

CAPS APPENDIX



CLIENT SERVICES AND STAKEHOLDER RELATIONS

Appendix



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SAMPLE STRATEGY DOCUMENT

Budget Year: 2015

Property Name: <Property Name>

Property Location: <City, State>

Takeover Date: 2/20/15

Client: <Client Name>

Client Contact: <Client Contact Name>

OWNERSHIP STRATEGY:

Long term hold and value creation. Portfolio expansion focused on the Midwest.
(No outside investors.)

PROPERTY GOALS:

1. Maintain rents at acquisition levels through the first 6 months. Start pushing rents in the 7th month, with average increases reaching 3% within 24 months.
2. Maintain vacancy rate for the first year at no higher than 12%, increasing to market occupancy at 90% for the second and third years.
3. Hold bad debt write-offs at 4% for the first year, decreasing to 2% in the second and third year.
4. Improve utility collection rate to 85% at an average of \$30/unit.
5. Limit concessions to 4% in the first year, 3% in the second year, and 2% in the third year.

CURRENT YEAR BUDGET:

Physical Occupancy _____

Economic Occupancy _____

Operating Expense Ratio _____

Bad Debt as % of GPR _____

Lease Renewal % _____

Gross Potential Rent _____

Total Operating Income _____

Total Operating Expenses _____

Net Operating Income _____

Capital Expenditures _____

PARTS OF THE MANAGEMENT AGREEMENT

This list of key components of a Management Agreement refers to the Sample Management Agreement included immediately following.

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 of the Management Agreement 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.

Section 1.6.A: Minimum Leasing Guidelines

- Set target 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 (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). In some cases, there may be also be separate accounts for construction or capital expenses, and for receipt of rent payments.

Section 2.2, 2.5: Trust Accounts

- Directs the owner to deposit money into resident trust accounts.
- Ensures separation between security deposits and operational funds.
- 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.

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.

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 receipt taxes (if any) for property.
- Allows for additional items (to be specified in the agreement) to be paid directly by the owner.
- Specifies any reporting requirements if such direct payments need to be reflected on the property income statement.

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). These disbursements are also outlined in the property's financial plan.
- 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 Management Agreement should specify the order in which debts should be paid. The following is a typical list of prioritized debts:

7. Property payroll, including all related administrative charges and expenses.
8. Management fees and related expenses owed to the management company
9. Utilities.
10. Other property expenses.
11. Underlying secured real property debt (mortgage payment)
12. 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.

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. Each Management Agreement will specify a different set of reports based on the property's needs, the owner's preferences, and the software system the management company uses. These may include:
 - Weekly occupancy, leasing status, and traffic reports.
 - Monthly market comparable rent survey.
 - Monthly bank reconciliations.
 - Financial reports including, but not limited to: balance sheet, income statement, variance reports, and general ledger.
- 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.

It's a good practice to send samples of proposed reports to the property owner prior to signing the Management Agreement. The property owner should sign an agreement to approve the use of these reports, or to pay extra for customized reports.

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.

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.)
 - 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:
 - Negotiate, prepare, and execute all rental agreements, including renewals and extensions.
 - Cancel and modify existing rental agreements subject to policy.
 - 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.

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.

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 still 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 a specified threshold.
- Requires the management company to obtain permission from the owner before settling, compromising, or releasing legal actions surrounding amounts greater than the specified threshold.
- 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.

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 off-site property manager) will be considered employees of the management company and the property, not the owner.
- States that the management company may 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.

Although the property owner might be consulted about certain hiring decisions, it's important not to let the owner infuse themselves too much into the process of hiring and terminating employees. Remember, these are employees of the management company, not the owner.

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 to property personnel.
- Designates as operating expenses, to be paid by owner through operating account, all costs associated with tax filing.
- Requires the owner to provide the management company with power of attorney and notices of appointment upon requests related to tax filings.

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.

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.

Section 9.3: Contracts, Utilities, and Services

- Authorizes the management company to negotiate contracts for non-recurring expenses, not to exceed a specified amount.
- 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 legal name of the property.
- Be assignable, at owner's option, to owner or another party designated by owner.
- Be one year in length, but 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.

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

(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.

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.

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 other entities with the written consent of the owner.
- Requires the management company to notify the owner of any assignment.

This provision is especially important in the event that the management company is acquired by another entity. This allows the Management Agreement to be transferred to the new entity, ensuring uninterrupted service to the property.

MANAGEMENT COMPANY COMPENSATION AND EXPENSES

(See Section 15 of Sample Management Agreement)

Establishes the management company's payment for services including:

- Management services.
- Construction management services.
- Other items Management Company and Owner agree upon, such as consulting work (for example, unit design and amenity recommendations for new construction.)

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.
 - Foreclosure.
 - Receivership.
- 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 a specified timeframe 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 specified time after its termination.

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 perform all duties required under the agreement and will abide by all laws and rules.

It's important to note that a property's Management Agreement is always subordinate to its loan agreement. If any conflict arises between the Management Agreement and the mortgage, the mortgage always takes precedence.

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. May also specify a representative for the owner.

SUCCESSORS AND ASSIGNS

(See Section 26 of Sample Management Agreement)

Binds to the Management Agreement all of the following parties: the owner, the management company, all personal representatives, and any entity that takes over for any of these parties.

SAMPLE MANAGEMENT AGREEMENT

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 expenditure 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 indemnitee deems it necessary or expedient to procure legal representation in such proceeding in order to protect the indemnitee'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 indemnitor's insurance carriers may have against the indemnitees.

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 previous property managers 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;.

SECTION 18

TERMINATION

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 has 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: _____
Authorized Agent

By: _____

SAMPLE PROPERTY INFORMATION SHEET

Partnership Name: _____

Federal I.D. No.: _____

Property Name: _____

Property Address: _____

County of Jurisdiction: _____

(Driving Directions and Location Map Attached)

Office Phone No.: _____

FAX Phone No.: _____

Maintenance Phone No.: _____

Data Line Phone No.: _____

Email Address: _____

Property Age:

Construction Start Date: _____

Construction Completion Date: _____

Rehab Date and Amount: _____

Building Codes in Effect: _____

Zoning: _____

Surrounding Area:

	Commercial	Industrial	Retail	Office	Residential
North					
East					
West					
South					

Unit Mix:

Unit Type	Total Units	Square Footage	TOTALS

Number of Buildings:

		Stories
Residential		
Clubhouse		
Maintenance		
Other (specify)		

Parking Spaces:

Garages _____
 Carports _____
 Open stalls _____
 TOTAL _____

Amenities:

Unit Type	YES	NO	Number
Clubhouse			
Swimming Pool			
Hot Tub			
Exercise Room			
Business Center			
Tennis Court			
Basketball Court			
Volleyball			
Pet Park			
Conference Room			
Media Center			
Other (specify)			
Other (specify)			

Acreage: _____

Tax Parcel I.D. Numbers:

Number	Acreage

Lender: _____
Loan Servicer: _____
Lender Contact:
Name _____
Address _____
Phone _____
FAX _____
Email _____

Mortgage Specifics

Initial Date _____
Initial Balance _____
Term _____
Rate _____
Maturity Date _____
Amortization _____
Monthly Debt Service _____
Replacement Reserves _____
Repair Escrows _____
Prepayment Penalty (Y/N) _____
Prepayment Description _____
Recourse (Y/N) _____

Management Agreement Abstract:

- Term and Expiration Date
- Allowable Fees
 - Management Fee
 - Incentive Management Fee
- Other Fees
 - Accounting Fee
 - Compliance Fee
 - CapEx Oversight Fee
 - Other (specify)
- Managing Agent Responsibilities
 - Staffing
 - Employees of manager or partnership?
 - Level of authority for unbudgeted positions?
 - Owner approvals for hiring?

SAMPLE OWNER'S REPORT #1

Sample Owner's Report #1 (Page 1 of 4)

ASSET PERFORMANCE REVIEW

I. INVESTMENT DESCRIPTION:

Investment/Property Name:		Investment #:	
Region:	Regional Office:	Investment Manager:	
Bus. Mgr.		Month Ending	January 2007
Fee Manager:	Portfolio:	Quarter Ending/Year:	March 2007
Class:	C-	Year Built:	1982
		Property Type:	Garden Walk-up

II. EXECUTIVE SUMMARY:

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

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

- 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.
- 5. Competitive Market Survey:** See Attached Market Survey.
- 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.

Sample Owner's Report #1 (Page 2 of 4)

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:

Current Property Occupancy Status and Quarter Recap:			
¹ Total Units	320		226
Beginning month Occupancy %	59.38 %	Beginning Quarter Occupancy %	59.38%
² Beginning Month Occupied Units	190	² Beginning Quarter Occupied Units	190
³ Move outs	8	³ Move outs this quarter	8
³ Move Ins	18	³ Move Ins this quarter	18
² Ending Month Occupied Units	200	² Ending Quarter Occupied Units	200
Ending Month Occupancy %	62.5%	Ending Quarter Occupancy %	62.5%

¹ Includes all down and non-revenue-producing units

² Includes employee, models, and office units`

³ Does not include month to month leases

Leasing Program – Renewals			
	Expirations	Renewals	Retention %
Current Month	8	7	87.5%
YTD	8	7	87.5%

*YTD renewals include renewals from leases that were on MTM

Sample Owner's Report #1 (Page 3 of 4)

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

Leasing Traffic Statistics						
Marketing Source	Phone Traffic	Qualified Foot Traffic	Leases Signed*	% Closed	Monthly Expenditure	Per Lease Expense
For Rent						
Apt Finder Magazine						
DART – Bus Advertising						
Drive By	22	61	10	16%		
Apartment Locator						
Onsite Transfer	1	1	1	100%		
Internet Advertising		1				
Section Housing						
Previous Resident						
Property Referral						
Resident Referral	1	9	6	67%		
Signage/Flyers/O outside Marketing	12	5	1			
Word of Mouth						
Total	36	77	18	24%		

*Reflects actual # of new leases which may not correlate to the number of move-ins.

Sample Owner's Report #1 (Page 4 of 4)

VI. MARKET AND COMPETITION SURVEY:

Current Market Rates:					
Unit Type	# Units	Sq. Ft.	Rental Rate	\$/Sq. Ft.	GPR
A	78	486	\$410	.84	\$31,980
B	84	528	\$420	.80	\$35,280
C	66	528	\$430	.81	\$28,380
D	40	558	\$440	.79	\$17,600
E	50	558	\$450	.81	\$22,500
F	2	820	\$715	.87	\$1,430
Total	320	528 Avg.	\$428 Avg.	.931	\$137,170

COMPETITION:					
Property Name	# Of Units	Occ.	Concessions	Mgt Company	Advertising
See attached					
Market Surveys					

SAMPLE OWNER'S REPORT #2

Sample Owner's Report #2 (Page 1 of 3)

PROPERTY:	# OF UNITS:	518
LOCATION: 2008	DATE:	APRIL 25,
OWNER:	MONTH:	APRIL 2008
PREPARED BY:	REVIEWED BY:	

staffing

Date Hired

Regional Manager
Community Manager
Service Manager

- The community is currently fully staffed.

leasing / pricing

- From March 21 – April 18 the property closed 50 leases and experienced 11 cancels and/or declines, ending the period with a net of 39 leases for a total physical occupancy of 93.8%. There were 29 move-ins and 36 move-outs during the month of April; the 36 move outs consisted of 38.9% (14) house purchase, 16.7% (6) job transfer, 11.1% (4) moving closer to home, 5.6% (2) moving home, and 5.6% (2) family status change. The remaining 22.4% (1) change in household composition (1) cost/price, (1) financial problems/lost job, (1) health problems, (1) non-renewal of lease, (1) roommate problem, (1) school, and (1) transfer on-site.
- 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.

March 2008 RENEWAL SUMMARY

# Leases Expired	37
# Leases Renewed	15
# Leases Month-to-Month	3
# Move-outs & NTV	19

TURNOVER SUMMARY

	Move Outs	Turnover %	Annualized Turnover %
March	36	6.9%	83.3%
YTD	77	14.8%	44.6%

Sample Owner's Report #2 (Page 2 of 2)

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.

SAMPLE PORTFOLIO SUMMARY REPORT

Portfolio Summary Report (Page 1 of 2)

A	Actual		Budget		Variance	
Gross Rent	\$ 25,299,995.90		\$ 25,179,785.61		\$ 120,210.29	0.5%
Total Rent	\$ 22,107,003.42		\$ 21,692,309.21		\$ 414,694.21	1.9%
Total Income	\$ 23,517,191.32		\$ 23,065,148.21		\$ 452,043.11	2.0%
Total Expense	\$ 9,738,484.27		\$ 10,082,728.34		\$ 344,244.07	3.4%
NOI	\$ 13,778,707.05		\$ 12,982,419.87		\$ 796,287.18	6.1%
B	Actual		Budget		Variance	
Gross Rent	\$ 24,604,879.00		\$ 24,662,666.78		\$ (57,787.78)	-0.2%
Total Rent	\$ 19,140,447.76		\$ 20,431,203.88		\$ (1,290,756.12)	-6.3%
Total Income	\$ 20,386,523.37		\$ 21,491,161.06		\$ (1,104,637.69)	-5.1%
Total Expense	\$ 10,231,122.84		\$ 10,070,217.66		\$ (160,905.18)	-1.6%
NOI	\$ 10,155,400.53		\$ 11,420,943.40		\$ (1,265,542.87)	-11.1%
C	Actual		Budget		Variance	
Gross Rent	\$ 4,646,567.97		\$ 4,674,406.00		\$ (27,838.03)	-0.6%
Total Rent	\$ 4,091,034.58		\$ 4,317,797.83		\$ (226,763.25)	-5.3%
Total Income	\$ 4,313,962.45		\$ 4,492,344.83		\$ (178,382.38)	-4.0%
Total Expense	\$ 2,651,135.01		\$ 2,610,752.01		\$ (40,383.00)	-1.5%
NOI	\$ 1,662,827.44		\$ 1,881,592.82		\$ (218,765.38)	-11.6%
D	Actual		Budget		Variance	
Gross Rent	\$ 4,771,129.72		\$ 4,797,600.00		\$ (26,470.28)	-0.6%
Total Rent	\$ 4,058,297.97		\$ 4,325,543.00		\$ (267,245.03)	-6.2%
Total Income	\$ 4,380,905.76		\$ 4,652,540.00		\$ (271,634.24)	-5.8%
Total Expense	\$ 2,428,598.79		\$ 2,425,005.00		\$ (3,593.79)	-0.1%
NOI	\$ 1,952,306.97		\$ 2,227,535.00		\$ (275,228.03)	-12.4%
E	Actual		Budget		Variance	
Gross Rent	\$ 5,282,557.19		\$ 5,332,887.39		\$ (50,330.20)	-0.9%
Total Rent	\$ 5,133,296.09		\$ 5,210,617.19		\$ (77,321.10)	-1.5%
Total Income	\$ 4,936,579.52		\$ 5,181,024.22		\$ (244,444.70)	-4.7%
Total Expense	\$ 4,240,532.86		\$ 4,203,382.26		\$ (37,150.60)	-0.9%
NOI	\$ 696,046.66		\$ 977,641.96		\$ (281,595.30)	-28.8%
F	Actual		Budget		Variance	
Gross Rent	\$ 1,525,406.74		\$ 712,862.00		\$ 812,544.74	114.0%
Total Rent	\$ 1,442,506.21		\$ 1,468,146.00		\$ (25,639.79)	-1.7%
Total Income	\$ 1,512,149.80		\$ 1,539,362.00		\$ (27,212.20)	-1.8%
Total Expense	\$ 1,145,939.43		\$ 1,151,184.67		\$ 5,245.24	0.5%
NOI	\$ 366,210.37		\$ 388,177.33		\$ (21,966.96)	-5.7%

Portfolio Summary Report (Page 2 of 2)

2007					
	Actual		Budget	Variance	
Gross Rent	\$ 79,724,871.46		\$ 79,021,066.31	\$ 703,805.15	0.9%
Total Rent	\$ 67,613,696.85		\$ 69,311,856.45	\$(1,698,159.60)	-2.5%
Total Income	\$ 71,694,880.17		\$ 73,634,011.28	\$(1,939,131.11)	-2.6%
Total Expense	\$ 37,124,171.89		\$ 37,362,857.22	\$ 238,685.33	0.6%
NOI	\$ 34,570,708.28		\$ 36,271,154.06	\$(1,700,445.78)	-4.7%
2006					
	Actual		Budget	Variance	
Gross Rent	\$ 70,817,200.44		\$ 70,275,773.17	\$ 541,427.27	0.8%
Total Rent	\$ 58,051,036.68		\$ 58,992,823.80	\$ (941,787.12)	-1.6%
Total Income	\$ 68,093,778.54		\$ 68,995,052.26	\$ (901,273.72)	-1.3%
Total Expense	\$ 32,321,577.54		\$ 33,474,143.98	\$ 1,152,566.44	3.4%
NOI	\$ 35,772,201.00		\$ 35,520,908.28	\$ 251,292.72	0.7%
2005					
	Actual		Budget	Variance	
Gross Rent	\$ 52,788,555.00		\$ 53,614,742.00	\$ (826,187.00)	-1.5%
Total Rent	\$ 42,264,211.00		\$ 44,978,641.00	\$(2,714,430.00)	-6.0%
Total Income	\$ 44,757,250.00		\$ 47,285,684.00	\$(2,528,434.00)	-5.3%
Total Expense	\$ 24,703,747.00		\$ 24,628,964.00	\$ (74,783.00)	-0.3%
NOI	\$ 18,205,317.00		\$ 20,397,258.00	\$(2,191,941.00)	-10.7%

SAMPLE PORTFOLIO EXPENSE SUMMARY

Portfolio Expense Summary

Expense DETAIL	% of Rev	% of Rev	% of Rev	% of Rev	% of Rev	% of Rev	% of Rev	% of Rev	% of Rev	% of Rev	% of Rev	% of Rev
Percent of Revenue												
	StoneArch	Woodlan	Southfork	Lemay LK	Southwind	Vicksburg	Stoneleigh	Parkway	Grand Res	Devonshire	Park Place	Clover Ck
Administration	6.2%	5.3%	6.0%	5.3%	4.8%	4.5%	4.3%	5.1%	4.2%	5.2%	5.0%	5.6%
	StoneArch	Woodlan	Southfork	Lemay LK	Southwind	Vicksburg	Stoneleigh	Parkway	Grand Res	Devonshire	Park Place	Clover Ck
Repairs & Main	3.7%	7.3%	2.1%	6.4%	3.5%	3.4%	4.0%	5.1%	2.0%	3.2%	4.6%	4.6%
	StoneArch	Woodlan	Southfork	Lemay LK	Southwind	Vicksburg	Stoneleigh	Parkway	Grand Res	Devonshire	Park Place	Clover Ck
Grounds	1.0%	1.4%	1.4%	1.1%	1.4%	1.0%	1.8%	1.1%	2.1%	1.7%	1.1%	1.5%
	StoneArch	Woodlan	Southfork	Lemay LK	Southwind	Vicksburg	Stoneleigh	Parkway	Grand Res	Devonshire	Park Place	Clover Ck
Utilities	7.8%	9.7%	4.0%	9.0%	6.8%	6.4%	4.9%	10.0%	2.9%	5.1%	4.5%	7.8%
	StoneArch	Woodlan	Southfork	Lemay LK	Southwind	Vicksburg	Stoneleigh	Parkway	Grand Res	Devonshire	Park Place	Clover Ck
Turnover / Deco	1.1%	3.2%	0.7%	1.9%	1.3%	1.9%	3.4%	1.6%	3.0%	2.6%	3.8%	2.7%
	StoneArch	Woodlan	Southfork	Lemay LK	Southwind	Vicksburg	Stoneleigh	Parkway	Grand Res	Devonshire	Park Place	Clover Ck
Marketing	1.8%	3.4%	4.1%	2.4%	3.6%	3.1%	3.1%	3.2%	2.1%	4.5%	3.0%	2.2%
	StoneArch	Woodlan	Southfork	Lemay LK	Southwind	Vicksburg	Stoneleigh	Parkway	Grand Res	Devonshire	Park Place	Clover Ck
Taxes	10.9%	10.6%	10.5%	6.7%	10.7%	10.6%	11.9%	13.0%	10.3%	9.8%	9.7%	14.5%
	StoneArch	Woodlan	Southfork	Lemay LK	Southwind	Vicksburg	Stoneleigh	Parkway	Grand Res	Devonshire	Park Place	Clover Ck
Insurance	2.0%	1.4%	2.2%	1.3%	2.4%	2.5%	1.3%	2.0%	1.3%	2.4%	1.7%	1.6%
	StoneArch	Woodlan	Southfork	Lemay LK	Southwind	Vicksburg	Stoneleigh	Parkway	Grand Res	Devonshire	Park Place	Clover Ck
Total Payroll	9.1%	9.4%	14.4%	10.6%	19.1%	12.7%	10.3%	14.1%	7.9%	9.1%	14.7%	11.7%
	StoneArch	Woodlan	Southfork	Lemay LK	Southwind	Vicksburg	Stoneleigh	Parkway	Grand Res	Devonshire	Park Place	Clover Ck
Total Op Expen	43.7%	51.7%	45.5%	44.6%	53.5%	46.2%	45.0%	55.2%	36.0%	43.4%	48.0%	52.3%

IMPORTANT OSHA STANDARDS

THE OSHA HAZARD COMMUNICATION STANDARD

The intent of the OSHA Hazard Communication Standard is three-fold:

- (1) to educate employees on the hazardous chemicals they work with;
- (2) to train them on how to use these chemicals properly, and
- (3) to learn how to avoid potential accidents or injuries.

