

**RURAL
DEVELOPMENT**

Rural Business
Cooperative Service
Rural Housing Service
Rural Utilities Service



**UNITED STATES
DEPARTMENT OF AGRICULTURE**

**601 Business Loop 70 West
Suite 235, Parkade Center
Columbia, MO 65203**

**(573)876-0990
FAX (573)876-9348
TDD (573)876-9480**

For Administrative Use Only

Missouri AN No. 1400 (1930-C)

November 7, 2002

TO: All Rural Development Managers and
Community Development Managers

/s/

FROM: GREGORY C. BRANUM
State Director, Rural Development

SUBJECT: Management Fee Guidelines

PURPOSE/INTENDED OUTCOME:

The purpose of this AN is to establish guidelines concerning reasonable management fees and costs for management services.

COMPARISON WITH PREVIOUS AN:

This administrative notice replaces MO AN No. 1376(1930-C) dated June 19, 2001 which expires September 30, 2002.

IMPLEMENTATION RESPONSIBILITIES:

The attached grid and guidelines (Exhibit A) outlines the management fee schedule for Missouri rental housing complexes. There will be no difference between fees for elderly versus family. The range for the management fee remains unchanged. The current range is \$24 being the low and \$40 being the high. This rate does not include the cost for the resident manager or the caretaker. Even though the management agent may be responsible for the performances of these services, the actual cost for resident managers and caretakers would be an expense charged to the apartment complex. The costs for participating in Industry Interface is a project expense and is not included in Management Fees. These costs may vary from year to year and should be factored in the budget on line 22, Project Bookkeeping/Accounting with an explanation of the charges.

The rate for a Resident Manager remained unchanged. The current range is \$10 -\$25 per unit/per month. This range includes the site manager payroll, health insurance and other employee benefits, payroll taxes, and allowance for apartment at basic rent if being provided. Exceptions to this range may be granted for those more experienced site managers with justification and concurrence of the Area Office. Management is encouraged to develop incentives to retain good site managers. These incentives are permissible when supported by the budget, and can be paid in addition to the resident manager's salary. The incentives must be disclosed during the normal budgeting process, and the budget reflecting the incentives must be approved by Rural Development

We are attaching our current guidelines for items that can be included in management fees and a guide to use for apartment/resident manager's job duties.

EXPIRATION DATE:
September 30, 2003

FILING INSTRUCTION: Preceding
Rural Development Inst. 1930-C

It is still the responsibility of the area office staff to review the management agreement to determine the scope, and detail of services to be provided. Exhibit A provides guidance as to what constitutes earning top management fees. The Area Office will also need to rely on past experience and documentation in the case files to determine the degree of efficiency or quality of performance by the management agent or company to determine the proper amount of management fee to be allowed. For example, if the management company has not made an effort to increase the reserve funding level with the borrower, then top management fees would not be appropriate (refer to number 7 of Exhibit A, under High Performance Level). If management is performing at the low end of the attached grid, then fees should be immediately reduced and demands should be made by Rural Development to the Owner requesting replacement of management if deficiencies are not corrected in a reasonable timeframe.

It is recognized that all situations are not always the same. If in unusual situations the fees or ranges allowed are not consistent with the normal fees in the community, or sufficient to get the job done, a variance may be allowed after concurrence of the area office and furnishing documented information as to the reasons for not being in line.

Fee increases are not retroactive. Normally the next adjustment would be with the January 1, 2003 budget unless the management agreement expires prior to this date or a new complex is rented up. The taskforce decided that fees will be based on a per unit basis because there is just as much work involved in renting an unoccupied unit as there is in an occupied unit. There were several discussions regarding whether fees should be allowed for uninhabitable units with no final recommendation by the taskforce. However, common sense should come into play. An example of this could be if you have a troubled property that is on a workout plan, and the property has persistent uninhabitable units, management fees may not be allowed in this situation. This would be on a case by case basis with all players, Rural Development, Owner and Management agreeing on a resolution to the problem.

RENT-UP FEE INCENTIVES: We do allow a \$20 per unit rent-up fee incentive for the site manager only if 100% occupancy is achieved within the first 90 days of rentup. In order for this fee to be allowed it must be incorporated in the borrower's management plan.

