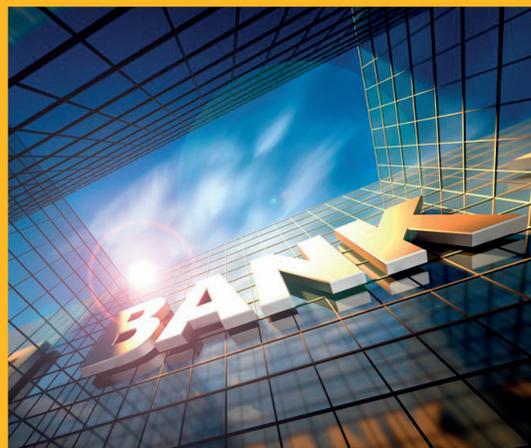


CAPS

Knowledge Checks



LIMITS OF LIABILITY AND DISCLAIMER OF WARRANTY

© 2017 by the National Apartment Association, 4300 Wilson Boulevard Suite 400 Arlington, VA 22203. All rights reserved. The course materials or any part thereof may not be reproduced, stored in a retrieval system, or transmitted, in any form or by any means—graphic, electronic, or mechanical, including photocopying, recording, or otherwise, without the prior written permission of the National Apartment Association Education Institute (NAAEI).

NAA retains copyright to the original materials and to any translation to other languages and any audio or video reproduction, or other electronic means, including reproductions authorized to accommodate individual requests based on religious or medical deferments from classroom participation.

DISCLAIMERS

Although NAAEI programs provide general information on apartment management practices, NAAEI does not guarantee the information offered in its programs is applicable in all jurisdictions or that programs contain a complete statement of all information essential to proper apartment management in a given area. NAAEI, therefore, encourages attendees to seek competent professional advice with respect to specific problems that may arise. NAAEI, their instructors, agents and employees assume no responsibility or liability for the consequences of an attendee's reliance on and application of program contents or materials in specific situations. Though some of the information used in scenarios and examples may resemble true circumstances, the details are fictitious. Any similarity to real properties is purely coincidental. Forms, documents and other exhibits in the course books are samples only; NAAEI does not necessarily endorse their use. Because of varying state and local laws and company policies, competent advice should be sought in the use of any form, document, or exhibit.

POLICY STATEMENT REGARDING THE USE OF RECORDING DEVICES, AUDIO VISUAL EQUIPMENT AND OTHER MEANS OF REPRODUCTION OR RECORDING OF THE “NATIONAL APARTMENT LEASING PROFESSIONAL” MATERIALS

All program contents and materials are the property of the National Apartment Association Education Institute, which strictly prohibits reproduction of program contents or materials in any form without the prior written consent. Except as expressly authorized in writing in advance, no video or audio recording of NAAEI programs or photocopying of “National Apartment Leasing Professional” materials is permitted. Authorized recording of programs or duplication of materials may be done only by the instructor on site.

Acknowledgments

SUBJECT MATTER EXPERTS

The NAA Education Institute wishes to thank the following apartment industry professionals for contributing their time and expertise to the rewrite of the Certified Apartment Portfolio Supervisor curriculum. Mindy McCorkle, CAM, CAPS, served as the lead CAPS subject matter expert. She also pilot tested CAPS at NAAEI and at the Houston Apartment Association. Mindy worked tirelessly over many months to take CAPS to the next level. The NAAEI Board of Directors and staff recognize and thank Mindy for the many hours she spent developing the new edition of CAPS.

Lead Subject Matter Expert

Mindy McCorkle, CAM, CAPS

Chief Enhancement Officer, Enhancement Talent Development
(704) 309-7392 Cell
mindy@enhancementtd.com
www.enhancementtd.com

Key Contributors

Shirley Aguilar, CAM, CAPS, The Sure Solution

Clio Barker, NALP, CAPS, Associated Management

Mike Beirne, Kamson Corp

Ian Douglas, CAPS, Allied Orion Group

Robin Flagler, CAPS, AION Management

Richard George, NOI Coach

Stephanie Puryear-Helling, CAM, CAPS, Greystar

Kimberly Hurd, CAPS, Intrepid Capital

Alexandra Jackiw, CAPS, Milhaus Management

Barbara O'Steen, Greystar

Jena Paulenich, CAPS, PRG Real Estate Management

Debbie Phillips, The Quadrillion

Terry Ragland, CAM, CAPS, Blue Ridge Companies

Julie Reed, Waterton Residential

Vicki Sharp, NALP, CAPS, The Sharp Solution

Susan Sherfield, CPM, Mercy Housing

Jodi Spurrell, Milestone Management

Peter Therrell, CAPS, ECI Management

Jessica VanGelder, Redwood Living

Beth Van Winkle, CAM, CAPS, Milestone Management

Susan Weston, CAM, CAPS, The Susan Weston Company

CAPS
Certified Apartment Portfolio Supervisor
NAA Education Institute
4300 Wilson Blvd., Suite 400
Arlington, VA 22203
(703) 518-6141
education@naahq.org
www.naahq.org

Further Acknowledgments

The National Apartment Association Education Institute acknowledges the contributions of countless volunteers who made this program possible. We extend our thanks to all and pledge to maintain the CAPS credential as the premier standard apartment industry training program for all apartment portfolio supervisors.