Employer Requirements:

- Identify the hazards associated with the chemical products employees and contractors use.
- Make Safety Data Sheets (SDS) for all hazardous products available to employees who may come in contact with these products.
- Provide training and information to employees on the specific types of hazardous materials they work with.

For More Information

See www.osha.gov.

THE LOCKOUT/TAGOUT STANDARD

The lockout/tagout standard requires employees to turn off potentially dangerous energy sources—such as water, gas, or electricity—whenever they are servicing or maintaining fixtures or equipment.

It literally involves placing locks and tags on electrical breakers or switches, liquid or gas valves, and other energy control points. The Standard addresses six specific energy sources.

This goal is to place equipment in a “zero energy” state so that employees will not be harmed while performing repairs or maintenance.

Employer Requirements:

- Have a written lockout/tagout program.
- Inventory and identify hazardous energy sources.
- Provide employee training on the standard.

For More Information

See www.osha.gov.

THE BLOODBORNE PATHOGENS STANDARD

The bloodborne pathogens standard deals with the control of bloodborne pathogens in the workplace, including the Hepatitis B Virus (HBV) and the Human Immune Deficiency Virus (HIV.)

Employer Requirements :

- Establish a written exposure control plan—a plan that outlines the methods or precautions in place to prevent contact with bloodborne pathogens, as well as the procedures to follow when an employee is exposed to blood or other bodily fluids.
- Communicate bloodborne hazards to employees. Let them know you have a written plan to deal with them.
- Train employees on the standard and on your written plan. Be sure to document all training sessions.
- Investigate all exposure accidents—that is, an occasion where an employee had blood or bodily fluids enter his or her body. Document these incidents.
- Get a written opinion from the health care professional who evaluates any employee who comes into contact with blood or bodily fluids. File this opinion and any other related medical records.
- Offer employees the HBV vaccine.

For More Information
See www.osha.gov.

PERSONAL PROTECTIVE EQUIPMENT

OSHA requires the use of Personal Protective Equipment (PPE) to reduce employees' exposure to hazards in the workplace.

Employer Requirements

Employers are required to determine if PPE should be used to protect their employees. The OSHA standard does not require a written program, but it does require a written assessment and documentation of exposures.

Assessing and Eliminating Potential Hazards

The most important element of the PPE standard is assessing and eliminating potential hazards. To assess them, observe the environment in which employees work and ask employees how they perform various tasks.

Look for sources of potential injuries such as:

- Objects that might fall from above.
- Exposed pipes and beams at work level.
- Exposure to chemicals.
- Sources of heat, intense light, noise, and dust.
- Equipment or materials that could produce flying particles.

Identifying the Proper Types of PPE Needed

It's not easy to zero in on the "best" PPE for your employees. Therefore, it's wise to consult a local safety equipment supplier who has the proper equipment and can provide proper training, as well as ongoing support.

For More Information
See www.osha.gov.

THE ELECTRICAL SAFETY TRAINING PROGRAM

Employers must have a written training program for employees who perform electrical service and maintenance on the property, including those who assist with the work, such as assistant maintenance technicians and make-ready personnel.

The standard applies even if employees do only minor electrical repair and maintenance tasks such as changing ballasts in overhead lights or replacing simple switches.

This training program can be a separate stand-alone program, or part of your lockout/tagout program. Employees who do electrical work must be trained on basic electrical principles, safety-related work practices, and emergency procedures and responses. Those who assist these employees need to receive training on basic electrical principals and emergency procedures and responses.

All training must be documented. (You can copy Sub Part B of 29CFR 1910.331 to satisfy the elements of a written program. Sub Part B is available online at www.osha.gov.)

For More Information
See www.osha.gov.

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National Apartment Association Education Institute

4300 Wilson Boulevard, Suite 400

Arlington, VA 22203

703-518-6141 | www.naahq.org



CERTIFIED APARTMENT
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INVESTMENT MANAGEMENT

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SAMPLE OPERATING BUDGET

Revenues	
Gross Potential Rent	\$2,865,235
Rent Revenue Collected	\$2,487,605
Losses to Vacancy	\$220,981
Collection Losses	\$19,386
Losses to Concessions	\$137,262
Other Revenue	\$203,156
Total Revenue	\$2,690,762
Operating Expenses	
Payroll	\$312,664
Marketing	\$54,414
General & Administrative	\$62,087
Total Net Utilities	\$150,219
Contract Services	\$60,708
Property Insurance	\$109,451
Taxes	\$376,247
Management Fees	\$74,214
Maintenance	\$78,414
Total Operating Expenses	\$1,278,417
Net Operating Income	\$1,412,344
Capital Expenditures	\$184,560

SOURCES FOR BUDGET DATA

When you and the property management team use historical and current budget data from reliable sources, it results in a more accurate and realistic budget with the greatest potential to meet the property's financial objectives.

Cap Rates as an Investment Comparison Tool

The sources for obtaining historical information for revenue and expense data include:

- The actual income and expenses from the property itself, from several prior years.
- The previous year's budget and actual results, including any notes used in budget preparation.
- Other portfolio properties in the same market of similar size, age, and condition.
- Local multifamily sales data that may contain revenue and expense information on recently sold properties.
- Occupancy trends in the marketplace.
- The current National Apartment Association Income and Expense Survey (www.naahq.org.)
- The current Institute of Real Estate Management Income/Expense Analysis Report (www.irem.org.)
- Current service contracts (for potential cost increases.)
- Vendors and contractors (for expected labor and material costs)
- Utility companies (for possible rate increases.)
- Taxing authorities (for changes in assessment or tax rates.)
- Inflation data (which clearly affects costs and expenses.)

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ASSET EVALUATION AND PRESERVATION

Appendix



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PROPERTY EXTERIOR INSPECTIONS

Hazards and Liabilities

- Uneven sidewalks caused by tree roots, or ground settlement.
- Potholes in the parking lot.
- Untrimmed tree limbs that may cause damage to roofs or cause injury to someone walking past.
- Streets, sidewalks, parking areas and/or landscaped areas that do not drain properly.
- Overgrown shrubbery that might hide an assailant or threaten a residents' safety.
- Ineffective lighting in pedestrian, parking or service areas (best viewed at night.)
- Unsecured electrical junction boxes or loose wires.
- Faulty or incorrectly grounded wiring.
- Ineffective or nonexistent pool fencing, life saving equipment and GFI switches.
- Deteriorating stairwells, balconies and walkways.
- Presence of a sufficient number and appropriate type of fire extinguishers. Note inspection dates.
- Loose or missing banisters, hand rails and posts.
- Door, windows, steps or stairways in disrepair.
- Fences. Actually push on a fence to determine how sturdy it is.
- Unattended equipment left lying about the property.
- Unsafe playground equipment.
- Garages or covered parking areas that need clean up or repair.
- Trash collection areas that need clean up, repair or that are not within local code (i.e., trash chutes.)

Resident Safety

- Keyed Locks: What types of keyed locks are used for entry to the residence and on patio or balcony doors? Deadbolts, night latches, pin latches, or others? Also, is the property in compliance with state or local codes and ordinances?
- Keyless/Electronic Locks: What happens if the system goes down? Does it need a system upgrade? Are software upgrades included?
- Type of door: Are hollow-core, metal, or solid-core doors used? Do unit external doors have “peep holes”? Do handicap accessible units have “peep holes” set at the appropriate sight level for wheelchair users?
- General condition of doorframe molding, sidelights, weather and rodent/pest-proof, loose or damaged materials.
- Windows: Locks/latches, condition of windowpanes, bars, screens.
- Perimeter and privacy fences and gates.
- Electronic fences and gates: Are they working currently? How often are they out of commission? Be sure to examine the maintenance records for historical data on these systems.
- Intercom or intrusion alarm systems and devices.
- Building access: How are building entrances secured? How are guests monitored?
- The use of any patrol services.
- Exterior lighting: working, type, location, on timer or photocell?
- Landscaping: fences, overgrown shrubbery, uneven areas or trip hazards.
- Signs of gang activity: Look for graffiti, or other signs of gang activity. Take photos, bring binoculars, and consult with experts if necessary.

Drainage and Irrigation Systems

- Examine the topography of the site for adequate drainage. Note the site's location in terms of surrounding development, including streets and alleys for draining run-off water.
- Inspect the grounds and note the areas water may collect, particularly around the foundations of buildings. Are the grounds properly graded? Are the interior walls of foundations completely dry? Are sewers, drain connections, and sump pumps (if applicable) working properly?
- Check detention ponds. Detention ponds are flood control features, and should be dry unless immediately following heavy rain or snow melt.
- Check retention ponds. Retention ponds are meant to retain water at all times.
- Look for standing water in places where it should not be. You can have this water tested to identify what it is, and where it's coming from.
- If undergoing drought conditions, look for cracked soil, which may indicate the previous presence of standing water that dried too quickly.
- Do French drains or flumes exist? If so, determine location and condition. Note that French drains can be difficult to see. They may be underground or at ground level. Look for standing water after rain, evidence of erosion near where water should be draining, or standing puddles of water.
- Check for weep holes. See if they are plugged.
- Check fountains and swimming pools. Are they properly maintained and inspected regularly as part of the preventive maintenance program?
- Inspect the irrigation and sprinkler system. Are there city or local water restrictions that apply to the property? Is there a preventive maintenance program in place, including a winterization program, if applicable?

Landscaping

- Are the grounds well maintained? If not, note the work that is needed, such as re-seeding or re-sodding, replacement of shrubs, pruning, etc. and estimate the cost of this work.
- Does the current maintenance program include treatments for fertilization and insect control? Is this type of work done by the staff or a contractor? Does insect control require a special license or permit to perform?
- Is the landscaping appropriately designed aesthetically and environmentally for the area?
- Look for ways to save money. Can some changes be made to the landscaping that would reduce water usage or maintenance costs?

Garages and Covered Parking

- Leaking and damage to roof, support posts and siding or doors.
- Oil stains or deterioration of parking surfaces.
- Proper signage and lighting.
- Abandoned cars.
- Proper grading and drainage.

Trash Chutes, Containers, and Compactors

- What kind of system is it? Hydraulic? Gravity?
- Trash chute systems should be clean, in good working condition, and adequately ventilated.
- Dumpsters and compactors should be in good condition, and located in strategic areas.
- Both interior and exterior dumpster and compacter areas should be clean and controlled for odor and pests or infestation.
- Determine if dumpsters are owned by the property or provided by the trash removal service. Is trash removal done by the municipality? Is there a cost involved?
- Is there a standing trash issue? Are pick-ups adequate? Are there enough dumpsters?

Drives/Parking Areas

- Check for severe cracking, potholes, recent repairs, drainage problems, etc.
- If repairs are needed, obtain professional estimates and determine budgetary needs.
- Parking areas should be striped, and special areas, such as fire lanes or spaces for persons with disabilities, should be easily visible.
- Check the local code for the required number of parking spaces per building for persons with disabilities.

Perimeter Fencing or Enclosures

- Note type of fences used on the property.
- Fences should be structurally sound, free of loose, bent, broken, deteriorated or missing material.
- Area around fences should be well maintained and free of any accumulation of rubbish, garbage and graffiti.
- Note needed repairs and estimate the cost.
- Consider adding new fences to create a new image or hide unsightly areas.
- Evaluate the feasibility of installing electronic gates.

Access Gates

- Inspect general condition of gates. If they need to be painted or repaired, estimate the cost.
- Are all gates operational? If not, what is estimated cost to restore operation?

Sidewalks

- Sidewalks should be structurally sound and level.
- Check for cracks, holes, and spalling (chipping of surface.)
- Ground surface around the sidewalk should be properly graded to drain well.

Energy Evaluation

- Weather-stripping on doors and windows.
- Exterior caulking.

- Roof and foundation vents.
- Insulation.

BUILDING INSPECTIONS

Roofs

Remember: A thorough roof inspection involves standing on the roof. Make sure you have your maintenance supervisor or other experienced professional perform this part of the inspection.

- Age of the roof and repairs or replacements that were made.
- Identify the type of the roof.
 - Flat roof with mineral sheet cap – characterized by its light-colored granular surface with many seams because it is applied in narrow coils.
 - Flat roof with built-up surface – usually has a gravel surface to deflect the sun’s rays from the underlying emulsion.
 - Flat roof with membrane surface – typically EPDM, modified bitumen, or other synthetic rubber material, useful for preventing leaks.
 - Mansard – roof with two slopes or pitches on each of the four sides, with the lower slopes steeper than the upper slope. May be part of a flat or pitched roof system.
 - Pitched or hip – sloped or inclined sides and end slopes that are connected by a ridge.
 - Gable – a ridged roof, the ends of which form a gable (generally a triangular shape.)

- Identify the structure of the roof.
 - Trusses: Large, usually wooden, triangular forms used to form the ceiling joists and rafters.
 - Joists or horizontal beams: Parallel horizontal beams, usually wooden, and set 16 to 24 inches apart. Joists are placed from wall to wall to support the boards of a roof of a building.
 - Joists and rafters: Rafters are the structural member extending from the down slope perimeter of a roof to the ridge or hip and is designed to support the roof deck and roof system components.
 - Post and beams: A post supports the beam. It's a vertical piece of lumber or metal pipe with a flat plate on top and bottom. A beam runs horizontally and is used to support the weight of the joists or a roof.
 - Panels.
- What roofing materials are used? Common materials include:
 - Asphalt, rubberized and fiberglass shingles.
 - Wood shingles and shakes.
 - Clay or cement tiles.
 - Slate.
 - Metal.
- Check the chimney, stack, and vents. They should be structurally safe, durable and smoke tight – able to bear the action of flue gases. Chimney and stacks with cracked bricks, loose mortar joints or other leaks are a serious fire and health hazard. Check for proper flashing.
- On flat roofs, particularly, check repairs around vent pipes, air conditioning units, gravel stops, flashing or parapet walls.
- Make sure roof drains are not clogged. Check gutters and downspouts. Splash pans or diverters if necessary should be in place.
- Inspect antennas and solar panels, if applicable.

Façade and Carpentry

- Types of materials used: cedar, pine, brick, stucco, Hardiplank (fiber concrete siding that looks like wood clapboard), Masonite, T-111 (plywood siding), etc.
- The condition of siding and trim for evidence of rot, buckling or warping. Test areas with suspicious appearance – i.e. cracking, bubbling, warping – for problems below the paint surface. Pay close attention, as many problems may be covered with a coat of paint. Note any new wood.
- Check balcony joists, soffits, columns and decks. They should be structurally sound and free from cracked, rotted, rusted or bowed materials.
- Schedule a termite inspection. Most termite damage is unseen and cannot be easily detected by an inexperienced person. In coastal areas, dry wood termite and subterranean termite inspection are advisable.
- Inspect outdoor stairways, stringers and handrails for condition and secure attachment to the building.
- Inspect painted surfaces for peeling, cracking, chipping or unusual discoloration. Estimate when repainting will be necessary.
- If the property has a vinyl siding façade, it will be necessary to determine what components are beneath the shell and the nature of their condition.
- If cracks are evident in brick or stucco exteriors, it may be an indication of settling and foundation problems. A foundation expert should be consulted.

Foundations

Foundation types vary and may include:

- Poured concrete walls, concrete or cinder block walls that rest on concrete footings.
- Older buildings may have foundations of cut stone, stone or brick.
- Mat and raft foundations, also known as floating foundations or monolith slabs are used over soils that have low load-bearing capacity. They are made of concrete slabs that are reinforced with steel.
- Pile foundations are made of columnar units of concrete, metal, or wood that transmit loads through soils with poor load bearing capacity to lower levels where the soil's load bearing capacity is adequate.
- The foundation should show no sign of seepage, entrance of rodents into the building or settlement.

- It should be structurally sound and free of large cracks, holes or loose material. If foundation cracks are detectable, consult an engineer. Foundation repairs can be costly and should be estimated by an expert.

INTERIOR INSPECTIONS

Individual Units

- Appliances:
 - Identify the type of the roof.
 - Operable and color matched.
 - Brand. Is it a top quality brand or an economy brand?
 - Is it energy efficient?
 - Age. Management may be able to furnish information about frequency of replacements.
- Light fixtures:
 - Operable, dated, obsolete.
- Flooring and floor coverings:
 - Type: hardwood, carpeting, tile, linoleum, vinyl.
 - General condition.
 - Type and condition of sub floors.
- Decorator items:
 - Wallpaper, paint, ceiling fans, fireplaces, bookcases, cabinets, woodwork, mirrors.
- Ceilings:
 - Bowed or sagging.

- Signs of leaks, damage, discoloration.
- Color and condition of paint.
- Windows:
 - Missing or cracked glass.
 - Caulking, moisture and rot.
 - Coverings – drapes, blinds.
 - Window air conditioners – operable, condition, maintenance schedule.
- Kitchens and baths:
 - Condition of fixtures – operable, cracks, leaks, damage.
 - Under sinks and cabinets – leaks, unusual types of piping.
 - Note type and approximate age of fixtures, as replacement parts may be difficult to find.
 - Condition of cabinets and countertops.
- Smoke and carbon monoxide detectors:
 - Check city code requirements. Can they be battery operated or must they be hard wired? If detectors are required and not installed, the owner should be told as he/she may want to secure these funds from the seller at closing.
- Fire sprinkler heads:
 - Check to ensure that fire sprinkler heads are not painted over.
- Sanitary conditions:
 - Overall sanitary condition of the unit.
 - Check for blocked egress, fire hazards, and other safety concerns related to sanitary conditions.

- Doors:
 - Doors that seem to close themselves or not close properly are often evidence of settlement.
 - Condition: Well-maintained, proper fit with door jam, weather stripping.
 - Types of knobs or locking devices.

Common Areas

- Interior hallways and exterior walkways free of clutter, odor free, clean and well lit and well maintained.
- Elevators – In addition to performing a mechanical inspection of the elevator systems, you should also check the following:
 - Clean, well lit, odor free and well ventilated.
 - Walls: surface texture, condition, previous poor repairs, location of repairs that might indicate other problems such as leaks.
- Mail areas – accessible, well-maintained, well-lighted, clean, individual mailboxes with working locks.
- Laundries:
 - Centrally located or in each building, clean, well lighted, secure and adequate to serve the community.
 - Machines rented or owned. If rentals, review the contract to determine if it is transferable or renewable. If under contract, who has the responsibility for redecoration and equipment repair/upgrades during the contract period?
 - Inspect the condition of the floor for leakage problems – the result of inadequate or poor plumbing and drainage problems.
- Model Apartment:
 - Convenient location near the leasing office yet away from eyesores such as dumpsters, noisy play areas or storage facilities.
 - The floor plan and fixtures of the model should be representative of the most common units.

- Decorating – current, pleasant, offers imaginative decorative ideas to prospects, never over improved. Will it need redecorating?

