

Appendix K:

Property Management Standards

Property Management Standards

The property management standards should set reasonable performance standards reflecting the results that competent management agents can be expected to achieve. MAHRA requires that property management standards be consistent with industry norms and HUD requirements. HUD requires that the property management standards include at least the following:

- A. *Major Repairs and Replacements.* A provision requiring the owner and manager to develop and utilize effective programs for:
1. preventive maintenance, so that major building systems remain serviceable for as long as practicable; and
 2. capital replacement, so that major buildings systems are repaired or replaced at the end of their useful lives, in a cost-effective manner.

These programs must be consistent with the OMHAR-approved Restructuring Plan, in particular with the PAE's Physical Condition Assessment (PCA).

- B. *Physical Condition.* A provision requiring the common areas and all units in the property to comply with HUD's *Uniform Physical Condition Standards* (published in the *Federal Register* on September 1, 1998, and included in Appendix P), and with applicable local codes.
- C. *Compliance with Other HUD Requirements.* A provision requiring the owner and manager to comply with other HUD requirements applicable to the property, including:
1. Governing Documents. Compliance with the requirements of any Regulatory Agreement and/or Section 8 HAP Contract. Compliance with applicable portions of HUD's Handbooks and Notices (including the *Occupancy Handbook 4350.3*, *Management Handbook 4381.5*, and *Loan Management Handbook 4350.1*), regarding the management and maintenance of the property and relations with tenants.
 2. Required Reports. The timely and complete submission of all required reports and information requests (including audited financial statements, inspection review responses, management certifications, and TRACS data).
 3. Project Records. Project records that provide a complete and accurate account of operations, and that are readily available and suitable for review by HUD.
 4. Inquiries. Responsiveness to inquiries and requests from residents, HUD and local governments in a timely and appropriate manner.
- D. *Anti-Crime Programs.* A provision encouraging the owner and manager to use available programs to the extent that such programs are reasonably likely to reduce drug activity and other crime and

that the cost, if any, of such programs is reasonable in relation to their likely benefits. Such programs may be offered by the police, local schools, community groups, resident associations, and other local organizations.

- E. *Accessible Property Records.* A provision encouraging the owner and manager to maintain well-ordered offices with easily accessible records that provide a complete and accurate account of operations;
- F. *Professional Education.* A provision encouraging cost-effective continuing professional education for on-site and supervisory staff, in particular:
 - 1. Occupancy training for administrative staff;
 - 2. Fair housing training for administrative staff;
 - 3. Real estate licensing, to the extent required by applicable state law; and
 - 4. Basic property management training for managerial staff.

OMHAR encourages PAE's to approve the cost of such professional education as an eligible project expense for front-line staff only.

- G. *Fair Housing.* A provision requiring compliance with applicable fair housing requirements (including requirements under the Fair Housing Act, ADA and Section 504).
- H. *Fidelity Bond.* A provision requiring the management agent to maintain a fidelity bond in accordance with HUD requirements, which include:
 - 1. Confirmation that the management agent has a fidelity bond in an amount equal to at least two months' potential rent collections per property.
 - 2. Coverage through one or more bonds (one bond may cover more than one property, including properties whose mortgages are not insured or held by HUD).
 - 3. If a bond covers more than one property, the minimum coverage must be computed using the property with the highest gross potential income.
 - 4. The fidelity bond or coverage must name the mortgagee and HUD as additional loss payees.
 - 5. The agent's principals, supervisory staff and front-line staff may be covered under the same bond.

For additional information, see *Handbook 4381.5*.