Table of Contents

Module 1 Client Services and Stakeholder Relations	2
Module 2 Investment Management	12
Module 3 Improving Asset Performance	22
Module 4 Asset Evaluation and Preservation	28
Module 5 Talent Development	38
Module 6 Contemporary Issues in Multifamily Housing	46

Module 1 - Client Services and Stakeholder Relations

1. What are the key questions to ask in order to determine if you are acting in an ethical manner?

- Is it legal?
- Who is affected by your decision, and how?
- What are the long-term consequences of your decision?
- How will your decision make you feel?
- Have you examined all the alternatives?

2. What are the key elements of the CAPS role?

- Manage the relationship between property owners and the management company.
- Make sure portfolio performs to expectations.
- Increase performance of underperforming properties.
- Recommend and implement operational and financial improvements.

3. What are property owners' most common goals?

- Specific rate of return.
- Regular cash flow.
- Refinancing.
- Renovating or retrofitting.
- Repositioning the property.
- Income to acquire more properties.

4. What are the elements of a good financial strategy when working with a property owner?

- Keep owner well informed with details.
- Factor owner goals into all key financial activities.
- Provide incisive and timely analysis.
- Take decisive and effective steps to correct shortfalls.
- Recommend strategies and tactics.
- Assess property or portfolio growth regularly.

5. How can you best communicate with owners?

- Be proactive.
- Vary the amount of communication based on size and condition of property/portfolio and preferences of owner.
- Defer to the owner's preference for type of communication (phone, email, etc.).
- Document all interactions (issues discussed and decisions made).

Module 1 - Client Services and Stakeholder Relations

6. What are the key components of a Management Agreement?

- Budget and Business Plan.
- Minimum Leasing Guidelines.
- Obligation to Advance Payments.
- Operating Expenses.
- Extraordinary Expenses.
- Legal Fees.
- Money Left at the End of the Month.
- Who Gets Paid First?.
- Reports.
- Financial Audits.
- Leasing and Rental Practices.
- Performance of Repairs.
- Contracts, Utilities, and Services.
- Contract Limitations.
- Budget and Business Plan.
- Established jointly by owner and management company.
- Gives the management company financial guidelines.
- Minimum Leasing Guidelines.
- Establishes management company accountability for property performance.
- Termination.
- Complete Agreement.

7. What property information should appear on a Property Information Sheet?

- Location, size, name, age.
- Relevant building codes.
- Mix of unit types.
- Amenities.
- Mortgage information.
- Tax parcel ID numbers.

8. Which report is created in order to give a clear picture of how a property has performed for previous month, quarter, and year, and to link property performance to the owner's objectives?

- The owner's report.

9. As a CAPS, what should you look for in your review of an owner's report?

- Clarity.
- A thorough explanation of property performance.
- A thorough explanation of action plans.
- Explanation of budget variances.
- Supporting data and other reports.

Module 1 - Client Services and Stakeholder Relations

10. What are the major parts of an owner's report?

- Executive Summary.
- Overview of Market/Economic Conditions.
- Capital Expenses/Physical Plant.
- Financial Operations.
- Property Operations Activity Reports.

11. What's the key advantage, and key disadvantage, of government-sponsored loans?

- Advantage: lower interest rates.
- Disadvantage: additional requirements for the borrower.

12. What types of discrimination are prohibited by the Fair Housing Act?

- Race
- Color
- National origin
- Religion
- Sex
- Familial status
- Disabilities

13. What must a property do in order to comply with the Fair Credit Reporting Act (FCRA)?

- Provide written notice and receive authorization from the subject of credit report.
- Certify to credit reporting agency that the information won't be used for discriminatory purposes.

14. What are the requirements of the Occupational Safety and Health Act (OSHA)?

- Employers must provide place of employment that is “free from recognized hazards that are causing, or are likely to cause, death or serious physical harm to employees.”

15. What law requires that federally-assisted housing be readily accessible to and usable by individuals with disabilities?

- Section 504 of the Rehabilitation Act of 1973.

16. What does Title I of the Americans with Disabilities Act (ADA) mandate?

- It prohibits employment discrimination against qualified applicants or employees with a disability who, with or without reasonable accommodation, can perform the essential functions of the employment position.

17. What does Title III of the Americans with Disabilities Act (ADA) mandate?

- It requires that public spaces and common areas used by the public be accessible to persons with disabilities.

18. What are the five major OSHA standards?

- Hazard Communication Standard for Chemicals.
- The Lockout/Tagout Standard for Controlling Energy Sources.
- Bloodborne Pathogens.
- Personal Protective Equipment (PPE).
- The Electrical Safety Training Program.

Module 1 - Client Services and Stakeholder Relations

19. What are some ways to be sure a property complies with the Fair Housing Act?

- Display Fair Housing posters where they can be easily seen by prospects and residents. Minimum size required by law is 11" x 14".
- Train employees right from the start.
- Establish screening protocols for situations when potential Fair Housing conflicts arise.
- Monitor staff compliance with mystery shoppers.
- Consider a third-party resident screening company.

