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The National Apartment Association Education Institute thanks you for your time, talent, and expertise in training and developing the next generation of Certified Apartment Portfolio Supervisors.

Whether you're a subject matter expert or lay person...a seasoned instructor or a new teacher...this guide will help you become an even more engaging and effective trainer.

In this course on property performance management, you'll help portfolio supervisors:

- Gain a deeper understanding of the management agreement.
- Learn about the key measurements and reports used to evaluate a property's operational performance.
- Prepare for the CAPS designation examination.
- Increase their property performance management knowledge and skills.

Although this course is targeted at people with at least one year of supervisory experience, it can also be used to teach those who would like to learn more about property performance management.
Fast Facts:  
The CAPS Property Performance Management Course

This overview will help familiarize you with the educational approach for this course and ways you can enrich the training for participants.

Course Type
- Instructor-led classroom training
- Uses presentations and individual learning activities to teach the course material

Course Materials
- This instructor guide
- The Property Performance Management Participant Guide
- The Property Performance Management Reports Supplement Package
- The Property Performance Management PowerPoint Slides (these are optional; use them if you wish)

Course Length
Approximately seven and one-half hours

Where this Course Fits in the CAPS Training Curriculum
"Property Performance Management" is the third course in the CAPS training series. Here's how the entire series lays out:

- Legal Responsibilities and Risk Management
- Financial Management
- Property Performance Management
- Property Evaluation and Due Diligence
- Effective Leadership
### Course Schedule-at-a-Glance

Here's a quick look at the topics included in the Property Performance Management course, the approximate time it will take to teach them, and a suggested schedule.

<table>
<thead>
<tr>
<th>Training Topic</th>
<th>Length</th>
<th>Suggested Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction to Property Performance Management</td>
<td>30 min</td>
<td>8:30am–9:00am</td>
</tr>
<tr>
<td>Understanding the Management Agreement</td>
<td>60 min</td>
<td>9:00am–10:00am</td>
</tr>
<tr>
<td>Measuring Occupancy</td>
<td>30 min</td>
<td>10:00am–10:30am</td>
</tr>
<tr>
<td>Break</td>
<td>15 min</td>
<td>10:30am–10:45am</td>
</tr>
<tr>
<td>Measuring Occupancy (continuation)</td>
<td>75 min</td>
<td>10:45am–12:00pm</td>
</tr>
<tr>
<td>Lunch</td>
<td>60 min</td>
<td>12:00pm–1:00pm</td>
</tr>
<tr>
<td>Improving Resident Satisfaction</td>
<td>60 min</td>
<td>1:00pm–2:00pm</td>
</tr>
<tr>
<td>Maintaining the Property</td>
<td>45 min</td>
<td>2:00pm–2:45pm</td>
</tr>
<tr>
<td>Break</td>
<td>15 min</td>
<td>2:45pm–3:00pm</td>
</tr>
<tr>
<td>Writing an Owner’s Report</td>
<td>60 min</td>
<td>3:00pm–4:00pm</td>
</tr>
<tr>
<td>Additional Performance Tools</td>
<td>30 min</td>
<td>4:00pm–4:30pm</td>
</tr>
<tr>
<td>Key Takeaways and Closing</td>
<td>15 min</td>
<td>4:30pm–4:45pm</td>
</tr>
</tbody>
</table>
Preparing to Teach the Course

To give course participants a first-rate learning experience, plan to spend several hours preparing to teach this class.

When to Prepare
Depending on your experience with this course, begin preparing one to two weeks before the scheduled course date. That's enough time to absorb the material without feeling rushed.

How to Prepare

• **Read the leader's guide carefully.** Get familiar with the organization and flow of the course, as well as the content itself.

• **Look for ways to personalize the instruction.** Add your own stories, examples, and insights. Make the material come alive for the participants.

• **Mark up this guide.** Write notes throughout. Highlight passages you want to emphasize. Add prompts for your examples and explanations.

• **Practice.** Do a dry run of the material (or at least some of it) in front of willing colleagues or family members. Get their feedback. Find out: What are you doing well? What's one thing you could improve?

When It’s Time to Teach the Course

• **Use this guide.** Refer to it often to keep the class on track. Using notes will make you look natural, relaxed, and yes, even confident.

• **Approach the course as a conversation, not as a presentation.** Keep things open and easygoing. Pick yourself up if you make a “mistake.” Answer the questions you can. Most important, avoid the temptation to be the expert—simply share what you've learned.

• **Keep participants actively involved.** Allow participants to ask questions, share ideas with one another, and get as much hands-on experience as possible. Remember: telling isn't training.

• **Be yourself.** Participants appreciate (and learn more from) instructors who are not only knowledgeable, but also approachable, personable, and dedicated.
Preparing the Classroom

_to complete your final preparations, arrive at the training site at least one hour before class begins._

Find the Location of these Public Facilities or Services

- Rest rooms
- Kitchen facilities or vending machines
- Emergency exits

Prepare Materials

- Property Performance Management Participant Guide (one for each participant)
- Property Performance Management Instructor Guide (with all your preparation notes in it)
- Property Performance Management Reports Supplement Package
- Property Performance Management PowerPoint Slides (their use is optional)
- Sign-in form (to be turned in to the affiliate office after class)

Prepare and Test Equipment

- Flipchart with stand or whiteboard
- Markers
- Microphone or sound system (if needed)
- Laptop computer with LCD projector (if using PowerPoint slides)

Prepare a Learning-Friendly Classroom

- Arrange the tables and chairs in the room so that participants will be able to talk with one another, work in small groups, and take notes.
- Make sure the room isn't too hot or cold.
- Ensure that there's adequate lighting.
- Write the course agenda on the flipchart or whiteboard.
1. Introduction to Property Performance Management

The most important thing you can do for the owners and investors of your properties is to meet or exceed their financial targets. Property performance measurements will help you track your progress toward these goals.

Although there are several key performance measurements—including resident retention, increased occupancy, and asset preservation—the ultimate performance standards in the rental housing industry are increased Net Operating Income (NOI) and higher property value. (See the CAPS Financial Management module for more on NOI)

Measuring your property performance regularly lets you provide accurate data about each property to its owner, but it also helps you to see training opportunities and successes that you can share with your team. By analyzing your numbers, you'll be able to see important information, including whether or not:

- The property is meeting financial objectives.
- Managers are responding appropriately to underperforming assets or staff.
- The property is in compliance with applicable laws and regulations.

Topics
- The CAPS Role
- Measuring Property Performance
The CAPS Role

In general, the multi-property supervisor manages the relationship between the owner and the management company. In very large management companies, however, members of the company asset management team may act as the primary contacts between the owner and the management company, with the CAPS assisting in these responsibilities.

The multi-property supervisor makes sure that the portfolio:

- Performs at or above expectations set in the management agreement and the annual budgets and business plans.
- Brings underperforming properties up to expectations and keeps strong performing assets on track.
- Recommends and implements improvements and changes to improve operational efficiency and financial results.

As the direct supervisor of multiple properties, CAPS training has a significant role in property performance and the reporting of results. All company employees will be part of this effort, including onsite community personnel and corporate staff in areas including legal, accounting, and risk management, among others.
Measuring Property Performance

Keeping careful track of performance is absolutely essential to the effective operation of properties under management. Many parties—including owners, lenders, regulatory agencies, and management company executives—want to know how well a property is doing. The property’s performance is measured against expectations outlined in the management agreement, loan agreements and regulatory requirements.

Your company’s reputation is built on how well you manage property performance, and the purpose of this module is to help improve your skills.
2. Understanding the Management Agreement

The management agreement is the contract between the owner and the managing agent. It explains what you need to know, do, or expect in your relationship with the property owner, and vice versa.

Topics
- About Management Agreements
- Key Parts of the Management Agreement
About Management Agreements

Some management agreements contain detailed and specific guidelines, while others simply outline anticipated duties and responsibilities.

The agreement defines details as big as “who owns this property and what is the term of the agreement?” to details as tiny as “who pays for office supplies?” Though many management agreements start out as boilerplate documents, there is usually some negotiating back and forth that goes into each agreement, so you may not see any two agreements that look exactly alike. The needs of a particular property should be paramount in negotiating the agreement. Management agreements are intended to protect both the owner and the managing agent. Such an agreement should be reviewed by counsel for both entities before signed to ensure legal compliance with applicable laws and provide protections for both parties.

Key components of a management agreement are discussed below. It establishes the rights, responsibilities, and limitations for the management agent, management agent compensation, and termination provisions. It establishes an agency relationship so that the management agent has the authority to act on behalf of the owner and assume obligations in the owner’s name.

You’ll find a sample property management agreement in the Appendix at the end of this manual.

Management agreements will be different between related ownership and management entities compared to third-party fee management agreements between an owner and a non-related management entity.

As a portfolio supervisor, it is very possible that, if you provide oversight for a number of different owner clients, you could operate under very different terms for each asset. It is critical you understand the significant provisions of each agreement.
Key Parts of the Management Agreement

Budget and Business Plan
(See Section 1 of Sample Management Agreement)

Section 1.2: Project Description
• Lists the name and address of the property
• Includes the number of units

Section 1.3: Term of Agreement
• Establishes the length of time for which the management agreement is binding
• Dictates the renewal terms

Section 1.4, 1.5: Facilities for Management Staff
• Requires the owner to pay for all reasonable expenses related to the management of the property
• Directs the owner to provide adequate office space on the property for the exclusive use of the management company
• Requires the owner to provide an apartment unit on the property for the resident manager’s use and to arrange rental concessions for any other agreed upon onsite staff

Section 1.6: Staying on Track
The budget and business plan section is established jointly by the property owner and the management company, and gives the management company financial guidelines to assist in renting and maintaining apartments. (Budgeting and planning are covered in greater detail in the CAPS Financial Management module)

Section 1.6.A: Minimum Leasing Guidelines
• Sets targets rent and amenity charges for each type of unit
• Establishes requirements for notifying the owner about variances to leasing guidelines
• Identifies leasing incentives available to the management company to keep the apartments filled

Section 1.6.B: Capital Improvement Plan (if part of management responsibilities)
• Establishes a capital improvement plan and budget to maintain and upgrade the rental units and correct maintenance items identified in the pre acquisition inspection
• Outlines management company’s responsibility for obtaining bids and coordinating and scheduling work
Banking
(See Section 2 of Sample Management Agreement)

Section 2.1: Bank Accounts
- Establishes policies and procedures for handling money
- Clarifies roles: Who sets up the bank accounts? Where does the money come from? Who has access to it?
- Defines types of accounts the property will use – generally, “trust” (tenant security and other deposits), and “operating” (everything else)

Section 2.2, 2.5: Trust Accounts
- Directs the owner to deposit money into resident trust accounts
- Gives the owner the option, depending on the state, to fund resident trust accounts less than fully
- Releases the management company from any issues due to underfunded trust accounts
- Establishes the right of the owner to request trust funds to be held in interest bearing accounts, with the interest going to the owner, if allowed by state law

Section 2.3: Initial Deposit for Reserves
- Directs the owner to give the management company sufficient money for contingencies, and to maintain enough in the account that management company is able to cover any emergency expenses
- Allows for periodic review of required reserves

Section 2.4: Obligation to Advance Payments
- Establishes the owner’s obligation to cover all costs of property operations
- Absolves the management company of any obligation to use its own money for building operations
- Dictates a reasonable interest rate for repayment if the management company does use its own funds

Participation
Why is it necessary to keep separate “trust” and “operating” accounts?
Collection of Rents and Other Income  
(See Section 3 of Sample Management Agreement)

Section 3.1, 3.2: Rent Collection and Special Charges

- Establishes the management company’s role in collecting rent and other fees
- Specifies that the management company is not liable for any uncollected rent, income, or outstanding debt related to the management of the property
- Specifies where the management company should deposit any fees (late, returned check, etc.) collected from residents

Expenditures  
(See Section 4 of Sample Agreement)

Section 4.1: Operating Expenses

- Permits the management company to reimburse itself for all operating expenses and costs associated with the property, as well as the management company’s management fee
- Allows the management company to collect interest at specified rate from the owner for any authorized property expenses paid from its own funds

Section 4.2: Extraordinary Expenses

- Defines spending limits for single projects, requiring the owner’s approval for greater expenditures
- Explains the process the management company is to follow when facing expenditures over the established spending limit
- Allows the management company more latitude for emergency procedures when immediate action must be taken for safety reasons

Participation

Why is it important to have spending limits and emergency financial procedures in place?

Has anyone been in a situation where having emergency procedures saved the day?
Expenditures (continued)

Section 4.3: Payments Distributed by Management Company through Operating Account
- Authorizes the management company to pay certain expenses out of the property’s operating account (including but not limited to utility charges, property taxes, insurance premiums)
- Directs the management company to pay its own fees out of the operating account
- Instructs the management company to pay out of the operating account its own expenses related to managing the property (includes but is not limited to items such as postage, phone charges, employee uniforms)

Section 4.4: Expenses Paid Directly by Owner
- Directs the owner to pay income taxes and gross receipts taxes (if any) for property
- Allows for additional items (to be specified in the agreement) to be paid directly by the owner

Section 4.5: Legal Fees
- Establishes the owner’s responsibility to pay legal fees on the management company’s behalf for any issues affecting the property, including the defense of vendor suits or other claims made against the property or the management company, related to its role as agent for the owner
- Sets limits on legal fees and requires the management company to notify the owner if the fees will exceed a predetermined limit
- Limits the owner’s responsibility to its own share (prorated) in any dispute in which other parties benefit from the legal services
- Releases the owner from paying the management company’s legal fees if the company is determined in court to have engaged in fraud or misconduct relating to the allegations of the dispute

Section 4.6: Money Left at the End of the Month
- Instructs the management company to transmit to the owner any money remaining after all expenses have been paid and operating/emergency accounts have been refilled (net proceeds)
- Specifies the frequency of fund transmittal and bank information
**Section 4.7: Who Gets Paid First?**

If income (excluding security deposits) isn’t enough to cover the current debts and obligations of the property, the debts should be paid in the following order:

1. Property payroll, including all related administrative charges and expenses
2. Management fees and related expenses owed to the management company
3. Utilities
4. Other property expenses
5. Underlying secured real property debt (mortgage payment)
6. Other required payments, including payments to the reserve account

This order is binding except in the event that the terms of any loan security agreement with the owner conflict with it. In that case, the terms of the loan security agreement should be followed as long as the owner has informed the agent of its existence.

**Participation**

Why is it important to have a contingency plan for payments?

**Reporting Financial Results**
(See Section 5 of Sample Management Agreement)

**Section 5.1: Reports**

- Establishes a set of reports to be prepared by property management for the owner, and a schedule, including, but not limited to:
  - Weekly occupancy, leasing status, and traffic reports
  - Monthly market comparable rent survey
  - Monthly bank reconciliations

- Requires the management company to provide the owner with a report of money received and money paid out during the previous month (calendar or fiscal)

- Releases the management company from any expectation on the part of the owner that reports are intended as representations or warranties of financial performance
Reporting Financial Results (continued)

Section 5.2: Financial Audits

- Grants the owner the right to request periodic audits of any applicable accounts handled by the management company with advance notice
- Requires the owner to pay for any audits as an expense of the property
- Releases the management company from liability to any third parties caused by the owner distributing any of the financial information provided to the owner during audits

<table>
<thead>
<tr>
<th>Participation</th>
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</thead>
<tbody>
<tr>
<td>Why do property owners want occasional financial audits?</td>
</tr>
<tr>
<td>Can you think of reasons property management companies would want occasional financial audits?</td>
</tr>
<tr>
<td>Has anyone had a problem with a financial audit? How did you resolve it?</td>
</tr>
</tbody>
</table>

Advertising
(See Section 6 of the Sample Management Agreement)

Section 6.1: Advertising

- Outlines policies and procedures for management to follow when working to fill vacant units
- Authorizes the management company to advertise the property and its vacant units using the methods of the company’s choice, including but not limited to:
  - Periodicals
  - Signs (in accordance with the law, of course)
  - Plans
  - Brochures
  - Displays
- Designates advertising as an expense to be paid out of the property’s operating account
- Requires the management company to stay within advertising budget approved by the property owner
- Allows the management company to include the property in advertisements that share space with other properties it also manages, as long as costs are prorated among the different projects
- Requires the management company to make clear in advertising that it is the manager, not the owner of the property
Leasing and Rental Practices  
(See Section 7 of the Sample Management Agreement)

This section of the management agreement:

- Requires the management company to do its best to keep the property’s units rented

- Authorizes the management company to:
  
  o Negotiate, prepare, and execute all rental agreements, including renewals and extensions
  
  o Cancel and modify existing rental agreements subject to policy
  
  o Execute all rental agreements as agent for the owner

- Assigns payment of all costs associated with leasing to the owner, to be paid to the management company through the operating account

- Dictates the maximum lease term the management company may make available to residents (generally one or two years) without owner approval

- Shares approval of rental agreement form between the owner, the management company, and the property lender

Section 7.1, 7.2: Who Has the Authority to Lease the Project?

By entering into a management agreement with a management company, the owner of a project is giving the management company the exclusive right to lease units in the property.

Participation

Why do you, as a property manager, want the exclusive rights to lease at a property?

Section 7.3: Rental Rates

- Permits the management company to establish or revise all rents, fees, deposits, and other charges for the property as directed by the owner

- Gives the management company latitude to offer rental concessions and/or bonuses in order to entice prospective or current tenants to sign leases after consultation with the owner
Leasing and Rental Practices (continued)

Section 7.4: Who Enforces the Rental Agreements?

The management company finds new residents and maintains relationships with the existing ones, but the owner is, well, the owner. So whose responsibility is it when a resident doesn't follow the terms of the rental agreement?

