Chairman of the Board of Directors of the National Kidney Foundation, a Director of the Real Estate Round Table, the Chairman of the Federal City Council, and a member of the Board of Visitors of the Georgetown University Law Center. The Board has concluded that Mr. Walter should serve as a director based on his demonstrated business, financial and organizational experience as both the past chief financial officer and chief executive officer of a publicly traded corporation with significant real estate investment holdings and operations.

Proposal 2: Ratification of Selection of Independent Auditors

The Board recommends that the stockholders ratify the Audit Committee's selection of Ernst & Young LLP ("Ernst & Young") as the independent auditors of the Company for fiscal year 2017. Ernst & Young was also the Company's principal independent auditors for fiscal year 2016. If the selection of Ernst & Young is not ratified, the Audit Committee anticipates that it will nevertheless engage Ernst & Young as auditors for fiscal year 2017 but will consider whether it should select a different auditor for fiscal year 2018. If the

selection of Ernst & Young is ratified by the stockholders, the Audit Committee may nevertheless determine, based on changes in fees, personnel or for other reasons, to engage a firm other than Ernst & Young for the 2017 audit.

Representatives of Ernst & Young are expected to be present at the Annual Meeting and will have the opportunity to make a statement, if they desire to do so, and to respond to appropriate questions.

Required Vote and Recommendation

Only holders of record of Common Stock as of the close of business on the Record Date are entitled to vote on this proposal. Proxies will be voted for ratification of the selection of Ernst & Young as the Company's independent auditors for fiscal year 2017 unless contrary instructions are set forth on the enclosed proxy card. A majority of the total

votes cast on the proposal at the Annual Meeting is required to ratify the selection of Ernst & Young. Under Maryland law, abstentions and broker non votes are not treated as votes cast. Accordingly, an abstention or broker non vote will have no effect on the result of the vote.

The Board of Directors unanimously recommends a vote FOR the ratification of the selection of Ernst & Young as the Company's independent auditors for fiscal year 2017.

Proposal 3: Approval of AvalonBay Communities, Inc. Second Amended and Restated 2009 Equity Incentive Plan

The Board of Directors believes that stock based incentive awards can play an important role in the success of the Company. Stock-based incentive awards play an integral role in our pay-for-performance philosophy. Additionally, stock-based compensation helps the Company remain competitive in retaining and attracting highly qualified employees upon whom the future growth and success of the Company depend. The Company grants annual stock bonus and annual performance awards from its equity incentive plan. The purpose of the equity incentive plan is to promote the success and enhance the value of the Company by linking the personal interests of employees, officers and directors of the Company to those of the Company's stockholders.

On February 16, 2017, the Board, upon the recommendation of the Compensation Committee, approved an amendment and restatement of the Company's 2009 Stock Option and Incentive Plan.

As so amended and restated, the name of the plan would be the AvalonBay Communities, Inc. Second Amended and Restated 2009 Equity Incentive Plan (the "Amended 2009 Plan"). The Board's approval of the Amended 2009 Plan is subject to the approval of the Company's stockholders, which is being sought by this proposal. The effective date of the Amended 2009 Plan will be the date of stockholder approval; for ease of exposition, in the discussion below it is assumed that the Amended 2009 Plan is approved on, and therefore the effective date of the plan will be, May 18, 2017.

The Amended 2009 Plan provides flexibility to the Compensation Committee to use various equity based incentive awards as compensation tools to motivate the Company's workforce. A copy of the Amended 2009 Plan is attached as Exhibit A to this proxy statement and is incorporated herein by reference.

Stockholder Friendly Features of the Amended 2009 Plan and Company Practices

▲ Awards are subject to clawback policy. Awards under the Amended 2009 Plan will be subject to recoupment under certain circumstances. See Policy on Recoupment of Incentive Compensation (Clawback Policy).

◆ "Double-trigger" change of control vesting. The Amended 2009 Plan provides that, except as otherwise provided in an award agreement, two events are needed for outstanding equity awards to vest on an accelerated basis in the case of a sale event: (i) consummation of a sale event and (ii) termination of employment/non-employee director service, other than for cause, in connection with or within 24 months following the sale event. Upon a sale event, outstanding performance awards vest at target and convert to restricted stock awards.

•**No liberal share recycling.** The Amended 2009 Plan prohibits the reuse of shares withheld or delivered to satisfy the exercise price of an option or stock appreciation right or to satisfy tax withholding requirements. The Amended 2009 Plan also prohibits “net share counting” upon the exercise of options of stock appreciation rights (“SARs”). Finally, the Amended 2009 Plan does not allow shares repurchased on the open market with the proceeds from the payment of the option price of an option to replenish the Plan.

•**No repricing or cash-buyout of stock options or SARs.** The Amended 2009 Plan prohibits the direct or indirect repricing of stock options or SARs without stockholder approval. No cash buyback of underwater stock options are permitted without prior stockholder approval.

•**Fungible share pool.** The Amended 2009 Plan uses a fungible share pool under which each share issued pursuant to an option or SAR will reduce the number of shares available by one share, and each share issued pursuant to awards other than options and SARs will reduce the number of shares available by 2.17 shares.

•**Minimum Vesting.** The Amended 2009 Plan provides that the minimum vesting period for awards made to employees under the plan is generally one year (awards may vest incrementally over the year), provided that up to five percent of the shares reserved and available for issuance as of May 18, 2017 are not subject to such restriction.