Recreational Facilities and Areas

- Pool:
 - Condition of pool surface and deck area – cracks, holes, paint, slip-resistant.
 - Pool equipment, pumps, skimmers – functioning, repairs needed.
 - Deck furniture – needs to be replaced or updated.
 - GFI switches on pool lights and pumps.
 - In compliance with local and state laws – i.e. emergency phone available, drains and drain covers compliant.
 - ADA-compliant, if applicable.
- Spa/Sauna:
 - Operable, well-maintained, clean, working timer.
 - GFI switches on lights and pumps.
- Tennis, volleyball, racquet ball courts:
 - Surfaces well maintained, level, free of cracks. If repairs are needed, get estimates from professionals.
 - Lighting, timers, fences, windscreens.
- Club, Exercise or Party Rooms:
 - Type of equipment provided.
 - Condition of furnishings.
 - Do the furnishings and equipment provide a safe environment?
 - Audio or A/V equipment provided and in working order.
 - Clean, well lighted, secure.

- Play areas:
 - Well-maintained equipment.
 - Clean and safe for children.
 - Condition of surfaces and fences.
- Pet Park
 - Double-gated.
 - Clean.
 - Stocked with pet waste disposal bags.
 - Equipment properly maintained.
- BBQ and picnic areas

Employee Work Areas

- Maintenance shops:
 - Location and controlled access.
 - Clean and orderly.
 - Equipment and materials properly stored, labeled, use of MDSD sheets.
 - OSHA and local code compliance.
 - What equipment will transfer with the property – complete inventory with model and serial numbers.
- Storage:
 - Adequate or more is needed.
 - Locked, clean.
 - Vented, if required by law or ordinance.

BUILDING TERMINOLOGY GLOSSARY

A/C Condenser: The outside fan unit of the Air Conditioning system. It removes the heat from the Freon gas and “turns” the gas back into a liquid and pumps the liquid back to the coil in the furnace.

A/C Disconnect: The main electrical ON-OFF switch near the A/C Condenser.

Aerator: The round screened screw-on tip of a sink spout. It mixes water and air for a smooth flow.

Aggregate: A mixture of sand and stone and a major component of concrete.

Air space: The area between insulation facing and interior of exterior wall coverings. Normally a 1” air gap.

Anchor bolts: Bolts to secure a wooden sill plate to concrete, or masonry floor or wall.

Apron: A trim board that is installed beneath a window sill.

Area wells: Corrugated metal or concrete barrier walls installed around a basement window to hold back the earth.

Astragal: A molding, attached to one of a pair of swinging double doors, against which the other door strikes.

Attic access: An opening that is placed in the dry-walled ceiling of a home providing access to the attic.

Attic Ventilators: In houses, screened openings provided to ventilate an attic space.

Backfill: The replacement of excavated earth into a trench around or against a basement /crawl space foundation wall.

Backing: Frame lumber installed between the wall studs to give additional support for drywall or an interior trim related item, such as handrail brackets, cabinets, and towel bars. In this way, items are screwed and mounted into solid wood rather than weak drywall that may allow the item to break loose from the wall. Carpet backing holds the pile fabric in place.

Ballast: A transformer that steps up the voltage in a florescent lamp.

Balloon framed wall: Framed walls (generally over 10' tall) that run the entire vertical length from the floor sill plate to the roof. This is done to eliminate the need for a gable end truss.

Balusters: Vertical members in a railing used between a top rail and bottom rail or the stair treads. Sometimes referred to as 'pickets' or 'spindles'.

Balustrade: The rail, posts and vertical balusters along the edge of a stairway or elevated walkway.

Barge: Horizontal beam rafter that supports shorter rafters.

Barge board: A decorative board covering the projecting rafter (fly rafter) of the gable end. At the cornice, this member is a fascia board.

Base or baseboard: A trim board placed against the wall around the room next to the floor.

Basement window inserts: The window frame and glass unit that is installed in the window buck.

Base shoe: Molding used next to the floor on interior base board. Sometimes called a carpet strip.

Bat: A half-brick.

Batt: A section of fiber-glass or rock-wool insulation measuring 15 or 23 inches wide by four to eight feet long and various thickness. Sometimes "faced" (meaning to have a paper covering on one side) or "un-faced" (without paper.)

Batten: Narrow strips of wood used to cover joints or as decorative vertical members over plywood or wide boards.

Bay window: Any window space projecting outward from the walls of a building, either square or polygonal in plan.

Beam: A structural member transversely supporting a load. A structural member carrying building loads (weight) from one support to another. Sometimes called a "girder."

Bearing partition: A partition that supports any vertical load in addition to its own weight.

Bearing point: A point where a bearing or structural weight is concentrated and transferred to the foundation.

Bearing wall: A wall that supports any vertical load in addition to its own weight.

Bearing header: (a) A beam placed perpendicular to joists and to which joists are nailed in framing for a chimney, stairway, or other opening. (b) A wood lintel. (c) The horizontal structural member over an opening (for example over a door or window.)

Bi-fold door: Doors that are hinged in the middle for opening in a smaller area than standard swing doors. Often used for closet doors.

Bi-pass doors: Doors that slide by each other and commonly used as closet doors.

Blankets: Fiber-glass or rock-wool insulation that comes in long rolls 15 or 23 inches wide.

Blocked (door blocking): Wood shims used between the door frame and the vertical structural wall framing members.

Blocked (rafters): Short “2 by 4’s” used to keep rafters from twisting, and installed at the ends and at mid-span.

Blocking: Small wood pieces to brace framing members or to provide a nailing base for gypsum board or paneling.

Block out: To install a box or barrier within a foundation wall to prevent the concrete from entering an area. For example, foundation walls are sometimes “blocked” in order for mechanical pipes to pass through the wall, to install a crawl space door, and to depress the concrete at a garage door location.

Blow insulation: Fiber insulation in loose form and used to insulate attics and existing walls where framing members are not exposed.

Board foot: A unit of measure for lumber equal to 1 inch thick by 12 inches wide by 12 inches long. Examples: 1” x 12” x 16’ = 16 board feet, 2” x 12” x 16’ = 32 board feet.

Boom: A truck used to hoist heavy material up and into place. To put trusses on a home or to set a heavy beam into place.

Bottom chord: The lower or bottom horizontal member of a truss.

Bottom plate: The “2 by 4’s or 6’s” that lay on the subfloor upon which the vertical studs are installed. Also called the ‘sole plate.’

Brace: An inclined piece of framing lumber applied to wall or floor to strengthen the structure. Often used on walls as temporary bracing until framing has been completed.

Breaker panel: The electrical box that distributes electric power entering the home to each branch circuit (each plug and switch) and composed of circuit breakers.

Brick ledge: Part of the foundation wall where brick (veneer) will rest.

Brick lintel: The metal angle iron that brick rests on, especially above a window, door, or other opening.

Brick mold: Trim used around an exterior door jamb that siding butts to.

Brick tie: A small, corrugated metal strip @ 1" X 6"- 8" long nailed to wall sheathing or studs. They are inserted into the grout mortar joint of the veneer brick, and holds the veneer wall to the sheeted wall behind it.

Brick veneer: A vertical facing of brick laid against and fastened to sheathing of a framed wall or tile wall construction.

Bridging: Small wood or metal members that are inserted in a diagonal position between the floor joists or rafters at mid-span for the purpose of bracing the joists/rafters & spreading the load.

Buck: Often used in reference to rough frame opening members. Door bucks used in reference to metal door frame. See Window Bucks.

Building paper: A general term for papers, felts, and similar sheet materials used in buildings without reference to their properties or uses. Generally comes in long rolls.

Built-up roof: A roofing composed of three to five layers of asphalt felt laminated with coal tar, pitch, or asphalt. The top is finished with crushed slag or gravel. Generally used on flat or low-pitched roofs.

Bull nose (drywall): Rounded drywall corners.

Bundle: A package of shingles. Normally, there are 3 bundles per square and 27 shingles per bundle.

Butt edge: The lower edge of the shingle tabs.

Butt hinge: The most common type. One leaf attaches to the door's edge, the other to its jamb.

CO: An abbreviation for “Certificate of Occupancy”. This certificate is issued by the local municipality and is required before anyone can occupy and live within the home. It is issued only after the local municipality has made all inspections and all monies and fees have been paid.

Caisson: A 10” or 12” diameter hole drilled into the earth and embedded into bedrock 3 - 4 feet. The structural support for a type of foundation wall, porch, patio, monopost, or other structure. Two or more “sticks” of reinforcing bars (rebar) are inserted into and run the full length of the hole and concrete is poured into the caisson hole.

Cantilever: An overhang. Where one floor extends beyond and over a foundation wall. For example at a fireplace location or bay window cantilever. Normally, not extending over 2 feet.

Cantilevered void: Foundation void material used in unusually expansive soils conditions. This void is “trapezoid” shaped and has vertical sides of 6” and 4” respectively.

Cap: The upper member of a column, pilaster, door cornice, molding, or fireplace.

Cap flashing: The portion of the flashing attached to a vertical surface to prevent water from migrating behind the base flashing.

Casement: Frames of wood or metal enclosing part (or all) of a window sash. May be opened by means of hinges affixed to the vertical edges.

Casement Window: A window with hinges on one of the vertical sides and swings open like a normal door.

Casing: Wood trim molding installed around a door or window opening.

Caulking: (1) A flexible material used to seal a gap between two surfaces e.g. between pieces of siding or the corners in tub walls. (2) To fill a joint with mastic or asphalt plastic cement to prevent leaks.

CCA (Chromated Copper Arsenate): A pesticide that is forced into wood under high pressure to protect it from termites, other wood boring insects, and decay caused by fungus.

Celotex™: Black fibrous board that is used as exterior sheathing.

Ceiling joist: One of a series of parallel framing members used to support ceiling loads and supported in turn by larger beams, girders or bearing walls. Also called roof joists.

Cement: The gray powder that is the “glue” in concrete. Portland cement. Also, any adhesive.

Ceramic tile: A man-made or machine-made clay tile used to finish a floor or wall. Generally used in bathtub and shower enclosures and on counter tops.

CFM (cubic feet per minute): A rating that expresses the amount of air a blower or fan can move. The volume of air (measured in cubic feet) that can pass through an opening in one minute.

Chair rail: Interior trim material installed about 3-4 feet up the wall, horizontally.

Chalk line: A line made by snapping a taut string or cord dusted with chalk. Used for alignment purposes.

Chase: A framed enclosed space around a flue pipe or a channel in a wall, or through a ceiling for something to lie in or pass through.

Chink: To install fiberglass insulation around all exterior door and window frames, wall corners, and small gaps in the exterior wall.

Chip Board: A manufactured wood panel made out of 1”- 2” wood chips and glue. Often used as a substitute for plywood in the exterior wall and roof sheathing. Also called OSB (Oriented Strand Board) or wafer board.

Circuit: The path of electrical flow from a power source through an outlet and back to ground.

Circuit Breaker: A device which looks like a switch and is usually located inside the electrical breaker panel or circuit breaker box. It is designed to (1) shut off the power to portions or all of the house and (2) to limit the amount of power flowing through a circuit (measured in amperes). 110 volt household circuits require a fuse or circuit breaker with a rating of 15 or a maximum of 20 amps. 220 volt circuits may be designed for higher amperage loads e.g. a hot water heater may be designed for a 30 amp load and would therefore need a 30 amp fuse or breaker.

Class “A”: Optimum fire rating issued by Underwriter’s Laboratories on roofing. The building codes in some areas require this type of roofing for fire safety.

Class “C”: Minimum fire rating issued by the Underwriters’ Laboratories for roofing materials.

Clean out: An opening providing access to a drain line. Closed with a threaded plug.

Clip ties: Sharp, cut metal wires that protrude out of a concrete foundation wall (that at one time held the foundation form panels in place.)

Cold air return: The ductwork (and related grills) that carries room air back to the furnace for re-heating.

Collar: Preformed flange placed over a vent pipe to seal the roofing above the vent pipe opening. Also called a vent sleeve.

Collar beam: Nominal 1- or 2-inch-thick members connecting opposite roof rafters. They serve to stiffen the roof structure.

Column: A vertical structural compression member which supports loads.

Combustion air: The duct work installed to bring fresh, outside air to the furnace and/or hot water heater. Normally 2 separate supplies of air are brought in: one high and one low.

Combustion chamber: The part of a boiler, furnace or woodstove where the burn occurs; normally lined with firebrick or molded or sprayed insulation.

Compression web: A member of a truss system which connects the bottom and top chords and which provides downward support.

Compressor: A mechanical device that pressurizes a gas in order to turn it into a liquid, thereby allowing heat to be removed or added. A compressor is the main component of conventional heat pumps and air conditioners. In an air conditioning system, the compressor normally sits outside and has a large fan (to remove heat.)

Concrete: The mixture of Portland cement, sand, gravel, and water. Used to make garage and basement floors, sidewalks, patios, foundation walls, etc. It is commonly reinforced with steel rods (rebar) or wire screening (mesh.)

Concrete block: A hollow concrete 'brick' often 8" x 8" x 16" in size.

Concrete board: A panel made out of concrete and fiberglass usually used as a tile backing material.

Condensation: Beads or drops of water (and frequently frost in extremely cold weather) that accumulate on the inside of the exterior covering of a building. Use of louvers or attic ventilators will reduce moisture condensation in attics. A vapor barrier under the gypsum lath or dry wall on exposed walls will reduce condensation.

Condensing unit: The outdoor component of a cooling system. It includes a compressor and condensing coil designed to give off heat.

Conduction: The direct transfer of heat energy through a material.

Conductivity: The rate at which heat is transmitted through a material.

Conduit, electrical: A pipe, usually metal, in which wire is installed.

Construction drywall: A type of construction in which the interior wall finish is applied in a dry condition, generally in the form of sheet materials or wood paneling as contrasted to plaster.

Construction, frame: A type of construction in which the structural components are wood or depend upon a wood frame for support.

Continuity tester: A device that tells whether a circuit is capable of carrying electricity.

Control joint: Tooled, straight grooves made on concrete floors to “control” where the concrete should crack.

Convection: Currents created by heating air, which then rises and pulls cooler air behind it. Also see radiation.

Cooling load: The amount of cooling required to keep a building at a specified temperature during the summer, usually 78° F, regardless of outside temperature.

Coped: Removing the top and bottom flange of the end(s) of a metal I-beam. This is done to permit it to fit within, and bolted to, the web of another I-beam in a “T” arrangement.

Coped joint: Cutting and fitting woodwork to an irregular surface.

Corbel: The triangular, decorative and supporting member that holds a mantel or horizontal shelf.

Corner bead: A strip of formed sheet metal placed on outside corners of drywall before applying drywall ‘mud’.

Corner boards: Used as trim for the external corners of a house or other frame structure against which the ends of the siding are finished.

Corner braces: Diagonal braces at the corners of the framed structure designed to stiffen and strengthen the wall.

Cornice: Overhang of a pitched roof, usually consisting of a fascia board, a soffit and appropriate trim moldings.

Counter flashing: A metal flashing usually used on chimneys at the roofline to cover shingle flashing and used to prevent moisture entry.

Counterfort: A foundation wall section that strengthens (and generally perpendicular to) a long section of foundation wall.

Course: A row of shingles or roll roofing running the length of the roof. Parallel layers of building materials such as bricks, or siding laid up horizontally.

Cove molding: A molding with a concave face used as trim or to finish interior corners.

Crawl space: A shallow space below the living quarters of a house, normally enclosed by the foundation wall and having a dirt floor.

Cricket: A second roof built on top of the primary roof to increase the slope of the roof or valley. A saddle-shaped, peaked construction connecting a sloping roof with a chimney. Designed to encourage water drainage away from the chimney joint.

Cripple: Short vertical “2 by 4’s or 6’s” frame lumber installed above a window or door.

Cross bridging: Diagonal bracing between adjacent floor joists, placed near the center of the joist span to prevent joists from twisting.

Cross Tee: Short metal “T” beam used in suspended ceiling systems to bridge the spaces between the main beams.

Crown molding: A molding used on cornice or wherever an interior angle is to be covered, especially at the roof and wall corner.

Culvert: Round, corrugated drain pipe (normally 15” or 18” in diameter) that is installed beneath a driveway and parallel to and near the street.

Cupping: A type of warping that causes boards to curl up at their edges.

Curb: The short elevation of an exterior wall above the deck of a roof. Normally a 2 by 6 box (on the roof) on which a skylight is attached.

Curb stop: Normally a cast iron pipe with a lid (@ 5” in diameter) that is placed vertically into the ground, situated near the water tap in the yard, and where a water cut-off valve to the home is located (underground). A long pole with a special end is inserted into the curb stop to turn off/on the water.

Cut-in brace: Nominal 2-inch-thick members, usually 2 by 4's, cut in between each stud diagonally.

Dado: A groove cut into a board or panel intended to receive the edge of a connecting board or panel.

Damper: A metal “door” placed within the fireplace chimney. Normally closed when the fireplace is not in use.

Damp-proofing: The black, tar like waterproofing material applied to the exterior of a foundation wall.

Daylight: The end of a pipe (the terminal end) that is not attached to anything.

Dead bolt: An exterior security lock installed on exterior entry doors that can be activated only with a key or thumb-turn. Unlike a latch, which has a beveled tongue, dead bolts have square ends.

Dead light: The fixed, non-operable window section of a window unit.

Deck, decked: To install the plywood or wafer board sheathing on the floor joists, rafters, or trusses.

Dedicated circuit: An electrical circuit that serves only one appliance (i.e., dishwasher) or a series of electric heaters or smoke detectors.

De-humidistat: A control mechanism used to operate a mechanical ventilation system based upon the relative humidity in the home.

Delamination: Separation of the plies in a panel due to failure of the adhesive. Usually caused by excessive moisture.

Disconnect: A large (generally 20 Amp) electrical ON-OFF switch.

Doorjamb, interior: The surrounding case into which and out of which a door closes and opens. It consists of two upright pieces, called side jambs, and a horizontal head jamb. These 3 jambs have the “door stop” installed on them.

Door operator: An automatic garage door opener.

Door stop: The wooden style that the door slab will rest upon when it's in a closed position.

Dormer: An opening in a sloping roof, the framing of which projects out to form a vertical wall suitable for windows or other openings.

Double glass: Window or door in which two panes of glass are used with a sealed air space between. Also known as Insulating Glass.

Double hung window: A window with two vertically sliding sashes, both of which can move up and down.

Downspout: A pipe, usually of metal, for carrying rainwater down from the roof's horizontal gutters.

Drain tile: A perforated, corrugated plastic pipe laid at the bottom of the foundation wall and used to drain excess water away from the foundation. It prevents ground water from seeping through the foundation wall. Sometimes called perimeter drain.

Drip: (a) A member of a cornice or other horizontal exterior finish course that has a projection beyond the other parts for throwing off water. (b) A groove in the underside of a sill or drip cap to cause water to drop off on the outer edge instead of drawing back and running down the face of the building.

Drip cap: A molding or metal flashing placed on the exterior topside of a door or window frame to cause water to drip beyond the outside of the frame.

Dry in: To install the black roofing felt (tar paper) on the roof.

Drywall (or Gypsum Wallboard (GWB), Sheet rock or Plasterboard): Wall board or gypsum- A manufactured panel made out of gypsum plaster and encased in a thin cardboard. Usually 1/2" thick and 4' x 8' or 4' x 12' in size. The panels are nailed or screwed onto the framing and the joints are taped and covered with a 'joint compound'. 'Green board' type drywall has a greater resistance to moisture than regular (white) plasterboard and is used in bathrooms and other "wet areas."

Ducts: Usually round or rectangular metal pipes installed for distributing warm (or cold) air from the furnace to rooms in the home. Also a tunnel made of galvanized metal or rigid fiberglass, which carries air from the heater or ventilation opening to the rooms in a building.

Dura board, dura rock: A panel made out of concrete and fiberglass usually used as a ceramic tile backing material. Commonly used on bathtub decks. Sometimes called Wonder board.

DWV (drain-waste-vent): The section of a plumbing system that carries water and sewer gases out of a home.

Earthquake Strap: A metal strap used to secure gas hot water heaters to the framing or foundation of a house. Intended to reduce the chances of having the water heater fall over in an earthquake and causing a gas leak.