The rental agreement, as always, holds the answers. The rental agreement:

- Authorizes the management company to initiate or defend, on its own behalf or that of the owner, any legal actions for the enforcement of items in the rental agreement, including but not limited to:
  - Collecting rent or other income
  - Rental terms
  - Eviction
- Gives the management company authority to settle, compromise, or release legal actions without the owner’s permission if amount in question is less than $1000
- Requires the management company to obtain permission from the owner before settling, compromising, or releasing legal actions surrounding amounts greater than $1000
- Assigns to the owner payment of legal fees, court costs, and other expenses due to enforcing rental agreements
- Releases the management company from any claims, damages, or legal expenses relating to lease enforcement except in the event of a finding of gross negligence or misconduct by management company employees

Participation

Why does the management company want to have the authority to defend or initiate actions on behalf of the owner? Isn't that more hassle?
Property Employees
(See Section 8 of Sample Management Agreement)

Section 8.1: Management Company's Authority to Hire

- Authorizes the management company to hire, supervise, discharge, and pay any personnel necessary for management, maintenance, and operation of the property within plan and budget guidelines
- States that all employees performing services directly for the property (excluding the offsite property manager) will be considered employees of the management company and the property, not the owner
- States that the management company will consult with the owner on personnel decisions at the owner's request provided that the owner agrees to be legally responsible for any unlawful employment actions taken as a result of an owner's decision

Section 8.2: Reimbursement for Employee Expenses

- Designates all employee-related expenses related to the property as operating expenses, payable by owner, including but not limited to:
  - All wages, benefits, and other compensation
  - All taxes and assessments (worker’s compensation, unemployment insurance, etc.)
  - Direct training
- Requires the management company to accrue vacation pay for all employees and provide the owner with a regular reconciliation of all such payments
- Requires the owner to pre-pay project payroll 30 days in advance

Section 8.3: Filing Returns

- Assigns to the management company preparation and filing of all tax and other returns related property personnel
- Designates as operating expenses to be paid through operating account by owner all costs associated with tax filing
- Requires the owner to provide the management company with power of attorney, notices of appointment, upon request related to tax filings
Property Employees (continued)

Section 8.4: Worker’s Compensation Insurance/Taxes
- Requires the Management Company to maintain and administer a legally acceptable worker’s compensation insurance program at the owner’s expense
- Establishes policy regarding the management company’s employees’ coverage

<table>
<thead>
<tr>
<th>Participation</th>
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<tbody>
<tr>
<td>Why is it important for the management company to have power of attorney in tax issues?</td>
</tr>
</tbody>
</table>

Operations, Maintenance, and Repair
(See Section 9 of Sample Management Agreement)

Section 9.1, 9.2: Performance of repairs
- Authorizes the management company to make or delegate necessary repairs and replacements
- Permits the management company to decorate the project and individual apartments and purchase necessary equipment using operating accounts
- Allows the owner the option of choosing vendors to provide repair or decorating services if the owner indemnifies the management company from any damages resulting from use of the owner’s selected vendor
- Allows the management company to seek the owner’s permission to use its own employees (who are not otherwise employed on the project) for repair work, payable at an hourly rate that:
  - Is comparable to qualified outside contractors; and
  - Does not exceed the amount management company would otherwise spend to employ the workers

<table>
<thead>
<tr>
<th>Participation</th>
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</thead>
<tbody>
<tr>
<td>Why does the agreement specifically state that the cost of using the management company’s non-project employees can’t exceed the amount that the management company would pay those same employees normally? Who is that protecting?</td>
</tr>
</tbody>
</table>
Section 9.3: Contracts, Utilities, and Services

- Authorizes the management company to negotiate contracts for non-recurring expenses, not to exceed $5,000
- Requires the management company to enter into contracts for utilities (gas, electricity, water) on the owner’s behalf
- Assigns to the owner responsibility for payment of utility deposits though the management company may pay them from operating accounts at the owner’s request

Section 9.4: Contract Limitations

A good management agreement should:

- Be in the name of the property
- Be assignable, at owner’s option, to owner or another party designated by owner
- Include a provision allowing either party—owner or management company—to cancel it with 30 days notice (if available)
- Require that all contractors show evidence of sufficient insurance

**Participation**

Why would you want a contract that can be cancelled? When you’re renting to residents, longer-term leases of one- or two-years are preferable to six months, so why wouldn’t you want to contract to manage a project for a longer term?

Relationship between Owner and Management Company

(See Section 10 of Sample Management Agreement)

- Establishes the management company as an independent contractor, not a partner or employee of the owner
- Notes that the management company does not guarantee financial performance of property
- Releases the management company from financial risks of operating the project
Indemnification and Insurance  
(See Section 11 of Sample Management Agreement)

The owner agrees to release the management company from liability, and the management company also agrees to release the owner from liability.

In both cases, the indemnification is only extended in cases that are not the result of willful misconduct.

Section 11.1: Indemnification by Owner
- Releases the management company from liability for injuries or damages occurring on the premises of the property, or to the property itself
- Protects the management company from liability and costs related to alleged or actual violations of laws or statutes by the owner
- Prevents the management company from being held responsible for the owner's debts

Section 11.2: Indemnification by Management Company
- Protects the owner from responsibility for any type of employment claim relating to management company employees
- Requires the owner to reimburse the management company for payments made to any employee owed unpaid wages, including benefits

Section 11.3: Waiver of Claims
- Owner waives any claims against the management company for damage or injury occurring on, or to, the property, unless caused by the management company's willful misconduct

Section 11.4: Scope of indemnity
- Obligates indemnifier to defend indemnified party (indemnitee) in any included action
- Requires indemnifier to pay for any costs, expenses, or legal defense of indemnitee
Section 11.5: Bonding

- Requires the management company to cover with a bond or applicable insurance all of its employees who handle money or other property of the owner
- Allows the management company to select bond or insurance provider

Participation
What exactly does it mean to be “bonded”?

Section 11.6: Term of Indemnification

The protection created by the agreement and the indemnity clauses survives the agreement, in case of claims filed after the agreement’s expiration.

Insurance
(See Section 12 of Sample Management Agreement)

Section 12.1: Insurance by Owner

Property Insurance
- Obligates the owner to obtain and pay for property insurance on an “all-risk basis” (open perils)
- Requires all insurers used to fulfill the owner’s obligation to waive any rights of subrogation against the management company

General Liability Insurance
- Requires the owner to obtain and pay for commercial general liability insurance including contractual liability coverage with limits agreed upon by the owner and the management company
- Includes any deductible or SIR as part of the owner’s financial obligation

Automobile Liability Insurance
- Requires the owner to obtain and pay for business automobile liability insurance for all owned, non-owned, and rented vehicles used in connection with management of the property

Additional Insured and Primacy of Owner’s Insurance
- Requires the owner to list the management company as an additional insured on any policies relevant to the property
Insurance (continued)

Utility Bond
- Authorizes the management company to obtain a utility bond in an amount agreed upon by the owner and the management company, as an expense of managing the property, to secure payment of utilities related to the property

Security Deposit Bond
- Authorizes the management company to obtain a bond for the amount required to fully fund the security deposit reserve account if the owner has chosen not to fully fund account (depending on local laws)

General Provisions
Insurance must:
- Be obtained from well-rated insurance companies (A.M. Best rating of A:VIII or higher)
- Contain a severability of interest clause
- Provide notice of default or cancellation to be sent to the owner as well as the management company with at least 30 days written notice of any changes

Professional Liability Insurance
- Requires the management company to obtain and pay for insurance against its own potential misfeasance, malfeasance, or nonfeasance (errors and omissions) relating to the management of the property

Management Company’s Liability
(See Section 13 of Sample Management Agreement)
The management agreement releases the management company from liability for:
- Acts or omissions of the property owner, previous owners, previous managers, or other agents
- Liability for unpaid rent or other charges by residents
- Previously unknown violations of environmental or other regulations
- Financial performance of the property
- Vendor or tenant claims, whether made against the owner or management company
- All acts or omissions of the management company unless caused by willful misconduct of its employees
Assignment of Rights and Obligations  
(See Section 14 of Sample Management Agreement)  
- Permits the management company to assign its rights and obligations to subsidiaries with the written consent of the owner  
- Requires the management company to notify the owner of any assignment

Management Company Compensation and Expenses  
(See Section 15 of Sample Management Agreement)  
Establishes the management company's payment for services including:  
- Management services  
- Restoration of property loss due to an Act of God  
- Construction management services  
- Other items management company and owner agree upon

Structural Changes  
(See Section 16 of Sample Management Agreement)  
The management company is not allowed to make structural changes to the property without the owner's permission except in emergencies.

Building Compliance  
(See Section 17 of Sample Management Agreement)  
- Releases the management company from responsibility for the property's compliance with any building codes, statutes, etc.  
- Requires the management company to inform the owner of any complaints or notices related to codes, statutes, or laws  
- Authorizes the management company to disclose the ownership of the property to any officials if issues of compliance arise
Termination
(See Section 18 of Sample Management Agreement)
- Gives either the owner or the management company the right to terminate the management agreement with or without cause any time after the initial term is completed with at least 30 days written notice
- Permits either the owner or management company to terminate for cause, which includes any of the following:
  - Breach of agreement
  - Excessive damage
  - Sale of property
  - Default
- Requires the owner to pay any amounts owed to the management company upon the termination of the agreement and to indemnify the management company against liabilities it may have incurred on the owner's behalf under the management agreement
- Requires the management company to deliver to the owner within 45 days any money due, any resident security deposits, and a final financial accounting for the property
- Prohibits the owner from hiring any of the management company's employees during the term of the management agreement and for a year after its termination

Participation
Why would you want the agreement to include a clause preventing the owner from hiring your employees? Have you ever been in a situation where an owner tried to poach your employees? What happened?
Representations
(See Section 19 of Sample Management Agreement)
By entering into the management agreement, the owner certifies that it:

- Has the authority to enter into the agreement and has authorized the person executing agreement to do so
- Is not bound by other written or oral agreements pertaining to the property
- Has all relevant permits
- Is not aware of any violations of codes, laws, that will affect the property's operation
- Will indemnify the management company for claims arising from any agreements into which it enters at the owner's request for the benefit of third-parties (i.e. subordination agreement)

The management company certifies that it:

- Has the authority to enter into the management agreement
- Is not bound by any written or oral agreements that conflict with the management agreement
- Is licensed and able to perfect all duties required under the agreement and will abide by all laws and rules

Headings
(See Section 20 of Sample Management Agreement)
Clarifies that headings and subheadings in the management agreement are for convenience and not part of the construction or interpretation of the agreement.

Force Majeure
(See Section 21 of Sample Management Agreement)
Excuses the management company from responsibility for delays in performing management duties caused by wars, weather, national emergencies, and other forces outside of the management company's control.
Complete Agreement
(See Section 22 of Sample Management Agreement)
- Establishes the management agreement and any attachments as the entire agreement between the owner and the management company, replacing any previous agreements
- Prevents change to the agreement without written approval of the owner and the management company

Rights Cumulative: No Waiver
(See Section 23 of Sample Management Agreement)
States that remedies in the management agreement are cumulative, meaning that a party exercising its rights to a remedy under one clause doesn’t prevent it from receiving remedy under another clause, if multiple breaches occur.

Applicable Law and Litigation
(See Section 24 of Sample Management Agreement)
- Establishes the laws of the state in which the property is located as the laws governing the management agreement
- Compels the owner and management company to follow a dispute resolution process including mediation and binding arbitration

Notices
(See Section 25 of Sample Management Agreement)
Lists addresses for all written correspondence related to the management agreement for both the owner and the management company.

Successors and Assigns
(See Section 26 of Sample Management Agreement)
Binds the owner, the management company, and all personal representatives to the management agreement.
Conclusion

The management agreement will help guide the day-to-day work, and help frame the relationship with the residents, and with the owner.

<table>
<thead>
<tr>
<th>Participation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is there a section of the management agreement that you would say is the MOST important?</td>
</tr>
<tr>
<td>Is it better for the management company to have a very specific agreement, or one that has more wiggle room?</td>
</tr>
</tbody>
</table>
3. Measuring Occupancy

In our industry, property performance—how well a property does financially—is the yardstick by which we measure our success.

Management company executives, property owners, lenders, and regulatory agencies all are interested in how well a property, or portfolio of properties, is performing compared to the expectations set forth in the management agreement and the budget.

Topics

- Occupancy Measurements
- Occupancy Reports
- Other Key Property Performance Indicators
- Traffic Measurements
- Leasing Measurements
- Rents and Concessions Measurements
- Applicant Processing Standards
- Move-in Measurements
- Transaction Measurements
- Lease Renewal Measurements
- Lease Expiration Management
- Eviction Policy Compliance
Occupyancy Measurements

Occupyancy measurements show where your property stands—how full it is, how full it’s likely to be in the future, and how full it was in the past—and how can you improve your numbers. With move-outs costing up to $3000 or more each, it’s critical to understand the reasons residents move out so you can work to reduce turnover.

How Occupyancy Measurements Help

- Allow you analyze and take action in cases of declining occupancy and increased exposure
- Give you an idea why residents are moving out, which provides training opportunities for you and your staff
- Highlight problems in revenue collection and accounts receivable processes
- Target your marketing and advertising by analyzing the current resident profile and occupancy reports
- Establish benchmarks for analysis, trending and performance evaluation
Occupancy Reports

You can evaluate each property’s occupancy practices using reports available from the property management system. These reports contain information about:

- Occupied units, including average market rent, lease rent, lease percentage, concessions, effective rent
- Move-in, move-out, and renewal activity
- Reasons residents have given for move-outs
- Vacant units and vacant units leased
- Notice to vacate/leased notice to vacate
- Exposure percentage
- Resident demographic data (See the sample in the Property Performance Management Reports Supplement Package)
- Payments, late/NSF fees, and amenity charges (See the Monthly Income Summary Report and the Monthly Transaction Summary Report samples in the Property Performance Management Reports Supplement Package.)

Not only do you need to understand these reports, but you'll also need to review them weekly (if not daily), be able to take action on any “red flags” you see, and clearly communicate the state of your property to your owner. These reports are the:

- Activity Summary Report
- Unit Status Summary
- Rent Roll (monthly only)
- Delinquency Report
- Collection Summary Analysis
The Activity Summary Report
(See Sample in the Property Performance Management Reports Supplement Package)
The Activity Summary Report tracks:
- Traffic
- Leasing activity
- Move-ins and move-outs
- Lease expirations
- Notices to Vacate

The Unit Status Summary
(See Sample in the Property Performance Management Reports Supplement Package)
This report shows current occupancy, activity, vacancy breakdown, make-ready status, notice to vacate, availability information, and projected occupancy.

Rent Roll
(See Sample in the Property Performance Management Reports Supplement Package)
A rent roll is a record of occupancy and collection activity at a given time. You can use the rent roll to compare rent potential with money lost from vacancy, concessions, and collection losses. It is usually reviewed on a monthly basis.

Delinquency Report
(See Sample in the Property Performance Management Reports Supplement Package)
The delinquency report is a tool used to document who owes rent and other fees, how much they owe, when and how they’ve been contacted, and the results of those contacts. Delinquency reports are often prepared several times during the month to coincide with specific late dates and statutory or company policies regarding filing dates for evictions.

Collection Summary Analysis
When analyzing the data provided by the reports noted above throughout the month as rent is collected, delinquencies reviewed, and bank deposits made, you can track:
- This month’s collections compared to last month’s (are they increasing or decreasing?)
- This month’s collections compared to what was billed (how are you doing on collecting the rent?)
- This month’s collections compared to last month’s budget (will you achieve the income projected? Is there a “negative” or “positive” variance?)
**Occupancy Status Report (6)**
(See Sample in the Property Performance Management Reports Supplement Package)

**Occupancy Analysis Variance Report (7)**
(See Sample in Property Performance Management Reports Supplement Package)
Individual Activity: Occupancy Reports

Using the sample Occupancy Status Report and Occupancy Analysis Variance Report in the Property Performance Management Reports Supplement Package have participants answer the questions that follow. Unless otherwise indicated, use the month ending March 2008 for the answers.

1. What is the total number of units reported?
   Answer: 8,064 units (Occupancy Status Report)

2. What is the largest property in this report?
   Answer: Johnsville Landing  504 units (Occupancy Status Report)

3. Which property has the highest current occupancy percentage and what is it?
   Answer: Hilltop Lanes  98.26% (Occupancy Status Report)

4. Which property has highest current average per unit market rent and what is it?
   Answer: Gatlinville Gardens $1565 (Occupancy Analysis Variance Report)

5. Which property has the highest current lease percentage and what is it?
   Answer: North Acorn Lane  97.87% (Occupancy Analysis Variance Report)

6. Which property has the highest current monthly effective rent and what is it?
   Answer: Gatlinville Gardens $1452 (Occupancy Analysis Variance Report)

7. Which property has the most vacant units and how many?
   Answer: Prancing Meadows  70 (Occupancy Analysis Variance Report)

8. Which property has the greatest percentage lease exposure and what is it?
   Answer: Elderdown Woods  16.44% (Occupancy Analysis Variance Report)
Other Key Performance Indicators

Effective property performance management involves timely response to problems and challenges. Making the necessary changes in response to changing market and property conditions lets owners and investors know that portfolio supervisors and management companies are doing their job.

There are many pieces to the property management pie and they’re all individual, but intertwined. Shortcomings in any of these areas will reduce overall performance:

- Traffic - getting potential residents to view the property
- Leasing - turning potential residents into move-ins
- Move-ins - getting new residents off on the right foot
- Transactions - managing the money and other operational measures
- Lease renewals - improving retention
- Lease expirations - balancing lease expirations to prevent excessive lease expirations in slow traffic months
- Evictions - maintaining fair and consistent eviction policies
**Traffic Measurements**

Traffic, or getting potential residents to view the property, is the first step to meeting occupancy goals.

Traffic is about getting new people through the door. Without traffic, the property won’t have prospective residents to fill the vacancies created by current residents who move.

**To Improve Traffic, Answer the Following Questions:**

- How many potential new residents view the property?
- How did they find about the property?
- What are the demographics of the current resident profile and those visiting the community?
- Do amenity areas and the business office meet company standards?
- Is the staff successful at contacting and following up with potential residents?
- How did the property do in comparison to earlier time periods – last week/month/year?

**Finding the Answers to These Questions Will Help:**

- Highlight the effectiveness of marketing strategies and ad campaigns, and make strategy changes
- Put current results in context of property’s leasing and occupancy history
- Show where follow-up procedures can be improved
- Status of strategic marketing plan accomplishments

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**Participation**

If you’re not satisfied with the amount of traffic, or how the traffic is being handled at a community, what can you do?

Some ideas:

- Be sure employees are following up with all prospective residents.
- Provide additional leasing training.
- Hire outside vendor to create more engaging advertisements.
- See CAPS Effective Leadership module for leadership ideas.

Can you think of more?
Traffic Data and Reports

You'll find traffic data on the Activity Summary and Marketing Recap reports produced by your property management software.

Activity Summary Report
(See the Sample in the Property Performance Management Reports Supplement Package)

This report, also referenced on page 3-4, shows traffic, move-in/move-out activity, leasing, and expirations.