20. What's the definition of a disability?

- A mental or physical condition that substantially limits one or more major life activities.

21. What are the accessibility requirements for all buildings built after March 13, 1991?

- Wheelchair accessible entrances on an accessible route.
- Accessible public and common use areas.
- Usable doors.
- Accessible routes into and within the dwelling.
- Switches, outlets, environmental controls at specific heights.
- Usable kitchens and bathrooms.
- Bathroom walls reinforced for grab bar installation.
- These apply to all units in buildings with elevators, and to the ground floor in buildings without elevators.

22. What is a property legally required to provide to make it “habitable”?

- Protection from weather.
- Working utilities.
- Trash collection.
- Clean safe common areas.
- Addressing environmental hazards.
- Controlling nuisances.

23. How can you best avoid habitability issues?

- Hire good community managers.
- Ensure maintenance is timely and high quality.
- Ensure adequate maintenance personnel and financial resources.
- Perform inspections.

24. What crime deterrence measures should a CAPS coach a community manager to implement?

- Track type, frequency, location of crimes in the neighborhood.
- Stay in contact with law enforcement and other apartment communities in the area.
- Ensure all necessary precautions are taken, such as key control and installation of security equipment.
- Keep residents informed about safety.

Module 1 - Client Services and Stakeholder Relations

25. If a resident comes directly to you with a problem, what should you do or not do?

- Tell them you'll investigate.
- Research and make fair decision, but your first instinct should be to back up community manager.
- Do not just give in to their demands to make the problem go away.

26. What are some ways to cultivate a relationship with the community?

- Work with local law enforcement on crime and safety.
- Get involved in community events.
- Implement "green" initiatives.
- Develop relationships with businesses.
- Comply with local laws.
- Develop good relationship with local government.
- Keep in touch with local NAA affiliate.

Module 2 - Investment Management

1. What is the primary role of a CAPS with regard to an owner's investment in a property?

- To protect this investment and increase Net Operating Income (NOI).

2. How does an investment in a multifamily property affect an owner's taxes?

Depreciation or Cost Recovery

- Property loses value with age and use.
- Depreciation is a deduction for recovery of cost of wear and tear, age, or obsolescence.
- Principal source of tax shelter. Can significantly reduce taxable income.
- Only temporarily defers tax obligations. Amounts deducted in prior years must be recognized when property is sold.

Capital Gains Tax Rate

- Multifamily housing properties are capital assets, so owners pay capital gains tax on the appreciated value when they sell.
- Capital assets can qualify for special reduced tax rates when they're sold.
- Capital gains tax rate influences investor interest in buying and selling.

3. Why would an investor choose a mortgage to finance a real estate investment?

- They need additional funds.
- They have enough money, but take out loan in order to diversify investments.
- They want to take advantage of tax benefits that allow deduction of mortgage interest and depreciation of their assets.
- They want to benefit from financial leverage.

4. What's a mortgage note?

- A document that establishes the existence of debt between lender and borrower.

5. What is receivership?

- Receivership is a court order whereby all property subject to dispute is placed under the control of an independent "receiver." This happens when a borrower doesn't pay his or her mortgage, and is a step before foreclosure. The purpose of receivership is to protect the asset during lawsuit if there is a danger the property will be dissipated or removed otherwise.

6. What does a CAPS handle when a property is in receivership?

- Deal with hiring and spending freezes.
- Deal with unpaid vendors.
- Manage public relations.
- Watch for turnover and occupancy problems due to scared or angry residents.
- Ensure the onsite team remains functional.
- Ensure the property stays operational and cost-efficient.

Module 2 - Investment Management

7. What are the primary types of mortgage loans?

- Fixed-rate loans: interest rate stays the same.
- Variable-rate loans (also Adjustable-Rate Mortgages, or ARMs): interest rate adjust over time.
- Balloon loans: constant payment for a set number of years, then get paid off in a single “balloon” payment.
- Bullet loans: loan principal paid off in one lump sum at specified time.

8. What is loan-to-value ratio and how is it computed?

- This ratio compares the amount of the loan to the market value of the property.
- Loan-to-value ratio (LTV) = $\text{Loan amount} / \text{property value}$.

9. What does a low LTV ratio mean to a lender?

- A low LTV ratio means that a property is low-risk.

10. What is debt coverage ratio and how is it computed?

- Debt coverage ratio (DCR) measures a property’s capacity to repay the loan from its Net Operating Income (NOI).
- $\text{DCR} = \text{Net Operating Income (NOI)} / \text{Annual Debt Service (ADS)}$.

11. What does a low DCR ratio mean to a lender?

- A low DCR ratio means that a property is high-risk.

12. What's the role of a CAPS in budgeting?

- CAPS and property owners both use budgets to plan and monitor financial activities and track property performance.
- While the community manager does most of the heavy lifting of budget prep, the CAPS is responsible for getting them started and guiding them through the process.