Eaves: The horizontal exterior roof overhang.

Egress: A means of exiting the home. An egress window is required in every bedroom and basement. Normally a 4' X 4' window is the minimum size required.

Electric lateral: The trench or area in the yard where the electric service line (from a transformer or pedestal) is located, or the work of installing the electric service to a home.

Electric resistance coils: Metal wires that heat up when electric current passes through them and are used in baseboard heaters and electric water heaters.

Electrical entrance package: The entry point of the electrical power including: (1) the 'strike' or location where the overhead or underground electrical lines connect to the house, (2) The meter which measures how much power is used and (3) The 'panel' or 'circuit breaker box ' (or 'fuse box') where the power can be shut off and where overload devices such as fuses or circuit breakers are located.

Electrical Rough: Work performed by the Electrical Contractor after the plumber and heating contractor are complete with their phase of work. Normally all electrical wires, and outlet, switch, and fixture boxes are installed (before insulation.)

Electrical Trim: Work performed by the electrical contractor when the house is nearing completion. The electrician installs all plugs, switches, light fixtures, smoke detectors, appliance "pig tails", bath ventilation fans, wires the furnace, and "makes up" the electric house panel. The electrician does all work necessary to get the home ready for and to pass the municipal electrical final inspection.

Escutcheon: An ornamental plate that fits around a pipe extending through a wall or floor to hide the cut out hole.

Evaporator coil: The part of a cooling system that absorbs heat from air in your home. Also see condensing unit.

Expansion joint: Fibrous material (@1/2" thick) installed in and around a concrete slab to permit it to move up and down (seasonally) along the non-moving foundation wall.

Expansive soils: Earth that swells and contracts depending on the amount of water that is present. ("Betonite" is an expansive soil.)

Exposed aggregate finish: A method of finishing concrete which washes the cement/sand mixture off the top layer of the aggregate - usually gravel. Often used in driveways, patios and other exterior surfaces.

FHA strap: Metal straps that are used to repair a bearing wall “cut-out”, and to “tie together” wall corners, splices, and bearing headers. Also, they are used to hang stairs and landings to bearing headers.

Face nail: To install nails into the vertical face of a bearing header or beam.

Faced concrete: To finish the front and all vertical sides of a concrete porch, step(s), or patio. Normally the “face” is broom finished.

Facing brick: The brick used and exposed on the outside of a wall. Usually these have a finished texture.

Fascia: Horizontal boards attached to rafter/truss ends at the eaves and along gables. Roof drain gutters are attached to the fascia.

Felt: Tar paper. Installed under the roof shingles. Normally 15 lb. or 30 lb.

Female: Any part, such as a nut or fitting, into which another (male) part can be inserted. Internal threads are female.

Ferrule: Metal tubes used to keep roof gutters “open”. Long nails (ferrule spikes) are driven through these tubes and hold the gutters in place along the fascia of the home.

Finger joint: A manufacturing process of interlocking two shorter pieces of wood end to end to create a longer piece of dimensional lumber or molding. Often used in jambs and casings and are normally painted (instead of stained.)

Fire block: Short horizontal members sometimes nailed between studs, usually about halfway up a wall. See also ‘Fire stop.’

Fire brick: Brick made of refractory ceramic material which will resist high temperatures. Used in a fireplace and boiler.

Fireplace chase flashing pan: A large sheet of metal that is installed around and perpendicular to the fireplace flue pipe. Its purpose is to confine and limit the spread of fire and smoke to a small area.

Fire-resistive or Fire rated: Applies to materials that are not combustible in the temperatures of ordinary fires and will withstand such fires for at least 1 hour. Drywall used in the garage and party walls are to be fire rated, 5/8”, Type X.

Fire retardant chemical: A chemical or preparation of chemicals used to reduce the flammability of a material or to retard the spread of flame.

Fire stop: A solid, tight closure of a concealed space, placed to prevent the spread of fire and smoke through such a space. In a frame wall, this will usually consist of 2 by 4 cross blocking between studs. Work performed to slow the spread of fire and smoke in the walls and ceiling (behind the drywall). Includes stuffing wire holes in the top and bottom plates with insulation, and installing blocks of wood between the wall studs at the drop soffit line. This is integral to passing a Rough Frame inspection. See also 'Fire block.'

Fishplate (gusset): A wood or plywood piece used to fasten the ends of two members together at a butt joint with nails or bolts. Sometimes used at the junction of opposite rafters near the ridge line. Sometimes called a gang nail plate.

Fish tape: A long strip of spring steel used for fishing cables and for pulling wires through conduit.

Flagstone (flagging or flags): Flat stones (1 to 4 inches thick) used for walks, steps, floors, and vertical veneer (in lieu of brick.)

Flakeboard: A manufactured wood panel made out of 1"- 2" wood chips and glue. Often used as a substitute for plywood in the exterior wall and roof sheathing. Also called OSB or wafer board.

Flame retention burner: An oil burner, designed to hold the flame near the nozzle surface. Generally the most efficient type for residential use.

Flashing: Sheet metal or other material used in roof and wall construction to protect a building from water seepage.

Flat mold: Thin wood strips installed over the butt seam of cabinet skins.

Flat paint: An interior paint that contains a high proportion of pigment and dries to a flat or lusterless finish.

Flatwork: Common word for concrete floors, driveways, basements, and sidewalks.

Floating: The next-to-last stage in concrete work, when you smooth off the job and bring water to the surface by using a hand float or bull float.

Floating wall: A non-bearing wall built on a concrete floor. It is constructed so that the bottom two horizontal plates can compress or pull apart if the concrete floor moves up or down. Normally built on basements and garage slabs.

Fluorescent lighting: A fluorescent lamp is a gas-filled glass tube with a phosphor coating on the inside. Gas inside the tube is ionized by electricity which causes the phosphor coating to glow. Normally with two pins that extend from each end.

Flue: Large pipe through which fumes escape from a gas water heater, furnace, or fireplace. Normally these flue pipes are double walled, galvanized sheet metal pipe and sometimes referred to as a “B Vent”. Fireplace flue pipes are normally triple walled. In addition, nothing combustible shall be within one inch from the flue pipe.

Flue collar: Round metal ring which fits around the heat flue pipe after the pipe passes out of the roof.

Flue damper: An automatic door located in the flue that closes it off when the burner turns off; purpose is to reduce heat loss up the flue from the still-warm furnace or boiler.

Flue lining: 2-foot lengths, fire clay or terra-cotta pipe (round or square) and usually made in all ordinary flue sizes. Used for the inner lining of chimneys with the brick or masonry work done around the outside. Flue linings in chimneys runs from one foot below the flue connection to the top of the chimney.

Fly rafters: End rafters of the gable overhang supported by roof sheathing and lookouts.

Footer, footing: Continuous 8” or 10” thick concrete pad installed before and supports the foundation wall or monopost.

Forced air heating: A common form of heating with natural gas, propane, oil or electricity as a fuel. Air is heated in the furnace and distributed through a set of metal ducts to various areas of the house.

Form: Temporary structure erected to contain concrete during placing and initial hardening.

Foundation: The supporting portion of a structure below the first floor construction, or below grade, including the footings.

Foundation ties: Metal wires that hold the foundation wall panels and rebar in place during the concrete pour.

Foundation waterproofing: High-quality below-grade moisture protection. Used for below-grade exterior concrete and masonry wall damp-proofing to seal out moisture and prevent corrosion. Normally looks like black tar.

Framing: Lumber used for the structural members of a building, such as studs, joists, and rafters.

Frieze: In house construction a horizontal member connecting the top of the siding with the soffit of the cornice.

Frost lid: Round metal lid that is installed on a water meter pit.

Frost line: The depth of frost penetration in soil and/or the depth at which the earth will freeze and swell. This depth varies in different parts of the country.

Furring strips: Strips of wood, often 1 X 2 and used to shim out and provide a level fastening surface for a wall or ceiling.

Fuse: A device often found in older homes designed to prevent overloads in electrical lines. This protects against fire. See also 'circuit breakers.'

GFCI, or GFI: Ground Fault Circuit Interrupter- an ultra-sensitive plug designed to shut off all electric current. Used in bathrooms, kitchens, exterior waterproof outlets, garage outlets, and "wet areas". Has a small reset button on the plug.

Gable: The end, upper, triangular area of a home, beneath the roof.

Gang nail plate: A steel plate attached to both sides at each joint of a truss. Sometimes called a fishplate or gusset.

Gate valve: A valve that lets you completely stop—but not modulate—the flow within a pipe.

Gas lateral: The trench or area in the yard where the gas line service is located, or the work of installing the gas service to a home.

Girder: A large or principal beam of wood or steel used to support concentrated loads at isolated points along its length.

Glazing: The process of installing glass, which commonly is secured with glazier's points and glazing compound.

Globe valve: A valve that lets you adjust the flow of water to any rate between fully on and fully off. Also see gate valve.

Gloss enamel: A finishing paint material. Forms a hard coating with maximum smoothness of surface and dries to a sheen or luster (gloss.)

Glued Laminated Beam (Glulam): A structural beam composed of wood laminations or lams. The lams are pressure bonded with adhesives to attain a typical thickness of 1 1/2". (It looks like 5 or more 2 X 4's are glued together.)

Grade: Ground level, or the elevation at any given point. Also the work of leveling dirt. Also the designated quality of a manufactured piece of wood.

Grade beam: A foundation wall that is poured @ level with or just below the grade of the earth. An example is the area where the 8' or 16' overhead garage door "block out" is located, or a lower (walk out basement) foundation wall is poured.

Grain: The direction, size, arrangement, appearance, or quality of the fibers in wood.

Grid: The completed assembly of main and cross tees in a suspended ceiling system before the ceiling panels are installed. Also the decorative slats (muntin) installed between glass panels.

Ground: Refers to electricity's habit of seeking the shortest route to earth. Neutral wires carry it there in all circuits. An additional grounding wire or the sheathing of the metal-clad cable or conduit—protects against shock if the neutral leg is interrupted.

Ground fault - Ground Fault Circuit Interrupter (GFCI, GFI): An ultra-sensitive plug designed to shut off all electric current. Used in bathrooms, kitchens, exterior waterproof outlets, garage outlets, and "wet areas". Has a small reset button on the plug.

Ground iron: The plumbing drain and waste lines that are installed beneath the basement floor. Cast iron was once used, but black plastic pipe (ABS) is now widely used.

Groundwater: Water from an aquifer or subsurface water source.

Grout: A wet mixture of cement, sand and water that flows into masonry or ceramic crevices to seal the cracks between the different pieces. Mortar made of such consistency (by adding water) that it will flow into the joints and cavities of the masonry work and fill them solid.

Gusset: A flat wood, plywood, or similar type member used to provide a connection at the intersection of wood members. Most commonly used at joints of wood trusses. They are fastened by nails, screws, bolts, or adhesives.

Gutter: A shallow channel or conduit of metal or wood set below and along the (fascia) eaves of a house to catch and carry off rainwater from the roof.

Gyp board: Drywall. Wall board or gypsum- A panel (normally 4' X 8', 10', 12', or 16') made with a core of Gypsum (chalk-like) rock, which covers interior walls and ceilings.

Gypsum plaster: Gypsum formulated to be used with the addition of sand and water for base-coat plaster.

H Clip: Small metal clips formed like an "H" that fits at the joints of two plywood (or wafer board) sheets to stiffen the joint. Normally used on the roof sheeting.

Hardware: All of the "metal" fittings that go into the home when it is near completion. For example, door knobs, towel bars, handrail brackets, closet rods, house numbers, door closers, etc. The Interior Trim Carpenter installs the "hardware."

Haunch: An extension, knee like protrusion of the foundation wall that a concrete porch or patio will rest upon for support.

Header: (a) A beam placed perpendicular to joists and to which joists are nailed in framing for a chimney, stairway, or other opening. (b) A wood lintel. (c) The horizontal structural member over an opening (for example over a door or window.)

Hearth: The fireproof area directly in front of a fireplace. The inner or outer floor of a fireplace, usually made of brick, tile, or stone.

Heating load: The amount of heating required to keep a building at a specified temperature during the winter, usually 65° F, regardless of outside temperature.

Heat pump: A mechanical device which uses compression and decompression of gas to heat and/or cool a house.

Heel cut: A notch cut in the end of a rafter to permit it to fit flat on a wall and on the top, doubled, exterior wall plate.

Highlights: A light spot, area, or streak on a painted surface.

Hip: A roof with four sloping sides. The external angle formed by the meeting of two sloping sides of a roof.

Hip roof: A roof that rises by inclined planes from all four sides of a building.

Home run (electrical): The electrical cable that carries power from the main circuit breaker panel to the first electrical box, plug, or switch in the circuit.

Honey combs: The appearance concrete makes when rocks in the concrete are visible and where there are void areas in the foundation wall, especially around concrete foundation windows.

Hose bib: An exterior water faucet (sill cock.)

Hot wire: The wire that carries electrical energy to a receptacle or other device—in contrast to a neutral, which carries electricity away again. Normally the black wire. Also see ground.

Humidifier: An appliance normally attached to the furnace, or portable unit device designed to increase the humidity within a room or a house by means of the discharge of water vapor.

Hurricane clip: Metal straps that are nailed and secure the roof rafters and trusses to the top horizontal wall plate. Sometimes called a Teco clip.

HVAC: An abbreviation for Heat, Ventilation, and Air Conditioning.

I-beam: A steel beam with a cross section resembling the letter I. It is used for long spans as basement beams or over wide wall openings, such as a double garage door, when wall and roof loads bear down on the opening.

I-joist: Manufactured structural building component resembling the letter “I”. Used as floor joists and rafters. I-joists include two key parts: flanges and webs. The flange of the I joist may be made of laminated veneer lumber or dimensional lumber, usually formed into a 1 1/2” width. The web or center of the I-joist is commonly made of plywood or oriented strand board (OSB). Large holes can be cut in the web to accommodate duct work and plumbing waste lines. I-joists are available in lengths up to 60 feet long.

Incandescent lamp: A lamp employing an electrically charged metal filament that glows at white heat. A typical light bulb.

Infiltration: The passage of air from indoors to outdoors and vice versa; term is usually associated with drafts from cracks, seams or holes in buildings.

Inside corner: The point at which two walls form an internal angle, as in the corner of a room.

Insulating glass: Window or door in which two panes of glass are used with a sealed air space between. Also known as Double glass.

Insulation board, rigid: A structural building board made of coarse wood or cane fiber in 1/2- and 25/32-inch thickness. It can be obtained in various size sheets and densities.

Insulation, thermal: Any material high in resistance to heat transmission that, when placed in the walls, ceiling, or floors of a structure, will reduce the rate of heat flow.

Insulation: Any material high in resistance to heat transmission that, when placed in the walls, ceiling, or floors of a structure, and will reduce the rate of heat flow.

J Channel: Metal edging used on drywall to give the edge a better finished appearance when a wall is not “wrapped” Generally, basement stairway walls have drywall only on the stair side. J Channel is used on the vertical edge of the last drywall sheet.

Jack post: A type of structural support made of metal, which can be raised or lowered through a series of pins and a screw to meet the height required. Basically used as a replacement for an old supporting member in a building. See Monopost.

Jack rafter: A rafter that spans the distance from the wall plate to a hip, or from a valley to a ridge.

Jamb: The side and head lining of a doorway, window, or other opening. Includes studs as well as the frame and trim.

Joint: The location between the touching surfaces of two members or components joined and held together by nails, glue, cement, mortar, or other means.

Joint cement or Joint compound: A powder that is usually mixed with water and used for joint treatment in gypsum-wallboard finish. Often called “spackle” or drywall mud.

Joint trench: When the electric company and telephone company dig one trench and “drop” both of their service lines in.

Joist: Wooden 2 X 8’s, 10’s, or 12’s that run parallel to one another and support a floor or ceiling, and supported in turn by larger beams, girders, or bearing walls.

Joist hanger: A metal “U” shaped item used to support the end of a floor joist and attached with hardened nails to another bearing joist or beam.

Jumpers: Water pipe installed in a water meter pit (before the water meter is installed), or electric wire that is installed in the electric house panel meter socket before the meter is installed. This is sometimes illegal.

Keeper: The metal latch plate in a door frame into which a doorknob plunger latches.

Keyless: A plastic or porcelain light fixture that operates by a pull string. Generally found in the basement, crawl space, and attic areas.

Keyway: A slot formed and poured on a footer or in a foundation wall when another wall will be installed at the slot location. This gives additional strength to the joint/meeting point.

Kilowatt (kW): One thousand watts. A kilowatt hour is the base unit used in measuring electrical consumption. Also see watt.

King stud: The vertical “2 X’s” frame lumber (left and right) of a window or door opening, and runs continuously from the bottom sole plate to the top plate.

Knot: In lumber, the portion of a branch or limb of a tree that appears on the edge or face of the piece.

Laminated shingles: Shingles that have added dimensionality because of extra layers or tabs, giving a shake-like appearance. May also be called “architectural shingles” or “three-dimensional shingles.”

Laminating: Bonding together two or more layers of materials.

Landing: A platform between flights of stairs or at the termination of a flight of stairs. Often used when stairs change direction. Normally no less than 3 ft. X 3 ft. square.

Lap: To cover the surface of one shingle or roll with another.

Latch: A beveled metal tongue operated by a spring-loaded knob or lever. The tongue’s bevel lets you close the door and engage the locking mechanism, if any, without using a key. Contrasts with dead bolt.

Lateral (electric, gas, telephone, sewer and water): The underground trench and related services (i.e., electric, gas, telephone, sewer and water lines) that will be buried within the trench.

Lath: A building material of narrow wood, metal, gypsum, or insulating board that is fastened to the frame of a building to act as a base for plaster, shingles, or tiles.

Lattice: An open framework of crisscrossed wood or metal strips that form regular, patterned spaces.

Ledger (for a Structural Floor): The wooden perimeter frame lumber member that bolts onto the face of a foundation wall and supports the wood structural floor.

Ledger strip: A strip of lumber nailed along the bottom of the side of a girder on which joists rest.

Leech field: A method used to treat/dispose of sewage in rural areas not accessible to a municipal sewer system. Sewage is permitted to be filtered and eventually discharged into a section of the lot called a leech field.

Let-in brace: Nominal 1 inch-thick boards applied into notched studs diagonally. Also, an “L” shaped, long (@ 10’) metal strap that are installed by the framer at the rough stage to give support to an exterior wall or wall corner.

Level: True horizontal. Also a tool used to determine level.

Light: Space in a window sash for a single pane of glass. Also, a pane of glass.

Limit switch: A safety control that automatically shuts off a furnace if it gets too hot. Most also control blower cycles.

Lineal foot: A unit of measure for lumber equal to 1 inch thick by 12 inches wide by 12 inches long. Examples: 1” x 12” x 16’ = 16 board feet, 2” x 12” x 16’ = 32 board feet.

Lintel: A horizontal structural member that supports the load over an opening such as a door or window.

Load bearing wall: Includes all exterior walls and any interior wall that is aligned above a support beam or girder. Normally, any wall that has a double horizontal top plate.

Lookout: A short wood bracket or cantilever that supports an overhang portion of a roof.

Louver: A vented opening into the home that has a series of horizontal slats and arranged to permit ventilation but to exclude rain, snow, light, insects, or other living creatures.

Lumens: Unit of measure for total light output. The amount of light falling on a surface of one square foot.

Male: Any part, such as a bolt, designed to fit into another (female) part. External threads are male.

Mantel: The shelf above a fireplace opening. Also used in referring to the decorative trim around a fireplace opening.

Manufactured wood: A wood product such as a truss, beam, glulam, microlam or joist which is manufactured out of smaller wood pieces and glued or mechanically fastened to form a larger piece. Often used to create a stronger member which may use less wood. See also Oriented Strand Board.

Manufacturer's specifications: The written installation and/or maintenance instructions which are developed by the manufacturer of a product and which may have to be followed in order to maintain the product warrantee.

Masonry: Stone, brick, concrete, hollow-tile, concrete block, or other similar building units or materials. Normally bonded together with mortar to form a wall.

Mastic: A pasty material used as a cement (as for setting tile) or a protective coating (as for thermal insulation or waterproofing.)