In the traffic section of the activity summary, you'll be able to look at the amount and type of contact made with prospective residents, broken down by how the contact was made—phone, e-mail, Internet, walk-in—and whether it was a first or return contact. Use it to improve lease-closing ratios.

Is there one mode of communication that doesn't seem to produce results?
Does the Web site need a newer, fresher design that might attract more inquiries and produce more traffic?

Are there too many first visits that don't turn into leases or even return visits?
If property leasing personnel aren't meeting performance goals, you may need to offer additional training. If it's a chronic problem, or a problem limited only to certain team members, you may need to terminate employees.

There are many obstacles that you can uncover through careful analysis of the traffic reports. Is your team following up properly? Are your apartments priced higher than competing properties that seek the same resident profile? Is the property's curb appeal what it should be?

When a significant number of visitors come in for a first visit but never return, consider it a red flag.
**Marketing Recap Report**  
*(See the Sample in the Property Performance Management Reports Supplement Package)*

This report contains some information similar to the traffic section of the activity summary - it includes all leasing activity from past weeks, months, and even years, grouped by marketing campaign or promotion so you can see which were successful and which were less so.

**What to Do With This Information:**
Use it to place current results in context.

For example, if you notice that your drive by traffic has seriously declined, take a look at the history. The report might show that it’s only been down for the last month. And that may tell you that it’s due to road construction that has temporarily re-routed traffic away from the property.

If, on the other hand, there is no apparent reason for a decline, or it coincides with a staffing change in your leasing office, you may be looking at a training opportunity.
Leasing Measurements

Individual leasing performance is measured by *net sales* and *net closing ratios*.

**Q:** What is the difference between gross and net sales?

**A:** *Gross sales* measure the total number of prospective residents who fill out a lease application and pay the necessary fee. *Net sales* measures the number of applicants moving in after subtracting cancellations (by the prospective resident) and denials (by the property).

**Q:** What is a net closing ratio?

**A:** The net closing ratio is the total number of sales closed calculated by dividing net sales by traffic. For example:

- 33 prospective residents came to visit the property
- 20 of them paid the fee and filled out the lease application (this is your *gross sales* figure)
- Five of those prospective residents fell through because of credit issues or changing their minds (this leaves *net sales* of 15)
- Net sales / traffic = net closing ratio

So in this example: 15 / 33 = .45 = 45% net closing ratio

Unusually low net closing ratios could mean that the property gets a high number of applicants whose applications are denied. But if you have a situation where some employees have high ratios and others have lower ones, use it as a training or performance opportunity. Work with the underperformers to improve their sales technique (See the CAPS Effective Leadership module for more on coaching and leadership)
Rents and Concessions Measurements

Sometimes, the market is soft, and concessions may be useful. However, neither a leasing issue, service issue, traffic issue, or product issue should be addressed with a price adjustment. Know why you think a concession may be necessary.

It’s important to know the difference between effective rent and market rent. Rent and concessions reporting in the software system will show effective rent which is the best indicator of the property’s rental performance.

<table>
<thead>
<tr>
<th>Market Rent vs. Effective Rent</th>
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| **Market rent:** This is the current apartment rent. It’s sometimes called the scheduled rent or the asking rent. It is often shown on property rent listings, the community Web site, or other Internet advertising sources. Market rent changes constantly in response to demand and availability and is discussed in detail in the section on revenue management in the CAPS Financial Management module. Sometimes leases are signed at this rental rate. Sometimes at a higher rate for additional amenities, and sometimes at a lesser rate if concessions are offered.

**Effective rent:** This is the total monthly rent that is to be collected on a unit after amortizing over the course of the lease any concession made to the resident. If concessions are given, effective rent is less.

**Example:**
- A unit has a market rent of $1200/month.
- The property is offering a free month’s rent to new residents with a one-year lease.
- Amortize the $1200 over the course of a year. 1200/12=100
- Calculate the lease rent by subtracting the monthly value of the rent concession ($100) from the market rent ($1200). 1200-100=1100
- The effective rent on this unit is $1100/month.

Effective rent is the best indicator of rental performance.
Rents and Concessions Reports

Effective Rent Comparison Report
(See the Sample Report in the Property Performance Management Reports Supplement Package)

The Rents and Concessions Report
(See the Sample Report in the Property Performance Management Reports Supplement Package)

This report contains information on:

- Unit status (occupied, vacant, notice to vacate, and availability)
- Market rent
- Lease rent
- Concessions given to occupants individually by unit and total for the property

Use this Information to:

- Evaluate the property’s compliance with rent and concession policies - concessions mean lower effective rent. Concessions may improve occupancy and closing ratios, but they do not increase revenue
- Compare compliance with other properties in the company’s portfolio
- Measure current period performance against prior time periods
- Evaluate your lease exposure to determine whether or not rental rates need adjustment

What is Exposure?

Your “exposure” is the percentage of units remaining to lease, expressed as a percentage. For example:

- You have 240 units
- You have 14 units vacant, 20 units that have given notice to vacate that have not yet been leased to new residents, and 7 notice units that have been leased
- 240 units - 14 vacant - 20 un-leased notice units = 206 + 7 leased notice units = 213/240
- Your exposure is 11%, or the property is 89% leased
Applicant Processing Standards

The management company should have applicant processing standards that ensure applications are processed in a timely and consistent manner.

With the help of resident screening software programs, you can know within minutes whether an application is approved or denied. Screening software uses approval parameters entered by the property to score applications to approve, approve with conditions, or deny applications.

It's critical to follow up and ensure that the property's resident screening standards are being applied to all applicants, including:

- Current debt obligations
- Payment history
- Public records data
- Criminal background checks (if required)

You can use the software to monitor your property's compliance with company policy as well as the Fair Housing Act by tracking answers to the following questions:

- Are applicants outside the accepted scoring range being denied, or approved with conditions such as an additional deposit?
- Has the additional deposit been collected?
- Has the community manager reviewed each file and signed off (if required)?
- Has upper management overridden any screening decisions and, if so, has this been documented in the files?
Move-In Measurements

It's important for resident move-ins to go smoothly. If a move-in gets started on the wrong foot—the apartment isn't ready, for example—it can take a long time and a lot of effort to rebuild the resident's faith in the property and its management.

Improve your property's move-in processes by tracking the following for each move-in:

- Were recent move-ins screened according to resident selection criteria and their files signed by a manager? (A spot check of three to five files should give you enough information)
- Was a move-in checklist completed? Has it been compared to the move-out checklist for the unit's last resident?
- Was the unit ready for move-in?
- Was it inspected shortly before the move-in and found to be acceptable?
- Did it need additional service? If so, why?
- Was a move-in inspection conducted with the resident?
- Was call-back service needed?
- What is the property's record on move-in service call-backs?
- Does the property have a chronic problem with service call-backs?
- What number and types of service requests were required to establish resident satisfaction?
- How can performance be improved in the future?
Transaction Measurements

Transactions—residents paying rent and fees and the management company depositing them—are part of the almost daily tasks of property management. If a property isn’t collecting rents and fees on time, the property is losing revenue.

Transaction measurements can tell you if your property is missing revenue opportunities by helping you find answers to questions such as:

- Is the property is following company policy regarding rent collection and additional fees charged to residents?
- How much rent is paid late each month?
- How quickly are deposits getting to the bank?
- How are NSF checks handled?
- If charges are reversed or delayed, why is that happening?
- What are the delinquency numbers and dollars?
- Are shared utility costs being passed on to residents?

Today, a variety of software applications allow ACH transfers and electronic posting of payments. Sophisticated technology provides scanners, access to credit card payments and resident portals to speed communication and collection.

Where to Find this Information

The rent roll, delinquency report, and other transaction and collection summary information. These reports display transaction categories including:

- Fee income (service, late, pet, parking, NSF, etc.)
- Fee reversals
- Damage charges
- Utility billing
- Date transactions occurred
Participation

Mistakes can happen, but what do you do when uncollected fees are costing the property a significant amount of revenue? Some ideas:

- Offer employees refresher training on company policies regarding fees
- Remind employees that failing to charge residents fees costs the property and hurts its financial performance

Can you think of any others?
Lease Renewal Measurements

Another aspect of property performance that you want to stay on top of is lease renewal. Ideally, the majority of the residents will want to stay and renew their leases because you have provided an outstanding living experience at a sound value. Although people move to buy homes and transfer jobs; others are dissatisfied and choose to express that by moving. Reduction of controllable turnover is the goal. All properties should have renewal rent increase goals in terms of dollar increases or percentage increases. Managers will need to measure those goals to determine performance by property personnel. System reports assist in the evaluation of these performance measures.

Measurements that will help you track and improve your property’s performance include:

- **Timing of lease renewal letters** - Are you sending them to residents early enough and complying with company policies? Most companies try to make resident contact 90-120 days before lease expiration and require residents to give written termination notice due at 30-60 days before lease expiration.

- **Type of contact** - Some companies send out generic notices that leases will expire soon, but others are more specific, listing rents for various lease renewal terms.

- **Quantity of leases expiring** - Most companies have goals to help manage the number of leases expiring in any given month.

- **Lease terms** - Have they been adjusted (if necessary) to keep the numbers as steady as possible throughout the year?

- **Budget objectives** - Is your property meeting budgeted rent increases in terms of actual dollars and/or percentage of increase? This measurement is very important.

- **Current market conditions** - Does your immediate market offer the opportunity to raise rents? Is there downward or upward pressure on retention? Have comparables made changes that now impact your ability to renew leases?

See the Lease Renewal Report in the *Property Performance Management Reports Supplement Package.*
Lease Expiration Management

Another way to manage occupancy is to control lease expiration dates so all or most of the leases in any one month don’t expire at the same time. This means you’ll need some flexibility in creating lease terms. Not every lease must be for six or 12 months. Consider things like seasonal differences and location. For example, for a property located in Minnesota, a lease that ends in December is far less desirable than a lease that ends in May.

Many Portfolio Supervisors aggressively manage lease renewals using:

- **Staggered monthly expiration dates.** An example is letting more leases expire in months with typically higher traffic – summer months, for example. That way potentially vacating units can be reoccupied more quickly. A secondary benefit is that residents are given more flexibility in lease terms.

- **Staggered expiration days.** Allowing the lease to expire on various days throughout the month spreads out turnover traffic, so it isn't jammed into the first and last days of the month. Also, lease termination dates early in the week give the maintenance staff time to spread out their make-ready duties more evenly. Some companies have leases begin on Mondays, for example, to avoid administrative demands on weekends. This procedure allows greater leasing focus on Saturday and Sunday, the peak traffic days.

- **Variable pricing.** In some situations, you may want to offer a shorter-term lease at a higher price. For example, a 6-month renewal at one rate and an 8-month renewal at a lower rate. The renter might be interested in paying a higher price for the flexibility of a shorter lease. Obviously, this practice works much better in firmer markets than in soft ones.

- **Automated revenue management.** Many management companies are using software that contains algorithms with formulas to price apartments according to future demand. The resident is offered a selection of renewal and rate terms.

See the Lease Expiration Analysis Report in the *Property Performance Management Reports Supplement Package.*

**Note:** Carefully follow state laws and any applicable regulatory requirements regarding lease terms. Some states legislate minimum and maximum allowable lease terms and some government-assisted properties aren’t allowed to offer anything less than a 12-month lease.
Eviction Policy Compliance

Evictions do occur, unfortunately, and when they do, it’s important to reduce risk and liability exposure for the property while adhering to the Fair Housing Act.

No doubt your company has established policies for the handling of evictions, and you should ensure adherence to the policies at all times. Properties and/or their attorneys file the necessary paperwork and notify the residents of eviction proceedings as required.

As a multi-property supervisor, you’ll need to monitor the timely processing of eviction actions at your properties.

Your management company has a rent collection policy stating that rent is due on the 1st of the month, late on the 5th, and eviction proceedings will begin on the 10th for any delinquencies.

In this case, you would need to track:

- The number of eviction actions each month
- What notification, if any, is given to residents who are late on the 5th
- How many eviction actions commenced on the 10th as required by company policy
- In cases where eviction actions didn’t commence on the 10th, why didn’t they?

If there have been exceptions to the rules and some residents have paid late without eviction actions being taken, it’s important to find out why this is happening. Your properties need to have consistent and fair rent collection and eviction policies, and to monitor and enforce them. This encourages residents to pay rent and other charges in a timely manner.
Individual Activity:
Property Performance Benchmarks

Have participants answer the questions on the following page, using the data below.

**Sample Property**
- 300 units
- Current physical occupancy is 90% and leased occupancy is 91%
- A2 floor plan is 96% leased and B2 floor plan is 93% leased
- Goal is to achieve 94% physical occupancy in 30 days
- Average monthly traffic has been 30 and average number of leases is 12. One-half (50%) of the current leases will likely move in this month
- Average monthly rent on all units is $850
- The average apartment publication ad cost is $750

**Property Performance Benchmark Goals**
- Turnover goal is 50%
- To maintain occupancy, the goal is to generate a minimum of 20% of its total units in traffic each month
- The net closing ratio goal is 30%
- A 4% exposure rate on any floor plan is a rate increase indicator
- The marketing budget should be $150-250 per unit. Internet and print advertising should cost approximately $250 or less per lease
- Property advertising in apartment publication sources should yield 60% of necessary traffic
Now, Answer the Following Questions

1. How many move-outs should this property anticipate this year based on the expected turnover?
   Answer: \( \frac{50\%}{300} = 150 \) move outs

2. Is the property generating enough traffic?
   Answer: No. Based on the benchmark goal of traffic being 20% monthly of the total number of units which is 60. The property is only getting 30 per month now.

3. How many leases are likely to move in this month?
   Answer: Six (6) leases are expected to move in this month. 50% of the 12 leases.

2. Is the closing ratio benchmark goal meeting expectations and what is property’s closing ratio?
   Answer: Yes, it is meeting the net closing ratio goal of 30%. There are 30 traffic with 12 leases. 
   \( \frac{12}{30} = 40\% \)

3. Should the property raise rents on any floor plan?
   Answer: Yes, it should raise rents on the A2 floor plan, which is 96% leased.

4. What would a reasonable annual marketing budget number be?
   Answer: $60,000 would be reasonable. Midway between benchmark of $150-250 per unit.

5. How much traffic should the apartment publications be generating each month based on current traffic?
   Answer: 60% of 30 traffic.
4. Improving Resident Satisfaction

One of your top responsibilities is creating a resident-focused work environment for your staff. Residents today are acutely aware of what level and quality of service to expect. They know what they want from apartment communities in terms of apartment home and community features, maintenance, and staff courtesy.

It's not enough to maintain the property and fill apartment vacancies as they arise - you should develop a specific, focused resident retention program to ensure residents are getting service above and beyond what they expect. Service is not a policy, but rather a value, a goal, and an everyday practice.

Topics

- Retaining Residents
- Know Residents and Understand Their Expectations
- Resident Surveys
- Promote a Service-Oriented Environment
- Anticipating Resident Needs
- Make Resident Service a Real Part of the Company's Values
Retaining Residents

Focusing on resident satisfaction is the key to retaining residents, which in turn will allow you to increase NOI.

When an apartment turns, it generally costs $3000 or more due to the cost of leasing, maintenance, and lost revenue. Turnover rates over the past six years have averaged between 55%-62% according to the NAA Survey of Income and Expense.

The good news is that most turnover is preventable (aside from home buying and relocation), so if you can plug the holes in your retention program, you can save your property thousands of dollars a year.

How is it Done?

Retention programs that minimize dissatisfaction are more effective than programs that increase satisfaction. This means that time is better spent focusing on service delivery education, improved resident communications, better work order management, and ongoing feedback programs than move-in gifts, social activities, and other “soft” retention programs.

Minimize dissatisfaction. Unfortunately, negative experiences are remembered—and shared—much more than positive experiences. When a resident’s refrigerator breaks, that’s a negative experience. But you can turn the negative into a positive when the resident receives a warm, pleasant acknowledgement from management office staff, and a speedy response from maintenance.

Four Steps to Improving Retention

1. Know your residents and understand their expectations.

2. Promote a resident service-oriented environment.

3. Anticipate resident needs.

4. Make resident service a key company value.
Know Residents and Understand Their Expectations

Understanding the demographic, economic and market profiles of your residents will help improve current services and develop future services and amenities. Not all residents want or need the same thing.

It's not enough to meet resident expectations - you must exceed them. So the first step is to learn about your residents and find out what they expect. Don't just take a guess or assume you know – ask them!

Survey residents and potential residents by phone, e-mail, or Internet periodically to see what you're doing right and what needs work. A well-crafted survey will help you improve major aspects of the resident experience (for example, more responsive leasing or maintenance services) but can also expose the little details that differentiate one apartment community from another.

Residents can offer feedback in all kinds of areas. Are you looking for a new appliance vendor? Ask residents how they feel about their appliances. Has your leasing office posted an unusually low closing rate in the last few months? Ask recent prospective residents how they felt about the property, the way they were treated by staff, and why they didn’t move in. Do residents feel that the management office responds to maintenance issues in a timely manner? Are they planning to renew when their leases expire? Asking residents these kinds of questions can help you form an action plan to increase resident retention.

Service Standards

Service standards can help you take resident feedback and put it into meaningful action.

Develop standards that teams can easily understand and you can compare to results at other properties, companies, and the property's own past performance. These standards should include:

**Leasing decisions:**
- Location/convenience
- Rental rate
- Property appearance/quality
- Staff and management
- Unit layout
- Amenities
- Overall satisfaction

**Leasing staff:**
- Professionalism/courtesy
- Responsiveness
- Knowledge
- Ease of move-in
- Overall satisfaction
Service Standards (continued)

Community management:

- Professionalism/courtesy
- Problem resolution
- Accommodation of special requests
- Overall satisfaction
- Responsiveness
- Communication
- Convenience of office hours
- Accessibility
- Rent collection practices

Maintenance:

- Speed of maintenance request response
- Time to complete maintenance tasks
- Staff knowledge and willingness to help
- Work order completion
- Service delivery issues

From there, you’ll need to determine how a standard can be measured and implemented.

Resident Surveys

Surveys can be as informal as structured follow-up or a prospect survey card. They can be as defined as written or electronic surveys and focus groups. However the surveying is done, the feedback is invaluable.

There are companies specializing in resident survey management that can help you develop surveys, quantify your information, and benchmark it against standards in the industry, your competitors, and your property's past performance. Whether you use one of these vendors or create surveys yourself, it’s important that surveys sent to residents are:

- Easy to respond to – in writing, online, postage-paid
- Comprehensive - property features, unit interiors, staff and service
- Multi-level - residents, prospects, move-outs, owners, property managers
- Detailed enough to give you a specific action plan (“Would the addition of a poker table increase your enjoyment of the activities room?” is more action-oriented than “Do you like the activities room?”)

