



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

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MEMORANDUM FOR: Owners and Management Agents of HUD-Insured and HUD-Assisted Properties

FROM: Matt Naish, Regional Director, Multifamily West Region

SUBJECT: West Region Management Fee Ranges

The Multifamily West Region is increasing management fee ranges for properties located in Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington, Wyoming, American Samoa, Guam, and the Commonwealth of the Northern Mariana Islands. The new fee ranges result in an increase of 12 to 15 percent to the base management fee depending on the state, with an average increase of 14 percent. This increase ensures that property owners can obtain quality management for their properties, and it enables management companies to meet the needs of tenants, take care of their properties, and meet HUD's high standards of excellence.

The Region has also included a uniform schedule of add-on fees for the Multifamily West Region, including two new add-on fees.

The increased management fee ranges and add-on fees are effective February 19, 2024.

RANGES OF ACCEPTABLE RESIDENTIAL FEE YIELDS – PER UNIT PER MONTH (PUPM)

The ranges of acceptable residential fee yields are established to ensure that fee yields (PUPM) do not exceed amounts ordinarily paid for management services. The increased ranges below were calculated by taking the 2021 Fee Memo ranges and applying the change in the Consumer Price Index (CPI) from October 2021 to December 2023. The change in the CPI from October 2021 to September 2022 was 9.8 percent in the Mountain region, 7.9 percent in the Pacific region, and 7.6 percent in the West North Central region. The change in the CPI from October 2022 to September 2023 was 4.8 percent in the Mountain region, 4.8 percent in the Pacific region, and 4.5 percent in the West North Central region. The change in the CPI from October 2023 to December 2023 was -0.78 percent in the Mountain region, -0.54 percent in the Pacific region, and -1 percent in the West North Central region.

State or Territory	Top of Acceptable Range (Base Yield)
Alaska	\$72.00
Arizona	\$49.00
California	\$63.00
Colorado	\$59.00
Hawaii	\$56.00
Idaho	\$53.00
Montana	\$52.00
Nevada	\$56.00
North Dakota	\$51.00
Oregon	\$52.00
South Dakota	\$51.00
Utah	\$52.00
Washington	\$61.00
Wyoming	\$48.00
American Samoa	\$51.00
Guam	\$51.00
Northern Mariana Islands	\$51.00

If an owner’s last approved base management fee yield (PUPM) exceeds the ranges listed above, that yield may generally continue as-is, provided there is an approved management certification that has not expired. In this case, the fee percentage will not be reduced to bring the yield within the acceptable ranges below. However, at the time a new management certification is required, or at the owner's request for a new certification, the new yield will be approved within the acceptable ranges identified above.

When owners or management agents submit a management certification form, HUD must assess whether the proposed fee percentage and yield (PUPM) are reasonable. If the yield does not exceed the top of the acceptable range above at the time approval was requested, the residential management fee is considered reasonable, and HUD may approve the fee percentage. If the yield exceeds the top of the acceptable range above, HUD must deny the fee percentage.¹

Effect of Future Rent Increases on the Fee Yield

As future rent increases occur, the fee percentage previously approved by HUD may result in a fee yield (PUPM) that exceeds the top of the acceptable range above. As long as the fee percentage remains the same, this higher yield is generally allowable.²

¹ The Management Agent Handbook (4381.5 REV-2), HUD (Dec. 1994), ¶ 3.20(c).

² The Management Agent Handbook (4381.5 REV-2), HUD (Dec. 1994), ¶ 3.20(c).

There are some situations, however, where the fee percentage and fee yield must be recalculated. Large rent increases, for example, may require a decrease of the fee percentage.³ When a project will receive a rent increase equal to 20 percent or more of its current rent potential, the management fee percentage must be decreased as indicated in the Management Agent Handbook (4381.5 REV-2), ¶ 3.9.