These rates will remain in effect until December 31, 2003.

REVIEW OF MANAGEMENT PLAN, OCCUPANCY RULES, TENANT SELECTION CRITERIA, RULES AND REGULATIONS: In order to achieve greater consistency, the taskforce recommended a streamlined process for the review and approval of management documents for larger management companies operating in more than one area. For those management companies that have developed one standard management plan, rules and regulations, tenant selection criteria, pet policy, etc., these documents will be reviewed by the Area Office identified below and only if revisions are made to their current approved management plan. In cases where a specific property has unique circumstances that requires changes to their standard documents, these plans should be reviewed by the Area Office that has jurisdiction over that property.

<u>MANAGEMENT CO.</u>	<u>A/O</u>	<u>MANAGEMENT CO.</u>	<u>A/O</u>
Action Management	Clinton	Great Rivers Mgt.	Kirksville
Bell Management	Springfield	Hamilton Properties	St. Joseph
Brookview Management	Houston	MACO Management	Dexter
Fairway Management	Clinton	Nye Management	Farmington

The designated Area Office will review the complete Management Plan to determine if it complies with current regulations and program objectives. The Area Office will advise management of any recommendations or corrections needed and work with the management company to resolve any differences. Upon approval, management will be advised to submit property-specific Management Plans to the appropriate Area Offices, along with a copy of the reviewing office's approval letter. The "Master" Management Plan should contain a revision date and the following statement above the approval line: "This Management Plan and all attachments was reviewed and approved by _____ on _____." At the time of approval, the Area Office will provide a copy of the approved "Master" Management Plan and it's attachments to the State Office. The State Office will reproduce and provide to all Area Offices. Any management companies not listed above will submit their management plan to the appropriate area office which has jurisdiction over that particular property.

AVERAGE MANAGEMENT FEE STRUCTURE IN MISSOURI

PERFORMANCE LEVELS

		LOW	MODERATE	HIGH
S C O P E	L O W	\$24	\$28	\$32
O F	M O D E R A T E	\$28	\$32	\$36
S E R V I C E	H I G H	\$32	\$36	\$40

PERFORMANCE LEVEL

LOW

- 1) Maintenance level is minimal.
- 2) Reports slow or not completed properly
- 3) Responds slow to problems.
- 4) Agent does most reports.
- 5) Supervisory Visit rating at Below Average or lower.

MODERATE

- 1) Maintenance acceptable, but not top notch.
- 2) Reports adequate, but not always timely.
- 3) Supervisory Visit rating at Satisfactory or above.

HIGH

- 1) All reports done in timely manner with few or no errors.
- 2) When problems occur, they are resolved timely and properly.
- 3) Maintenance kept at a high level.
- 4) Annual report done promptly and assists owners in getting audit done promptly.
- 5) Maintains very low vacancy rate except for reasons beyond agent's control.
- 6) Supervisory Visit rating at Satisfactory or above.
- 7) Encouraged appropriate reserve funding level through the budget process or other means.
- 8) Project did not use reserve funds for normal O&M use except when beyond agent's control.

SCOPE OF SERVICE

- 1) No accounting service provided.
- 2) Limited management services
- 3) Agent does not do T.C.'s.

- 1) Does all reports.
- 2) Does most management services.

- 1) Provides total management of project.
- 2) Does all reports monthly and year end.
- 3) Complete T.C.'s and project worksheets and submits on time. Provides excellent accounting system.

ITEMS INCLUDED IN MANAGEMENT FEES

1. Management fees include, but are not limited to, the following:

- a. Monitoring project operations, recruiting, hiring, training, and supervision of on-site staff.

Property related training of site managers is an allowable project expense (this includes registration fee, travel expense, meals and lodging). Training for supervisory managers and management company personnel is included in management fees. Exception, dues and costs for management company personnel to attend Rural Development borrower meetings and MoCARH meetings may be prorated to all of the properties they manage. Dues and attendance by management company personnel for other housing related associations is not a project expense(CARH, IREM, etc.).