And most importantly, include information that you are willing to take action to rectify. (Do not ask questions that are beyond your control to rectify)

<table>
<thead>
<tr>
<th>Participation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Have you done anything special to get to know your residents and their expectations?</td>
</tr>
<tr>
<td>Have you ever had survey results that were more negative than expected? How did you and your staff change what you were doing?</td>
</tr>
</tbody>
</table>
Promote a Service-Oriented Environment

It’s important to emphasize to staff that they are there to serve the residents. When they take care of the residents, the bottom line will take care of itself.

But it’s up to you, as the manager, to lead by example. The values of an organization have to come from the top. Highlight resident service when you’re training staff and performing day-to-day tasks.

Resident satisfaction surveys are a great training tool to use when residents have lower levels of satisfaction, an easy incentive program to help raise ratings, and a way to quantify progress and reward employees’ efforts. They also increase the numbers of resident referrals as more satisfied residents refer others to live at your properties. Lastly, high resident satisfaction levels bring higher tolerance for service interruptions and inconveniences. A satisfied resident will respond more favorably to services issues because he or she knows and trusts you are focused on their ongoing satisfaction.

High resident satisfaction leads to low resident turnover, which, in turn, saves money for the property.

Participation

What kinds of things have you done at your property to create a resident service-oriented environment?
Anticipate Resident Needs

The most effective property managers anticipate resident needs. Making sure staff is current with resident trends and the demographics of the property will go a long way to keeping residents happy.

For example, if residents include a large number of families with small children, you might consider creating a playroom or playground for them. If your residents include a large number of working professionals, you might consider partnering with a local dry cleaner to provide pick-up/drop-off service to free up residents’ time.

Of course, as discussed above, programs to reduce dissatisfaction are ultimately more successful than programs to increase happiness. So before you start trying to figure out what residents will want down the road, be sure you’ve covered what they want now. If they aren’t happy with maintenance response time, they’re not going to renew just because the community has a nice playground.

### Participation

Have you ever used community demographic data to develop a successful plan or amenity for residents?

Have you ever developed a plan or amenity without doing enough demographic research and regretted it? What happened?
Make Resident Service a Key Company Value

True success only comes when the company makes resident service the top priority. The team should work constantly to come up with new ways to improve service. Superior maintenance service is probably the most important aspect of resident retention, but there are many details that can make or break your resident service ratings. Surveys can't help you over the long term unless your company is committed to taking them seriously and acting on the results.

From the impression made at the first contact with the leasing office to the way service requests are dealt with in the management office, every encounter matters.

The 2009 Satisfacts Index reports that only 80% of residents' service requests are completed to the resident's satisfaction the first time. 26% of residents report a maintenance problem still exists.

Source data courtesy of Satisfacts Research, LLC and CEL & Associates.
5. Maintaining the Property

Implementing an effective maintenance program throughout the properties managed is essential. A good preventive maintenance program controls/reduces costs, extends the life of the property and its equipment, reduces risk and liability concerns, and reduces turnover.

Topics
- Property Inspections
- Preventive Maintenance Programs
- Measuring Maintenance Success
Property Inspections

An effective maintenance program begins with a thorough inspection of the property.

Although community managers are primarily responsible for performing inspections, you’ll want to help design inspection checklists, oversee that inspections are carried out at regular intervals, and require reports from your managers so you can be aware of the physical condition of your sites.

Inspections Help You:

- Find problems when they’re relatively small, easy, and inexpensive to repair
- Identify specific areas that need immediate attention
- Plan future long-term maintenance projects
- Provide a written record by which maintenance progress can be monitored
- Allow training opportunities for the maintenance staff
- Ensure the security of the property and residents

Checklists

Checklists can help you execute complete, productive inspections of your properties. This list can be developed or updated by walking through the property and taking note of maintenance equipment, structural components, and the condition of the landscaping. To support the team approach, ask staff members to take part in some or all of the inspections.

You can use checklists for make-ready maintenance inspections and for periodic inspections of the entire premises.

Tip

It’s a good idea to carry a flashlight, tape measure, pliers, screwdriver, and notebook when making inspections.
Preventive Maintenance Programs

In your oversight role as Portfolio Supervisor, ensure that these major elements of the preventive maintenance plan are in place.

Implementing the Preventive Maintenance Program

- Prepare inspection checklists
- Have the maintenance supervisor and/or maintenance technician(s) conduct the actual inspection
- Convey the importance of the preventive maintenance program to community managers and maintenance teams
- Require a written report after each inspection
- Review these reports with community managers to determine what follow-up is required
- Meet with community manager(s) and maintenance staff at periodic intervals to discuss progress
- Accompany the community manager or maintenance supervisor on an inspection of the property each year to get a first-hand look at it
- Follow-up on those areas of concern as noted on the checklist
- Record the nature of the repair, parts used, date, and length of time to complete the maintenance, and suggestions for follow up, if needed
- Monitor your manager and maintenance staff to make sure the annual quarterly, and monthly inspections take place as scheduled
Documenting Preventive Maintenance Work

Create a file to keep track of all preventive maintenance work. Include this information:

- Equipment information – Serial/model number, date of purchase, warranty, manufacturers’ preventive maintenance requirements

In addition, you’ll want to keep other records, including:

- Termite and pest control inspection records
- Preventive maintenance needs
- Records of maintenance actions
- Preventive maintenance schedule
- Name of person who performed the work
- Length of time it took to complete the work
- Manager’s notes

Be sure to clarify to the community manager and his/her maintenance staff your expectations about the frequency of these inspections.

See the sample Preventive Maintenance Checklist in the Appendix.
Measuring Maintenance Success

Property maintenance has a huge impact on resident satisfaction, retention and turnover. Maintenance measurement sample reports are contained in the Appendix.

Measure your work order completion rate frequently and hold all staff—maintenance and office staff—accountable. The goal should be to complete all work orders within 24 hours if possible, and within 72 hours at the absolute latest. Staff performance should be measured against this goal frequently. With the clock ticking, office staff training is important – studies have shown that maintenance technicians lose 1-2 hours each day attempting to decipher incomplete service requests.

Automated Service Request Systems

Your property management software may have an automated service request system to help reduce turnaround time and improve resident service.

<table>
<thead>
<tr>
<th>System Feature:</th>
<th>What It Tells You</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data entry for service requests</td>
<td>Which requests are pending, sorted any way you want - by unit size, common areas, interior or exterior</td>
</tr>
<tr>
<td>Standard work times for maintenance tasks</td>
<td>How long jobs should take so your team can create better estimates and avoid disappointing residents</td>
</tr>
<tr>
<td>Inventory tracking</td>
<td>Which parts are used most frequently, which brands hold up best, and when you should reorder</td>
</tr>
<tr>
<td>Unit tracking</td>
<td>Which units request maintenance service most frequently, and why</td>
</tr>
<tr>
<td>Make-ready status</td>
<td>Which apartments are due for service, what service is needed, and their scheduled move-in and inspection dates</td>
</tr>
</tbody>
</table>

Tip

Be sure office staff knows what questions to ask for the more frequent service requests so technicians have all the information they need to fix the problem on the first visit.
**System Reports**

Property management software can also generate many reports that will help you prioritize and track maintenance requests. See the *Property Performance Management Reports Supplement Package* for several report samples.

<table>
<thead>
<tr>
<th>Report</th>
<th>What it does:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Make-ready status</td>
<td>Evaluates priorities, assigns tasks, tracks time worked and parts used</td>
</tr>
<tr>
<td>Service request activity</td>
<td>Streamlines service request processing, tracking mechanisms, eliminates</td>
</tr>
<tr>
<td>Time worked</td>
<td>Records work start dates/times and work completed dates/time to measure how long various service requests types took to complete</td>
</tr>
<tr>
<td>Response time summary</td>
<td>Shows how many work orders have been assigned, completed, remain due, have priority status</td>
</tr>
<tr>
<td>Work order status</td>
<td>Details current and overdue service requests; Calculates percentage of requests completed; Provides statistics for each property and maintenance technician</td>
</tr>
<tr>
<td>Maintenance summary</td>
<td>Measures timely performance; Includes data on service requests, time worked to complete, completed service requests, percentage totals, technician details; Tracks requests completed within 24, 48, 72 hours</td>
</tr>
</tbody>
</table>

These reports can be used as training tools to improve maintenance performance against established standards. Make sure your staff is completing most service requests within 24 hours or less. Find out if technicians are taking too long to complete certain tasks and might need additional training. Track parts used to see if certain parts are wearing out faster than others. Streamline parts ordering and reduce emergency orders with better tracking.

**Participation**

What are some other things you can use these reports for?

Do you have any creative ways you use maintenance reports at your properties?
6. Creating an Owner's Report

The Owner's Report explains how a property has performed for the previous month, quarter, or year. The report includes key financial and operational reports, as well as a narrative that provides an analysis of variances, the impact of current market conditions on property operations, and the efforts underway to respond accordingly. In addition, reports from property management software packages are often included.

Topics

- About the Owner's Report
- Writing the Owner's Report
**About the Owner’s Report**

**What Is an Owner’s Report?**
The Owner’s Report (see the examples in the Appendix) explains how a property has performed for the previous month, quarter, or year. The report includes key financial and operational reports, as well as a narrative that provides:

- An analysis of variances
- The impact of current market conditions on property operations
- The efforts underway to respond accordingly

Reports from property management software packages are also often included.

**Why It’s Important**
The Owner’s Report gives the owner a clear and accurate picture of how the property is performing both operationally and financially. It also illustrates how you’re actively managing the property to help the owner achieve the financial objectives established for it.

**When It’s Produced**
The Owner’s Report is created according to the terms of the management agreement. It could be monthly, quarterly, or yearly. Prepare an owner’s report for each property you manage.

**Where It’s Sent**
Sometimes, the Owner’s Report may go directly from the multi-property supervisor to the owner. In other cases, asset managers will transmit it to the owner after receiving from property management.

**Your Role**
Create the Owner’s Report to clearly explain how the properties are doing. Gather the necessary data and reports, write the narrative sections clearly and accurately, and explain all budget variances (both favorable and unfavorable).

The community manager at each property is likely to play an important role in assisting with the report. He or she can help you understand and explain variances, as well as evaluate market conditions.

The property’s financial software reporting systems will most likely provide the majority of the data used for the owner’s report.
Writing the Report

The Owner’s Report that you create must be both detailed and clear.

Writing the report is much easier when you know how your properties are performing at any given time. Be sure you’re on top of market conditions, property improvements, income and expenses, day-to-day operations (rentals, leases, turnover), and the actions currently being taken to maximize property results.

The Parts of an Owner’s Report

There are six recommended parts to an owner's report:

1. **Executive summary:** Identifies the property and reporting period; summarizes the property's overall performance in terms of finances and operations (chart of key data); outlines key actions the team is taking to maximize performance and help achieve owner objectives.

2. **Overview of market and economic conditions:** Describes the general local market conditions (stable, improving, declining), the average occupancy levels in the market, and how these have changed since the last report. Compares the property's occupancy compared to similar properties in the marketplace. Includes plans to leverage or counter these conditions.

3. **Capital expenses and the physical plant:** Describes the budgeted and non-budgeted improvements or replacements that have occurred or are being proposed. Includes comments on replacement reserve reimbursements (if applicable), the status of capital expenditure projects in terms of cost and completion, and major deferred maintenance items that need attention.

4. **Financial operations:** Summarizes the total income collected, the total expenses, the net operating income, and includes the variance analysis for all major income and expense categories. Explains favorable and unfavorable budget variances: describes what the variance is, why it's happening, and what is being done to correct, control, or further improve actual results.

5. **Property operations activity:** Includes information such as: the current property status (physical and economic occupancy, traffic, rentals, closing ratios), move-in and move-out numbers, and lease expiration data showing the potential impact on future occupancy.

6. **Reports:** Has copies of the financial and operational reports an owner may want to examine. Includes key reports such as the operating statement (including month and year-to-date information), the detailed general ledger, the rent collection report, and any reports requested by the owner that need to be a part of the package.
Report Format

Owner reporting requirements usually determine the format for the report, although it is sometimes left to the management company.

There are two owner report samples in the Appendix. In addition, there are two customized report samples presenting portfolio analysis.
7. Additional Performance Tools

Apartment owners and managers continue to automate and integrate almost every process of the apartment management business with technology. These systems create efficiencies that benefit the renter, the property’s NOI, and the owner’s investment goals.

In this section, you’ll learn about five of the newest and most effective tools.

Topics

- Call Centers
- Purchasing Management Systems
- E-signatures and Document Management
- Improved Debt Collection Tools
- Community Portals
Call Centers

The use of professional and dedicated call centers can be a way to improve your property’s performance – not just for lead management, but also for better overall leasing and maintenance management performance.

According to the CallSource Industry Report Card for the second quarter of 2010 leasing professionals:

- Obtain the caller’s name only 61% of the time
- Ask just 9% of the callers why they are moving
- Ask only 16% of the callers for their specific needs and preferences
- Provide community features to the caller 22% of the time
- Describe the benefits of the apartments 21% of the time
- Ask only 24% of callers if they’d like to make an appointment

The average call lasted only 3.5 minutes and the ratio of calls to appointments was less than the industry-assumed standard of 40%.

Call Center Services

Call centers can provide many services, including:

- 24/7 availability
- Tracking and capturing information about each caller
- Measuring customer response
- Measuring and managing (reporting) results across an entire portfolio or company
- Consulting services and training programs to increase marketing effectiveness

Call centers also provide data that enables senior management and multi-property supervisors to:

- Measure marketing performance by source and analyze leasing performance by individual, community, and region
- Track and rank employee performance
- Hear digital-format recording of each call to allow evaluation of the property’s call handling skills
Purchasing Management Systems

Purchasing management systems improve the efficiency of purchasing processes. They address industry concerns such as inconsistent sourcing practices, inefficient paper-based invoicing and payment procedures, and an inability to leverage the power of volume purchasing.

The ultimate goal of using purchasing management software is to buy all goods and services from a single source: a Web catalog generated and maintained by the company.

Centralized Invoice Processing

One of the key benefits of purchasing management systems is centralized invoice processing, which streamlines invoicing from procurement to payment.

For each purchase, an electronic invoice is coded automatically, verified against the agreed-upon pricing, and then interfaces directly with the accounts payable system.

Other Benefits

In addition to centralized invoice processing, Purchasing Management Systems also:

- Track bidding, purchasing, and payment for services and materials used at the property level
- Compare practices and results at various properties and on a company-wide level
- Standardize the quality and consistency of goods and services
- Monitor and track supplier use and adherence to negotiated pricing
- Simplify the ordering of goods and services through templates for commonly used items
- Consolidate spending to take advantage of volume discounts
- Monitor the property’s compliance with company guidelines and standards

These features combine to reduce the overall costs of purchasing both at the property and company levels.

In Practice

One company that introduced its own purchasing management system reported more than 2500 vendors, with only 12% of those vendors accounting for 80% of the company's expenditures tracked through their system. The system has saved them over $4 million in the past three years.

Numerous companies, from small regional operators to large national firms, have reported savings from electronic procurement systems from 10 to 12 percent overall - not including reduced staffing needs, more consistent purchasing practices, tighter expense controls and quicker turnaround.
E-signatures and Document Management

Two systems in the newer stages of development are electronic signatures and document management.

What These Systems Do

E-signatures and electronic document management processes can eliminate thousands, even millions, of pages of lease documents. And if they are signed and filed in a way that complies with federal e-signature laws, property managers can be relieved of the burden of storing all of that paper. With the technology capability now available, the only requirements are the property level changes and training for necessary implementation.

The National Multi Housing Council (NMHC) is leading the effort to standardize multifamily housing industry data standards, including e-signature and other automation benchmarks. Multifamily Information and Transactions Standards (MITS) are intended to address the need for a single set of data standards in the apartment industry. This initiative, funded by member apartment companies, is creating universal standards that will allow property management systems and software programs to communicate with each other more easily. These standards include resident screening, property marketing, and physical asset management.

In Practice

Several of the nation's apartment owners and managers now permit prospective renters to sign and execute legally binding leases online. Signed documents are then stored in a secure, accessible electronic document management system.

The National Apartment Association Lease Program offers an E-Signature model that provides electronic lease execution in 41 states.
Improved Debt Collection

Another idea being implemented by some apartment management companies is integrating debt collections into their property management software systems.

Companies using this integrated system report better collection performance.

How the Integration Works

Accounts of those who leave owing money are automatically sent to the collection agency without interaction from site-level personnel. The company establishes a date on which all bad debts are sent to the collection agency, which ensures consistency and compliance with the Fair Housing Act.

This process can reduce the collection cycle to 2-3 months from 6-9 months, and provides better control of receivables at the regional and corporate levels.
Community Portals

In recent years, the industry’s focus on technology has shifted toward streamlining front office processes and resident-facing services. A 2010 “UNITS” article discussed the rapid rise of technology solutions for a variety of practices, including the use of website portals for the community.

Many third-party providers offer multiple solutions that can integrate with proprietary management software and individual websites. The resident benefits with 24/7 access to community services and prospects enjoy access to leasing information, screening and application processing.

Prospect and resident portals work with online payments, work order requests and real time unit availability. Monitoring is seamless and reports are available on demand. Since data feeds both back and forth with the property software, information is accurate without the need to “update the website.”

Takeaway:

Technology is making it so much easier to manage the details of running multiple properties, but the human touch is still very important. Don’t fall into the trap of using technology to manage your people – site visits and sit-downs are still a crucial part of property management.
8. Key Takeaways and Closing

Participants have just spent an entire day learning about property performance management. It's time for them to make the most of their newfound knowledge by taking action on what they have learned.

Suggested Opening

Well, you've come a long way today. In just one day, we've covered these performance management:

- Understanding the management agreement
- Measuring Occupancy
- Improving Resident Satisfaction
- Maintaining the Property
- Creating an Owner's Report
- Evaluating Additional Performance Tools

Now, to cross the finish line for this course, there are just two things remaining—taking a look at the key takeaways for this course, and writing a brief action plan.

Let's start with the key takeaways. Turn to page 8-1 in your Participant Guide.
Key Takeaways

As a multifamily housing professional, you are the owner’s partner in managing the asset in a manner that is compliant with the terms of the management agreement and meets the owner’s goals for the investment. In fact, your ability to perform professional management functions is directly related to the degree of success of the project and attainment of the owner’s goals. Therefore, critical focus is required in the following areas:

1. **The management agreement is the guiding instrument for property performance.** This roadmap is the compass by which you must guide the properties. The better you meet and exceed its provisions, the higher the likelihood of success for your client and in turn for your management enterprise.

