



United States  
Department of  
Agriculture

Rural  
Development

WASHINGTON AN 935 (1930-C)

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January 12, 2004

**SUBJECT:** Multi-Family Housing Management Compensation

**TO:** Area Directors  
Area Specialists  
Civil Rights Program Manager  
USDA Rural Development, Washington State

**PURPOSE/INTENDED OUTCOME:**

The purpose of this Administrative Notice (AN) is to provide guidance on Management Agent Compensation.

**COMPARISON WITH PREVIOUS AN:**

This AN Replaces Washington AN 892 (1930-C) dated September 11, 2002 that expired on September 30, 2003.

**IMPLEMENTATION RESPONSIBILITIES:**

In accordance with RD Instruction 1930-C, Exhibit B, the amount of management agent compensation and services to be provided to the project for that compensation is negotiated between the borrower and the management agent and described in the Management Plan and Management Agreement. Rural Development (RD) is responsible for determining that management fees paid for management services are reasonable. The fees described below have been determined reasonable for Washington State. These fees may be implemented on project budgets immediately.

1. **Section 515 Limited Profit/Non-Profit projects (without Section 8 project based Assistance) and Farm Labor Housing Projects**

A maximum fee that does not exceed:

- (a) 9% - Elderly Projects
- (b) 10% - Family Projects
- (c) 9 ½% - Elderly/Family (mixed) Projects

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EXPIRATION DATE:  
1/31/05

FILING INSTRUCTIONS  
Preceding RD Instruction 1930-C

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USDA, Rural Development is an Equal Opportunity Lender, Provider, and Employer  
Complaints of discrimination should be sent to:  
USDA, Director, Office of Civil Rights, Washington D.C. 20250-9410

**(Percentage factor is applied to gross collected rents, including amounts for Rental Assistance, Section 8 voucher/certificates, and overages)**

OR

- (d) A base rate per occupied unit of \$36.29 for one-bedroom units; \$44.13 for two-bedroom units; \$50.79 for three-bedroom units; and \$58.05 for four-bedroom units.

**2. Section 515 Limited Profit/Non-Profit projects with HUD Section 8 Project Based Assistance**

A maximum fee that does not exceed:

- (a) 6% - Elderly Projects
- (b) 7% - Family Projects
- (c) 6 ½% - Elderly/Family (mixed) Projects

**(Percentage factor is applied to gross collected rents, including Section 8 receipts from HUD, voucher/certificates, and overages)**

OR

- (d) A base rate per occupied un of \$36.29 for one-bedroom; \$44.13 for two-bedroom units; \$50.79 for three-bedroom units; and \$58.05 for four bedroom units.

**3. Housing Authority and Non-Profit Borrowers**

Housing authorities and other non-profit borrowers that act as management agents for properties they own (owner-managed) or as an independent agent for other borrowers may only receive a management fee based on the methods described above. No other indirect administrative costs are to be charged to the project. These prohibited costs include those that may have been established in accordance with OMB Circular A-87.

**4. Full Profit Projects**

Management Fees for Full Profit borrowers may be negotiated between borrowers and management agents on an individual basis. These negotiated fees should be appropriate and reasonable for the project.

Management Fees in project budgets and management agreements may be approved outside of these guidelines when justified by conditions or circumstances existing at an individual project. The borrower or management agent is responsible for providing evidence that a higher fee is reasonable for the services performed when the management fee falls outside the rates described in this AN.

Prior to implementation, RD must review and concur in the amount of management fee to be paid from project funds. This is accomplished by the borrower providing a Management Plan and Management Agreement (for owner-managed a Management Plan) for review. The services to be

provided and/or included as part of the management fee are generally described in RD AN 3911 (1930-C) dated October 29, 2003. Borrowers and management agents should receive expeditious action on their requests for

management fee approval when Management Plans and Management Agreements are complete and fall within these guidelines.

Management Fees earned during any current month may not be paid any earlier than the first day of the following month. Management Fees are not payable in advance.

The borrower is responsible for the effective management of the project. Part of RD's determination of a reasonable management fee is based on the presumption that high quality and effective management services will be provided to the project. If the project does not receive the level of services commensurate with the fee being paid an appropriate reduction of the management fee may be warranted, or a termination of the management agreement requested, or an owner-manager may be required to obtain independent management.

This Administrative Notice is applicable to all management agents, borrowers, owner-managers, and identity of interest management agents.

/s/  
JACKIE J. GLEASON  
State Director