- b. Establishing and maintaining procedures/systems for owner's bookkeeping, reports, records, and accounts.
- c. Analyzing and solving problems related to the complex.
- d. Preparation and distribution of required reports of operation and maintenance for the owner and Rural Development.
- e. Preparation of requests for reserve withdrawal, rent adjustment, rehabilitation and energy conservation proposals, plans and specifications.
- f. Review and timely submits tenant certifications and monthly RA requests. Assure protection of receipts and make project invoice and payment disbursements.
- g. Management agent's office overhead including office space and utilities, clerical staff and training, agent's office bookkeeping, office supplies and equipment, transportation and telephone calls to the Apartment/Resident manager, data processing systems and postage.
- h. Supervision by management agent (time, knowledge, and expertise) of overall operations and capital improvements and investment of borrower funds.
- i. Keeping the owner abreast of overall operations.
- j. Development, preparation, and revision of budgets, yearend reports and management plans and/or agreements.
- k. Payment of Fidelity Bond for management company.

2. Management fees do not include:

- a. A site manager's salary. It is a separate O & M expense.
- b. Repair and maintenance costs.
- c. Advertising
- d. Pre-printed checks
- e. Resident Manager training meetings
- f. Audit fees
- g. Telephone expense for the site manager. A reasonable property expense of \$750 or \$35 per unit/per year allowance, whichever is greater is allowable. If greater than this, then justification must be provided.
- h. Site manager's office expense
- i. Costs to participate with Industry Interface and Section 8 TRAC properties. This includes hardware/software, etc.

APARTMENT MANAGER/RESIDENT MANAGER JOB DESCRIPTION

Generally, it is the duty of the Apartment Manager to supervise the daily operation of the property in accordance to the management plan and to work with the management agent. Some areas of emphasis include, but are not limited to. Further, the following is a guideline and should not be construed as the required format.

Performance Standards: These are reasonable and attainable goals and should be kept in mind during management of the property.

1. Full Occupancy - Serving the public and housing members of low to moderate income groups is the goal of the program. Receiving proper 30-day notices from the residents will help pre-lease apartments that are soon to be vacant.
2. Less than five-day turn-around time for vacant unit preparation.
3. Timely collection of rents with account receivable held to a minimum.
4. Operating within the budget.
5. Prompt response on routine work orders. Every effort to respond to emergencies within 8 hours and resolution of emergency problems within 24 hours. Otherwise, it may be necessary for you to re-house a tenant.
6. See that maintenance items are taken care of or make arrangements for them to be done in a timely manner.

Occupancy:

1. Market units for rental, process applications, screen applicants, certify applicants, process move-ins.
2. Renew leases and recertify residents as necessary.
3. Insure residency of each tenant is satisfactory.
4. Upon move-out of resident, process paperwork and prepare unit for marketing and new occupancy.
5. Periodically check apartments for proper upkeep and security maintenance (lighting, smoke detectors, etc.)

Accounting and Record Keeping:

1. Accounts receivable - collect, record and deposit rents; notify residents of delinquency status and pursue legal action when necessary.
2. Accounts payable - review bills and invoices and validity and accuracy and process for payment; maintain supplier invoice files.
3. Budget - assist Property Manager in the preparation of the Annual Budget and keep track of how actual expenditures compare with budgeted expenditures.
4. Report all insurance losses to the proper authorities.
5. Respond quickly and efficiently to any direction from the supervising government agency.

Personnel (if applicable):

1. Hire personnel, as needed, through application and interview process and conform to equal opportunity requirements.
2. Turn in payroll information to management agent as required.
3. Evaluate personnel on a regular basis and at time of salary changes.
4. Maintain confidential personnel records.
5. Oversee termination of personnel and relative documentation.
6. Instill and maintain a team spirit in working with supervisors and subordinates.

Resident Relations:

1. Set up social activities and other services that are useful to residents.
2. Resolve problems facing residents and/or the entire community relative to the living conditions, legal problems, relationships among residents, violation of community rules, etc.
3. Prepare correspondence, newsletter, and other contacts with residents containing information necessary for proper management/resident relationships and for the good of the community.
4. Must be knowledgeable of Fair Housing Laws and issues.
5. Proper notices are given to tenants when Lead Base Paint may be applicable.