2. **Occupancy and rent measurements must be combined to evaluate the true performance of a property.** Monitoring is critical to balance rent gains with stable occupancy. Miss the mark or fail to see a negative trend on its way and you lose momentum quickly. Owner clients vary in their goals for these two aspects, so you must be aligned to be successful.

3. **Resident satisfaction levels are directly correlated to the financial position of the property.** No matter what the owner’s goals for the property, resident satisfaction means stability, expense savings and fewer volatile dips in performance. Residents feed the bottom line and contribute to positive performance. Do not forget the relationship between staff performance and resident satisfaction.

4. **As a physical investment, the property requires a proactive plan in order to maximize performance.** These functions are often dismissed by busy property managers, but they represent the critical gap between response and plan. The better the plan and execution, the better the property performance.

5. **The owner’s report and owner communication tools must build value in the eyes of the owner.** Here is where performance measures, trends, benchmarks and best practices are recapped, compared to performance and resold to the client customer.
6. **Technology is changing the way we measure performance.** As a professional, you must be actively seeking and understanding the operational changes being brought about by technology. Your client is counting on you to maximize this ever-expanding influence.

With these takeaways in mind, let’s now move on to having you write an action plan. Turn to the next page in your *Participant Guide.*
"Start/ Stop/ Continue" Action Plan

The point of an action plan is simple. It gets you thinking about what you've learned today, and then asks you to write down a few things you'll do differently back on the job.

You'll be doing a simple and realistic action plan today called "Start/Stop/Continue." All you need to do is reflect on the things you've learned in this course, and based on that, write one thing you want to start doing, stop doing, and continue doing when you return to your apartment community.

Then, if you can work on these three things for the next month, you'll most likely improve your on-the-job skills, feel more confident, and just enjoy your time as a multi-property supervisor even more.

I'm going to give you five minutes now to work on your "Start/Stop/Continue" plan, and remember, this plan is for you and you alone. You don't need to share it with anyone, unless you'd like to.

**Leader's Instructions:**

Give participants five minutes to work on their "Start/Stop/Continue" action plans, and answer any questions along the way.

Thank you for taking the time to work on your plan. I wish you all the best as you work on it over the next month.
Closing

Thank you for being a part of today's Property Performance Management course.

**If You Are Teaching the Property Evaluation and Due Diligence Course...**

If you have no further questions or comments, let's call today a wrap.

**If You Are Not Teaching the Property Evaluation and Due Diligence Course...**

If you have no further questions or comments, let's call today a wrap. I wish you the best of luck as you pursue your CAPS designation and all the best back on the job, too. It's been my pleasure to be your instructor.
Appendix

Contents

• Sample Property Management Agreement
• Sample Preventive Maintenance Schedule
• Sample Preventive Maintenance Checklist
• Sample Owner's Report #1
• Sample Owner's Report #2
• Sample Portfolio Summary Report
• Sample Portfolio Expense Summary
Sample Property Management Agreement

THIS AGREEMENT is made and entered into this day of , , by and between (hereinafter referred to as the “OWNER”) and (hereinafter referred to as “ ”)  

SECTION 1
APPOINTMENT OF MANAGING AGENT

1.1 APPOINTMENT AND ACCEPTANCE: Owner hereby engages ______ as its sole and exclusive property manager to lease and manage the property described in Section 1.2 upon the terms and conditions provided herein. ___ accepts the engagement and agrees to furnish the services of its organization in accordance with the terms and provisions contained herein.

1.2 DESCRIPTION OF PROJECT: The property to be managed by ______ under this Agreement (the “Project”) is known as , and is located at , consisting of the land, buildings and other improvements constituting a unit apartment complex.

1.3 TERM: The initial term of this Agreement shall be for a period of twelve months (the “Initial Term”) commencing on the day of , , to the day of , . This Agreement shall be automatically renewed for periods of one (1) month, unless this Agreement is terminated as provided in Section 18 herein.

1.4 MANAGEMENT OFFICE: Owner shall provide adequate space on the Project for a management office, exclusively for the use of ______ to conduct the business of the management of the Project. Owner shall pay all reasonable expenses related to such office as provided in the Plan (defined below), including, but not limited to, furnishings, equipment, postage, office supplies, electricity, other utilities, and telephone services.

1.5 APARTMENT FOR ON-SITE STAFF: Owner shall provide suitable apartment unit(s) within the Project for the use of the resident manager and such assistant managers or maintenance personnel as ______ and Owner may deem reasonable under the circumstances and as provided in the Plan. ______ with the approval of Owner, shall be entitled to provide such on-site staff (employees) with such rental concessions (reductions in rent) as ______ and the Owner may deem necessary and appropriate under the circumstances.

1.6 BUDGET AND BUSINESS PLAN: Owner and ______ will establish a budget and business plan for operation and management of the Project (the “Plan”). The Plan shall act as a general guide for the management of the Project by __________, and shall be updated and revised from time to time to reflect changes in conditions and actual Project operation. Any significant expenditure not specifically set forth in the Plan shall require Owner’s advance approval, except as provided in Section 4.2 hereof. Owner agrees that the Plan is a budgeting tool only and does not constitute a guarantee of actual operating performance. The Plan shall include, at a minimum, the following:

A. Minimum Leasing Guidelines established jointly by Owner and ______, setting forth target rental rates and premiums for each unit type and amenity package, together with maximum leasing incentive allowances for promotional purposes. If _______ executes any lease (or any renewal or extension thereof) on terms which vary from the minimum leasing guidelines, _____ will promptly notify Owner.

B. Capital Improvement Plan: Owner and ______ have set forth a plan for implementing initial capital improvements to upgrade the rental units and correct maintenance items addressed during Owner and ______ pre-acquisition inspection of the property (if applicable). Should the capital plan fall within industry standards for normal property management duties, ______ shall be responsible for obtaining bids, coordinating and scheduling the work at the property. A minimum of three (3) complete bids will be obtained for each Improvement Plan line item of more than $25,000.
SECTION 2
BANK ACCOUNTS

2.1 BANK ACCOUNTS: ______ is authorized to establish one or more operating trust accounts and security deposit trust accounts for the Project. Operating trust accounts are hereinafter referred to as "operating accounts". All other accounts are hereinafter referred to as "trust accounts". ______ shall deposit into the trust accounts all security and other deposits made by tenants, unless directed otherwise by Owner. All other funds shall be placed in one operating account. All trust accounts shall be operated in conformance with state law. ______ shall designate one or more _____ employees who shall be the only parties authorized to draw upon such accounts. No amounts deposited in any accounts established under this Agreement shall in any event be commingled with any other funds of ___. All bank accounts shall be established at such banks or other institutions whose deposits are insured by the federal government. All such depository banks shall be selected by ______ and shall be satisfactory to Owner. ______ shall not be liable to Owner in the event of bankruptcy or failure of a depository institution. ______ shall open the above described accounts in a nation-wide bank used by the majority of ______ clients unless directed otherwise by Owner.

2.2 INITIAL DEPOSIT TO TRUST ACCOUNTS: Immediately upon commencement of this Agreement, Owner shall remit to ____ such amounts as may be necessary in order to fully fund all required tenant trust accounts. If state law allows, and Owner elects to not fully fund tenant trust accounts, Owner agrees to indemnify and hold ______ harmless from any claims that may result from such an election and agrees to sign a security deposit waiver addendum, if required by state law.

2.3 INITIAL DEPOSIT FOR RESERVES: Immediately upon commencement of this Agreement, Owner shall remit to ____ a sum to be deposited in the operating account as an initial deposit representing the estimated disbursements to be made in the first month following the commencement of this Agreement, plus an adequate contingency reserve. The initial deposit may be funded from the first month’s rental receipts, at the option of Owner. Owner agrees to maintain such contingency reserve at all times in the operating account so as to enable ______ to pay the obligations of Owner under this Agreement as they become due. Owner and ______ shall review the amount of the contingency reserve from time to time and shall agree in writing upon a new contingency reserve when such is required.

2.4 OBLIGATION TO ADVANCE PAYMENTS: All purchases and other obligations incurred in connection with the operation of the Project shall be the sole cost and expense of Owner. All such purchases shall be made by ______ solely on behalf of Owner and not as a principal. ______ shall be under no duty to utilize or apply ______ own funds for the payment of any such debt or obligation. In the event that there are insufficient funds in the operating account, ______ may, after notifying Owner, advance its own funds for such purpose, in which event Owner shall promptly repay to ______ all such sums expended, together with interest at the rate of twelve percent (12%) per annum calculated from the date of ______ advancement of funds to the date of repayment from Owner.

2.5 INTEREST ON TRUST ACCOUNTS: Where permitted by law, and where feasible, ______ shall deposit trust funds into interest-bearing accounts at Owner’s request. All interest earned on such funds shall belong to Owner, except where state law requires interest earned on security deposits to be paid to a tenant and shall not be considered part of “gross receipts” of the property as hereinafter defined.

SECTION 3
COLLECTION OF RENTS AND OTHER RECEIPTS

3.1 AUTHORITY OF ______: ______ shall collect (and give receipts for, if necessary) all rents, charges and other amounts received in connection with the management and operation of the Project. All security deposits (excluding non-reimbursable cleaning fees and the like) shall be deposited into the trust account described in Section 2.1 above. All other receipts shall be deposited into the operating account. Under no circumstances shall ______ be liable to Owner for any uncollected rents, other income or bad debt resulting from operations.

3.2 SPECIAL CHARGES: ______ shall deposit into the operating account charges paid by tenants for the late payment of rent, returned or non-negotiable checks, and other similar payments.
SECTION 4
DISBURSEMENT FROM OPERATING ACCOUNTS

4.1 OPERATING EXPENSES: From the operating account, _____ is authorized to pay or to reimburse _______ for all expenses and costs of operating the Project set forth in the Plan and for all other sums due ______ under this Agreement, including _______ compensation which is described and set forth in Section 15 hereof, in accordance with the Plan. Owner has sole responsibility for the timely payment of all authorized expenses of the Project. ____ shall not be responsible for the payment of late fees or penalties. Owner authorizes _______ to reimburse itself for those fees set forth on Exhibit A to this Agreement. Upon 30 days notice by _____ to Owner that _____ has used its own funds to pay authorized Project expenses, Owner shall reimburse _____, including interest at the annual rate of twelve percent (12%).

4.2 EXTRAORDINARY EXPENSES: Unless specifically provided for in the Plan, no single expenditure made for general maintenance or one-time contract service in excess of $5,000.00 shall be allowable without prior approval of Owner. Owner may request written bids for any expenditures over $10,000.00. _____ is required to submit a minimum of three (3) written bids for all expenditures over $25,000.00. However, in the event of an emergency, owner authorizes _______ to authorize any reasonable expense which is necessary or required because of danger to life or property, or which is immediately necessary for the preservation and safety of the Project or the safety of the tenants and occupants thereof, or if required to avoid the suspension of any necessary service to the Project, or to comply with any applicable federal, state, or local laws, regulations, or ordinances. ______ shall, however, as soon as reasonably possible, notify Owner in detail, concerning such expenditures.

4.3 AUTHORITY OF OWNER FOR _____ TO PAY CERTAIN EXPENSES: _____ shall pay from the Project operating account, in accordance with the business plan or as otherwise directed by Owner, all utility and maintenance charges; all real property taxes and assessments; all premiums for liability and casualty insurance; all monthly payments upon underlying secured real property debt; _____ fees; all other operating and rental expenses set forth herein; postage, copying, long distance charges and other expenses that are directly associated with the property (whether incurred on-site or otherwise); the costs and expense of uniforms for employees (where applicable) and the costs and expenses directly associated with the training of Project employees.

4.4 EXPENSES TO BE PAID DIRECTLY BY OWNER: In addition to income taxes and gross receipt taxes (if any) incurred as a result of the operation of the Project, Owner shall pay directly the following:

4.5 FEES FOR LEGAL ADVICE: Owner shall pay reasonable expenses incurred by ______ in obtaining legal advice regarding compliance with any law affecting the Project, including the defense of vendor suits or other claims made against the Project or _______ relating to its activities as Agent for Owner, or activities related to the operation of the Project. _____ shall notify the Owner if legal services are anticipated to exceed the amounts set forth in the Plan. If any expenditure for legal services also benefits others for whom _______ acts as a property manager, Owner’s obligation shall be limited to Owner’s pro rata portion of such expense for legal services. Provided, however, that nothing contained in this section shall obligate Owner to pay ______ legal fees in the event ______ is adjudged to have engaged in fraud or misconduct relating to the allegations of the dispute.

4.6 NET PROCEEDS: To the extent that funds are available, and after maintaining a cash contingency reserve amount as specified in Section 2.3, ______ shall transmit net cash proceeds to Owner at least monthly at a time specified by Owner. Such periodic cash payments shall be remitted to the following address:

4.7 PRIORITY OF PAYMENT: Should collected funds (excluding security deposits deposited into trust accounts) be insufficient to satisfy the current debts and obligations of the Project, such debts and obligations shall be paid in the following order: Project payroll, including all related administrative charges and expenses; management fees and related expenses due _______; charges by utility companies (including, but not limited to, gas electric, water, sewer, garbage and cable television); other Project expenses; underlying secured real property debt; other required payments, including payments to reserve accounts. Where the terms of any loan security agreement with Owner conflict with the terms of this section, the terms of such loan security agreement shall control, provided, the Owner has notified Agent of the existence of any such condition.
SECTION 5
FINANCIAL AND OTHER REPORTS

5.1 REPORTS: By the 10th business day of each month, _______ shall furnish to Owner a statement of receipts and disbursements from the operation of the Project during the prior calendar or fiscal month. Such reports are prepared solely for the benefit of Owner. The Company makes no representations or warranties regarding the financial performance of the Property. In addition, _____ shall, on a mutually acceptable schedule and at Owner's request, prepare and submit to Owner such other reports as Owner shall specify, including, but not limited to the following:

a.) Weekly occupancy, leasing status and traffic reports.
b.) Monthly market comparable rent survey.
c.) Monthly bank reconciliations.

5.2 OWNER'S RIGHT TO AUDIT: Owner shall have the right to request periodic audits of all applicable accounts managed by ______ and the cost of such audits shall be paid by Owner, as an expense of the Project. Such audits may be made during normal business hours posted at the property with advance notice by Owner. Owner shall indemnify and hold harmless _____ from any liability to third-parties resulting from the distribution by Owner of any financial information provided to Owner regarding the Project under this Agreement.

SECTION 6
ADVERTISING

6.1 ADVERTISING: _______ is authorized to advertise the Project and vacant units within the Project for rent and employment, using periodicals, signs, plans, brochures or displays, or such other means as_____ may deem proper and advisable. _______ is authorized to place signs on the Project advertising that units are available for rent, provided such signs comply with applicable laws. The cost of such advertising shall be paid out of the operating account, in accordance with the advertising budget or as approved by Owner. All advertising shall make clear that _______ is the manager and is not the Owner of the Project. _______ shall have the right to publish advertisements that share space with other properties managed by ________. Provided, that the costs of such advertising shall be prorated among the various projects.

SECTION 7
LEASING AND RENTING

7.1 _______ AUTHORITY TO LEASE PROJECT: _______ shall use its best efforts to keep the Project rented by procuring tenants for the Project. _______ is authorized to negotiate, prepare and execute all rental agreements, including all renewals and extensions of rental agreements, and to cancel and modify existing rental agreements subject to the Plan. _______ shall execute all rental agreements as agent for the Owner. All costs of leasing shall be paid out of the operating account, in accordance with the leasing budget or as approved by Owner. No rental agreement shall be for a period in excess of one (1) year without the approval of Owner. The form of the rental agreement shall be agreed upon by Owner and______, and be acceptable to the lender for the Project.

7.2 NO OTHER RENTAL AGENT: During the term of this Agreement, Owner shall not authorize any other person, firm or corporation to negotiate or act as leasing or rental agent with respect to any leases for commercial or residential space in the Project. Owner agrees to promptly forward all inquiries about leases or rental agreements to ________.

7.3 RENTAL RATES: In accordance with the provisions of the Plan or as otherwise directed by Owner, _______ may establish and set or revise all rents, fees or other deposits, and all other charges chargeable with respect to the Project. Pinnacle shall be authorized to promote the occupancy of the Project by granting rental concessions and other promotional bonuses to prospective and current tenants, after first consulting with Owner as to the nature, quantity and duration of such rental concessions and promotional bonuses.
7.4 ENFORCEMENT OF RENTAL AGREEMENTS: ________ is authorized to institute and defend, in Owner's name or in the name of ________, all legal actions or proceedings for the enforcement of any rental term, for the collection of rent or other income due to the Project, or for the eviction or dispossession of tenants or other persons from the Project and matters relating thereto. ________ is authorized to sign and serve such notices as _____ and Owner deem necessary for the enforcement of rental agreements, including the collection of rent and other income. _____ may settle, compromise and release such legal actions or suits or to reinstate such tenancies without the prior consent of Owner, if such settlement, compromise, or release shall involve an amount in controversy of One Thousand Dollars ($1,000), or less. Where the amount in controversy is in excess of One Thousand Dollars ($1,000), ______ shall first obtain the authorization of Owner before entering into any compromise, settlement, or release of such legal action. Any moneys for such settlements paid out by ______ shall be an operating expense of the Project. Reasonable attorney's fees, filing fees, court costs and other necessary expenditures incurred in the connection with such action shall be paid out of the Project operating account or shall be reimbursed directly to ____ by Owner. All funds recovered by tenants shall be deposited into the Project operating account. Unless otherwise directed by Owner, ______ may select the attorney or attorneys to handle any and all such litigation. Absent a finding of gross negligence or misconduct by ______ employees, Owner shall be responsible for all claims, damages and legal expenses relating to the lease or other housing statutes, whether brought against the Owner or ____ as the Agent of Owner.

SECTION 8

PROJECT EMPLOYEES

8.1 AUTHORITY TO HIRE: ________ is authorized to hire, supervise, discharge and pay all servants, employees, contractors or other personnel necessary to be employed in the management, maintenance and operation of the Project so long as all payroll and related expenditures for such personnel are within the Plan guidelines. All employees performing services directly for the Project (excluding off-site property manager) shall be deemed to be employees of ________ and the Project. ________ is an equal opportunity employer. When requested by Owner, _____ shall consult with Owner in decisions relating to the hiring, promotion and termination of Project employees; provided, however, that Owner shall indemnify _____ for any employment decision made by Owner related to Project employees that leads to an unlawful employment practices claim.