13. What are the three main types of budget and when are they used?

- Lease-up budget: New properties, until property reaches stable occupancy.
- Renovation budget: Properties undergoing renovations for enhancement or restoration.
- Operating budget: Stable properties, fully leased, operating normally.

14. As a CAPS, what do you need to do in order to best coach your community managers regarding budgets?

- Work closely with community managers during budgeting.
- Check in with them regularly, not just at the end.
- Make sure community managers are involving their service managers.

Module 2 - Investment Management

15. What are the three fundamental budgeting steps that you need to coach on?

- Step 1: Forecasting Income.
- Step 2: Projecting Anticipated Expenses.
- Step 3: Anticipating “What if...?” Scenarios.

16. What is budget re-forecasting and when should you do it?

- Budget re-forecasting allows you to adjust as situations change. You should do it even when things are going better than expected.

17. What are the differences between accrual-basis accounting and cash-basis accounting?

- The accrual method records all income and expenses in the period they are earned or incurred, regardless of when they are received or paid. This is the most common method in the multifamily industry.
- The cash method records all income and expenses when they are actually received or paid.

18. What is EGI?

EGI is Effective Gross Income: All the money a property takes in, including rent and other income.

19. What is NOI?

- NOI is Net Operating Income: EGI minus operating expenses.

20. What are the two types of operating expenses?

- Fixed expenses and variable expenses.
- Fixed expenses are not controllable, and don't vary with occupancy level. Examples include property taxes, insurance payments, and depreciation.
- Variable expenses are controllable, and may vary as occupancy conditions change. Examples include utilities, repair costs, and salary and personnel costs.

21. What are the common ways that property management software presents operating expenses?

- On a per-square foot basis.
- On a per-unit basis.
- As a percentage of gross potential rent (GPR), where $GPR = \text{All units occupied at } 100\% \text{ of the market rate.}$

22. What is ROI and how is it computed?

- Return on Investment, or ROI, is the ratio of the net operating income (NOI) to the down payment on the property.
- $ROI = NOI / \text{Total Initial Investment.}$

23. What is cash-on-cash return and how is it computed?

- Cash-on-cash return is the ratio of cash flow to the down payment on the property.
- $\text{Cash-on-cash return} = \text{Cash Flow} / \text{Total Initial Investment.}$

Module 2 - Investment Management

24. What are the two key questions that a financial analysis of a property answers?

- How has the property performed over a period of time?
- What is the current status of the property at this particular point in time?

25. What document explains how a property has performed over a period of time?

- The operating statement does this. It compares income and expenses over that time period to budget for same period.

26. What document explains the current status of a property at a particular point in time?

- The balance sheet does this, but a CAPS rarely needs to interact with a balance sheet.

27. What's a general ledger?

- A general ledger provides the detailed documentation of all financial transactions necessary to generate these documents.

28. What's a budget variance?

- The difference between a budgeted income or expense number and the actual income or expense number.

29. What's the role of a CAPS with regard to budget variances?

- Coach the community managers on spotting and tracking variances.
- Review the community managers' variance reports and ensure that:
 - All variances requiring explanation are represented. Criteria for this may be detailed in the Management Agreement.
 - All explanations are detailed enough for the owner to understand.
 - The report anticipates questions the owner might have.
 - Details include not only why variances happened, but also whether they are likely to continue happening, and what changes are recommended.
- Monitor long-term trends in variances, especially across the portfolio.

30. How do you analyze variances?

Ask questions like:

- How many move-ins and move-outs were budgeted for the month?
- Is a new or established competitor attracting residents?
- Do competitors have lower rental rates or offer more amenities?
- Are competitors running successful advertising campaigns?
- Have I been able to raise rents compared to budget?
- Is it just a timing issue or likely to be permanent?

Module 2 - Investment Management

31. What's the definition of "property value"?

- Property value = What the property is worth at a point in time, based on certain standard valuation techniques.

32. Why would a CAPS need to understand the value of a property?

- The CAPS may need to advise owners on important decisions.
- The CAPS can greatly impact property value through management decisions.

33. What are the three main approaches to property valuation?

- Cost Approach.
- Sales Comparison Approach.
- Income Capitalization Approach.

34. What is the cost approach?

- It looks at current cost of the "bricks and sticks" to rebuild, asking "What would it cost me to reproduce or replace the buildings at today's cost, using current materials and construction standards?"

35. What's the sales comparison approach?

- It's based on the principle that the market value of a property is directly related to the prices of comparable, competitive properties.

36. What's the income capitalization approach?

- This approach estimates value by comparing how much the property costs to how expensive it is to run. It's the most common method for valuing income-producing property.

37. How do you compute an income capitalization rate (cap rate)?

- Cap rate = Annual NOI/ Value.

Module 3 - Improving Asset Performance

1. What does NOI stand for?

- Net Operating Income.

2. What's a better way to grow NOI—reducing expenses or increasing revenue?

- Over the long term, pursuing revenue increases will almost always result in larger NOI growth than reducing expenses. Expense reduction has inherent limits, while revenue increase does not. This effect becomes even more pronounced the older a property gets, because you have even less ability to decrease expenses.

