



Management Fees – Frequently Asked Questions

Q: How do I know if my management agreement is controlled by MHDC, HUD, or Rural Development?

A: MHDC controls the management fee for all non-FHA financed MHDC Fund Balance and HOME loans, and tax credit properties. Risk Share properties are FHA insured but follow a different set of regulations than FHA insured deals. MHDC controls the management agreement for these properties.

Funding Examples

MHDC Controls

- MHDC Fund Balance and Tax Credits, MHDC Controls HOME and Tax Credits
- RD Second position loan, and Tax Credits
- MHDC Risk Share FHA mortgage with Tax Credits, MHDC Controls Tax Credits

Rural Development Controls

- RD in First Position, Loan and Tax credits, Rural Development Controls Home

HUD Controls

- Section 8 HAP Contract with FHA loan serviced by HUD and Tax Credits, HUD controls FHA Mortgage and Tax credits

Q: How will I know what the new annual management fee amount will be?

A: The maximum management fee for each year will be published by MHDC during the fourth quarter of the calendar year.

Q: How long can I continue to collect the higher grandfathered management fee?

A: The property may continue to collect the grandfathered management fee until MHDC's approved management exceeds the grandfathered amount.

Q: Can I receive a management fee increase on a grandfathered management fee?

A: No – A property cannot receive any increase on a grandfathered rate. These rates are already higher than the MHDC maximum.

Q: What happens if it is determined that the property paid overpaid management fees for the year?

A: MHDC performs a review of management fees based on year-end information. Management fees are to be reconciled at year-end to remain compliant with MHDC Exhibit A-2 Project Owner's Management Agent Certification. MHDC staff will recalculate the maximum amount of fees allowed for the property during the property's annual financial statement review. If an overage is determined, MHDC staff will

issue a finding asking management to provide a reconciliation of the management fees. MHDC will review the calculation and will determine if an overage still exists. If an overage is still determined, management will be required to reimburse the property and provide supporting documentation that the overage was refunded to the property's bank account.

Note: Since the calculation is on a "per occupied unit" basis, properties will not be eligible for the maximum management fee unless there was 100% occupancy during the year.

Q: How should management fees be calculated for budget purposes?

A: For budget purposes only, MHDC allows management fees to be budgeted for assuming 100% occupancy.

Q: Do I need to submit a new A-2 Project Owner's Management Agent Certification?

A: Yes, all management companies should submit a new A-2 Project Owner's Management Agent Certification in AMRS. Going forward, the Exhibit A-2 will only need to be submitted to notify MHDC of a change in management contacts.

Q: What expenses is the property management fee expected to cover?

A: Expenses covered by the management fee are as follows:

Salaries, wages, fees, and contract costs involved in the performance of the following functions:

- A. Establishing and maintaining a control system for insuring that the development is operated on a sound fiscal and physical basis in conformity with generally accepted requirements.
- B. Preparing monthly operating statements as required by the owner and MHDC.
- C. Providing expert counsel to the Owner and development staff on development management and requirements of MHDC and other federal, state and local government agencies.
- D. Representing the Owner to the public and government agencies.
- E. Directing and supervising the staff and functions charged directly to the development.
- F. Clerical support of persons performing functions covered in "A" through "E."
- G. Administration of tenant security deposits.
- H. Preparation of rent roll including posting of receipts and receivables.
- I. Property Management Data Collection Systems.
- J. Charges for bookkeeping or accounting services performed by the management agent or another party unless stated otherwise in the management agreement.

Q: What expenses are excluded from the property management fee?

A: Expenses not covered by the management fee are as follows:

1. Salaries, wages, fees, and contract costs incurred in direct performance of the following functions at an appropriate work site (on or off the development) and under the appropriate supervision.
 - a. Legal and auditing services rendered to the development.
 - b. Advertising and other marketing activities.
 - c. Leasing operations, including interviewing prospective tenants, verifying application data, certifying eligibility, showing apartments, executing leases, recertifying of eligibility, processing move-outs, etc.

- d. Maintenance, repair, operation, cleaning, grooming, and decorating the development.
 - e. Development security activities.
 - f. Exterminating, refuse removal, snow removal, securing of vacant units and other services where appropriate and approved.
 - g. Clerical support of person performing functions covered in items "A" through "F."
- 2. The salaries and wages of development level employees (normally the resident manager, onsite office and maintenance staff) directly performing the activities covered in item (1.).
- 3. The following expenses when directly identified with employees and/or functions covered by items 1 and 2:
 - a. Office expenses
 - b. Office rent
 - c. Telephone
 - d. Fire Alarm
 - e. Materials and supplies
 - f. Data processing services
 - g. Purchase, maintenance, and repair of office maintenance equipment
 - h. Discounted or rent-free apartment
 - i. Employee Benefits i.e., payroll taxes, health, workers compensation, and Liability insurance, pension, and other benefits, bonuses, and incentives
 - j. Transportation costs and reimbursements
 - k. Travel costs
 - l. Lock boxes
 - m. Commission and concessions for obtaining tenants
- 4. Costs of electricity, gas, oil, water, water treatment, sewage disposal used at the development site or at a space rented for use of employees or functions covered by item 1 and 2.
- 5. Principal, interest, taxes, casualty insurance, and reserve for replacement deposits.
- 6. Rent up fees that are specifically provided in the management agreement.
- 7. Any additional expenses not specifically included in the Management Agreement.