8.2 OWNER TO REIMBURSE EMPLOYEE EXPENSES: All wages, fringe benefits, and all other forms of compensation payable to, or for the benefit of, employees of the Project (but not to property managers not employed directly by the Project) and all local, state and federal taxes and assessments (including, but not limited to, payments to and administration of fringe benefits, employee benefits insurance program, Worker's Compensation, Social Security taxes and Unemployment Insurance) incident to the employment of all such personnel and their direct training, shall be treated as an operating expense of the Project and shall be paid by_____ from Owner's funds, from the Project operating account subject to the Plan. In addition, _____ shall accrue for all vacation pay due site employees and provide a quarterly reconciliation to Owner of all such payments. Such payments shall also include all awards of back pay and overtime compensation that may be awarded to any project employee in any legal proceeding, or in settlement of any action or claim that has been asserted by any such employee. Owner shall pre-pay Project payroll thirty days in advance and authorizes _____ to maintain a credit for thirty days of estimated Project payroll for the term of this Agreement.

8.3 AUTHORITY TO FILE RETURNS: ________ shall do and perform all acts required of an employer with respect to the Project and shall execute and file all tax and other returns required under the applicable federal, state and local laws, regulations and/or ordinances governing employment, and all other statements and reports pertaining to labor employed in connection with the Project and under any similar federal or state law now or hereafter in force. The costs for any preparing such filings shall be a Project expense. In connection with such filings, Owner shall, upon request, promptly execute and deliver to ________ all necessary powers of attorney, notices of appointment and the like. Owner shall be responsible for all amounts required to be paid under the foregoing laws, and ________ shall pay the same from the operating account.

8.4 WORKER'S COMPENSATION INSURANCE/TAXES: _____ shall, at Owner's expense, maintain and administer a Worker's Compensation Insurance program covering all liability of _____ and the Project under established worker's compensation laws and all other Federal and State labor laws, whether such laws provide that such insurance shall be obtained from a third party carrier or from a state fund and whether such payments shall be denominated as insurance premiums or taxes. _____ employees are covered by a national insurance program (except in selected states) for which ____ pays a single premium. Individual properties are assessed
their prorated portion of _____ total worker's compensation premium based on the number of employees at each Project. The total of the premium may be less than the gross amount collected from all_____ properties.

SECTION 9
OPERATIONS, MAINTENANCE AND REPAIR

9.1 PERFORMANCE OF REPAIRS: ______ is authorized to make or cause to be made, through Project employees, _____ employees, or through contracted services, all ordinary repairs and replacements reasonably necessary to preserve the Project in its present condition and for the operating efficiency of the Project, and all alterations required to comply with rental agreement requirements, government regulations or insurance requirements. In accordance with the operating budget (the Plan) or as otherwise directed by Owner, ______ is also authorized to decorate the Project and the individual apartment units and to purchase or rent, on Owner's behalf, all equipment, tools, appliances, materials, supplies, uniforms and other items necessary for the management, maintenance or operation of the Project. Such maintenance and decorating expenses shall be paid out of the operating accounts. ___ has national contracts with certain vendors to provide goods and services to projects such as the one covered by this Agreement. ______ selects these national vendors in order to receive volume-pricing discounts for the benefit of the Owner. If Owner selects a vendor for use on the Project, Owner shall indemnify and hold _____ harmless from any and all damages that arise from the use of such vendor.

9.2 FEES FOR WORK PERFORMED BY EMPLOYEES: With Owner's prior approval, ______ may cause repairs and replacement work to be performed by employees for _____ who are not otherwise direct employees of the Project. Owner shall pay to _____ a reasonable fee for such services based upon the then current hourly charges made and assessed by ______ for the performance of such services. Such charges shall be approximately equal to _____ direct and indirect expenses associated with the employment of such person. Such charges shall be reasonable and shall not be more than charges made by qualified independent contractors performing similar work, under similar circumstances, in the same geographical area as the Project.

9.3 CONTRACTS, UTILITIES AND SERVICES: ______ is authorized to negotiate contracts for non-recurring items of expense, not to exceed $5,000.00. ______ shall enter into agreements for all necessary repairs, maintenance, minor alterations, and utility services, and make contracts on Owner's behalf for electricity, gas, telephone, fuel, water and such other services required for the operation of the Project, in accordance with the Plan. All utility deposits shall be the Owner's responsibility, except that ______ may pay the same from the operating accounts if directed to do so.

9.4 LIMITATIONS ON CONTRACTS: Each such contract or agreement shall: (a) be in the name of the Project, (b) be assignable, at Owner's option, to Owner or Owner’s nominee, (c) include a provision of cancellation thereof by Owner or ______ upon not more than thirty (30) days written notice (if available), and (d) shall require that all contractors provide evidence of sufficient insurance. If this agreement is terminated pursuant to Section 18, ______ shall, at Owner's option, assign to Owner or Owner's nominee all contracts and agreements pertaining to the Project. ______ shall then notify Owner if any such contracting entity is either a subsidiary, affiliate, or has any other relationship whatsoever to ______.

SECTION 10
RELATIONSHIP OF ______ TO OWNER

________ is engaged independently in the business of property management and acts hereunder as an independent contractor. Nothing contained in this Agreement shall be construed as creating a partnership, joint venture, or any other relationship between the parties to this Agreement, or as requiring ______ to bear any portion of losses arising out of or connected with the ownership or operation of the Project. ______ does not warrant the financial performance of the Project. _____ shall not, at any time during the term of this Agreement, be considered to be a direct or indirect employee of Owner. Owner agrees to assume all financial risks of operating the project including any claims made against ______ while acting as Owner's Agent within the scope of its authority as provided herein. Owner agrees to hold _____ harmless for any and all claims arising prior to _____ management of the Project. Except as provided herein, neither party shall have the power to bind or obligate the other party. Except as specifically set forth in this Agreement, Pinnacle shall not act as the agent of Owner; and, except as provided in this Agreement, Owner shall not act as the principal of ______.
SECTION 11
INDEMNIFICATION AND INSURANCE

11.1 INDEMNIFICATION BY OWNER

A. Indemnification for Injuries to Person and Property: Owner shall indemnify, defend and save ______ harmless from any and all claims, proceedings or liability including but not limited to pollution or environmental, and all costs and expenses thereof (including, but not limited to, fines penalties and reasonable attorney fees), for injuries or damages including economic losses, to persons and Owner, including any employee of Owner, or property including, but not limited to, those relating to or arising out of the premises of the Project, or in any manner resulting from or arising out of the performance by _____ of its services under this Agreement, except for that which is caused by the willful misconduct of ______. To the extent permitted under controlling law, this obligation to indemnify includes claims caused by the sole negligence of ______.

B. Indemnification for Violation of Law: Owner shall indemnify, defend and save ______ harmless from any and all claims, proceedings or liabilities, as well as all costs and expenses thereof, (including, but not limited to, fines, penalties, and reasonable attorney fees) involving an alleged or actual violation by Owner of any statute, rule or regulation pertaining to the premises, property, the management or the operation of the Project, except to the extent that such a claim, proceeding or liability resulted from the willful misconduct of ______. Owner will immediately assume the duty to defend if any of the allegations that potentially fall within this indemnity obligation.

C. Indemnification for Vendor and Tenant Claims. Owner shall indemnify, defend and save ______ harmless from any and all claims, proceedings or liabilities, as well as all costs and expenses thereof, (including, but not limited to, fines, penalties, and reasonable attorney fees) involving an alleged or actual violation of a landlord/tenant act or an action to collect a debt by a vendor of the Project, except to the extent that such a claim, proceeding or liability resulted from the willful misconduct of ______. Owner will immediately assume the duty to defend if any of the allegations potentially fall within this indemnity obligation.

11.2 INDEMNIFICATION BY ______

A. Indemnification for Employment Claims: Subject to Paragraph 11.1, ______ shall indemnify, defend and save Owner harmless from any and all claims, proceedings or liabilities relating to _____ employees, and all costs and expenses thereof, (including, but not limited to, fines, penalties and reasonable attorney fees) arising out of the alleged or actual violation by _____ of labor, employment or discrimination laws. Provided, however, this indemnity shall not be applicable where such claim, proceeding or liability resulted from the willful misconduct of the Owner or if Owner has not furnished _____ with sufficient funds to perform ______ obligations under this Agreement.

B. Reimbursement for Benefits Owed: Owner shall reimburse _____ for payments made by ______ to any Project employee, where the Project employee claims, for whatever reason, previously unpaid wages, including but not limited to, overtime compensation, fringe benefits, and other forms of compensation, which are held to be payable to the Project employee by any court or administrative agency having jurisdiction over the matter, or by reason of any settlement made by ______. This reimbursement shall not be applicable where such claims are caused by the willful misconduct of ______.

11.3 WAIVER OF CLAIMS: Owner hereby waives any and all claims against ______, including ______ employees, agents, general partners and affiliates, for damage or injury to any property in, upon, or about the Project, including but not limited to, the premises of the Project, whether caused by peril, accident, theft or from any other cause whatsoever, other than solely caused by the willful misconduct of ______.
11.4 **SCOPE OF INDEMNITY:** Any party's duty to indemnify any other party, as provided for in Section 11 hereof, shall include the obligation to defend the indemnified party in any such action. All costs and expenses of such defense shall be borne by the indemnifier. In the event the indemnifiee deems it necessary or expedient to procure legal representation in such proceeding in order to protect the indemnifiee's rights therein, all costs and expenses of such defense (including but not limited to reasonable attorney's fees) shall be borne by the indemnitor. The indemnitor waives for itself and for its insurance carriers any rights of subrogation which the indemnifier's insurance carriers may have against the indemnities.

11.5 **BONDING:** ______ shall cause all personnel who handle or are responsible for the safe keeping of money or other property of Owner to be covered by a fidelity bond or applicable insurance in the minimum amount of Fifty Thousand Dollars ($50,000.00) with a company determined by ______.

11.6 **TERM OF INDEMNIFICATION:** The indemnification made by any party to this Agreement, for and on behalf of any other party to this Agreement, for and on behalf of any other party to this Agreement, shall survive the termination of this Agreement.

**SECTION 12**

**INSURANCE**

12.1 **INSURANCE BY OWNER:**

A. **Property Insurance:** At all times during the term of this Agreement, and at its sole cost and expense, Owner shall obtain and keep in force for the benefit of Owner and ______ Property Insurance on an “all-risk basis” (open perils), including but not limited to, full coverage for boiler machinery and pressure vessel insurance, vandalism and malicious mischief. The amount of such insurance shall be 100% of the actual replacement cost of the building and improvements, including the costs of demolition and debris removal, all as reasonably determined by agreement of the Owner and ______. In obtaining any policies of insurance required hereunder, Owner, shall require all insurers to waive any rights of subrogation against ______.

B. **General Liability Insurance:** At all times during the term of this Agreement, and at its sole cost and expense, Owner shall obtain and keep in force for the benefit of Owner and ______ Commercial General Liability Insurance through one or more primary and/or umbrella liability policies against claims for bodily injury, property damage, advertising injury and personal injury, and such policies shall provide contractual liability coverage as well. The policies shall be written on an occurrence basis with limits of not less than $1,000,000 per occurrence and $2,000,000 in the aggregate and a $3,000,000 umbrella annually for the term of the Agreement. Any deductible or SIR under such insurance policy(ies) shall be the sole responsibility of the Owner.

C. **Automobile Liability Insurance:** At all times during the term of this Agreement, and at its sole cost and expenses, Owner shall obtain and keep in force for the benefit of Owner and _____ Business Automobile Liability Insurance covering all vehicles used in connection with this Agreement, to insure owned non-owned and hired automobiles, trucks and other vehicles. The policy limits shall not be less than $1,000,000 combined single limit and a $3,000,000 umbrella.

D. **Additional Insured and Primacy of Owner’s Insurance:** _____ shall be named as an additional insured on all of the above policies for all purposes connected to this Agreement. It is the intent of the parties that the Owner's insurance be primary to any, if any, insurance procured by ______. Said insurance purchased by _______ shall not contribute in any way. Owner will secure endorsements to this effect from all insurers of such policies.

E. **Utility Bond.** Owner authorizes ______ to obtain a utility bond in the minimum amount of Fifty Thousand Dollars ($50,000.00) with a company determined by Owner or _____, as a Project expense, for the purpose of securing payment of utilities relating to the Project.

F. **Security Deposit Bond.** Where authorized by law, if Owner elects to not fully fund the Security Deposit reserve account, Owner authorizes ______ to obtain a bond for the full amount of such non-funded reserves as an expense of the Project.
G. General Provisions: All insurance shall be written with insurance companies with an A.M. Best’s rating of a A:VIII or higher. All liability and auto insurance shall contain a severability of interest clause. All insurance shall provide that notice of default or cancellation shall be sent to _____ as well as Owner and shall require a minimum of thirty (30) days written notice to _____ prior to any cancellation of or changes to said policies. Owner agrees to provide _____ with certificates evidencing such insurance, including the additional insured endorsement, or with duplicate copies of such policies, including all endorsements, within ten (10) days of the execution of this Agreement. If Owner fails to do so, _____ may, but shall not be obligated to, place said insurance and charge the cost thereof to the operating account.

12.2 PROFESSIONAL LIABILITY INSURANCE: _____ shall procure and maintain insurance against the misfeasance, malfeasance, or nonfeasance (errors and omissions) of ______ relating to the management of the Project, with limits of not more than One Million Dollars ($1,000,000.00).

SECTION 13
ASSUMES NO LIABILITY

_______ assumes no liability whatsoever for any acts or omissions of Owner or any previous owners of the Project, or any property manager or other agents of either Owner or _____’ _________ assumes no liability for any failure of or default by any tenant in the payment of any rent or other charges due Owner or in the performance of any obligations owed by any tenant to Owner pursuant to any rental agreement or otherwise unless solely caused by willful misconduct of ________. Nor does _______ assume any liability for previously unknown violations of environmental or other regulations which may become known during the period this Agreement is in effect. Any environmental violations or hazards discovered by _____ shall be brought to the attention of Owner in writing and Owner shall be solely responsible for such violations, hazards or claims arising from such conditions. Further, _____ assumes no liability for the financial performance of the Project. Owner shall be solely liable for all vendor claims and tenant claims, whether made against the Owner or ________, for all acts or omissions of______ within the scope of its agency; provided however, that _____ shall remain liable for the willful misconduct of its employees.

SECTION 14
ASSIGNMENT OF RIGHTS AND OBLIGATIONS

14.1 ASSIGNMENT: _____ may, from time to time, assign its rights and obligations under the terms and provision of this Agreement to a subsidiary of ______, which shall be duly licensed and otherwise capable of performing the services of ______ under the terms and provisions of this Agreement with the written consent of Owner.

14.2 NOVATION: In the event of such assignment, notice shall be given to Owner, and upon Owner’s receipt of such notice, Owner shall look solely to the assignee for the performance of all obligations of _____ under the terms and provisions of this Agreement.

SECTION 15
COMPENSATION AND EXPENSES

15.1 COMPENSATION: As compensation for the services provided by ______ under this Agreement (and exclusive of reimbursement of expense to which _____ is entitled hereunder), Owner shall pay ______ the following compensation:

15.2 A. FOR MANAGEMENT SERVICES: ______ percent (____) of the total monthly gross receipts from the Project. Such compensation shall be payable by the first day of the next succeeding month for the monthly gross receipts for the current month. Payments due ______ for periods of less than a calendar month shall be prorated over the number of days for which compensation is due.

The term “gross receipts” shall be deemed to include all rents and other income and charges from the normal operation of the Project, including, but not limited to, rents, parking fees, net laundry income, forfeited security deposits, pet deposits, other fees and deposits, and other miscellaneous income. Gross receipts shall not be
deemed to include income arising out of the sale of real property or the settlement of fire or other casualty losses and items of a similar nature; however, any portion of an insurance settlement that provides for loss of rents shall be considered part of gross receipts.

B. FOR OTHER SERVICES: For other related real estate services, including, but not limited to construction management and due diligence on sale, refinance or other disposition, the Parties agree to negotiate a reasonable fee to be paid to ______.

15.3 ACTS OF GOD: In the event of a casualty loss due to Acts of God and/or other insurance claims such as, without limitation, hurricanes, tornadoes, earthquakes, fires or floods, where the Project lender allows restoration of damage to the Project, if Owner engages ______ to oversee such restoration work under a separate written agreement, Owner agrees to reimburse ______ five percent (5%) of the total cost of the reconstruction project for overseeing the project to completion provided that said fee is reimbursed in its entirety under the provisions of Owner’s insurance policy.

15.4 CONSTRUCTION MANAGEMENT SERVICES: If Owner engages _____ to oversee Project Improvements, over and above routine maintenance, such improvements shall be performed under a separate written agreement. Owner agrees to pay ______ seven and one half percent (7.5%) of the total cost of the improvements for overseeing the improvement project to completion.

15.5 FOR OTHER ITEMS OF MUTUAL AGREEMENT: Should Owner wish ______ to perform services which are not otherwise governed by the terms and provisions of this Agreement, the parties shall meet to discuss and to agree upon the additional compensation to be paid by Owner to ______ for such additional services.

15.6 INTEREST ON UNPAID SUMS: Any sums due _____ under any provision of this Agreement, and not paid within thirty (30) days after such sums have become due, shall bear interest at the rate of twelve percent (12%) per annum.

SECTION 16
STRUCTURAL CHANGES

Owner expressly withholds from ______ any power or authority to make any structural changes in any building, or to make any other major alterations or additions in or to any such building or to any equipment in any such building, or to incur any expense chargeable to Owner other than expenses related to exercising the express powers vested in ______ through this Agreement, without the prior written consent of Owner. However, such emergency repairs as may be required because of danger to life or property, or which are immediately necessary for the preservation and safety of the Project or the safety of the tenants and occupants thereof, or required to avoid the suspension of any necessary service to the Project, or to comply with any applicable federal state or local laws, regulations or ordinances, shall be authorized pursuant to section 4.2 of this Agreement, and _____ shall notify Owner appropriately.