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◆No Dividends on Unearned Performance Awards. The Company's current form of agreement for performance awards provides that such awards are subject to a three-year performance period and an additional three-year time vesting requirement; and provides that dividends are not paid on unearned performance awards but are paid only on the restricted shares of stock from and after the time that they are issued after an award is earned.

◆Limit on Non-employee Director Compensation (Cash and Stock). The Amended 2009 Plan provides that stockholders, by their approval of the plan, are approving cash and stock awards to non-employee directors that have a combined value of up to \$500,000 each in any one calendar year. See "Director Compensation Table" for a discussion of the actual compensation paid to non-employee directors in 2016 and the compensation expected to be paid to directors in 2017.

Summary of Material Features and Analysis

The material features and analysis of the Amended 2009 Plan as proposed are:

◆The Amended 2009 Plan will "re-set" the number of shares that are available for issuance pursuant to new awards made after May 18, 2017. On February 16, 2017, the date the Board of Directors approved the Amended 2009 Plan, the number of shares reserved and available for issuance of new awards under the plan was 436,550. The Amended 2009 Plan will increase this number to 8,000,000. No existing reserved and available shares (i.e., the 436,550 shares, as adjusted after February 16, 2017 and before the stockholder approval of the Amended 2009 Plan) will "roll into" the Amended 2009 Plan to supplement this 8,000,000 number. However, outstanding awards that are forfeited or expire unexercised or unearned (such as unvested restricted shares that are forfeited, stock options that expire unexercised, or shares underlying performance awards that are unearned) will be available for future issuance under the plan.

In determining the number of proposed shares issuable under the Amended 2009 Plan, the Compensation Committee and the Board considered a number of factors, including:

- Historical equity award grant practices
- Reasonable expected dilution on a "full-value" basis compared to other S&P 500 REITs
- Projected share usage anticipating growth in employee population and long-term incentive amounts

◆As mentioned earlier, the Company has a fungible limit where awards other than stock options and SARs are counted at 2.17. Given the Company's practice since January 1, 2014, of generally granting only restricted stock and performance awards, which are considered as "full value" awards, the new 8,000,000 reserve provides capacity for 3,686,636 such awards. In this regard, it should be noted that the Company's compensation framework has been revised in recent years to de-emphasize employee stock options, and the last employee stock options were awarded in 2013.

The table below summarizes the potential dilution based on the proposed amendment and restatement:

Component (As of December 31, 2016)	Total Shares	Basic Dilution (1)
A. Stock Options Issued and Outstanding	199,874	0.15%
B. Restricted Stock Outstanding	313,403	0.23%
C. Performance Shares Outstanding (at Target)	251,163	0.18%
Total Stock Awards Outstanding (A+B+C)	764,440	0.56%
D. Reserved and Available for New Awards if Amended 2009 Plan is approved on May 18, 2017	8,000,000	5.82%
	Effectively 3,686,636 with 2.17 multiplier for “full value” awards such as restricted stock and performance awards	Effectively 2.68% with 2.17 multiplier for “full value” awards such as restricted stock and performance awards

(1) Denominator is equal to the common shares outstanding on March 10, 2017 of 137,480,659.

¶ The Amended 2009 Plan revises the minimum vesting requirements for awards made to employees under the plan. As revised, the minimum required vesting period for awards made to employees under the plan is generally one year (awards may vest incrementally over the year), provided that up to five percent of the shares reserved and available for issuance as of May 18, 2017 are not subject to such restriction. While this provision in the Amended 2009 Plan will give the Company additional flexibility, it should be noted that the Company’s practice has been to award annual stock bonus awards that vest ratably over three years and multiyear performance awards with three year performance cycles followed by additional time-vesting requirements, and the Company has no current plan to change that practice.

¶ The Amended 2009 Plan provides that stockholders, by their approval of the plan, are approving cash and stock awards to non-employee directors that have a combined value of up to \$500,000 each in any one calendar year. See “Director Compensation Table” for a discussion of the actual compensation paid to non-employee directors in 2016 and the compensation expected to be paid to directors in 2017.

¶ Any material amendment to the Amended 2009 Plan is subject to approval by our stockholders.

¶ The term of the Amended 2009 Plan will expire on May 15, 2027.

Historical Burn Rate

The “burn rate” is one measure of how fast a company uses the supply of shares authorized for issuance under its stock plan. The Company’s three-year average burn rate (without the multiplier of 2.17 for full value awards such as restricted stock) is 0.12% or 0.25% with the multiplier. The following table shows the Company’s historical burn rate.

Fiscal Year	Time-Based Restricted Stock (Annual & Discretionary)	Earned Performance Awards	Total Full Value Awards	Full Value Awards with Multiplier of 2.17	Weighted Common Shares Outstanding	Annual Burn Rate without Multiplier	Annual Burn Rate with Multiplier
	(A)	(B)	(C)=(A)+(B)	(D)=(C)x 2.17	(E)	(C)/(E)	(D)/(E)
2016	81,400	115,618	197,018	427,529	136,928,251	0.14%	0.31%
2015	61,953	95,826	157,779	342,380	133,565,711	0.12%	0.26%
2014	98,954	16,209					