In addition, if an owner's management certification form (forms HUD-9839-A and -B) indicates the management fee yield is capped, the management fee percentage must be adjusted downward for any rent increase that would cause the yield to exceed the indicated cap, even rent increases of less than 20 percent.

Excessive Management Fees

As noted above, as future rent increases are approved, the fee percentage previously approved by HUD may result in a fee yield that exceeds the top of the acceptable range above.⁴ While this is generally allowable, excessive management fees are not permitted. As noted in the management certification form signed by the owner, if HUD determines a management fee is excessive, the owner or management agent will reduce the fee to an amount HUD determines to be reasonable and refund to the project all excessive fees collected.⁵

ADD-ON FEES

The Management Agent Handbook (HUD Handbook 4381.5) permits add-on fees when projects have long-term characteristics or conditions that require additional management effort beyond the activities covered by the residential management fee.⁶

Before considering add-on fees, HUD must first compute the permitted percentages for residential, commercial, and miscellaneous income and determine if they are acceptable.⁷ After HUD has approved these fee percentages and the associated fee yield (PUPM), HUD may then consider the add-on fees. The add-on fees may cause the fee yield to exceed the top of the acceptable range, which is allowable. The add-on fees may not, however, be used to increase the fee percentage.⁸

Owners and agents requesting add-on fees for a project must submit a new management certification (forms HUD-9839-A or -B) and list the requested fees under the Special Fees section of the form.

For short-term or temporary project conditions, owners and agents should seek special management fees.⁹ The Multifamily West Regional Office will not approve add-on fees for temporary project conditions.¹⁰

³ The Management Agent Handbook (4381.5 REV-2), HUD (Dec. 1994), ¶ 3.11(b).

⁴ The Management Agent Handbook (4381.5 REV-2), HUD (Dec. 1994), ¶ 3.20(c).

⁵ Project Owner's Certification for Owner-Managed Multifamily Housing Projects, (Form HUD-9839-A), § 1(e); Project Owner's/Management Agent's Certification (Form HUD-9839-B), § 1(e).

⁶ The Management Agent Handbook (4381.5 REV-2), HUD (Dec. 1994), ¶ 3.7.

⁷ The Management Agent Handbook (4381.5 REV-2), HUD (Dec. 1994), ¶ 3.7.

⁸ The Management Agent Handbook (4381.5 REV-2), HUD (Dec. 1994), ¶ 3.7.

⁹ The Management Agent Handbook (4381.5 REV-2), HUD (Dec. 1994), ¶ 3.6.

¹⁰ The Management Agent Handbook (4381.5 REV-2), HUD (Dec. 1994), ¶ 3.7(a)(3).

SCHEDULE OF PERMISSIBLE ADD-ON FEES

Subsidy Mix - \$3 PUPM

A combination of rental subsidy, Section 8/PRAC and another HUD or low-income housing tax credit (LIHTC) subsidy.

Special Population - \$3 PUPM

Special Population add-on fees apply to properties that are specifically designed to house elderly or disabled residents.

Remote Location - \$3 PUPM

No local management is available. The agent shall provide HUD with evidence that it will incur unusually high travel costs along with additional costs to conduct special outreach to attract residents.

Small or Scattered Site - \$2 PUPM

Properties with fewer than 20 units or projects under one contract that are scattered sites.

Utility Allowance - \$1 PUPM

Properties with tenant-paid utilities in which the agent must conduct a Utility Allowance Analysis as detailed in HUD Notice H-2015-04. The add-on fees may not exceed \$1,000/year total. For more specific guidance: <https://www.hud.gov/sites/documents/15-04HSGN.PDF>.

Better Buildings Challenge and Better Climate Challenge - up to \$4 PUPM

Participants in HUD’s Better Buildings Challenge (BBC) who have committed to reduce their portfolio energy and water usage by 20 percent within 10 years are permitted to receive add-on fees for the following activities. BBC-eligible add-on fees may not exceed \$5,000/year and are only available for the shorter of 10 years or the end of the BBC period for the sponsor's portfolio. For more specific guidance: <https://www.hudexchange.info/programs/better-buildings-challenge/management-add-on-fee-incentive/>. Participants in HUD’s Better Climate Challenge (BCC) are also eligible for the add-on fees below.