SECTION 17
BUILDING COMPLIANCE

_______ does not assume and is given no responsibility for compliance of the Project or any building thereon or any equipment therein with the requirements of any building codes or with any statute, ordinance, law or regulation of any governmental body or of any public authority or official thereof having jurisdiction, except to notify Owner promptly or forward to Owner promptly any complaints, warnings, notices or summons received by ______ relating to such matters. Owner authorizes ______ to disclose the Ownership of the Project(s) to any such officials and agrees to indemnify and hold ______ its representative, servants, and employees harmless of and from all loss, cost, expense and liability whatsoever which may be imposed by reason of any present or future violation or alleged violation of such laws, ordinances, statutes or regulations;
18.1 TERMINATION BY EITHER PARTY: This Agreement may be terminated by either Owner or ______, with or without cause, anytime after the end of the initial term by giving not less than thirty (30) days advanced written notice to the other party.

18.2 TERMINATION FOR CAUSE: Notwithstanding the foregoing, this Agreement shall terminate in any event, and all obligations of the parties hereunder shall cease (except as to liabilities or obligations which have accrued or arisen prior to such termination, or which accrue pursuant to Section 18.3 as a result of such termination, and obligations to insure and indemnify), upon the occurrence of any of the following events:

A. Breach of Agreement: Ten (10) days after the receipt of notice by either party to the other specifying in detail a material breach of this Agreement, if such breach has not been cured within said ten (10) day period; or if such breach is of a nature that it cannot be cured within said ten (10) day period but can be cured within a reasonable time thereafter, if efforts to cure such breach has not commenced and/or such efforts are not proceeding and being continued diligently both during and after such ten (10) day period prior to the breach being cured. However, the breach of any obligation of either party hereunder to pay any moneys to the other party under the terms of this Agreement shall be deemed to be curable within ten (10) days. Termination of this Agreement shall be Owner's sole remedy for claims of breach of contract.

B. Excessive Damage: Upon the destruction of or substantial damage to the Project by any cause, or the taking of all or a substantial portion of the Project by eminent domain, in either case making it impossible or impracticable to continue operation of the Project.

C. Sale of Project: In the event of the sale of the Project, this Agreement shall terminate upon the giving of not less than thirty (30) days written notice by Owner to ______.

D. Default: Each of the following events shall constitute an event of default by the party in respect of which such even occurs:

1. the failure of either party to pay any amounts required to be paid by it hereunder or to perform any of its obligations hereunder for a period of ten (10) days after the date on which notice of the failure has been given to the defaulting party by the other party;

2. the filing of a voluntary petition in bankruptcy or insolvency or a petition for reorganization under any bankruptcy or similar creditor relief law;

3. the consent to an involuntary petition in bankruptcy or the failure by such party to vacate, within sixty (60) days from the date of entry thereof, any order approving an involuntary petition;

4. the entering of an order, judgment or decree by any court of competent jurisdiction, on the application of a creditor, adjudicating such party as bankrupt or involvement or approving a petition seeking reorganization or appointing a receiver, trustee, conservator or liquidator of all or a substantial part of such party's assets, if such order, judgment or decree shall continue unstayed and in effect for a period of one hundred twenty (120) consecutive days;

5. the failure to fulfill any of the other covenants, undertakings, obligations or conditions set forth in this Agreement and the continuance of any such default for a period of ten (10) days after written notice of said failure; and

18.3 TERMINATION COMPENSATION: Any amounts accruing to _____ prior to such termination shall be due and payable upon termination of this Agreement. To the extent that funds are available, and in any event prior to the disbursement of payments on underlying mortgage obligations and payments to Owner, such sums shall be payable from the operating accounts. Any amounts due in excess of the funds available from the operating account shall be paid by Owner to _____ upon demand.
18.4 OWNER RESPONSIBLE FOR PAYMENTS: Upon termination of or withdrawal from this Agreement, Owner shall assume the obligations of any contract or outstanding bill executed by _____ under this Agreement for and on behalf of Owner, if such bill was incurred by _____ in accordance with the Plan or as otherwise approved by Owner. In addition, Owner shall indemnify ______ against any obligations or liabilities which _____ may have properly incurred on Owner's behalf under this Agreement.

18.5 ACCOUNTS: UNPAID BILLS: _____ shall deliver to Owner, within forty-five (45) days (or sooner if required by law) after this Agreement is terminated, any balance of moneys due Owner and tenant security deposits which were held by ______ with respect to the Project, as well as a final accounting reflecting the balance of income and expenses with respect to the Project, as of the date of termination or withdrawal, and all records, contracts, leases, receipts for deposits, and other papers or documents which pertain to the Project. Bills previously incurred but not yet invoiced shall be the responsibility of and sent directly to Owner.

18.6 FINAL ACCOUNTING: Since all records, contracts, leases, rental agreements, receipts for deposits, unpaid bills, and other papers and documents which pertain to the Project are deemed to be the property of the Owner, they are to be delivered to Owner, upon the effective date of such termination, after payment of all payroll and fees due ______. ______ may retain temporary possession of such records as may be necessary in order to comply with the provisions of Section 18.5 and/or state law.

18.7 NON-INTERFERENCE WITH ______ BUSINESS: Owner agrees that during the term of this Agreement and for a period of twelve (12) months after termination of this Agreement, Owner will under no circumstances hire any of _____ employees of special talent, or privy to ______ confidential business information, or who have contributed notably to the good will of ______ business or any broker, salesman or leasing agent to perform any services which are in the scope of ______ business. Owner further Agrees to limit its contact with _____ employees to the ______ or such other designated ______ management personnel during the term of this Agreement. In the event of an actual or threatened breach of this covenant by Owner, ______ shall be entitled to an injunction restraining Owner from committing, or continuing to commit, any such breach. Nothing herein stated shall be construed as prohibiting ______ from pursuing any other remedies available to ______ for such breach and threatened breach, including recovery of damages from Owner.

SECTION 19
REPRESENTATIONS

19.1 OWNER’S REPRESENTATIONS AND WARRANTIES: Owner represents and warrants as follows: (a) Owner has the full power and authority to enter into this Agreement, and the person executing this Agreement is authorized to do so; (b) there are no written or oral agreements affecting the Project other than the tenant leases or rental agreements, copies of which have been furnished to _____; (c) all permits for the operation of the Project have been secured and are current; and (d) Owner is not aware of any violation of any building or construction statute, ordinance, or regulation that will affect the operation of the Project; (e) if Owner requests ______ to enter any agreements for the benefit of third parties (ie. subordination agreement) Owner hereby agrees to fully indemnify ______ for all claims arising from such Agreements.

19.2 REPRESENTATIONS AND WARRANTIES: _____ represents and warrants as follows: (a) the officers of _____ have the full power and authority to enter into this Agreement; (b) there are not written or oral agreements by _____ that will be breached by, or agreements in conflict with, ______ performance under this Agreement; and (c) where necessary, ______ will be duly licensed and able to perform all of the duties under this Agreement at the effective date of this Agreement and shall comply with and abide by all laws, rules, regulations, and ordinances pertaining thereto.

SECTION 20
HEADINGS

All headings and subheadings employed within this Agreement are inserted only for convenience and ease of reference and are not to be considered in the construction or interpretation of any provision of this Agreement.
SECTION 21
FORCE MAJEURE

Any delays in the performance of any obligation of _______ under this Agreement shall be excused to the extent that such delays are caused by wars, national emergencies, natural disasters, strikes, labor disputes, utility failures, governmental regulations, riots, adverse weather, and other similar causes not within the control of _______, and any time periods required for performance shall be extended accordingly.

SECTION 22
COMPLETE AGREEMENT

This Agreement, including any specified attachments, constitutes the entire agreement between Owner and __________ with respect to the management and operation of the Project and supersedes and replaces any and all previous management agreements entered into and/or negotiated between Owner and _____ relating to the Project covered by this Agreement. No change to this Agreement shall be valid unless made by supplemental written agreement executed and approved by Owner and ______. Except as otherwise provided herein, any and all amendments, additions or deletions to this Agreement shall be null and void unless approved by Owner and ______ in writing. Each party to this Agreement hereby acknowledges and agrees that the other party has made no warranties, representations, covenants or agreements, express or implied, to such party, other than those expressly set forth herein, and that each party, entering into and executing this Agreement has relied upon no warranties, representations, covenants or agreements, express or implied, to such party, other than those expressly set forth herein, or as set forth in an exhibit or appendix to this Agreement.

SECTION 23
RIGHTS CUMULATIVE: NO WAIVER

No right or remedy herein conferred upon or reserved to either of the parties to this Agreement is intended to be exclusive of any other right or remedy, and each and every right and remedy shall be cumulative and in addition to any other right or remedy given under this Agreement or now or hereafter legally existing upon the occurrence of an event of default under this Agreement. The failure of either party to this Agreement to insist at any time upon the strict observance or performance of any of the provisions of this Agreement, or to exercise any right or remedy as provided in this Agreement, shall not impair any such right or remedy or be construed as a waiver or relinquishment of such right or remedy with respect to subsequent defaults. Every right and remedy given by this Agreement to the parties to it may be exercised from time to time and as often as may be deemed expedient by those parties.

SECTION 24
APPLICABLE LAW AND LITIGATION

24.1 INTERPRETATION: The execution, interpretation and performance of this Agreement shall in all respects be controlled and governed by the laws of the State of the location of the Project. If any part of this Agreement shall be declared invalid or unenforceable, ______ shall have the option to terminate this Agreement by notice to Owner.

24.2 Dispute Resolution. The Parties agree to first try to resolve any dispute or controversy arising out of, in connection with, or relating to this Agreement between them. If they are unable to do so, the Parties then agree to seek mediation before a mediator acceptable to each of the Parties. If mediation fails to resolve the dispute or controversy, the Parties agree to submit the dispute or controversy to binding arbitration conducted by an arbitrator mutually selected by the Parties, or, in the event the Parties cannot agree upon such an arbitrator, then by the American Arbitration Association (the “AAA”). The arbitration shall be conducted pursuant to the AAA’s then-existing rules and regulations and shall be held in __________. Any decision so rendered in arbitration shall be binding and final on all Parties.
SECTION 25
NOTICES

Any notices, demands, consents and reports necessary or provided for under this Agreement shall be in writing and shall be addressed as follows, or at such other address as Owner and Pinnacle individually may specify hereafter in writing:

WITH COPY TO:

OWNER:

Such notice or other communication may be mailed by United States registered or certified mail, return receipt requested, postage prepaid, and may be deposited in a United States Post Office or a depository for the receipt of mail regularly maintained by the post office. Such notices, demands, consents and reports may also be delivered by hand or by any other receipted method or means permitted by law. For purposes of this Agreement, notices shall be deemed to have been “given” or “delivered” upon personal delivery thereof or forty-eight (48) hours after having been deposited in the United States mails as provided herein.

SECTION 26
AGREEMENT BINDING UPON SUCCESSORS AND ASSIGNS

This Agreement shall be binding upon the parties hereto and their respective personal representatives, heirs, administrators, executors, successors and assigns.

IN WITNESS WHEREOF, the parties hereto have affixed and caused to be affixed their respective signatures as of the day and year first written above.

OWNER:

By:

by: _________________________________  By: _________________________________

Authorized Agent
## Sample Preventive Maintenance Schedule

### PREVENTIVE MAINTENANCE SCHEDULE

<table>
<thead>
<tr>
<th>Description</th>
<th>Completed By Date</th>
<th>Check</th>
<th>Regional Check</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Check all circulating pumps &amp; motors for leaks &amp; corrosion. Oil as specified by manufacturer.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clean storage, equipment &amp; maintenance rooms. Update inventory.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Replace burned out exterior lights, check photocells.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Use enzyme sewer p.m. on problem blgs. Replace missing sewer caps.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inspect gutters, downspouts, foundations, exterior walls, balconies &amp; washouts—attach list of needed repairs.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>90-day maintenance inspection and filter change. Apts ____ thru ____ completed. (Must complete one third of property)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Complete repair of sprinkler systems. Set timers to water every other day. Check weekly for broken heads, etc.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clean automatic chlorinator &amp; check out all pool equipment.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lawns &amp; shrubs are to be fertilized &amp; watered thoroughly. Flower beds to be cleaned &amp; turned.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Some items on schedule may not apply to your property. If not, put N/A under the date completed column. This schedule must be completed and returned to the Regional Office by the first of the following month of the schedule.
Sample Preventive Maintenance Checklist (Page 1 of 5)

### Preventive Maintenance
#### Maintenance
#### Monthly Report

(month/year)

<table>
<thead>
<tr>
<th>Group 1</th>
<th>Work to be Completed</th>
<th>Completed</th>
</tr>
</thead>
<tbody>
<tr>
<td>White Sand Boiler</td>
<td>• Inspect weekly/use chart</td>
<td></td>
</tr>
<tr>
<td>Pickup</td>
<td>• Inspect &amp; clean</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Check all fluids, belts, and tires</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Change oil, filter, and grease</td>
<td></td>
</tr>
<tr>
<td>Tennis/Volleyball Courts</td>
<td>• Inspect surface, nets, and fence</td>
<td></td>
</tr>
<tr>
<td>Community Building</td>
<td>• Inspect and service per checklist</td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>• Inspect exterior</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Group 2</th>
<th>Work to be Completed</th>
<th>Completed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brownleaf Boilers</td>
<td>• Inspect weekly/use chart</td>
<td></td>
</tr>
<tr>
<td>Tenant Storage</td>
<td>• Inspect</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Check smoke detectors</td>
<td></td>
</tr>
<tr>
<td>Paint Compressor</td>
<td>• Check chart in paint trailer</td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>• Inspect exterior</td>
<td></td>
</tr>
<tr>
<td>Paint Trailer</td>
<td>• Inspect</td>
<td></td>
</tr>
<tr>
<td>Swimming Pool</td>
<td>• Inspect pump room, guard room, fence, and furniture</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Group 3</th>
<th>Work to be Completed</th>
<th>Completed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black Rock Boilers</td>
<td>• Inspect weekly/use chart</td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>• Inspect exterior</td>
<td></td>
</tr>
<tr>
<td>Maint Cart #1</td>
<td>• Inspect tires, lights, batteries, and cover</td>
<td></td>
</tr>
<tr>
<td>Hand &amp; Power Tools</td>
<td>• Inspect</td>
<td></td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Group 4</th>
<th>Work to be Completed</th>
<th>Completed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Green Moss Boilers</td>
<td>• Inspect weekly/use chart</td>
<td></td>
</tr>
<tr>
<td>Garage</td>
<td>• Inspect</td>
<td></td>
</tr>
<tr>
<td>Fire Extinguishers</td>
<td>• Inspect at Community Building, vehicles, and storage rooms</td>
<td></td>
</tr>
<tr>
<td>Maint Cart #2</td>
<td>• Inspect tires, lights, batteries, and cover</td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>• Inspect exterior</td>
<td></td>
</tr>
</tbody>
</table>
## Preventive Maintenance Monthly Report

**Group 1**
- **White Sand Boiler**
  - Inspect weekly/use chart
- **Pickup**
  - Inspect & clean
  - Check all fluids, belts, and tires
  - Change oil, filter, and grease
- **Tennis/Volleyball Courts**
  - Inspect surface, nets, and fence
- **Community Building**
  - Inspect and service per checklist
- **Buildings**
  - Inspect exterior

**Group 2**
- **Brownleaf Boilers**
  - Inspect weekly/use chart
- **Tenant Storage**
  - Inspect
  - Check smoke detectors
- **Paint Compressor**
  - Check chart in paint trailer
- **Buildings**
  - Inspect exterior
- **Paint Trailer**
  - Inspect
- **Swimming Pool**
  - Inspect pump room, guard room, fence, and furniture

**Group 3**
- **Black Rock Boilers**
  - Inspect weekly/use chart
- **Buildings**
  - Inspect exterior
- **Maint Cart #1**
  - Inspect tires, lights, batteries, and cover
- **Hand & Power Tools**
  - Inspect

**Group 4**
- **Green Moss Boilers**
  - Inspect weekly/use chart
- **Garage**
  - Inspect
- **Fire Extinguishers**
  - Inspect at Community Building, vehicles, and storage rooms
- **Maint Cart #2**
  - Inspect tires, lights, batteries, and cover
- **Buildings**
  - Inspect exterior
### Sample Preventive Maintenance Checklist (Page 3 of 5)

**Preventive Maintenance**  
**Maintenance**  
**Monthly Report**

(month/year)

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| Community Building | • Inspect and service per checklist |          |
| Buildings | • Inspect exterior |          |

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# Sample Preventive Maintenance Checklist (Page 4 of 5)

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<tr>
<th>Group 5</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Mill Shop</td>
<td>• Inspect</td>
<td></td>
</tr>
<tr>
<td>Building #39</td>
<td>• Inspect</td>
<td></td>
</tr>
<tr>
<td>Maint Cart #3</td>
<td>• Inspect tires, lights, batteries, and cover</td>
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<table>
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<tr>
<th>Supervisor/Projects</th>
<th>Work to be Completed</th>
<th>Completed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff Meetings</td>
<td>• Pros and Cons of Operations</td>
<td></td>
</tr>
<tr>
<td>Outside lights</td>
<td>• Inspect by Security</td>
<td></td>
</tr>
<tr>
<td>Fire Sprinkler System</td>
<td>• Inspect Community Building</td>
<td></td>
</tr>
<tr>
<td>Safety Meeting</td>
<td>• Material Data Safety Sheets</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Review safety equipment and procedures</td>
<td></td>
</tr>
<tr>
<td>V.H.D.A.</td>
<td>• Inspection</td>
<td></td>
</tr>
<tr>
<td>Exercise Room</td>
<td>• Oil and check all exercise equipment</td>
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</tr>
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**Sample Preventive Maintenance Checklist (Page 5 of 5)**

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</tr>
</tbody>
</table>
Sample Owner's Report #1 (Page 1 of 4)

ASSET PERFORMANCE REVIEW

I. INVESTMENT DESCRIPTION:

<table>
<thead>
<tr>
<th>Investment/ Property Name:</th>
<th>Investment #:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region:</td>
<td>Regional Office:</td>
</tr>
<tr>
<td>Fee Manager:</td>
<td>Portfolio:</td>
</tr>
<tr>
<td>Class:</td>
<td>C-</td>
</tr>
</tbody>
</table>

II. EXECUTIVE SUMMARY:

1. Property Operations: (Monthly, see variance explanations for YTD)

<table>
<thead>
<tr>
<th></th>
<th>Actual</th>
<th>Budget</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rental Income</td>
<td>$73,751</td>
<td>$73,022</td>
<td>$729</td>
</tr>
<tr>
<td>All Other Income</td>
<td>$4,809</td>
<td>$5,855</td>
<td>-$1,045</td>
</tr>
<tr>
<td>Total Income</td>
<td>$78,561</td>
<td>$78,877</td>
<td>-$316</td>
</tr>
<tr>
<td>Total Controllable Op. Exp.</td>
<td>$66,398</td>
<td>$249,313</td>
<td>$182,914</td>
</tr>
<tr>
<td>Controllable NOI</td>
<td>$12,162</td>
<td>-$170,436</td>
<td>$182,598</td>
</tr>
</tbody>
</table>

2. Occupancy: ________ closed this month with 200 units occupied (63%) and 208 units leased (65%). Qualified leasing activity has remained steady, we leased 19 with 18 move-ins but the move outs (skips) are continuing. Of the 8 move outs, 3 were skips. Total leasing traffic for the month was 77, of which 19 made applications, resulting in a 24% closing ratio. Closing ratios would be higher if we had a better inventory of ready units.