3. As a CAPS, what are the two things you need to start with when looking to address property performance issues?

- The property owner's goals.
- The property's performance requirements.

4. How can you best identify factors that contribute to poor property performance?

- Examine the history of the problem.
- Know where to look for contributing factors.
- Know if it's a temporary problem or a long-term problem.

5. What KPIs can best be used to evaluate a portfolio's performance?

- Highest Rated Service.
- Best Performance to Budget (Expenses).
- Highest Average Occupancy Percentage.
- Most Improved Gross Potential Rent.

6. What's Gross Potential Rent and how is it computed?

- It's the total rent if all units were occupied at market rent.

Gross Potential Rent (GPR) = Units x Market Rate.

7. What's Gross Potential Income and how is it computed?

- It's the total income counting all occupied units at their current rent plus all unoccupied units at market rent.
- Gross Potential Income (GPI) = (Occupied Units x Current Lease Rates) + (Vacant Units x Market Rate)

8. What's Operating Expense Ratio and how is it computed?

- It's the percentage of Percentage of Effective Gross Income (EGI) used to pay expenses, and measures how expensive a property is to operate.
- Operating Expense Ratio (OER) = Operating Expenses (OE)/ Effective Gross Income (EGI).

Module 3 - Improving Asset Performance

9. What's one good way to look for ideas as to how to address the issues causing the performance of low-performing properties?

- Look at high-performing properties for ideas.

10. What are some common reasons that a property's income or expenses should be worse than projected?

- Inaccurate budget projections.
- Temporary external factors.
- Rent increases not being aggressive enough.

11. What do you need to know about evaluating a property's renewal conversions and turnover percentage?

- Insight into relationship between team and residents.
- Low numbers may result from internal factors (e.g., staff problems) or external factors (e.g., single-family home prices).
- Why residents leave. Make sure you're collecting this information.
- Remember: Turnover is also an opportunity to grow rent income.

12. How is Economic Occupancy calculated?

Economic Occupancy = Total Rent Revenue (TRR)/Gross Potential Rent (GPR).

13. What are the most common ways a property can underperform?

- Not meeting leasing goals.
- Not meeting occupancy goals.
- Low or no rent growth.
- Not meeting budgeted income.
- Expenses over budget.
- Image/reputation problems.
- Excessive resident turnover.
- Excessive employee turnover.

Module 3 - Improving Asset Performance

14. What are some key questions to ask in order to determine how a property's performance can be improved?

- Are rents set appropriately for the product and market?
- Is your team experiencing a training or staffing problem?
- Is traffic adequate to reach goals?
- Do the market-ready units show well?
- Do the market-ready units show well?
- Is the curb appeal up to par (particularly along the tour route)?
- Are the screening criteria appropriate for the market/resident profile?
- Are the up-front fees set too high?
- Have you reevaluated your marketing strategy lately?
- Are specials offered? Do they need to be presented differently?
- If using RMS, are you supporting pricing recommendations? If not, are you evaluating pricing structure often enough?
- Is the pursuit of rent increases and renewals aggressive enough?
- When did resident turnover increase?

- Have there been staffing changes that might have influenced resident turnover?
- Why are residents choosing to move?
- Is something happening in submarket/economy that is impacting ability to achieve budgeted income?
- Are collection efforts appropriate and within policy?
- Are the line items creating the biggest unfavorable variances controllable and/or predictable?
- Are inventory management protocols and vendor relationships being utilized efficiently?
- Is the image problem a result of a single event or ongoing issue?
- How does the property respond to negative reviews?
- Are you taking specific steps to build a positive brand image?
- Are there ways to garner positive media coverage?
- When and where did employee turnover increase?
- What are the reasons for employee separation?
- Are regular staff meetings conducted?

Module 4 - Asset Evaluation and Preservation

1. What are the three things an owner will do with a property after investing in it?

- Renovation.
- Refinancing.
- Disposition.

2. What does “due diligence” mean?

- It means assessing the risk (legal, financial, safety) of acquiring a property.

3. How might a CAPS be involved in the due diligence process?

You may be involved in the due diligence process in these ways:

- In smaller companies, you may lead the evaluation and due diligence process for the owner.
- In larger companies, you’ll be an important member of a larger due diligence and discovery team and be assigned certain responsibilities in the process.

4. How does the due diligence process differ when undertaken for property acquisition vs. annual budgeting?

- When undertaken for property acquisition, the due diligence process is carried out within the set of investment goals a prospective buyer identifies.
- When done for annual budgeting purposes, the process is more compact, but still done with an eye to the owner’s investment goals for that property.

5. What are some key due diligence processes?

- Analyzing the rent roll and auditing lease files.
- Reviewing service and maintenance agreements.
- Reviewing the service request history.
- Ensuring governmental compliance.
- Reviewing recorded documents and litigation.
- Performing physical inspections.
- Checking for tax issues.
- Reviewing insurance policies and risk management claims.
- List of personal property.
- Market study.

