

Management Agreement

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Purpose: To ensure that NAA members understand what a standard management agreement should entail to optimize a successful partnership between owner and managing agent while mitigating risks and establishing expectations.

Applies To: All NAA member companies who are hired to manage multifamily housing properties.

Overview: NAA member companies who are hired to manage multifamily housing properties should ensure they have a contract that sets expectations, requirements and deliverables for both the managing company and owner of the property. The following guidance will provide an overview of what a typical Management Agreement Form should entail and a sample agreement for reference.

Guidance:

Key Components of Property Management Agreement

While a property management contract template is flexible and negotiable, depending on the size and type of property (affordable, conventional, mixed-use, etc.), it usually contains the following clauses:

- **Location(s)** -The property management agreement should specify which properties the manager shall manage, the addresses and unit counts.
- **Term** - When do the management responsibilities commence and terminate? Additionally, understanding of whether an auto-renewal option is in place.
- **Termination** - To protect your interests, ensure the contract states the process under which you may terminate the relationship. Both manager and owner should be able to terminate the agreement either with or without cause and with an agreed upon notification and time period. Also, the agreement should outline the responsibilities of closing out the unpaid bills, bank accounts, final accounting and the like.
- **Fees** - Typically, management companies will negotiate a fee that's expressed as a percentage of gross rent collected. This percentage will vary depending on the size, type and location of the asset. It also is customary for a manager to disclose what is and is not included in this fee; be specific about what is covered in overhead and what is passed through to the owner. For example, construction management costs for a large renovation are not included in the management fee but will be a separate cost to owner.
- **Indemnification** – It is standard to find an indemnification clause in a property management contract that limits the liability of the manager and owner, except in cases of negligence.
- **Responsibilities** - Responsibilities typically outlined include:
 1. Budget
 2. Business plan
 3. Management of bank accounts to include upfront capital, lender and reserve requirements, what type of accounts should be utilized, i.e., security deposit and operating accounts.
 4. Rent collection.
 5. Expenses to be paid by manager, expenses to be paid by owner. Include spending thresholds and what requires approval from owner. It also is customary for a manager

to disclose what is and is not included in this fee; be specific about what is covered in overhead and what is passed through to the owner. For example, construction management costs for a large renovation are not included in the management fee but will be a separate cost to owner.

6. Reporting requirements.
 7. Staffing and salary, bonus/commission structure and housing allowance.
 8. Advertising, marketing and leasing.
 9. Performance of maintenance and capital projects. Service Contracts, utilities and services.
- **Insurance** – There should be a clause in the agreement that outlines the insurance requirements for both parties.
 - **Special Clauses** – Properties may need to include specific language associated to the program, loan and or other property requirements. For example, an affordable property would need specific language addressing its compliance, reporting and governance requirements.

The agreement is a legally binding contract; therefore, it should be reviewed by a reputable attorney who specializes in real estate and contracts in the jurisdiction where the property is located.

Related Links and/or Forms

Link to a sample agreement (see attached)

About NAA

The National Apartment Association (NAA) serves as the leading voice and preeminent resource through advocacy, education and collaboration on behalf of the rental housing industry. As a federation of nearly 160 affiliates, NAA encompasses over 82,000 members representing more than 9.7 million apartment homes globally. NAA believes that rental housing is a valuable partner in every community that emphasizes integrity, accountability, collaboration, community responsibility, inclusivity and innovation. NAA thanks its strategic partners Maintenance Supply Headquarters and Yardi. To learn more, visit www.naahq.org.