Metal lath: Sheets of metal that are slit to form openings within the lath. Used as a plaster base for walls and ceilings and as reinforcing over other forms of plaster base.

Microlam: A manufactured structural wood beam. It is constructed of pressure and adhesive bonded wood strands of wood. They have a higher strength rating than solid sawn lumber. Normally comes in 1 1/2" thickness' and 9 1/2", 11 1/2" and 14" widths.

Milar (Mylar): Plastic, transparent copies of a blueprint.

Millwork: Generally all building materials made of finished wood and manufactured in millwork plants. Includes all doors, window and door frames, blinds, mantels, panel work, stairway components (balusters, rail, etc.), moldings, and interior trim. Does not include flooring, ceiling, or siding.

Miter joint: The joint of two pieces at an angle that bisects the joining angle. For example, the miter joint at the side and head casing at a door opening is made at a 45° angle.

Molding: A wood strip having an engraved, decorative surface.

Monopost: Adjustable metal column used to support a beam or bearing point. Normally 11 gauge or Schedule 40 metal, and determined by the structural engineer.

Mortar: A mixture of cement (or lime) with sand and water used in masonry work.

Mortise: A slot cut into a board, plank, or timber, usually edgewise, to receive the tenon (or tongue) of another board, plank, or timber to form a joint.

Mudsill: Bottom horizontal member of an exterior wall frame which rests on top a foundation, sometimes called sill plate. Also sole plate, bottom member of interior wall frame.

Mudsill: A vertical divider in the frame between windows, doors, or other openings.

Muntin: A small member which divides the glass or openings of sash or doors.

Muriatic acid: Commonly used as a brick cleaner after masonry work is completed.

Mushroom: The unacceptable occurrence when the top of a caisson concrete pier spreads out and hardens to become wider than the foundation wall thickness.

Natural finish: A transparent finish which does not seriously alter the original color or grain of the natural wood. Natural finishes are usually provided by sealers, oils, varnishes, water repellent preservatives, and other similar materials.

NEC (National Electrical Code): A set of rules governing safe wiring methods. Local codes—which are backed by law—may differ from the NEC in some ways.

Neutral wire: Usually color-coded white, this carries electricity from an outlet back to the service panel. Also see hot wire and ground.

Newel post: The large starting post to which the end of a stair guard railing or balustrade is fastened.

Nonbearing wall: A wall supporting no load other than its own weight.

Nosing: The projecting edge of a molding or drip or the front edge of a stair tread.

Notch: A crosswise groove at the end of a board.

Nozzle: The part of a heating system that sprays the fuel or fuel-air mixture into the combustion chamber.

OC - On-Center: The measurement of spacing for studs, rafters, and joists in a building from the center of one member to the center of the next.

Oakum: Loose hemp or jute fiber that's impregnated with tar or pitch and used to caulk large seams or for packing plumbing pipe joints.

Oriented Strand Board or OSB: A manufactured 4' X 8' wood panel made out of 1"- 2" wood chips and glue. Often used as a substitute for plywood.

Outrigger: An extension of a rafter beyond the wall line. Usually a smaller member nailed to a larger rafter to form a cornice or roof overhang.

Outside corner: The point at which two walls form an external angle, one you usually can walk around.

Overhang: Outward projecting eave-soffit area of a roof; the part of the roof that hangs out or over the outside wall. See also Cornice.

Padding: A material installed under carpet to add foot comfort, isolate sound, and to prolong carpet life.

Pad out, pack out: To shim out or add strips of wood to a wall or ceiling in order that the finished ceiling/wall will appear correct.

Paint: A combination of pigments with suitable thinners or oils to provide decorative and protective coatings. Can be oil based or latex water based.

Pallets: Wooden platforms used for storing and shipping material. Forklifts and hand trucks are used to move these wooden platforms around.

Panel: A thin flat piece of wood, plywood, or similar material, framed by stiles and rails as in a door (or cabinet door), or fitted into grooves of thicker material with molded edges for decorative wall treatment.

Paper, building: A general term for papers, felts, and similar sheet materials used in buildings without reference to their properties or uses. Generally comes in long rolls.

Parapet: A wall placed at the edge of a roof to prevent people from falling off.

Parting stop or strip: A small wood piece used in the side and head jambs of double hung windows to separate the upper sash from the lower sash.

Particle board: Plywood substitute made of course sawdust that is mixed with resin and pressed into sheets. Used for closet shelving, floor underlayment, stair treads, etc.

Partition: A wall that subdivides spaces within any story of a building or room.

Paver, paving: Materials—commonly masonry—laid down to make a firm, even surface.

Pedestal: A metal box installed at various locations along utility easements that contain electrical, telephone, or cable television switches and connections.

Penny: As applied to nails, it originally indicated the price per hundred. The term now series as a measure of nail length and is abbreviated by the letter “d”. Normally, 16d (16 “penny”) nails are used for framing.

Perimeter drain: 3” or 4” perforated plastic pipe that goes around the perimeter (either inside or outside) of a foundation wall (before backfill) and collects and diverts ground water away from the foundation. Generally, it is “day-lighted” into a sump pit

inside the home, and a sump pump is sometimes inserted into the pit to discharge any accumulation of water.

Permeability: A measure of the ease with which water penetrates a material.

Pigtails, electrical: The electric cord that the electrician provides and installs on an appliance such as a garbage disposal, dishwasher, or range hood.

Pier: A column of masonry, usually rectangular in horizontal cross section, used to support other structural members. Also see Caisson.

Pigment: A powdered solid used in paint or enamel to give it a color.

Pilot hole: A small-diameter, pre-drilled hole that guides a nail or screw.

Pilot light: A small, continuous flame (in a hot water heater, boiler, or furnace) that ignites gas or oil burners when needed.

Pitch: The incline slope of a roof or the ratio of the total rise to the total width of a house, i.e., a 6-foot rise and 24-foot width is a one-fourth pitch roof. Roof slope is expressed in the inches of rise, per foot of horizontal run.

Plate: Normally a 2 X 4 or 2 X 6 that lays horizontally within a framed structure, such as:

- **Sill plate:** A horizontal member anchored to a concrete or masonry wall.
- **Sole plate:** Bottom horizontal member of a frame wall.
- **Top plate:** Top horizontal member of a frame wall supporting ceiling joists, rafters, or other members.

Plenum: The main hot-air supply duct leading from a furnace.

Plough, plow: To cut a lengthwise groove in a board or plank. An exterior handrail normally has a ploughed groove for hand gripping purposes.

Plumb: Exactly vertical and perpendicular.

Plumb bob: A lead weight attached to a string. It is the tool used in determining plumb.

Plumbing boots: Metal saddles used to strengthen a bearing wall/vertical stud(s) where a plumbing drain line has been cut through and installed.

Plumbing ground: The plumbing drain and waste lines that are installed beneath a basement floor.

Plumbing jacks: Sleeves that fit around drain and waste vent pipes at, and are nailed to, the roof sheeting.

Plumbing stack: A plumbing vent pipe that penetrates the roof.

Plumbing waste line: Plastic pipe used to collect and drain sewage waste.

Ply: A term to denote the number of layers of roofing felt, veneer in plywood, or layers in built-up materials, in any finished piece of such material.

Plywood: A panel (normally 4' X 8') of wood made of three or more layers of veneer, compressed and joined with glue, and usually laid with the grain of adjoining plies at right angles to give the sheet strength.

Point load: A point where a bearing/structural weight is concentrated and transferred to the foundation.

Portland cement: Cement made by heating clay and crushed limestone into a brick and then grinding to a pulverized powder state.

Post: A vertical framing member usually designed to carry a beam. Often a 4" x 4", a 6" x 6", or a metal pipe with a flat plate on top and bottom.

Post-and-beam: A basic building method that uses just a few hefty posts and beams to support an entire structure. Contrasts with stud framing.

Power vent: A vent that includes a fan to speed up air flow. Often installed on roofs.

Preservative: Any pesticide substance that, for a reasonable length of time, will prevent the action of wood-destroying fungi, insect borers, and similar destructive agents when the wood has been properly coated or impregnated with it. Normally an arsenic derivative. Chromated Copper Arsenate (CCA) is an example.

Pressure Relief Valve (PRV): A device mounted on a hot water heater or boiler which is designed to release any high steam pressure in the tank to prevent tank explosions.

Pressure-treated wood: Lumber that has been saturated with a preservative.

Primer: The first, base coat of paint when a paint job consists of two or more coats. A first coating formulated to seal raw surfaces and holding succeeding finish coats.

P trap: Curved, “U” section of drain pipe that holds a water seal to prevent sewer gasses from entering the home through a fixtures water drain.

Pump mix: Special concrete that will be used in a concrete pump. Generally, the mix has smaller rock aggregate than regular mix.

Putty: A type of dough used in sealing glass in the sash, filling small holes and crevices in wood, and for similar purposes.

PVC or CPVC: Poly Vinyl Chloride-A type of white or light gray plastic pipe sometimes used for water supply lines and waste pipe.

Quarry tile: A man-made or machine-made clay tile used to finish a floor or wall. Generally 6” X 6” X 1/4” thick.

Quarter round: A small trim molding that has the cross section of a quarter circle.

Rabbet: A rectangular longitudinal groove cut in the corner edge of a board or plank.

Radiant heating: A method of heating, usually consisting of a forced hot water system with pipes placed in the floor, wall, or ceiling. Also electrically heated panels.

Radiation: Energy transmitted from a heat source to the air around it. Radiators actually depend more on convection than radiation.

Radon: A naturally-occurring, heavier than air, radioactive gas common in many parts of the country. Radon gas exposure is associated with lung cancer. Mitigation measures may involve crawl space and basement venting and various forms of vapor barriers.

Radon system: A ventilation system beneath the floor of a basement and/or structural wood floor and designed to fan exhaust radon gas to the outside of the home.

Rafter: Lumber used to support the roof sheeting and roof loads. Generally, 2 X 10’s and 2 X 12’s are used. The rafters of a flat roof are sometimes called roof joists.

Rafter, hip: A rafter that forms the intersection of an external roof angle.

Rafter, valley: A rafter that forms the intersection of an internal roof angle. The valley rafter is normally made of double 2-inch-thick members.

Rail: Cross members of panel doors or of a sash. Also, a wall or open balustrade placed at the edge of a staircase, walkway bridge, or elevated surface to prevent

people from falling off. Any relatively lightweight horizontal element, especially those found in fences (split rail.)

Railroad tie: Black, tar and preservative impregnated, 6" X 8" and 6'-8' long wooden timber that was used to hold railroad track in place. Normally used as a member of a retaining wall.

Rake: Slope or slanted.

Rake fascia: The vertical face of the sloping end of a roof eave.

Rake siding: The practice of installing lap siding diagonally.

Ready mixed concrete: Concrete mixed at a plant or in trucks en route to a job and delivered ready for placement.

Rebar, reinforcing bar: Ribbed steel bars installed in foundation concrete walls, footers, and poured in place concrete structures designed to strengthen concrete. Comes in various thickness and strength grade.

Rebar, reinforcing bar: An electrical outlet. A typical household will have many 120 volt receptacles for plugging in lams and appliances and 240 volt receptacles for the range, clothes dryer, air conditioners, etc.

Reducer: A fitting with different size openings at either end and used to go from a larger to a smaller pipe.

Reflective insulation: Sheet material with one or both faces covered with aluminum foil.

Refrigerant: A substance that remains a gas at low temperatures and pressure and can be used to transfer heat. Freon is an example and is used in air conditioning systems.

Register: A grill placed over a heating duct or cold air return.

Reglaze: To replace a broken window.

Relief valve: A device designed to open if it detects excess temperature or pressure.

Remote: Remote electrical, gas, or water meter digital readouts that are installed near the front of the home in order for utility companies to easily read the home owners usage of the service.

Retaining wall: A structure that holds back a slope and prevents erosion.

R factor or value: A measure of a materials resistance to the passage of heat. New home walls are usually insulated with 4” of batt insulation with an R value of R-13, and a ceiling insulation of R-30.

Ribbon (girt): Normally a 1 X 4 board let into the studs horizontally to support the ceiling or second-floor joists.

Ridge: The horizontal line at the junction of the top edges of two sloping roof surfaces.

Ridge board: The board placed on the ridge of the roof onto which the upper ends of other rafters are fastened.

Ridge shingles: Shingles used to cover the ridge board.

Rim joist: A joist that runs around the perimeter of the floor joists and home.

Rise: The vertical distance from the eaves line to the ridge. Also the vertical distance from stair tread to stair tread (and not to exceed 7 1/2”).

Riser: Each of the vertical boards closing the spaces between the treads of stairways.

Riser and panel: The exterior vertical pipe (riser) and metal electric box (panel) the electrician provides and installs at the “Rough Electric” stage.

Road base: An aggregate mixture of sand and stone.

Rock 1, 2, 3: When referring to drywall, this means to install drywall to the walls and ceilings (with nails and screws), and before taping is performed.

Roll, rolling: To install the floor joists or trusses in their correct place.
(To “roll the floor” means to install the floor joists.)

Romex: A name brand of nonmetallic sheathed electrical cable that is used for indoor wiring.

Roll roofing: Asphalt roofing products manufactured in roll form. 36-inch wide rolls with and 108 square feet of material. Weights are generally 45 to 90 pounds per roll.

Roof jack: Sleeves that fit around the black plumbing waste vent pipes at, and are nailed to, the roof sheeting.

Roof joist: The rafters of a flat roof. Lumber used to support the roof sheeting and roof loads. Generally, 2 X 10's and 2 X 12's are used.

Roof sheathing or sheeting: The wood panels or sheet material fastened to the roof rafters or trusses on which the shingle or other roof covering is laid.

Roof valley: The “V” created where two sloping roofs meet.

Run, roof: The horizontal distance from the eaves to a point directly under the ridge. One half the span.

Run, stair: The horizontal distance of a stair tread from the nose to the riser.

R Value: A measure of insulation. A measure of a materials resistance to the passage of heat. The higher the R value, the more insulating “power” it has. For example, typical new home’s walls are usually insulated with 4” of batt insulation with an R value of R-13, and a ceiling insulation of R-30.

Saddle: A small second roof built behind the back side of a fireplace chimney to divert water around the chimney. Also, the plate at the bottom of some—usually exterior—door openings. Sometimes called a threshold.

Sack mix: The amount of Portland cement in a cubic yard of concrete mix. Generally, 5 or 6 sack is required in a foundation wall.

Sand float finish: Lime that is mixed with sand, resulting in a textured finish on a wall.

Sanitary sewer: A sewer system designed for the collection of waste water from the bathroom, kitchen and laundry drains, and is usually not designed to handle storm water.

Sash: A single light frame containing one or more lights of glass. The frame that holds the glass in a window, often the movable part of the window.

Sash balance: A device, usually operated by a spring and designed to hold a single hung window vent up and in place.

Saturated felt: A felt which is impregnated with tar or asphalt.

Screed, concrete: To level off concrete to the correct elevation during a concrete pour.

Screed, plaster: A small strip of wood, usually the thickness of the plaster coat, used as a guide for plastering.

Scribing: Cutting and fitting woodwork to an irregular surface.

Scupper: (1) An opening for drainage in a wall, curb or parapet. (2) The drain in a downspout or flat roof, usually connected to the downspout.

Sealer: A finishing material, either clear or pigmented, that is usually applied directly over raw wood for the purpose of sealing the wood surface.

Seasoning: Drying and removing moisture from green wood in order to improve its usability.

Self-sealing shingles: Shingles containing factory-applied strips or spots of self-sealing adhesive.

Semi-gloss paint or enamel: A paint or enamel made so that its coating, when dry, has some luster but is not very glossy. Bathrooms and kitchens are normally painted semi-gloss.

Septic system: An on-site waste water treatment system. It usually has a septic tank which promotes the biological digestion of the waste, and a drain field which is designed to let the left over liquid soak into the ground. Septic systems and permits are usually sized by the number of bedrooms in a house.

Service entrance panel: Main power cabinet where electricity enters a home wiring system.

Service equipment: Main control gear at the service entrance, such as circuit breakers, switches, and fuses.

Service lateral: Underground power supply line.

Setback Thermostat: A thermostat with a clock which can be programmed to come on or go off at various temperatures and at different times of the day/week. Usually used as the heating or cooling system thermostat.

Settlement: Shifts in a structure, usually caused by freeze-thaw cycles underground.

Sewage ejector: A pump used to 'lift' waste water to a gravity sanitary sewer line. Usually used in basements and other locations which are situated below the level of the side sewer.

Sewer lateral: The portion of the sanitary sewer which connects the interior waste water lines to the main sewer lines. The side sewer is usually buried in several feet of soil and runs from the house to the sewer line. It is usually 'owned' by the sewer utility, must be maintained by the owner and may only be serviced by utility approved contractors. Sometimes called side sewer.

Sewer stub: The junction at the municipal sewer system where the home's sewer line is connected.

Sewer tap: The physical connection point where the home's sewer line connects to the main municipal sewer line.

Shake: A wood roofing material, normally cedar or redwood. Produced by splitting a block of the wood along the grain line. Modern shakes are sometimes machine sawn on one side. See shingle.

Shear block: Plywood that is face nailed to short (2 X 4's or 2 X 6's) wall studs (above a door or window, for example). This is done to prevent the wall from sliding and collapsing.

Sheathing, sheeting: The structural wood panel covering, usually OSB or plywood, used over studs, floor joists or rafters/trusses of a structure.

Shed roof: A roof containing only one sloping plane.

Sheet metal work: All components of a house employing sheet metal, such as flashing, gutters, and downspouts.

Sheet metal duct work: The heating system. Usually round or rectangular metal pipes and sheet metal (for Return Air) and installed for distributing warm (or cold) air from the furnace to rooms in the home.

Sheet rock- Drywall-Wall board or gypsum: A manufactured panel made out of gypsum plaster and encased in a thin cardboard. Usually 1/2" thick and 4' x 8' or 4' x 12' in size. The 'joint compound'. 'Green board' type drywall has a greater resistance to moisture than regular (white) plasterboard and is used in bathrooms and other "wet areas."

Shim: A small piece of scrap lumber or shingle, usually wedge shaped, which when forced behind a furring strip or framing member forces it into position. Also used when installing doors and placed between the door jamb legs and 2 X 4 door trimmers. Metal shims are wafer 1 1/2" X 2" sheet metal of various thickness used to fill gaps in wood framing members, especially at bearing point locations.

Shingles: Roof covering of asphalt, asbestos, wood, tile, slate, or other material cut to stock lengths, widths, and thickness.

Shingles, siding: Various kinds of shingles, used over sheathing for exterior wall covering of a structure.

Short circuit: A situation that occurs when hot and neutral wires come in contact with each other. Fuses and circuit breakers protect against fire that could result from a short.

Shutter: Usually lightweight louvered decorative frames in the form of doors located on the sides of a window. Some shutters are made to close over the window for protection.

Side sewer: The portion of the sanitary sewer which connects the interior waste water lines to the main sewer lines. The side sewer is usually buried in several feet of soil and runs from the house to the sewer line. It is usually 'owned' by the sewer utility, must be maintained by the owner and may only be serviced by utility approved contractors. Sometimes called sewer lateral.

Siding: The finished exterior covering of the outside walls of a frame building.

Siding, lap siding: Slightly wedge-shaped boards used as horizontal siding in a lapped pattern over the exterior sheathing. Varies in butt thickness from 1/2 to 3/4 inch and in widths up to 12".

Sill: (1) The 2 X 4 or 2 X 6 wood plate framing member that lays flat against and bolted to the foundation wall (with anchor bolts) and upon which the floor joists are installed. Normally the sill plate is treated lumber. (2) The member forming the lower side of an opening, as a door sill or window sill.

Sill cock: An exterior water faucet (hose bib.)

Sill plate (mudsill): Bottom horizontal member of an exterior wall frame which rests on top a foundation, sometimes called mudsill. Also sole plate, bottom member of an interior wall frame.

Sill seal: Fiberglass or foam insulation installed between the foundation wall and sill (wood) plate. Designed to seal any cracks or gaps.

Single hung window: A window with one vertically sliding sash or window vent.

Skylight: A more or less horizontal window located on the roof of a building.

Slab, concrete: Concrete pavement, i.e. driveways, garages, and basement floors.

Slab, door: A rectangular door without hinges or frame.