Developing and implementing a property-specific green operations and maintenance plan	\$1 PUPM
Resident engagement and education to encourage energy and water efficiency behaviors and best practices	\$1 PUPM
Utility data collection, entry, and/or technical support	\$1 PUPM
Installation and use of energy data benchmarking and reporting software	\$1 PUPM

Homeless Preference - \$2 PUPM

For properties with an approved “homeless preference” (i.e., HUD has approved an amended Tenant Selection Plan containing this preference), and with at least one previously homeless individual/household admitted during the previous year. The add-on fee is only available after the initial nine-month special fee term has expired (or was not requested) and may not exceed \$3,600 annually. This fee can be collected while a property's homeless preference is active and TRACs shows the project has at least one Previous Housing Code 5 move-in within the previous year. For more specific guidance: <https://files.hudexchange.info/resources/documents/DR-H-Homeless-Preference-in-Multifamily-Housing.pdf>.

In addition to the add-on fee, owners may request a special fee during the nine-month start-up period to enable the owner or agent to create and implement the homeless preference process. The special fee of \$2.50 PUPM can be taken for no longer than a continuous nine-month period and may not be extended. The maximum annual fee cannot exceed \$4,500 per property. For more information on special fees, see the next section.

Violence Against Women Act (VAWA) Policies - \$2 PUPM

For properties that notify all tenants and applicants of their occupancy rights under VAWA (form HUD-5380), that have implemented an Emergency Transfer Plan for victims of domestic violence (form HUD-5381), and that have established a HUD-approved VAWA preference in their Tenant Selection Plans. This fee can be collected while these policies are active.

SPECIAL FEES

Owners and agents may propose special fees to address project conditions that are temporary in nature. Special fees may be appropriate where the fee is tied to the correction of specific problems or the accomplishment of specific tasks—for example, the substantial rehabilitation of a property, obtaining or renewing a lease for commercial space at the project, or addressing high incidences of crime or vandalism at the property. More specific information on special fees can be found in HUD Handbook 4381.5, Chapter 3, ¶ 3.6.

Documentation required to propose a special fee for addressing high incidences of crime or vandalism at the property includes, but is not limited to:

1. A list of the number of lease terminations and evictions for crimes over the past 12 months;
2. Evidence from the local government or police that the owner or agent has sought assistance in deterring crime at the property; or a copy of police records evidencing the degree of crime at the property and surrounding area;
3. A copy of the current plan to address the crime problems and an account of how successful it has been;
4. Evidence that the residents support the plan and are assisting in its implementation; and
5. Documentation that more time is required of the agent on site.

Updated documentation may be requested by the property's Account Executive to determine if this fee remains appropriate.

REQUESTING THE UPDATED MANAGEMENT FEES

Owners and management agents may request an updated residential fee yield (PUPM), add-on fees, or special fees by submitting a new management certification form (forms HUD-9839-A or -B) to the appropriate e-mail address below. In the Subject line, include the property name, request type (Management Certification), and the Property ID, FHA number, or contract number.

- For properties in Arizona, California, Hawaii, Nevada, American Samoa, Guam, and the Commonwealth of the Northern Mariana Islands: E-mail SF.Incoming@hud.gov
- For properties in Alaska, Colorado, Idaho, Montana, North Dakota, Oregon, South Dakota, Utah, Washington, and Wyoming: E-mail Den.Incoming@hud.gov

COMPUTER AND BOOKKEEPING FEES

Computer and Bookkeeping Fees attributed to front-line project requirements are treated as a project expense; do not include these fees on the management certification form (forms HUD-9839-A or B). For updated ranges see the West Region 2022 Bookkeeping Fee Ranges Memo. See HUD Handbook 4381.5, Chapter 3, for more information.