6. What are key items to research when doing a regional analysis?

- Zoning restrictions.
- Rent control.
- Building codes and restrictions.
- Licensing fees.
- Infrastructure.

Module 4 - Asset Evaluation and Preservation

7. What's the best definition of an "effective market area"?

Effective market area is best defined by relevant competition:

- Location.
- Rent.
- Age.
- Quality and type of construction.
- Amenities.
- Appearance.

8. What are the two things you should do in order to conduct a neighborhood analysis?

- Look at public record data.
- Visit the neighborhood personally.

9. When doing a neighborhood analysis, what are the three key items to research?

- Changing demographics.
- Fluctuating real estate prices.
- Economic forces.

10. What items should you look at when analyzing a competitive property and comparing it with your property?

- Base and market rents.
- Unit type.
- Square footage.
- Market rent, including additional recurring charges for amenities.
- Market rent per square foot.
- Amenities.
- Incentives.

11. What are some key questions to ask yourself after comparing your property to a competitor, in order to see where you can improve?

- Can rents and amenity charges be increased? How much? How soon?
- Can rents be increased after capital improvements?
- How much of an increase is appropriate based on current condition or renovation plans?
- Can rents be increased for selective units?
- What is the competitive leasing edge for the property? What can be done to improve it?
- What improvements must be made to meet or beat the competition?

Module 4 - Asset Evaluation and Preservation

12. As a CAPS, what do you need to do as part of an inspection?

- Understand the owner's objectives and the purpose of the inspection.
- Use detailed checklists and make use of inspection software and apps.
- Pay close attention to known areas of potential risk.
- Know the useful life of important systems, and where they are in their life cycle.
- Rely on people with greater expertise.
- Measure, photograph, and document everything.

13. What are the three things to look for in an inspection?

- Deferred Maintenance.
- Functional Obsolescence.
- Economic Obsolescence.

14. What's the role of a CAPS in an environmental assessment?

- The CAPS does not perform this assessment, but must be aware of results because of the financial implications

15. What are some key things to look for and review during a property exterior inspection?

- Hazards and Liabilities.
- Resident Safety Issues.
- Drainage and Irrigation Systems.
- Trash Chutes, Containers, and Compacters.
- Energy Evaluation.

16. Who should conduct a mechanical inspection?

- These should generally be conducted by a third-party specialist.

17. What are some of the things you should look for when doing an interior inspection of an individual unit?

- Appliances.
- Flooring and floor coverings.
- Windows.
- Smoke and carbon monoxide detectors.
- Fire sprinkler heads.

Module 4 - Asset Evaluation and Preservation

18. What questions should you ask yourself in order to best use inspection findings to make a property more marketable?

- What is the overall first impression? Curb appeal?
- Does signage need redesign or repair? Is it sufficient? Should property name be changed?
- Can anything be done to modernize appearance?
- Would additional landscaping or change in décor help?
- Need to upgrade or add a furnished model?
- Do drives and parking areas need resurfacing?
- Do common areas and/or the rental office need updating?

19. What are the steps in a rent roll analysis?

- Request a current rent roll from management.
- Develop a draft rent roll using basic grid or spreadsheet.
- Use the rent roll to conduct a lease file audit and compare to file documents.
- Verify data, and determine if leases are executed properly.
- Look for anomalies to make sure the seller isn't inflating occupancy numbers.

20. What's the purpose of a lease file audit?

- To discover irregularities and determine if leases have been executed properly.

21. What can good resident profile data help you do?

It can help you analyze:

- Occupancy conditions.
- Rent collection practices.
- Resident selection criteria.

22. In order to analyze expenses, what three areas must you review?

- Operating expenses.
- Capital expenditures.
- Renovation costs.

23. What are the two key questions that a due diligence report created for the purposes of property acquisition must address?

- How much will the property cost?
- Does the investment make sense?

Module 4 - Asset Evaluation and Preservation

24. What are the seven key sections of a due diligence report?

- Market and competitive surveys.
- Regional and neighborhood analyses.
- Interior and exterior property inspections.
- Income and expense analysis.
- Lease file audit.
- Recommendations and preliminary budgets.
- A disclaimer about the reliability of any data that may have changed.

25. What's the role of a CAPS in an ownership transition?

- Lead transition from old to new.
- Work to make it as smooth as possible.
- Make sure property staff is up to the standards of the new owner and manager.

26. What should you look at when doing a feasibility analysis?

- Local occupancy rates.
- Interest rates and available financing.
- Age and type of existing apartment inventory.
- Construction costs.
- Land cost.
- Potential supply of new apartments under construction, permitted, or planned.

27. What's the role of a CAPS in property renovation?

- Evaluate for compatibility with investment goals.
- Assess need, and perform cost/benefit analysis.
- Participate in bid process.
- Handle leasing and marketing during renovation.
- In larger companies, property management may play a lesser role in evaluating and managing renovations.

28. What factors should be considered when deciding whether to sell a property?

- The potential benefit of leverage.
- Expected future property performance.