Slab on grade: A type of foundation with a concrete floor which is placed directly on the soil. The edge of the slab is usually thicker and acts as the footing for the walls.

Slag: Concrete cement that sometimes covers the vertical face of the foundation void material.

Sleeper: Usually, a wood member embedded in concrete, as in a floor, that serves to support and to fasten the subfloor or flooring.

Sleeve(s): Pipe installed under the concrete driveway or sidewalk, and that will be used later to run sprinkler pipe or low voltage wire.

Slope: The incline angle of a roof surface, given as a ratio of the rise (in inches) to the run (in feet). See also pitch.

Slump: The “wetness” of concrete. A 3 inch slump is dryer and stiffer than a 5 inch slump.

Soffit: The area below the eaves and overhangs. The underside where the roof overhangs the walls. Usually the underside of an overhanging cornice.

Soil pipe: A large pipe that carries liquid and solid wastes to a sewer or septic tank.

Soil stack: A plumbing vent pipe that penetrates the roof.

Sole plate: The bottom, horizontal framing member of a wall that’s attached to the floor sheeting and vertical wall studs.

Solid bridging: A solid member placed between adjacent floor joists near the center of the span to prevent joists or rafters from twisting.

Sonotube: Round, large cardboard tubes designed to hold wet concrete in place until it hardens.

Sound attenuation: Sound proofing a wall or subfloor, generally with fiberglass insulation.

Space heat: Heat supplied to the living space, for example, to a room or the living area of a building.

Spacing: The distance between individual members or shingles in building construction.

Span: The clear distance that a framing member carries a load without support between structural supports. The horizontal distance from eaves to eaves.

Splash block: Portable concrete (or vinyl) channel generally placed beneath an exterior sill cock (water faucet) or downspout in order to receive roof drainage from downspouts and to divert it away from the building.

Square: A unit of measure-100 square feet-usually applied to roofing and siding material. Also, a situation that exists when two elements are at right angles to each other. Also a tool for checking this.

Square-tab shingles: Shingles on which tabs are all the same size and exposure.

Squeegee: Fine pea gravel used to grade a floor (normally before concrete is placed.)

Stack (trusses): To position trusses on the walls in their correct location.

Starter strip: Asphalt roofing applied at the eaves that provides protection by filling in the spaces under the cutouts and joints of the first course of shingles.

Stair carriage or stringer: Supporting member for stair treads. Usually a 2 X 12 inch plank notched to receive the treads; sometimes called a “rough horse.”

Stair landing: A platform between flights of stairs or at the termination of a flight of stairs. Often used when stairs change direction. Normally no less than 3 ft. X 3 ft. square.

Stair rise: The vertical distance from stair tread to stair tread (and not to exceed 7 1/2”).)

Static vent: A vent that does not include a fan.

STC (Sound Transmission Class): The measure of sound stopping of ordinary noise.

Step flashing: Flashing application method used where a vertical surface meets a sloping roof plane. 6” X 6” galvanized metal bent at a 90 degree angle, and installed beneath siding and over the top of shingles. Each piece overlaps the one beneath it the entire length of the sloping roof (step by step.)

Stile: An upright framing member in a panel door.

Stool: The flat molding fitted over the window sill between jambs and contacting the bottom rail of the lower sash. Also another name for toilet.

Stop box: Normally a cast iron pipe with a lid (@ 5” in diameter) that is placed vertically into the ground, situated near the water tap in the yard, and where a water cut-off valve to the home is located (underground). A long pole with a special end is inserted into the curb stop to turn off/on the water.

Stops: Moldings along the inner edges of a door or window frame. Also valves used to shut off water to a fixture.

Stop valve: A device installed in a water supply line, usually near a fixture, that permits an individual to shut off the water supply to one fixture without interrupting service to the rest of the system.

Storm sash or storm window: An extra window usually placed outside of an existing one, as additional protection against cold weather.

Storm sewer: A sewer system designed to collect storm water and is separated from the waste water system.

Story: That part of a building between any floor or between the floor and roof.

Strike: The plate on a door frame that engages a latch or dead bolt.

String, stringer: A timber or other support for cross members in floors or ceilings. In stairs, the supporting member for stair treads. Usually a 2 X 12 inch plank notched to receive the treads.

Strip flooring: Wood flooring consisting of narrow, matched strips.

Stucco: Refers to an outside plaster finish made with Portland cement as its base.

Stud: A vertical wood framing member, also referred to as a wall stud, attached to the horizontal sole plate below and the top plate above. Normally 2 X 4's or 2 X 6's, 8' long (sometimes 92 5/8"). One of a series of wood or metal vertical structural members placed as supporting elements in walls and partitions.

Stud framing: A building method that distributes structural loads to each of a series of relatively lightweight studs. Contrasts with post-and-beam.

Stud shoe: A metal, structural bracket that reinforces a vertical stud. Used on an outside bearing wall where holes are drilled to accommodate a plumbing waste line.

Subfloor: The framing components of a floor to include the sill plate, floor joists, and deck sheathing over which a finish floor is to be laid.

Sump: Pit or large plastic bucket/barrel inside the home designed to collect ground water from a perimeter drain system.

Sump pump: A submersible pump in a sump pit that pumps any excess ground water to the outside of the home.

Suspended ceiling: A ceiling system supported by hanging it from the overhead structural framing.

Sway brace: Metal straps or wood blocks installed diagonally on the inside of a wall from bottom to top plate, to prevent the wall from twisting, racking, or falling over “domino” fashion.

Switch: A device that completes or disconnects an electrical circuit.

T & G, tongue and groove: A joint made by a tongue (a rib on one edge of a board) that fits into a corresponding groove in the edge of another board to make a tight flush joint. Typically, the subfloor plywood is T & G.

Tab: The exposed portion of strip shingles defined by cutouts.

Tail beam: A relatively short beam or joist supported in a wall on one end and by a header at the other.

Taping: The process of covering drywall joints with paper tape and joint compound.

T bar: Ribbed, “T” shaped bars with a flat metal plate at the bottom that are driven into the earth. Normally used chain link fence poles, and to mark locations of a water meter pit.

Teco: Metal straps that are nailed and secure the roof rafters and trusses to the top horizontal wall plate. Sometimes called a hurricane clip.

Tee: A “T” shaped plumbing fitting.

Tempered: Strengthened. Tempered glass will not shatter nor create shards, but will “pelletize” like an automobile window. Required in tub and shower enclosures and locations, entry door glass and sidelight glass, and in a windows when the window sill is less than 16” to the floor.

Termites: Wood eating insects that superficially resemble ants in size and general appearance, and live in colonies.

Termite shield: A shield, usually of galvanized metal, placed in or on a foundation wall or around pipes to prevent the passage of termites.

Terra cotta: A ceramic material molded into masonry units.

Thermoply™: Exterior laminated sheathing nailed to the exterior side of the exterior walls. Normally 1/4” thick, 4 X 8 or 4 x 10 sheets with an aluminized surface.

Thermostat: A device which relegates the temperature of a room or building by switching heating or cooling equipment on or off.

Three-dimensional shingles: Laminated shingles. Shingles that have added dimensionality because of extra layers or tabs, giving a shake-like appearance. May also be called “architectural shingles.”

Threshold: The bottom metal or wood plate of an exterior door frame. Generally they are adjustable to keep a tight fit with the door slab.

Tip up: The downspout extension that directs water (from the home’s gutter system) away from the home. They typically swing up when mowing the lawn, etc.

TJI or TJ: Manufactured structural building component resembling the letter “I”. Used as floor joists and rafters. I-joists include two key parts: flanges and webs. The flange or from of the I joist may be made of laminated veneer lumber or dimensional lumber, usually formed into a 1 1/2” width. The web or center of the I-joist is commonly made of plywood or oriented strand board (OSB). Large holes can be cut in the web to accommodate duct work and plumbing waste lines. I-joists are available in lengths up to 60” long.

Toenailing: To drive a nail in at a slant. Method used to secure floor joists to the plate.

Top chord: The upper or top member of a truss.

Top plate: Top horizontal member of a frame wall supporting ceiling joists, rafters, or other members.

Transmitter (garage door): The small, push button device that causes the garage door to open or close.

Trap: A plumbing fitting that holds water to prevent air, gas, and vermin from backing up into a fixture.

Tread: The walking surface board in a stairway on which the foot is placed.

Treated lumber: A wood product which has been impregnated with chemical pesticides such as CCA (Chromated Copper Arsenate) to reduce damage from wood rot or insects. Often used for the portions of a structure which are likely to be in contact with soil and water. Wood may also be treated with a fire retardant.

Trim (plumbing, heating, electrical): The work that the “mechanical” contractors perform to finish their respective aspects of work, and when the home is nearing completion and occupancy.

Trim - Interior: The finish materials in a building, such as moldings applied around openings (window trim, door trim) or at the floor and ceiling of rooms (baseboard, cornice, and other moldings). Also, the physical work of installing interior doors and interior woodwork, to include all handrails, guardrails, stair way balustrades, mantles, light boxes, base, door casings, cabinets, countertops, shelves, window sills and aprons, etc. Exterior- The finish materials on the exterior a building, such as moldings applied around openings (window trim, door trim), siding, windows, exterior doors, attic vents, crawl space vents, shutters, etc. Also, the physical work of installing these materials.

Trimmer: The vertical stud that supports a header at a door, window, or other opening.

Truss: An engineered and manufactured roof support member with “zig-zag” framing members. Does the same job as a rafter but is designed to have a longer span than a rafter.

Tub trap: Curved, “U” shaped section of a bath tub drain pipe that holds a water seal to prevent sewer gasses from entering the home through tubs water drain.

Turpentine: A petroleum, volatile oil used as a thinner in paints and as a solvent in varnishes.

UL (Underwriters’ Laboratories): An independent testing agency that checks electrical devices and other components for possible safety hazards.

Undercoat: A coating applied prior to the finishing or top coats of a paint job. It may be the first of two or the second of three coats. Sometimes called the Prime coat.

Underground plumbing: The plumbing drain and waste lines that are installed beneath a basement floor.

Underlayment: A 1/4” material placed over the subfloor plywood sheeting and under finish coverings, such as vinyl flooring, to provide a smooth, even surface. Also a secondary roofing layer that is waterproof or water-resistant, installed on the roof deck and beneath shingles or other roof-finishing layer.

Union: A plumbing fitting that joins pipes end-to-end so they can be dismantled.

Utility easement: The area of the earth that has electric, gas, or telephone lines. These areas may be owned by the homeowner, but the utility company has the legal right to enter the area as necessary to repair or service the lines.

Valley: The “V” shaped area of a roof where two sloping roofs meet. Water drains off the roof at the valleys.

Valley flashing: Sheet metal that lays in the “V” area of a roof valley.

Vapor barrier: A building product installed on exterior walls and ceilings under the drywall and on the warm side of the insulation. It is used to retard the movement of water vapor into walls and prevent condensation within them. Normally, polyethylene plastic sheeting is used.

Veneer: Extremely thin sheets of wood. Also a thin slice of wood or brick or stone covering a framed wall.

Vent: A pipe or duct which allows the flow of air and gasses to the outside. Also, another word for the moving glass part of a window sash, i.e. window vent.

Vermiculite: A mineral used as bulk insulation and also as aggregate in insulating and acoustical plaster and in insulating concrete floors.

Visqueen: A 4 mil or 6 mil plastic sheeting.

Void: Cardboard rectangular boxes that are installed between the earth (between caissons) and the concrete foundation wall. Used when expansive soils are present.

Voltage: A measure of electrical potential. Most homes are wired with 110 and 220 volt lines. The 110 volt power is used for lighting and most of the other circuits. The 220 volt power is usually used for the kitchen range, hot water heater and dryer.

Wafer board: A manufactured wood panel made out of 1”- 2” wood chips and glue. Often used as a substitute for plywood in the exterior wall and roof sheathing.

Warping: Any distortion in a material.

Waste pipe and vent: Plumbing plastic pipe that carries waste water to the municipal sewage system.

Water board: Water resistant drywall to be used in tub and shower locations. Normally green or blue colored.

Water closet: Another name for toilet.

Water meter pit (or vault): The box /cast iron bonnet and concrete rings that contains the water meter.

Water-repellent preservative: A liquid applied to wood to give the wood water repellant properties.

Water table: The location of the underground water, and the vertical distance from the surface of the earth to this underground water.

Water tap: The connection point where the home water line connects to the main municipal water system.

Weatherization: Work on a building exterior in order to reduce energy consumption for heating or cooling. Work involving adding insulation, installing storm windows and doors, caulking cracks and putting on weather-stripping.

Weather-strip: Narrow sections of thin metal or other material installed to prevent the infiltration of air and moisture around windows and doors.

Weep holes: Small holes in storm window frames that allow moisture to escape.

Wind bracing: Metal straps or wood blocks installed diagonally on the inside of a wall from bottom to top plate, to prevent the wall from twisting, racking, or falling over “domino” fashion.

Window buck: Square or rectangular box that is installed within a concrete foundation or block wall. A window will eventually be installed in this “buck” during the siding stage of construction.

Window frame: The stationary part of a window unit; window sash fits into the window frame.

Window sash: The operating or movable part of a window; the sash is made of window panes and their border.

Wire nut: A plastic device used to connect bare wires together.

Wonderboard™: A panel made out of concrete and fiberglass usually used as a ceramic tile backing material. Commonly used on bathtub decks.

Wrapped drywall: Areas that get complete drywall covering, as in the doorway openings of bi-fold and bi-pass closet doors.

Y: A “Y” shaped plumbing fitting.

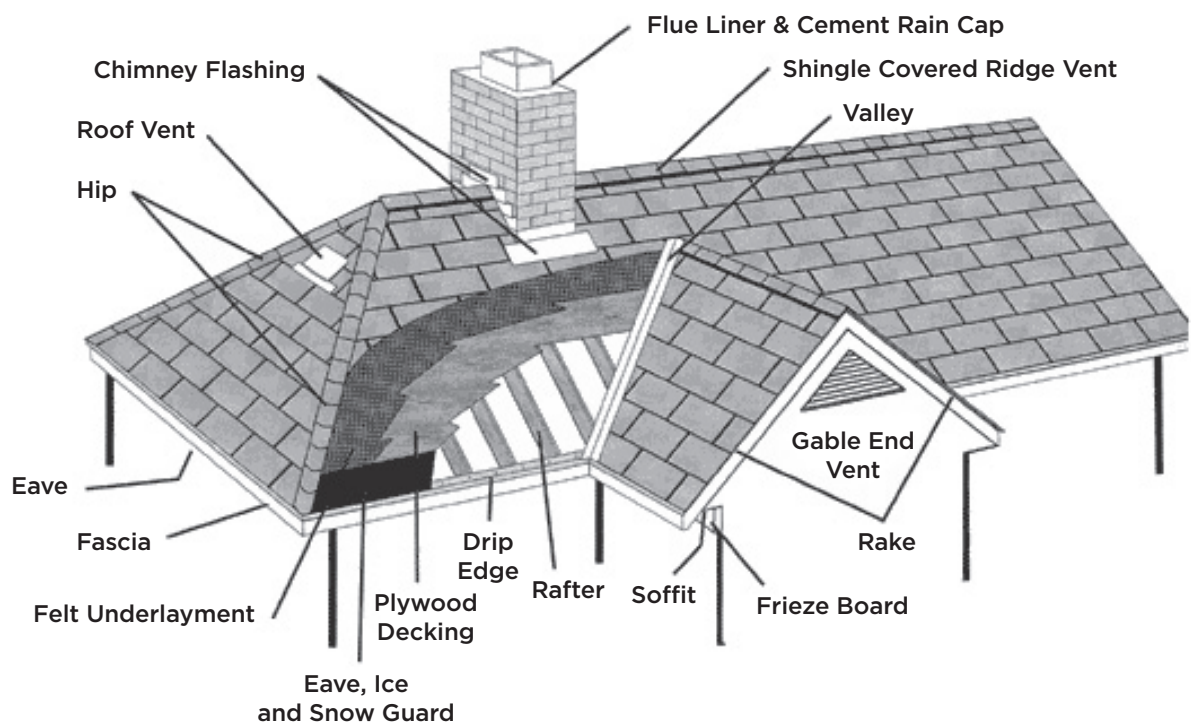
Yard of concrete: One cubic yard of concrete is 3' X 3' X 3' in volume, or 27 cubic feet. One cubic yard of concrete will pour 80 square feet of 3 1/2" sidewalk or basement/garage floor.

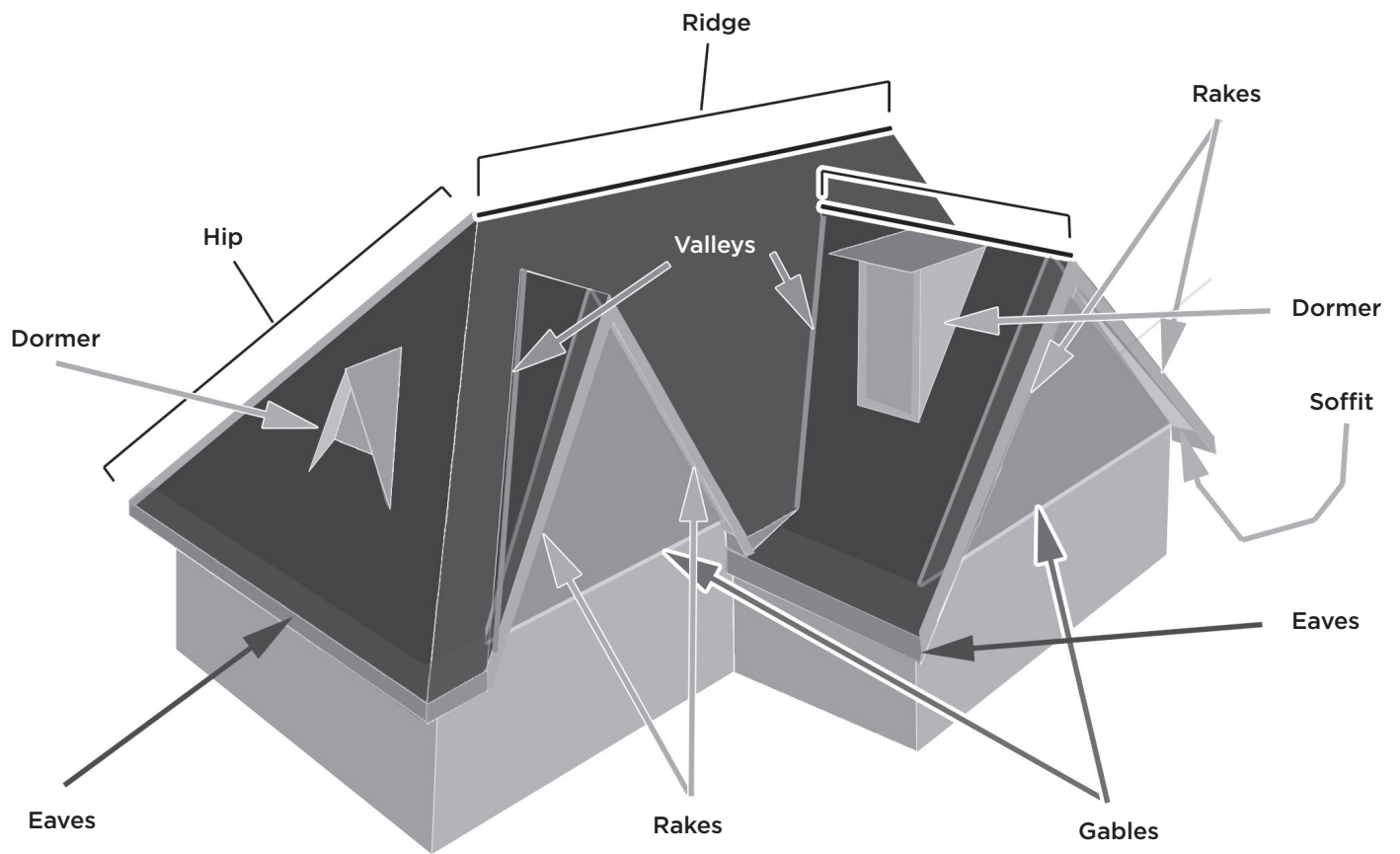
Yoke: The location where a home's water meter is sometimes installed between two copper pipes, and located in the water meter pit in the yard.

