



UNITED STATES  
DEPARTMENT OF  
AGRICULTURE

Rural  
Development

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Rural Business & Cooperative Service  
Rural Housing Service  
Rural Utilities Service

November 19, 2003

**SUBJECT:** Approval of New Management Agent

**TO:** Area Directors  
Area Specialists  
Civil Rights Manager

**PURPOSE/INTENDED OUTCOME:**

The purpose of this Administrative Notice (AN) is to establish policies for the approval of new management agents in the multi-family housing programs in Washington State.

**COMPARISON WITH PREVIOUS AN:**

This AN replaces Washington AN 875 (1930-C) dated March 20, 2002 which expired March 20, 2003.

**IMPLEMENTATION RESPONSIBILITIES:**

The Borrower is responsible for seeking out and selecting a management agent, but the selection is subject to review and approval by USDA Rural Development (RD). Rural Development reviews management agent performance, experience, and capabilities to protect the public and our own interest. A management agent's contract is with the project owner. Rural Development will not unreasonably withhold approval of the proposed agent for a property.

This AN established the policies and procedures to be used in the approval of new management agents for Washington State, USDA Rural Development financed properties. For this purpose, a new management agent is defined as:

- An existing or newly formed professional real estate management firm/entity proposing to manage a RD financed multi-family housing property.

OR

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EXPIRATION DATE: November 30, 2004

FILING INSTRUCTIONS:  
Following RD Instruction 1930-C

- Owners of RD multi-family housing properties proposing to owner/manage their own RD property.

Examples of entities eligible to apply to be an approved management agent are: professional real estate management firms; housing authorities; nonprofit organizations; individual proprietorships; or other entities with the legal capacity and proven experience and expertise to carry out the proposed management operations. All applicants must demonstrate previous acceptable background and experience in managing multi-family housing properties such as conventional multi-family properties, Housing and Urban Development (HUD) properties, tax credit properties, or other similar state or federally funded multi-family housing properties.

**The following documents are required to be submitted for RD review to be considered for approval:**

1. A written notice, at least 30 days in advance, to RD from the owner (or appropriate owner representative) indicating the plan to change management companies and the proposed effective date.
2. Completed Identity of Interest Forms – RD 1944-30 and RD 1944-31
3. Previous Participation Certification – Form RD 1944-37
4. Outline for Prospective Management Agent – RD Instruction 1930-C, Exhibit B-4 or B-5 as appropriate. The information may be submitted in resume format as long as all the information in Exhibit B-4 or B-5 is included. The information must also include a description of experience and expertise to carry out the proposed management activities and knowledge of RD requirements.
5. Proposed Management Plan – see RD Instruction 1930-C, Exhibit B-1 for guidelines
6. Proposed Management Agreement, if applicable – see RD Instruction 1930-C, Exhibit B-2 and B-3 for guidelines and requirements
7. Copies of proposed forms and documents that will be used in project operations including lease, waiting list, occupancy standards, house rules and regulations, application form, verification and release forms for tenant certification, tenant notices for non-payment of rent and eviction, and similar documents.
8. Affirmative Fair Housing Marketing Plan – form HUD 935.2. Include copies of advertising efforts, brochures and letters, a photograph of the project sign, and a description of staff training plans.
9. Copies of lender inspection reports for other properties managed, or a written lender's recommendation, or an evaluation by a lender or property owner, regarding conditions of properties managed that demonstrate management agent skills and qualification.

10. Other information as determined necessary by RD to evaluate the experience, ability, and qualifications of proposed management agent.

### **RD Actions**

The Servicing Official will review the above information to evaluate the qualifications and experience of the proposed management agent. As part of the Previous Participation Review, contact will be made with other federal agencies, such as HUD, to verify the proposed management agent's performance with that agency.

If, after careful evaluation of the proposed management agent's experience, qualifications, and past performance, the proposed agent cannot be approved, a denial letter will be prepared and sent to the management agent. This letter will clearly describe the basis for our denial.

If the qualifications, experience, and past performance of the proposed management agent are acceptable, the management agent will receive full approval or conditional approval as described below. If needed, the Servicing Official may arrange a meeting with the management agent representatives to discuss RD requirements and the information submitted.