3. Maintenance: Maintenance completed a total of 169 service calls this month. The most frequent service requests were for plumbing, heating and appliance repair. We also made ready 22 units for move in.

4. Capital Improvements: Five carpets and four tiles were replaced for move ins.


6. Monthly Summary/ Significant Issues: The property is still experiencing crime against people. The police presence has slowed the activity down, but it is still there. The roofs are in need of replacement. Two buildings are in very bad shape, 1 & 7.
III. YTD BUDGET VARIANCE ANALYSIS:

2007 Budget Variances

Income: Is within 1% of budget. Total Income budgeted is 78,877 versus budget of 78,560. Other income was off ($1,045) due to write off to bad debt.

Expenses: Total Expenses are under budget $182,914 due to budgeted Real Estate Taxes and Insurance that was not expensed through management accounts. The expense variance without the T&I number is under ($2,683), due mainly to maintenance services not needed during the month.

NOI: Exceeded budget by $3,334.

V. RESIDENTIAL LEASING ACTIVITY SUMMARY:

<table>
<thead>
<tr>
<th>Current Property Occupancy Status and Quarter Recap:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1</strong>Total Units</td>
</tr>
<tr>
<td><strong>2</strong>Beginning month Occupancy %</td>
</tr>
<tr>
<td><strong>3</strong>Ending Month Occupied Units</td>
</tr>
<tr>
<td><strong>4</strong>Ending Month Occupancy %</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Leasing Program - Renewals</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Month</strong></td>
</tr>
<tr>
<td>----------------------</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>YTD</strong></td>
</tr>
</tbody>
</table>

* YTD renewals include renewals from leases that were on MTM

1 Includes all down and non-revenue-producing units
2 Includes employee, models, and office units
3 Does not include month to month leases
### Sample Owner's Report #1 (Page 3 of 4)

**Turnover Analysis**

<table>
<thead>
<tr>
<th>Unit Type</th>
<th>1X1</th>
<th>3x2</th>
<th>MTD Total</th>
<th>YTD Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Reasons</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Added/Lost Roommate</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cheaper Rent</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>House</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leased a NEWER community</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Job Transfer/Closer to Work</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medical / Death in Family</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Larger/Smaller Apartment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leaving Town</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lost Job / Financial</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Eviction/Non Payment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asked to Move</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wanted a Change</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Former Employee</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Security/Crime</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Skipped</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Transfer Within Community</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lost Section 8</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unknown</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax Credit</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>8</td>
<td>8</td>
<td>8</td>
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</tbody>
</table>

**Leasing Traffic Statistics**

<table>
<thead>
<tr>
<th>Marketing Source</th>
<th>Phone Traffic</th>
<th>Qualified Foot Traffic</th>
<th>Leases Signed*</th>
<th>% Closed</th>
<th>Monthly Expenditure</th>
<th>Per Lease Expense</th>
</tr>
</thead>
<tbody>
<tr>
<td>For Rent</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Apt Finder</td>
<td>Magazine</td>
<td>Drive By</td>
<td>22</td>
<td>61</td>
<td>10</td>
<td>16%</td>
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<tr>
<td>DART - Bus Advertising</td>
<td>Onsite Transfer</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>Drive By</td>
<td>Apartment Locator</td>
<td>Internet Advertising</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Onsite Transfer</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internet Advertising</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Section Housing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Previous Resident</td>
<td>Property Referral</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Resident Referral</td>
<td></td>
<td>Signage/Flyers/Outside Marketing</td>
<td>12</td>
<td>5</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Word of Mouth</td>
<td></td>
<td>Total</td>
<td>36</td>
<td>77</td>
<td>18</td>
<td>24%</td>
</tr>
</tbody>
</table>

*Reflects actual # of new leases which may not correlate to the number of move-ins.
VI. MARKET AND COMPETITION SURVEY:

<table>
<thead>
<tr>
<th>Current Market Rates:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unit Type</strong></td>
</tr>
<tr>
<td>A</td>
</tr>
<tr>
<td>B</td>
</tr>
<tr>
<td>C</td>
</tr>
<tr>
<td>D</td>
</tr>
<tr>
<td>E</td>
</tr>
<tr>
<td>F</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>COMPETITION:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Property Name</strong></td>
</tr>
<tr>
<td>See attached</td>
</tr>
<tr>
<td>Market Surveys</td>
</tr>
</tbody>
</table>
The community is currently fully staffed.

The property is not offering concessions; current effective rents are: A3 - $781, A4 - $852, B4 - $932, C5 - $984, C5A - $1061, C5AG - $1155, C8L - $1330, D5 - $1402.

The renewal ratio for March was 40.54% with an average effective rent increase of 7.31%. Renewal pricing is done electronically based on availability and market rents, letters are sent out to residents each week and the renewal rates are non-negotiable unless an individual's circumstance is extreme. Renewal carpet cleans are given to residents when requested; the community averages 2 renewal carpet cleans a month. Exposure for the next 90 days is: 31.71% renewed for April with 2 outstanding, 26.5% renewed for May and 8 outstanding, and 25.4% renewed for June and 28 outstanding.
marketing

• The light rail advertisement continues to run with a new sister property. The campaign was upped to 30 cars.

• A one-page color advertisement is displayed in the Apartment Shoppers Guide of Metro each month.

• Internet advertising is utilized for leasing leads and the community is spotlighted on ForRent.com. A tracking program has been implemented to ensure timely follow up. The goal is an average response time of 1.5 hours during business hours.

• Locators are updated weekly and monthly visits have been instituted in order to enhance relationships, which will subsequently increase referrals. Effective locators include Rent.com ($299 base fee), Apartment Store and Guide, Apartment Guyz, Relocation Central and Apartment Finders International; commissions paid to locators are 55%.

• The property offers a Preferred Employer Program to local large employers who include Sky Ridge Medical Center, Echostar, teachers from Cherry Creek and Douglas County School Districts, Aurora Loan Services and local law enforcement. Residents are offered 50% off their application fee and administrative fee at the time of their application.

• Continued focus on customer service and resident services program supports the community's resident retention program. Utilizing programs such as “Just Checking Cards” which provides special contact between residents the office team by proactively checking for service issues or other concerns helps with customer service. We have also started a meet and greet at the mailboxes monthly to greet the residents and find any service requests/concerns they may have.

• The staff contacts each new resident and delivers cards for special events such as birthdays, baby arrivals, weddings or even during illness. The property also plans five to six different resident activities per month, which consist of happy hours at local restaurants, brunches, pizza parties, and kid’s movie night. Additionally, the service team continues to contribute to resident satisfaction as maintenance needs are taken care of promptly and the grounds are kept orderly and clean.

• We have pinpointed a few large companies in the area and are starting to market to these companies heavily. We have found specific residents at each of these companies, and we will be doing special things through them to promote the property.

• Generally, a higher standard of customer service is expected and the staff delivers. A superior resident retention rate is often difficult to achieve due to a majority of residents earning higher incomes; resulting in many residents utilizing their residence as interim housing while new homes are being built. The resident profile is diverse, consisting of families, businessmen, women (single and married), local sports figures and executives who have been transferred to the area with their families.
Sample Owner's Report #2 (Page 3 of 3)

PROPERTY CONDITION/ CAPITAL IMPROVEMENTS

- Landscaping repairs continue to be made from the drainage project. We will also be planting our spring flowers soon.

- We will be retiling parts of the swimming pool within the next week.

- Tiling was replaced on the walkway near the pool in areas that had cracked. We placed a border around existing tile. Tile in the front of the clubhouse will be repaired this month.

- Resurfacing of the tennis and basketball courts will take place in May.

- Dumpster enclosure repairs are continuing to be made.

- We are continuing to make ready down units in Building 26. Two were placed back up this week, and have been leased for corporate housing. We will have another one completed soon, and it will be available to lease.

Market conditions

- According to ____________, 11,000 foreclosures are expected in ________ this year, up from 7,700 in 2007. Post-foreclosure, some locals leave the area to move in with relatives, while others enter the rental market. In _____ vacancy rates for apartments have dropped from more than 10% a few years ago to about 5% today, says a housing official quoted in the article.

Pending Litigation

- We currently have one at the attorney for eviction. The court date has passed, and we are ordering a writ for possession.
### Portfolio Summary Report (Page 1 of 2)

<table>
<thead>
<tr>
<th></th>
<th>Actual</th>
<th>Budget</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Rent</td>
<td>$25,299,995.90</td>
<td>$25,179,785.61</td>
<td>$120,210.29</td>
</tr>
<tr>
<td>Total Rent</td>
<td>$22,107,003.42</td>
<td>$21,692,309.21</td>
<td>$414,694.21</td>
</tr>
<tr>
<td>Total Income</td>
<td>$23,517,191.32</td>
<td>$23,065,148.21</td>
<td>$452,043.11</td>
</tr>
<tr>
<td>Total Expense</td>
<td>$9,738,484.27</td>
<td>$10,082,728.34</td>
<td>$344,244.07</td>
</tr>
<tr>
<td>NOI</td>
<td>$13,778,707.05</td>
<td>$12,982,419.87</td>
<td>$796,287.18</td>
</tr>
<tr>
<td><strong>B</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Rent</td>
<td>$24,604,879.00</td>
<td>$24,662,666.78</td>
<td>$(57,787.78)</td>
</tr>
<tr>
<td>Total Rent</td>
<td>$19,140,447.76</td>
<td>$20,431,203.88</td>
<td>$(1,290,756.12)</td>
</tr>
<tr>
<td>Total Income</td>
<td>$20,386,523.37</td>
<td>$21,491,161.06</td>
<td>$(1,104,637.69)</td>
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<tr>
<td>Total Expense</td>
<td>$10,231,122.84</td>
<td>$10,070,217.66</td>
<td>$(160,905.18)</td>
</tr>
<tr>
<td>NOI</td>
<td>$10,155,400.53</td>
<td>$11,420,943.40</td>
<td>$(1,265,542.87)</td>
</tr>
<tr>
<td><strong>C</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Rent</td>
<td>$4,646,567.97</td>
<td>$4,674,406.00</td>
<td>$(27,838.03)</td>
</tr>
<tr>
<td>Total Rent</td>
<td>$4,091,034.58</td>
<td>$4,317,797.83</td>
<td>$(226,763.25)</td>
</tr>
<tr>
<td>Total Income</td>
<td>$4,313,962.45</td>
<td>$4,492,344.83</td>
<td>$(178,382.38)</td>
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<tr>
<td>Total Expense</td>
<td>$2,651,135.01</td>
<td>$2,610,752.01</td>
<td>$(40,383.00)</td>
</tr>
<tr>
<td>NOI</td>
<td>$1,662,827.44</td>
<td>$1,881,592.82</td>
<td>$(218,765.38)</td>
</tr>
<tr>
<td><strong>D</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Rent</td>
<td>$4,771,129.72</td>
<td>$4,797,600.00</td>
<td>$(26,470.28)</td>
</tr>
<tr>
<td>Total Rent</td>
<td>$4,058,297.97</td>
<td>$4,325,543.00</td>
<td>$(267,245.03)</td>
</tr>
<tr>
<td>Total Income</td>
<td>$4,380,905.76</td>
<td>$4,652,540.00</td>
<td>$(271,634.24)</td>
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<td>Total Expense</td>
<td>$2,428,598.79</td>
<td>$2,425,005.00</td>
<td>$(3,593.79)</td>
</tr>
<tr>
<td>NOI</td>
<td>$1,952,306.97</td>
<td>$2,227,535.00</td>
<td>$(275,228.03)</td>
</tr>
<tr>
<td><strong>E</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Rent</td>
<td>$5,282,557.19</td>
<td>$5,332,887.39</td>
<td>$(50,330.20)</td>
</tr>
<tr>
<td>Total Rent</td>
<td>$5,133,296.09</td>
<td>$5,210,617.19</td>
<td>$(77,321.10)</td>
</tr>
<tr>
<td>Total Income</td>
<td>$4,936,579.52</td>
<td>$5,181,024.22</td>
<td>$(244,444.70)</td>
</tr>
<tr>
<td>Total Expense</td>
<td>$4,240,532.86</td>
<td>$4,203,382.26</td>
<td>$(37,150.60)</td>
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<tr>
<td>NOI</td>
<td>$696,046.66</td>
<td>$797,641.96</td>
<td>$(281,595.30)</td>
</tr>
<tr>
<td><strong>F</strong></td>
<td></td>
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</tr>
<tr>
<td>Gross Rent</td>
<td>$1,525,406.74</td>
<td>$712,862.00</td>
<td>$812,544.74</td>
</tr>
<tr>
<td>Total Rent</td>
<td>$1,442,506.21</td>
<td>$1,468,146.00</td>
<td>$(25,639.79)</td>
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<tr>
<td>Total Income</td>
<td>$1,512,149.80</td>
<td>$1,539,362.00</td>
<td>$(27,212.20)</td>
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<tr>
<td>Total Expense</td>
<td>$1,145,939.43</td>
<td>$1,151,184.67</td>
<td>$5,245.24</td>
</tr>
<tr>
<td>NOI</td>
<td>$366,210.37</td>
<td>$388,177.33</td>
<td>$(21,966.96)</td>
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</tbody>
</table>
## Portfolio Summary Report (Page 2 of 2)

### 2007

<table>
<thead>
<tr>
<th></th>
<th>Actual</th>
<th>Budget</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gross Rent</strong></td>
<td>$ 79,724,871.46</td>
<td>$ 79,021,066.31</td>
<td>$ 703,805.15</td>
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<tr>
<td><strong>Total Rent</strong></td>
<td>$ 67,613,696.85</td>
<td>$ 69,311,856.45</td>
<td>(-$1,698,159.60)</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td>$ 71,694,880.17</td>
<td>$ 73,634,011.28</td>
<td>(-$1,939,131.11)</td>
</tr>
<tr>
<td><strong>Total Expense</strong></td>
<td>$ 37,124,171.89</td>
<td>$ 37,362,857.22</td>
<td>$ 238,685.33</td>
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<tr>
<td><strong>NOI</strong></td>
<td>$ 34,570,708.28</td>
<td>$ 36,271,154.06</td>
<td>(-$1,700,445.78)</td>
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</table>

### 2006

<table>
<thead>
<tr>
<th></th>
<th>Actual</th>
<th>Budget</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gross Rent</strong></td>
<td>$ 70,817,200.44</td>
<td>$ 70,275,773.17</td>
<td>$ 541,427.27</td>
</tr>
<tr>
<td><strong>Total Rent</strong></td>
<td>$ 58,051,036.68</td>
<td>$ 58,992,823.80</td>
<td>(-$941,787.12)</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td>$ 68,093,778.54</td>
<td>$ 68,995,052.26</td>
<td>(-$901,273.72)</td>
</tr>
<tr>
<td><strong>Total Expense</strong></td>
<td>$ 32,321,577.54</td>
<td>$ 33,474,143.98</td>
<td>$ 1,152,566.44</td>
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<tr>
<td><strong>NOI</strong></td>
<td>$ 35,772,201.00</td>
<td>$ 35,520,908.28</td>
<td>$ 251,292.72</td>
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</table>

### 2005

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<th>Actual</th>
<th>Budget</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gross Rent</strong></td>
<td>$ 52,788,555.00</td>
<td>$ 53,614,742.00</td>
<td>(-$826,187.00)</td>
</tr>
<tr>
<td><strong>Total Rent</strong></td>
<td>$ 42,264,211.00</td>
<td>$ 44,978,641.00</td>
<td>(-$2,714,430.00)</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td>$ 44,757,250.00</td>
<td>$ 47,285,684.00</td>
<td>(-$2,528,434.00)</td>
</tr>
<tr>
<td><strong>Total Expense</strong></td>
<td>$ 24,703,747.00</td>
<td>$ 24,628,984.00</td>
<td>($74,783.00)</td>
</tr>
<tr>
<td><strong>NOI</strong></td>
<td>$ 18,205,317.00</td>
<td>$ 20,397,258.00</td>
<td>(-$2,191,941.00)</td>
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</table>
## Portfolio Expense Summary

<table>
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<tr>
<th>Percent of Revenue</th>
<th>Administration</th>
<th>Repairs &amp; Maint</th>
<th>Grounds</th>
<th>Utilities</th>
<th>Turnover / Dec</th>
<th>Marketing</th>
<th>Taxes</th>
<th>Insurance</th>
<th>Total Payroll</th>
<th>Total Op Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>StoneArch</td>
<td>6.2%</td>
<td>3.7%</td>
<td>1.0%</td>
<td>7.8%</td>
<td>1.1%</td>
<td>1.8%</td>
<td>10.9%</td>
<td>2.0%</td>
<td>9.1%</td>
<td>43.7%</td>
</tr>
<tr>
<td>Woodlan</td>
<td>5.3%</td>
<td>7.3%</td>
<td>1.4%</td>
<td>9.7%</td>
<td>3.2%</td>
<td>3.4%</td>
<td>10.6%</td>
<td>1.4%</td>
<td>9.4%</td>
<td>51.7%</td>
</tr>
<tr>
<td>Southfork</td>
<td>6.0%</td>
<td>2.1%</td>
<td>1.1%</td>
<td>4.0%</td>
<td>0.7%</td>
<td>4.1%</td>
<td>10.5%</td>
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<td>14.4%</td>
<td>45.5%</td>
</tr>
<tr>
<td>Lemay Lk</td>
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</tr>
<tr>
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<td>3.6%</td>
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<td>3.1%</td>
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<td>1.1%</td>
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<tr>
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<td>1.1%</td>
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<td>4.5%</td>
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<td>2.2%</td>
<td>14.5%</td>
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<td>11.7%</td>
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