Module 5 - Talent Development

- 1. As a CAPS managing a team from a distance, what do you need to do in order to manage your teams successfully?**
 - Build trust with site teams.
 - Encourage frequent open communication (even when there aren't pressing problems).
 - Set clear expectations for performance.
 - Visit portfolio properties when possible.
 - Take advantage of streaming/meeting technology when visits aren't possible.

- 2. What things should you keep in mind when managing maintenance supervisors?**
 - Be aware of the limits of your own knowledge.
 - Make an effort to learn a little.
 - ID people you can reach out to for second opinions.
 - Recognize that maintenance management has unique challenges

- 3. What are the three key elements of the part of employee cycle relating to hiring employees?**
 - Recruiting.
 - Interviewing.
 - Hiring.

4. What are your options when an employee is not performing well?

- Discipline.
- Separation.

5. What's the CAPS role in recruiting, interviewing, and hiring?

- It depends on the size of the company.
 - Large companies have HR people do most of this.
 - Smaller companies may have CAPS more involved.
- The CAPS will almost always be involved in interviewing candidates for community manager and service manager.
- The CAPS may also grant approval for community manager's onsite staff hiring decisions.

6. Where should you look for job candidates?

- Common places: job placement websites, the NAA website, professional social media websites.
- Less common places: job fairs, technical colleges, headhunters, employee referrals.
- If you look in the same places every time, you'll see the same resumes every time.

Module 5 - Talent Development

7. What should you look for, or not care about, when looking to hire a community manager?

- Look for certifications, industry involvement, and ability to meet benchmarks.
- Job-hopping and gaps not a problem.

8. What types of interview questions should you ask?

- Good interview questions are of two main types:
 - Evidence-based (behavior-based).
 - Company culture based.
- A good interview will be about 50% of each.

9. Should you ever hire a resident to work on a property?

- CAPS should sign off on these.
- Not advisable for positions that involve telling other residents what to do.
- Other positions work well. For example:
 - Residents make great leasing agents.
 - Great at selling desirable features of the property.
 - Prospective residents find them convincing.

10. What's the role of a CAPS in orientation, onboarding, and training?

- Most companies have standard processes, and community managers will oversee onsite staff hires.
- The CAPS can (and should) offer feedback on what those processes should be.
- Make sure those processes are happening before new hires are put out in the field.

11. What's the role of a CAPS in team building?

Monitor and support community managers' efforts.

- Keep them engaged.
- Encourage communication and feedback.
- Have them meet with their teams regularly.
- Coach them to recognize problems.

12. What are some red flags to watch for when evaluating a team?

- Loss of clear purpose and mission.
- Unconstrained egos.
- Lack of trust and respect.
- Unresolved conflicts.
- Lack of clarity around responsibilities.
- Prioritizing personal goals over team goals.
- Lack of communication.
- Poor leadership.

Module 5 - Talent Development

13. What's the role of a CAPS in the mentoring process?

- Although rarely in the role of mentor for your own subordinates, you should actively ensure that mentoring relationships are fostered in your teams.

14. What's the role of a CAPS in the feedback/review process?

- Give feedback/review to people who report directly to you.
- Support community managers in their efforts to implement and maintain effective feedback and review processes.
- Ensure feedback is happening regularly, both formally (scheduled) and informally (ongoing).

15. When and how should you give negative feedback?

- Give it when it's relevant.
- If it's necessary to start from a remote location, start the dialogue over the phone and make plans to follow-up in person.
- Have people do self-evaluations.
- Be specific with negative feedback.
- Be respectful of employee's feelings and aware of the surroundings.
- Set up a follow-up meeting.
- If it's going badly, stop. Make plans for follow-up.
- Examine your own technique for delivering negative feedback.

16. When and how should you give positive feedback?

- Give it when it's relevant.
- If it's necessary to start from a remote location, start the dialogue over the phone and make plans to follow-up in person.
- Have people do self-evaluations.
- Be specific with negative feedback.
- Be respectful of employee's feelings and aware of the surroundings.
- Set up a follow-up meeting.
- If it's going badly, stop. Make plans for follow-up.
- Examine your own technique for delivering negative feedback.

17. How can you best elicit good feedback from your community managers?

Ask specific questions of your community managers:

- How can I support you better?
- What do you need that you're not getting?

18. What's the CAPS role in discipline and separation?

- Exercise oversight of community manager decisions.
- Make sure punitive measures are based on needs of the property and management company, not based on personal feelings.
- Disciplinary action usually means a formal write-up.
- Performance issues may result in probationary period.

Module 5 - Talent Development

19. When should you consider disciplinary action?

- When coaching and feedback aren't working.
- If the problem is severe enough to have a significant impact on the property's financial health or legal liability.

20. What's the role of a CAPS in involuntary separations?

- All involuntary separations at portfolio properties should involve you.
- Make sure it's happening because of performance issues, not because of lack of training or coaching, or because someone doesn't like the employee.
- Manage the timing to ensure there is a plan in place to fill the open position.

21. When should you be thinking about retaining a good employee?

- The best time is **before** they give notice, not after.