### **Approval**

When the qualifications, experience, training and past performance of the proposed management agent show a thorough understanding of RD requirements related to management, maintenance, occupancy, and reporting, the management agent will be approved. The necessary management documents will be signed by RD and appropriate copies provided to the Borrower and management agent.

### **Conditional Approval**

If the Servicing Official determines the proposed management agent does not have sufficient experience, qualifications, or training to clearly show it has the capabilities to successfully carry out the management requirements for RD properties without additional training and experience, conditional approval may be granted.

If conditional approval is granted, the conditional approval period will be no less than 12 months or more than 24 months, at the discretion of RD. During the conditional approval period, RD may, at its discretion, limit the number of properties managed by the new management agent to reasonable quantities commensurate with experience and performance.

During the conditional approval period, the maximum management fee a management agent may receive is reduced one percent (1%) from the amount allowed in the most recent AN regarding management agent compensation. If the dollar-per-unit-occupied basis is used, the amount allowed is reduced by 10% from the most recent AN regarding management agent compensation.

During the conditional approval period, if unacceptable conditions are noted in the management of the property, complying with RD requirements, or in the efficient and effective operation of the property, the conditional approval will be rescinded. The areas of unacceptable conditions

include, but are not limited to: proper maintenance of the property; proper administration of tenant occupancy including tenant files, waiting lists, certifications, and rental assistance computation; and following reporting requirements to RD.

The Borrower and management agent must include the following text in the Management Plan and Management Agreement for a proposed management agent that receives conditional approval:

“Under a Conditional Approval, this agreement shall be effective for a probationary period of \_\_\_\_\_ months, beginning the 1<sup>st</sup> day of \_\_\_\_\_, subject however, to the following conditions:

At the end of the probationary period, the Management Agent will request final approval and certify to USDA Rural Development that the agent has obtained training and is proficient in all aspects of the 515 Multi-Family Housing policies, procedures and requirements. The Management Agent will further certify that they are knowledgeable of the Management Handbook, RD 1930-C, Exhibit B, and are in compliance with all of its regulations.

The Management Agent will be evaluated by USDA Rural Development based on its performance of the following criteria: (1) proper preparation of annual reports and actual budgets including submission within 90 days of the end of Borrower’s fiscal year; (2) proper preparation of proposed budgets ( Form RD 1930-7) including capital improvement needs and utility allowance and timely submission to allow approval and implementation by start of next fiscal year; (3) supervised Reserve Account setup with all required deposits made in a timely manner; (4) project operations, security deposit, and tax and insurance accounts setup and funding is current; (5) proper completion and timely submission of tenant certifications; (6) timely submission of Borrower loan payments; (7) completion of routine maintenance and repairs as needed; (8) responsiveness to tenant concerns and requests; (9) overall satisfactory performance as shown by RD supervisory reviews.”

Quarterly reports must be submitted for at least the first year to ensure the new management agent is operating the project in accordance with all regulations and all project accounts are being properly funded. Quarterly reports may be required in the second year at the discretion of Rural Development.

An initial visit to the property by the Servicing Official will be made within 90 days after the management agent begins operations to review general office organization including establishment of the waiting list, tenant files, and sign postings. During the conditional approval period, the Servicing Official will monitor the management agent’s performance, including a visit to the property at the end of 12 months of operation. During this visit, the adequacy of project maintenance will be determined and an evaluation of office operations including tenant certifications, waiting lists, and tenant files will be made. A sampling of tenants may be interviewed to determine the degree of management agent responsiveness to tenant concerns.

At the end of the probationary period, the Servicing Official will evaluate the overall performance of the management agent and their demonstrated ability to effectively operate and manage the property. If needed, a management agent review and visit to the property may be completed.

If the management agent's performance is determined to be inadequate in any respect, the approval of the management agent will be rescinded and the owner notified of the need to find acceptable management.

If the management agent's performance has been acceptable, the owner and management agent will be notified and the management agreement will start on a routine basis.

/s/

JACKIE J. GLEASON  
State Director