Z-bar flashing: Bent, galvanized metal flashing that's installed above a horizontal trim board of an exterior window, door, or brick run. It prevents water from getting behind the trim/brick and into the home.

Zone: The section of a building that is served by one heating or cooling loop because it has noticeably distinct heating or cooling needs. Also, the section of property that will be watered from a lawn sprinkler system.

Zone valve: A device, usually placed near the heater or cooler, which controls the flow of water or steam to parts of the building; it is controlled by a zone thermostat.





AMERICANS WITH DISABILITIES ACT ACCESSIBILITY REQUIREMENTS

ADA: Accessibility Requirements for the Public Areas of Rental Housing

The ADA requires that places of business, such as the rental office, and other areas to which the general public is invited must be accessible to disabled individuals. It does not apply to those areas of the property used only by residents and their guests.

Therefore, the ADA does not apply to the individual apartment units except in those cases where the property is owned or financed by a state or municipality or in transient housing where the rentals are short term.

ADA: Public or Assisted Housing

The ADA requires programs of a state or local government, such as public or assisted housing, to make their programs, services, or activities accessible to disabled individuals.

ADA: When Meeting the Requirements May Be Unreasonable

Whether in conventional or assisted housing, removing barriers to accessibility would not be considered reasonable if it is not readily achievable. “Readily achievable” is based on size and resources of the business, and barrier removal is expected as resources become available. “Unreasonable” is not specifically defined in the legislation or implementing regulations although examples are provided in the ADA Guide for Small Businesses.

Tax credits (Section 44 of IRS Code) and tax deductions (Section 190 of the IRS Code) are available to offset the costs of barrier removal for small business.

ADA: Resource Information

Extensive information is found at the ADA Home Page at (<http://www.ada.gov>.)

Technical questions can be answered at 800-USA-ABLE, where trained ADA consultants can provide answers and information.

The most comprehensive accessibility checklist for ADA compliance is the “ADA Checklist for Readily Achievable Barrier Removal,” which is found on the ADA website at www.ada.gov.

SAMPLE NOTICE OF CHANGE IN OWNERSHIP ONLY

Date

Dear Residents:

As of (closing date), (Ownership entity) will no longer own (name of Property). The new owner will be (name of new ownership entity). (Management Company) will continue to manage this community even after the ownership change.

As of the date stated above, any security deposits held will be held in account # (account number of security deposit account) at (name of the bank).

All lease terms will remain in full effect.

We look forward to continue to provide you with the excellent service you've come to expect from (management company). If you have any questions about this change, please reach out to the onsite leasing team.

Sincerely,

(Title)

(Management Company)

SAMPLE NOTICE OF CHANGE IN MANAGEMENT ONLY

(Sent from New Management)

Date

Dear Residents:

(Management Company) is proud to announce that we are the managing agent for (property name) as of (transition date). The ownership will remain the same.

After the above stated date, all rent payments, service requests, and related inquiries will be handled by (new management company) by contacting the onsite leasing office at (phone number).

As of the date stated above, any security deposits held will be held in account # (account number of security deposit account) at (name of the bank).

All lease terms will remain in full effect.

We look forward to providing you with exceptional service. If you have any questions, please reach out to the leasing office.

Sincerely,

(Title)

(NEW Management Company)

SAMPLE NOTICE OF CHANGE IN MANAGEMENT ONLY

(Sent from Old Management)

Date

Dear Residents:

As of (closing date), (Management Company) will no longer be managing (name of Property). The ownership will remain the same. The new management company will be (name of management company).

After the above stated date, all rent payments, service requests, and related inquiries are to be coordinated with the new owner and management company by contacting the onsite leasing office at (phone number).

The owner or new managing agent will notify you shortly of the location of the bank where your security deposit will be held after the date stated above.

All lease terms will remain in full effect.

We have enjoyed serving you and hope that sometime in the future we will once again have the opportunity to have you as one of our residents.

Sincerely,

(Title)

(OLD Management Company)

SAMPLE NOTICE OF CHANGE IN OWNERSHIP AND MANAGEMENT

Date

Dear Residents:

As of (closing date), (Management Company) will no longer be managing (name of Property) and (Ownership Entity) will no longer own the property. The new owner and management company will be (name the owner and management company).

After the above stated date, all rent payments, service requests, and related inquiries are to be coordinated with the new owner and management company by contacting the onsite leasing office at (phone number).

The new owner or managing agent will notify you shortly of the location of the bank where your security deposit will be held after the date stated above.

All lease terms will remain in full effect.

We have enjoyed serving you and hope that sometime in the future we will once again have the opportunity to have you as one of our residents.

Sincerely,

(Title)

(OLD Management Company)

[illegible]

[illegible]

[illegible]

[illegible]

National Apartment Association Education Institute

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Arlington, VA 22203

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CERTIFIED APARTMENT
PORTFOLIO SUPERVISOR®



CONTEMPORARY ISSUES IN MULTIFAMILY HOUSING

Appendix



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ASSISTANCE ANIMAL REASONABLE ACCOMMODATION FAQs

This document is primarily based on HUD's April 25, 2013 Guidance, "Service Animals and Assistance Animals for People with Disabilities in Housing and HUD- Funded Programs"⁷ unless otherwise noted and in addition, includes NAA staff analysis.

What is an Assistance Animal?

- An assistance animal is an animal that works, provides assistance, or performs tasks for the benefit of a person with a disability (commonly referred to as "a service animal"), or provides emotional support that alleviates one or more identified symptoms or effects of a person's disability (commonly referred to as "an emotional support animal").
- An assistance animal (whether a service animal or an emotional support animal) is not a pet. Never refer to an assistance animal as a pet.
- An assistance animal does not need to be individually trained or certified. However, many service animals are trained to perform a specific task.

What are the distinctions between the types of assistance animals?

- "Assistance animal" is an umbrella term under which other types fall. Residents may use different terms to refer to their assistance animal.
- In this document, NAA focuses on the terms "service animal" and "emotional support animal" as they are discussed in HUD's guidance as assistance animals.
- Assistance animals that serve as service animals may guide individuals who are blind or have low vision, alert individuals who are deaf or hard of hearing to sounds, provide protection or rescue assistance. Service animals may be trained to pull a wheelchair, fetch items, or alert persons to impending seizures.
- Assistance animals that serve as emotional support animals may provide therapeutic support to a person with a mental illness. The simple presence of an emotional support animal provides a benefit to the disabled person.

7. https://portal.hud.gov/hudportal/documents/huddoc?id=servanimals_ntcfheo2013-01.pdf

- Residents may use other terms in addition to the above, such as “guide dog,” “companion animal,” “therapy animal,” or “comfort animal,” interchangeably as alternate names for an assistance animal. Another common term is “psychiatric service animal” which may refer to a service animal that provides assistance to people with psychiatric disabilities, such as severe depression, anxiety disorders, and post- traumatic stress disorder (PTSD). Regardless of the term used by the resident, focus on whether the animal is an assistance animal as defined by HUD’s guidance and federal law, and do not refer to the animal as a pet.
- While dogs are the most common type of assistance animal, other animals can also be assistance animals.

What should an owner do if a resident requests a reasonable accommodation for an assistance animal?

- In addition to the information below, an owner should refer to the attached forms in the NAA member toolkit.
- According to HUD, when a housing provider receives a reasonable accommodation request, he or she must consider the following:

Does the person seeking to use and live with the animal have a disability – i.e. a physical or mental impairment that substantially limits one or more major life activities?

Does the person making the request have a disability-related need for an assistance animal? In other words, does the animal work, provide assistance, perform tasks or services for the benefit of a person with a disability, or provide emotional support that alleviates one or more of the identified symptoms or effects of a person’s existing disability?

If the answer to both questions is “yes,” the law requires the housing provider to modify or provide an exception to a “no pets” rule or policy to permit a person with a disability to live with and use an assistance animal(s) in all areas of the premises where persons are normally allowed to go.

According to the above, a resident is entitled to a reasonable accommodation for an assistance animal under the law only if the resident is disabled and has a disability-related need for the animal. Can I ask the resident why they need the animal?

You must be careful in your discussions with the resident. Do not ask for details about the resident's disability. You should not ask the resident to give you his or her medical records or history. In some circumstances, you may ask for verification as stated below but any questions should be limited to whether there is a nexus between the resident's disability and the disability-related need for the animal.

According to HUD, a housing provider may not ask an applicant or resident to provide access to medical records or medical providers or provide detailed or extensive information or documentation of a person's physical or mental impairments.

Can an owner ask the resident to provide supporting documentation for the reasonable accommodation request?

According to HUD's guidance, housing providers may ask individuals who have disabilities that are not readily apparent or known to the provider to submit reliable documentation of a disability and their disability-related need for an assistance animal.

If the disability is readily apparent or known but the disability-related need for the assistance animal is not, the housing provider may ask the individual to provide documentation of the disability-related need for an assistance animal. For example, the housing provider may ask persons who are seeking a reasonable accommodation for an assistance animal that provides emotional support to provide documentation from a physician, psychiatrist, social worker, or other mental health professional that the animal provides emotional support that alleviates one or more of the identified symptoms or effects of an existing disability. Such documentation is sufficient if it establishes that an individual has a disability and that the animal in question will provide some type of disability-related assistance or emotional support.

A housing provider may not ask a resident or applicant to provide documentation showing the disability or disability-related need for an assistance animal if the disability or disability-related need is readily apparent or already known to the provider. For example, persons who are blind or have low vision may not be asked to provide documentation of their disability or their disability-related need for a guide dog.

Can an owner require documentation from a licensed physician?

Again, HUD guidance says that an owner may ask the resident to provide documentation from a physician, psychiatrist, social worker, or “other mental health professional” only in certain situations where the resident’s disability or disability-related need for the animal is not apparent. Also, such documentation is sufficient if it establishes that an individual has a disability and that the animal in question will provide some type of disability-related assistance or emotional support. A housing provider may not ask an applicant or resident to provide access to medical records or medical providers or provide detailed or extensive information or documentation of a person’s physical or mental impairments.

Note if you require residents to submit a third party verification form, owners do have the right to contact the medical professional to verify the authenticity of the document and signature, but may not ask for additional information regarding the disability.

Can a property owner restrict a resident’s assistance animal from the leasing office, common areas or community pool?

No, the rental housing provider must permit a person with a disability to live with and use an assistance animal(s) in all areas of the premises where persons are normally allowed to go.⁸

What if the resident requests multiple animals?

The resident is allowed to request multiple assistance animals. An owner should consider whether the resident has a separate and distinct disability-related need for each animal.

Under what circumstances can an owner deny a reasonable accommodation request for a service animal?

According to HUD, the request may be denied if:

- Doing so would impose an undue financial and administrative burden or would fundamentally alter the nature of the housing provider’s services.
- The specific assistance animal in question poses a direct threat to the health or safety of others that cannot be reduced or eliminated by another reasonable accommodation, or

8. Some state or local laws may prohibit animals in public areas for health and safety reasons. These laws are inconsistent with HUD’s guidance on reasonable accommodation requests for assistance animals. Consult a local attorney prior to denying access of an assistance animal on community property on the basis of any such state or local law.

- The specific assistance animal in question would cause substantial physical damage to the property of others that cannot be reduced or eliminated by another reasonable accommodation.

Can an owner deny a resident's request for a reasonable accommodation if the animal requested is considered an aggressive breed?

In accordance with the above, a determination that an assistance animal poses a direct threat of harm to others or would cause substantial physical damage to the property of others must be based on an individualized assessment that relies on objective evidence about the specific animal's actual conduct – not on mere speculation or fear about the types of harm or damage an animal may cause and not on evidence about harm or damage that other animals have caused.⁹

What if the reasonable accommodation request is for a large dog breed, such as a Great Dane or Mastiff? ¹⁰

The law prohibits breed, size and weight limitations; they may not be applied to an assistance animal. An owner may deny a request for the reasons in Question 9.

Can an owner require a resident to pay a pet deposit or fee for the animal?

No, conditions and restrictions that housing providers apply to pets may not be applied to assistance animals. Remember that the assistance animal is not a pet. HUD guidance explicitly prohibits pet deposits.

Can an owner require a resident to obtain renters insurance to cover any additional damage the animal may cause?

No, requiring renters insurance for the animal would be considered a prohibited condition. If a resident's assistance animal causes damage to the resident's unit or the common areas of the dwelling, the housing provider may charge the resident for the cost of repairing the damage (or deduct it from the standard security deposit imposed on all residents), if it is the provider's practice to assess residents for any damage they cause to the premises.¹¹

9. Some jurisdictions have enacted breed-specific legislation that prohibit certain aggressive breeds of animals. These laws are inconsistent with HUD's guidance on reasonable accommodation requests for assistance animals. Consult a local attorney prior to denying a request for an assistance animal on the basis of any such local law.

10. See previous footnote.

11. See the Joint Statement of the Department of Housing and Urban Development and the Department of Justice, Reasonable Accommodations Under the Fair Housing Act, <http://www.hud.gov/offices/fheo/library/huddojstatement.pdf>

What should an owner do if the resident's animal causes damage to the unit?

As said above, any damages caused by the animal should be billed to the resident and/or deducted from the resident's security deposit. Damage amounts over and above the security deposit may be included in a damages collection lawsuit.

Can a housing provider require an animal addendum?

Conditions and restrictions that housing providers apply to pets may not be applied to assistance animals. With that said, an owner may require a resident to sign a form that informs the resident of policies applicable to all animals on the property, such as:

- The resident must be responsible for damages caused by the animal,
- The resident agrees that the animal will not disturb other residents,
- The resident agrees to dispose of all waste and observe all leash (or running at large) laws, and
- The resident must properly vaccinate the animal in accordance with applicable state laws.

Violation of these provisions may permit an owner to have the animal removed from the property.

What should an owner do if a resident asks why another resident is allowed to have an animal in a “no-pets building”?

An owner should not disclose the personal information of one resident to another resident. NAA suggests sample language in its “Scripts for Owners to Address Assistance Animal Concerns with Residents”. Additionally, we recommend that an owner consult a local attorney for specific language and to determine how to handle the situation properly.

SCRIPTS TO ADDRESS ASSISTANCE ANIMAL CONCERNS WITH RESIDENTS

Before you engage in conversation with residents about assistance animals, please review NAA's "FAQs Regarding Reasonable Accommodation Requests for Assistance Animals".

In addition to the background information contained in the FAQs, remember to consider the following. It is important that you apply the same procedure or your company's policy uniformly. Consider including information on your reasonable accommodation policy in lease documents or the community newsletter. Provide notice of the policy in place so residents have a clear understanding of the process and have an opportunity to ask questions.

Your response should not vary from person to person and regardless of whether the reasonable accommodation request is verbal or in writing. Any deviation or change in your response could be viewed as disparate treatment (i.e. discriminating against someone by treating him or her differently than another person who is similarly situated) and result in a fair housing violation. Remember to document communications in writing and maintain copies of your correspondence with the resident.

As you review the scenarios below, keep in mind that the scenarios are applicable whether the initial contact by the resident is face-to-face, over the phone or via email. Again, apply the same procedure uniformly.

Below are eight (8) scenarios where the issue of assistance animals may arise between owners and residents.

1. A prospective resident with his or her assistance animal comes into the leasing office and expresses interest in renting a unit. The prospective resident says, "I have an assistance animal, and [the animal] will be living with me".

"Ok. Once we complete your application, I would be happy to assist you with that request. In order to comply with fair housing laws, we need you to fill out some paperwork. We have an approval process for reasonable accommodation requests for assistance animals that we apply to all residents. I will prepare the forms* for you. Then, we can go over them, and I can answer any questions you may have".

*As a follow up to the above response, it is permissible to have a process that requires formal, written documentation for all reasonable accommodation requests from residents. However, please keep in mind that HUD permits an owner to request third party verification only under certain circumstances.

- According to HUD's guidance¹², housing providers may ask individuals who have disabilities that are not readily apparent or known to the provider to submit reliable documentation of a disability and their disability-related need for an assistance animal.
- If the disability is readily apparent or known but the disability-related need for the assistance animal is not, the housing provider may ask the individual to provide documentation of the disability-related need for an assistance animal. For example, the housing provider may ask persons who are seeking a reasonable accommodation for an assistance animal that provides emotional support to provide documentation from a physician, psychiatrist, social worker, or other mental health professional that the animal provides emotional support that alleviates one or more of the identified symptoms or effects of an existing disability. Such documentation is sufficient if it establishes that an individual has a disability and that the animal in question will provide some type of disability-related assistance or emotional support.
- A housing provider may not ask a resident or applicant to provide documentation showing the disability or disability-related need for an assistance animal if the disability or disability-related need is readily apparent or already known to the provider. For example, persons who are blind or have low vision may not be asked to provide documentation of their disability or their disability-related need for a guide dog.

Again, you may not ask for third party verification if the disability or disability-related need is readily apparent or already known to the provider (e.g. persons who are blind or have low vision that require a guide dog). For example, if the resident or applicant is clearly blind and in the presence of a seeing-eye dog, there is no need for any further documentation.

2. A prospective resident without his or her assistance animal comes into the leasing office and expresses interest in renting a unit. The prospective resident says, "I have an assistance animal, and [he or she] will be living with me".

"Ok. Once we complete your application, I would be happy to assist you with that request. In order to comply with fair housing laws, we need you to fill out some paperwork. We have an approval process for reasonable accommodation requests for assistance animals that we apply to all residents. I will prepare the forms* for you. Then, we can go over them, and I can answer any questions you may have".

*When you determine the appropriate forms for the resident, remember to consider whether the disability or disability-related need for the animal is readily

12. https://portal.hud.gov/hudportal/documents/huddoc?id=servanimals_ntcfheo2013-01.pdf

apparent or already known. For example, if the resident or applicant seeks an emotional support animal, the disability or disability-related need for the animal may not be apparent and you may require additional documentation, such as a third party verification form.

3. A current resident approaches the owner and says, “My application for a service dog was approved. I was diagnosed with epilepsy, and the dog will help me get around in case I have a seizure”.

“Ok. I would be happy to assist you with that request. In order to comply with fair housing laws, we need you to fill out some paperwork. We have an approval process for reasonable accommodation requests for assistance animals that we apply to all residents. I will prepare the forms for you. Then, we can go over them, and I can answer any questions you may have”.

In this case, the resident has given all the relevant information for the reasonable accommodation request. The resident has verbally confirmed his or her disability and provided the connection between the disability and the disability-related need for the animal. This scenario will not always be the case. Remember to follow the same procedure and script with every resident or applicant.

4. A current resident informs the owner saying, “I’m getting an emotional support animal. I don’t have to pay any pet fees, right?”

“Yes, pet fees are waived for an assistance animal. In order to comply with fair housing laws, we need you to fill out some paperwork. We have an approval process for reasonable accommodation requests for assistance animals that we apply to all residents. I will prepare the forms for you. Then, we can go over them, and I can answer any questions you may have.

5. A current resident approaches the owner and says, “I wanted to let you know that I got an assistance animal. Here’s his certificate as a registered therapy dog”.

“Ok. I would be happy to assist you with that request. Regardless of the dog’s registration or certification, we need you to fill out some paperwork in order to comply with fair housing laws. We have an approval process for reasonable accommodation requests for assistance animals that we apply to all residents. I will prepare the forms for you. Then, we can go over them, and I can answer any questions you may have”.

6. Maintenance staff performs routine maintenance in a resident’s unit and finds an unregistered animal in the resident’s apartment. After the resident receives notice from the owner, the resident claims that the animal is not a pet. He or she says it is an emotional support animal.

“Ok. You should have requested a reasonable accommodation for the animal according to our company policy, but we can consider a request now. In order to comply with fair housing laws, we will need to obtain some basic information about the animal and have you to fill out some paperwork. We have an approval process for reasonable accommodation requests for assistance animals that we apply to all residents. I will prepare the forms for you. Then, we can go over them, and I can answer any questions you may have”.

7. Resident 1 sees Resident 2 walking his or her assistance animal. Resident 1 asks the owner why Resident 2 is allowed to have an animal in a “no-pets building”.