22. What does the CAPS role on the seller's side of a sale involve?

- Meet necessary sale benchmarks.
- Retain valuable team members.
- Maintain the performance of other properties in the portfolio.

23. What does the CAPS role on the buyer's side of a sale involve?

Handle communication with the seller's staff carefully.

- Respect existing relationship between staff and their employer.
- Get permission.
- Pre-sale letter of intent may provide guidelines.
- Remember that the other CAPS is trying to retain good employees, too.

If you're not retaining any of the seller's staff, that makes your due diligence work especially critical.

Module 6 - Contemporary Issues in Multifamily Housing

1. What does the Keating Memo say?

- This memo was released by HUD to clarify their position that, in general, an occupancy policy of two persons per bedroom could be considered reasonable. That “reasonableness” is rebuttable in court. In general, the Keating Memo is a general recommendation, not a rule.
- When setting occupancy policy, the Keating Memo advises taking these factors into consideration:
 - Size of bedroom and overall unit.
 - Configuration of the unit.
 - Age of any children occupants.
 - State and local laws (compliance tends to indicate reasonableness of the policy).
 - Other physical limitations of the building.

2. What are the two key best practices to help you avoid facing (and losing) a lawsuit relating to the Keating Memorandum?

- Avoid rigid, blanket occupancy restrictions. Courts want to see informed deliberation based on the unique factors of each situation.
- Avoid using the word “children” in your written occupancy policies and in the language you use when you speak about them.

3. What are the Fair Housing rules regarding assistance animals?

- Residents who need an assistance animal can request reasonable accommodation.
- If the resident is eligible, the animal must be permitted to live with and accompany the resident everywhere the resident is allowed to go on the property.
- Pet restrictions (including fees) do not apply, but local animal ordinances do (e.g., vaccinations, leashes).
- Refusal to comply constitutes illegal discrimination.

4. When should you ask for documentation for an assistance animal?

- In some cases, it may be OK to ask for documentation of the resident's need, but it's probably not OK to ask for documentation of the animal's suitability.
- Many states prohibit asking for documentation for the animal. In other cases, the law is unclear.

5. What is hoarding?

- Hoarding is the obsessive collection of items and the inability to get rid of them.

Module 6 - Contemporary Issues in Multifamily Housing

6. What are the laws regarding residents who are hoarders?

- Residents have an obligation to maintain a reasonably sanitary environment, free of health and safety code violations.
- Hoarding is a debilitating mental illness that makes this more challenging for some residents.
- Because hoarding is a mental illness, residents have a right to request reasonable accommodation under Fair Housing laws.
- This usually means giving them extra time to clean up.

7. What red flags indicate that a resident might be a hoarder?

- Residents who refuse entry for maintenance, constantly reschedule visits, and make excuses.
- Residents who are observed bringing things in from dumpsters.
- Complaints from other residents:
 - Foul odors.
 - Sudden, unexplained pest infestation (pest control contractors can be helpful in spotting problems, too).

8. What is the theory of disparate impact?

- Although a policy may not be explicitly discriminatory, statistical disparities between different races can nevertheless show that the policy has a negative discriminatory effect—a disparate impact on different groups—even if that is not the intent.

9. According to HUD guidelines, what types of background checks should a property use for prospective residents?

- HUD guidelines—which are not laws, just guidelines—require housing providers to support use of background tests with “substantial, legitimate, nondiscriminatory interests.”

10. What does the American Disabilities Act (ADA) do?

- The ADA prohibits discrimination against people with disabilities in employment, transportation, public accommodation, communications, and government.

11. What types of non-refundable administrative fees can legally be charged to new residents?

- Fees are valuable for recouping certain expenses, but are not meant to recoup the everyday cost of doing business. For example: It’s not OK to charge a new resident an admin fee for typing up a lease, putting the file together, making keys.

12. What are the two most common types of water-usage billing systems?

- RUBS (Ratio Utility Billing Systems): Formula to calculate usage per unit.
- Submetering: Individual meters for each unit.

Module 6 - Contemporary Issues in Multifamily Housing

13. What are the key areas of concern regarding cybersecurity?

- Incident Response.
- Third-party Relationships.
- Oversight.
- Training, Awareness, Enforcement.
- Insurance.

14. What are some things a CAPS can do to help avoid cybersecurity-related problems?

- Coach site teams to destroy documents containing residents' personal information.
- Enforce policy of shutting down/locking computers (even for short time periods).
- Coach site teams to avoid sharing login credentials and passwords.
- Ensure files containing sensitive information are never left unsecured.
- Add compliance with these items to your inspection list. Don't just look for them on routine visits.
- Make sure any suspicion of a data breach is reported to appropriate personnel immediately.

15. Do you need a license to play music on a property?

- Generally, yes. Music played in public areas requires a “license for public performance.”

16. What are the two key advantages to building owners of having a green building?

- Can cut operating expenses.
- Potential residents like them.

National Apartment Association Education Institute

4300 Wilson Boulevard, Suite 400

Arlington, VA 22203

703-518-6141 | www.naahq.org



CERTIFIED APARTMENT
PORTFOLIO SUPERVISOR®