“While we can’t discuss the specifics of any other resident’s tenancy with you, just as you wouldn’t want us sharing your personal information with others, we can tell you that we are required to comply with the federal Fair Housing Act, and the Act provides for reasonable accommodation requests for certain assistance animals, which are not considered pets”.

8. Resident 1 sees Resident 2 walking his or her assistance animal. Resident 1 asks the owner why Resident 2 is allowed to have a pit bull in a building that Resident 1 knows prohibits pit bulls as part of the restricted breed list.

“While we can’t discuss the specifics of any other resident’s tenancy with you, just as you wouldn’t want us sharing your personal information with others, we can tell you that we are required to comply with the federal Fair Housing Act. In these situations, we are required by law to make reasonable accommodations for assistance animals regardless of any breed, size or weight restrictions we may have”.

CYBERSECURITY BEST PRACTICES ¹³

The following list of cybersecurity best practices is divided into six sections:

- Third Party Relationships.
- Oversight.
- Incident Response.
- Training, Awareness, and Enforcement.
- Insurance.
- Safeguards

THIRD PARTY RELATIONSHIPS

Best Practice:

Establish a process to formally conduct due diligence on supplier candidates prior to engagement.

Why This Matters:

Third-party suppliers are a potential source of cyber risk. If something goes awry on the supplier's clock, the organization with the consumer-facing relationship is still generally the one held responsible, at least in the public's eye, and at risk for monetary, brand or reputational damage. It is important to know about the organization with which you are doing business, what information it has, and how it protects and uses that data. It is also important that the supplier give sufficient assurances and protections as to its data security practices.

How to Implement:

- Research supplier candidates and ensure you understand their business and data security practices before you hire them.
- Require potential suppliers to provide assurances regarding their data security and privacy practices, such as through a data security questionnaire or a formal RFP process that requires suppliers to provide specific information on these issues.

13. Adapted from "Multifamily and Cybersecurity: The Threat Landscape and Best Practices". (National Multifamily Housing Council and National Apartment Association. Arlington, Virginia, 2016).

- Ask questions specific enough to get a good handle on the supplier's security capabilities.
- Also ask for any assessments conducted (and the results and mitigation plan) or certifications they may have.
- Evaluate and choose incident response suppliers (law firms, identity protection companies, forensic firms, public relations firms) before an incident occurs.

Best Practice:

Develop standard contracts that include robust data privacy and security provisions.

Why This Matters:

Multifamily firms should require any company they hire to have an adequate security program.

Supplier cooperation is often either necessary or would help expedite the investigation during the incident response process, and the existing contract may dictate if or how this is done. For example, cooperation from a supplier may be needed in order to determine the facts of the incident, the data at issue, and/or who is potentially impacted; contract terms may limit the rights of the company to demand this cooperation if not properly negotiated beforehand.

The contract will often limit liabilities during an incident, and it is important that suppliers retain liability for incidents where they (and their own service providers) are culpable.

Organizations sometimes only require a contract review and/or approval when the engagement would exceed a certain dollar amount, but such process does not take into account the sensitivity of the data to which the supplier will have access. Often, limits of liability are so low as to only cover a fraction of costs. Having pre-approved contract provisions can help mitigate these risks. The company should establish a process to ensure that these provisions are incorporated into all supplier contracts, especially those where sensitive data is at issue.

How to Implement:

The apartment company, ideally in conjunction with its legal department or external legal counsel, should develop standard data privacy and security provisions, which are required to be included in all supplier contracts. Specifically, these provisions should effectuate the following:

- Require the supplier to adhere to specified data security and privacy standards and obligations, including approval for data use and sharing obligations for any downstream parties who may have access to the data;
- Require the supplier to be held accountable for its employees (and any sub-contractors) and ensure their compliance with contractual obligations and any applicable company data security and privacy policies;
- Require the supplier to immediately notify you of any suspected or confirmed data security incident involving data of your company;
- Require the supplier to cooperate in all data security investigations involving your data or systems. Reasonable cooperation may include permitting an outside forensic firm to have access to the systems;
- Ensure the supplier retains responsibility and liability for security incidents that are the fault of the supplier (or the supplier's sub-contractors), including costs associated with these incidents above and beyond only one year of costs for the service, as is typically the case;
- Include appropriate indemnification provisions as well as reps and warranties for the supplier's product or service;
- Make clear you are in control of determining breach notification obligations, including whether the notification will come from you or the supplier;
- Prohibit the supplier from making any unapproved disclosures regarding data security incidents or investigations involving your company (unless required to do so by law);
- Retain the right to conduct audits of the supplier to ensure compliance with the contract and related data security obligations;
- Require the supplier to maintain an insurance policy that adequately covers cyber risks.

Any changes to these provisions in supplier contracts should be reviewed and approved by the legal department. This process should be implemented for contract renewals or amendments in addition to newly-created engagements.

Best Practice:

Periodically conduct audits and reevaluate supplier practices to ensure they are in compliance with the contract adhering to reasonable security practices.

Why This Matters:

Contractually requiring suppliers to abide by certain data security and privacy standards is a good first step to a solid supplier management program, but these provisions are only valuable if the supplier is adhering to them. Monitoring a supplier's data practices and compliance with its contractual obligations will help keep the supplier accountable and also provides visibility into the supplier's practices. This can help companies identify and mitigate potential issues before an incident occurs.

How to Implement:

Typically this process is accomplished through a right to audit provision and, indeed a number of companies take advantage of this provision by coming on-site and “kicking the tires” on the supplier's program. Auditing suppliers can be done by the company internally, or the company may choose to retain a third party to conduct this process on its behalf. At a minimum, you want the right to audit. Monitoring can come in other forms as well, such as having your supplier attest to their ongoing adherence to contractual requirements or by providing you with proof of third-party assessments or any new certification obtained.

Best Practice:

Develop a supplier management system, to include centralized visibility regarding supplier contracts.

Why This Matters:

The risk from third-party suppliers increases exponentially if the organization is unaware of what suppliers it has, what obligations apply and the types of data and systems suppliers have access to. Without this information, ensuring suppliers maintain sufficient data security practices will be difficult and inconsistently implemented across the organization.

Further, not being able to quickly ascertain what suppliers you have and for what purpose or function you use them can cause substantial delays during an incident investigation and may impede your ability to determine what occurred or what data is at issue. Thus, this information must be centralized and well-managed so that it is easily accessible and verifiable when needed.

How to Implement:

One effective measure to ensure suppliers are centrally managed is to require all supplier contracts be vetted and approved by a specific department. The legal department is generally best suited for this function. It is also useful to set a periodic schedule by which all contracts should be re-evaluated to ensure the terms are still accurate and appropriate.

Problems often arise with respect to older contracts that have been in place for some time. While it may be harder to make changes for contracts that are ongoing in nature and not subject to renewal or approval, it is important that a plan be put in place to review historical contracts. Companies often triage this process by risk ranking all suppliers and starting with the top tier suppliers.

Suppliers are accustomed to being asked to agree to security provisions, and if they push back too hard, that may be an indication that there could be underlying issues or concerns. From a practical standpoint, ensuring that existing contracts are maintained in a centralized and secure database will help streamline the contract review as well as supplier audit process.

Best Practice:

Ensure suppliers' access rights are appropriate to job function, and provision access only as necessary to conduct such functions.

Why This Matters:

Provisioning access based on role or job function is a standard privacy tenet, and doing so helps minimize data security risks. Limiting access rights also makes it easier to manage and oversee suppliers' activities and identify anomalous behavior.

How to Implement:

Companies should identify what access levels are needed for the supplier to provide its services, and access rights should be tailored accordingly. Access to sensitive data should be limited and provided only as needed to carry out the supplier's job duties.

Along these lines, legitimate user credentials of company employees are frequently stolen, so it is important that company credentials are carefully managed. Similarly, it is important to ensure there is a process in place to review and revoke and/or alter supplier access rights upon termination of the contract or upon a change in responsibilities or job function.

OVERSIGHT

Best Practice:

Ensure senior management maintains oversight regarding the company's cybersecurity program and associated risks.

Why This Matters:

As mentioned, cybersecurity is now widely viewed as a risk management process at the company-wide level, and regulators expect senior executives to oversee this process. Thus, senior executives should have an active role with respect to the program.

Relatedly, a successful cybersecurity program is largely driven by cultural expectations, and executive management is in the best position to create this environment. If executive leadership demonstrates an interest in and places value on the organization's information security program, lower level personnel will be more likely to follow suit.

How to Implement:

Executive management cannot effectively oversee their cybersecurity program if they are not adequately informed of the organization's risks and processes. Companies should institute a process to provide formal reporting to the senior management on cyber risks.

This reporting should be conducted on a consistent and periodic basis (e.g., quarterly reports). Although there has been a trend away from the notion that cybersecurity is solely an IT responsibility, there still remains a gap in articulating the cyber risks from technical personnel to executive management, who may be unable to interpret a cybersecurity report. Thus, the reporting process must ensure that technical and executive participants are "speaking the same language," and achieving this goal requires effort from both sides.

Technical personnel should ensure that the reporting is not too technically complex and is presented in a manner that can be readily understood by a non-technical audience. Focusing on how the cyber risk can impact business operations and affect the organization's bottom line will help with this process.

Likewise, executives should not merely write off the ability to discuss cybersecurity risks solely because they do not have a technical background. While executives certainly are not expected to be fully proficient in the technical details, they should familiarize themselves with common industry terms and have a general

understanding of well-known security threats. Doing so will enable decision-makers to have an informed discussion with technical personnel and make appropriate business decisions in response.

Senior executives need to be versed enough to actively participate in making strategic decisions and capable of making judgments as to the adequacy of the program, including whether appropriate organizational structure and resources are in place. Ultimately, no matter the level of experience, the senior management needs to be informed enough to be able to adequately review and approve the organization's cybersecurity program.

Best Practice:

Conduct periodic assessments of the company's cybersecurity program.

Why This Matters:

As discussed, cybersecurity is a continual process, which requires ongoing attention and improvements. The threat landscape is constantly and rapidly evolving. Cyber criminals are incredibly persistent and adaptive to defensive measures, and it often feels like the "good guys" are only playing catch-up with criminals' new tactics. At the same time, simplistic attacks, as mentioned above, continue to be successful.

In addition to the transforming landscape, business operations can also change over time, which may require an adjustment to existing information security processes. Further, there is often a misconception that compliance is the equivalent to security, and many organizations detrimentally rely on compliance with security standards as their protective shield.

Compliance is a point in time and does not guarantee that your information security program is foolproof. In fact, many well-known data breaches occurred within organizations that had achieved some form of security compliance (such as PCI DSS) at the time of the attack. Finally, perfect security is a good goal but is unattainable. As a result, organizations must continually evaluate their procedures relative to the cyber threats with which they are confronted and adapt measures accordingly.

How to Implement:

Companies should establish a process to conduct periodic assessments of their cybersecurity program. It is important that this process be implemented both internally and externally. At a minimum, this process should be formally executed on an annual basis. The internal audit function is often a good resource to manage internal security assessments, and it is important to ensure that all relevant departments—not just IT or Information Security—are involved in the assessment.

Third-party assessments can also be extremely valuable, as they can provide an unbiased and objective perspective as to the program's effectiveness. Third-party assessors can also frequently offer additional resources that may not otherwise be available by the organization alone. When conducting a third-party assessment, however, it is critical to involve legal counsel. One of the greatest benefits for leveraging outside counsel is that it may afford the company the protections of the attorney-client privilege and may help protect the company from unwanted exposure.

When companies use third-party companies to assess their information security and incident response programs, without the presence of outside counsel, their reported findings—including identified deficiencies, missteps, and vulnerabilities—may be available to regulators and could be used against the company in future enforcement actions.

Similarly, non-legal third-party companies frequently do not draft their reports with liability or disclosures in mind, which often put companies at risk of being painted in a light much less favorable than is necessary, should that report end up in the hands of regulators, plaintiffs' attorneys, or even the press. Moreover, information security policies and incident response plans are often written by IT or information security professionals and do not adequately take into consideration legal disclosures or obligations in the policies. Retaining legal counsel to oversee the process will ensure that policies and procedures are developed with these risks in mind and ensure that such policies are written such that their implementation, or lack thereof, can be well-defended against regulators, plaintiffs' attorneys, and the like.

It is important to remember that conducting the assessment is only a beginning—not the end. The organization must be sure to timely address and act upon any identified deficiencies or recommended improvements. This process should be documented and, to the extent any recommendations are not implemented, the organization should document its justification for not doing so and any associated alternative mitigations to address the issue.

INCIDENT RESPONSE

Best Practice:

Develop and maintain a written incident response plan, and ensure it is consistent with other related company policies and procedures.

Why This Matters:

When a cyber incident occurs, one of the first things regulators will ask to see is the organization's written incident response plan. Having a written plan in place will help

organize and streamline the incident response process. The incident response players must have clarity on roles, responsibilities and authority during an incident. Without clear instructions and authorizations in place, personnel will respond inconsistently, which can be especially damaging to an organization's brand and can also create legal risks.

Similarly, without clearly identified procedures, organizations run the risk of departments duplicating efforts, wasting both (valuable) time and resources. A written plan will help to provide structure, clarity and organization around the incident response process. The time to develop an incident response plan is not after your first breach happens.

How to Implement:

Key Terms

In developing the plan, there are several key topics that should be addressed. First, it is critical that key terms (e.g., “Event,” “Incident,” “Breach”) are consistently and clearly defined. To the extent there are multiple policies in the scope, terms must have the same meaning across the plans and departments. Differing definitions can result in confusion among incident response players, and poorly defined terms can create ambiguity as to when certain processes are triggered. Moreover, the term “Breach” has legal implications, and referring to an incident as a data breach before a determination is made as to whether a breach (as defined under law or written policy) has occurred is a common mistake. The legal department—or the organization's outside counsel— should be responsible for determining if a data breach has occurred.

Roles and Responsibilities

It is also imperative that the plan identify roles and responsibilities during the incident response process. The plan should clearly designate an Incident Commander, who is ultimately in charge of the response process and who has real-time decision-making authority.

In particular, the plan should be clear about the scope of the Incident Commander's authority and whether any approvals are needed before certain actions can take place, especially with respect to actions affecting company systems. Similarly, the plan should identify key incident response team members (including designated back-ups) and clearly define their roles and responsibilities for the incident response process.

Communications

Perhaps one of the most important aspects of the incident response process—and one which frequently causes problems for organizations—is the communications process. It is critical that the incident response plan establish clear communications protocols, including triggers for cross-functional coordination and escalation. Key personnel are unable to carry out their responsibilities if they are unaware of incidents that require their attention.

A common communications error is neglecting to engage the appropriate parties early enough in the incident process, so clearly-defined triggers for when certain departments and players need to be informed of and engaged in the response process must be established. In addition, clear protocols for when to escalate issues to senior management are also necessary. The plan should be clear as to who is responsible for reporting to senior management and when such reporting should occur.

The issue of late engagement frequently surfaces with respect to communications with the legal department. For example, if legal is not engaged early enough in the process, the risk for non-compliance with state or federal laws (e.g., breach notification requirements) increases, which can result in or detrimentally affect government investigations or litigation. Legal is also needed for ensuring attorney-client privilege protection, which can be important in related litigation or investigations.

The plan should also include clear procedures for external communications, including who is authorized to speak on behalf of the company and what approvals are required. Because terminology surrounding cyber incidents can both be complex and have legal implications, early involvement by the legal department is also important for reviewing and approving external communications, especially public statements to the media and press.

Facts develop quickly, and many pieces of information are often unknown during the early stages of the cyber incident response process. Apartment companies must develop a clear strategy for handling media inquiries at this early stage, such as cold calls from reporters. One way to manage this is by creating pre-developed templates or canned holding statements.

Relatedly, companies will frequently experience an influx of questions from customers as well as employees outside of the incident response process during early stages of an incident. Therefore, this process should be memorialized in the incident response plan, including: who is responsible for drafting communications for this audience; how the information will be communicated; and any associated approvals required for doing so.

Finally, the plan should establish clear protocols for communications with third parties, such as: (i) law enforcement; (ii) regulators; (iii) affected individuals; and, (iv) as discussed in further detail above, suppliers. The format and content of communications with regulators and affected individuals is often dictated by state law and can vary substantially across jurisdictions. Thus, legal counsel needs to maintain control and oversight of determining what, if anything, should be communicated and when such communication should occur to these parties.

Best Practice:

Establish clear, written procedures or “playbooks” for incident prioritization, and conduct business risk assessments of possible major actions.

Why This Matters:

Incident prioritization has been identified as the most critical decision point in the incident handling process. Because incidents of great magnitude demand multiple actions (from various departments) across an organization, it is critical that organizations create written guidelines for incident prioritization. Further, “[a]ccurate analysis and prioritization of incidents are dependent on specific knowledge of the organization’s environment”.

Technical actors need clear guidelines to follow in emergency situations. Without this direction, response players could take an action, which they believe to be necessary from a technical perspective (such as taking down a company system), but which results in significant negative impact to the business (indeed, in some cases, the defensive action could potentially prove to be more impactful than the risk the action is intended to prevent).

Such a decision, in turn, could have a direct monetary impact both in terms of business interruption as well as customer dissatisfaction. In the absence of any previously determined impact analysis, notifying affected business lines after certain actions have already been taken could prove to be much too late.

How to Implement:

Multifamily firms should establish clear, written procedures for incident prioritization. Non-technical departments should participate in the preparation of these materials so the need for business impact analysis in the context of incident prioritization is clearly understood.

The procedures should call for business lines to be engaged early in the incident response process to provide business impact input that can be used to help

prioritize investigative and remediation activities. This process can be implemented by leveraging lines of business and technical resources to create “playbooks” that will guide response actions designed to address anticipated impacts to certain key systems.

This process should include pre-determined, tiered assessments of business impact decisions that are of high priority to the company and likely to materialize during an incident (e.g., taking down a company website) and identify which actions, if any, are subject to senior leadership approvals or notifications.

Best Practice:

Designate an incident scribe, and create a centralized repository for retaining all information generated for cyber-related incidents.

Why This Matters:

Multifamily firms should maintain a primary database for retaining information pertaining to ongoing and previous incidents. Failure to adequately track incident procedures or having information scattered across various departments creates obstacles for complying with legal obligations, such as regulatory inquiries and breach notification letters. This function is especially critical since these obligations have specific timelines for compliance; requiring the organization to dig through various departmental databases or interview all incident response actors to verify information is both inefficient and interrupts incident mitigation tactics.

Relatedly, companies must be able to demonstrate steps taken during the incident response process. As the adage goes—it is not what you did, but what you can prove you did. Incident response activities will be scrutinized in the event of regulatory investigations and/or litigation. It is imperative that the organization be able to quickly ascertain the chronology of facts known and steps taken during the incident. Moreover, having this information available can help make the on-boarding and off-boarding of incident response players more efficient. It will also assist with the lessons learned process, as discussed in further detail in the following section.

How to Implement:

Ensure that response players are trained on where incident-related information should be memorialized, and where these resources can be located. It is important to designate a dedicated incident scribe (and appropriate back-up) to memorialize all steps taken during the incident (not just those related to technical mitigations).

This role should not be filled by someone who is responsible for remediating and responding to the incident. This scribe should be present in the organization’s

“War Room” and kept informed of key information so the response process can be adequately memorialized. This individual should possess a proficient understanding of the cyber incident response process so terminology is adequately understood and steps taken are accurately reported. Finally, the legal department should review the scribe’s documentation prior to distributing the information outside of the incident response team.

Best Practice:

Implement a “lessons learned” process, and address and improve upon deficiencies in the incident response process.

Why This Matters:

Regulators and consumers expect companies to stay apprised of current threats and to implement policies accordingly. Regulators are much more critical of those companies that fail to learn from past mistakes. Implementing a clear process for documenting “lessons learned” after a cyber exercise and real incidents—as well as ensuring this process is adequately communicated across the organization and accessible for review and consultation during events—will help reduce the veracity of any allegations that the company failed to learn from its past mistakes.

How to Implement:

Lessons learned meetings should be held regularly after live incidents as well as incident response exercises to review the effectiveness of the incident handling process and to identify necessary improvements to existing security controls and practices. The information accumulated from lessons learned meetings should be used to identify and correct any noted weaknesses and deficiencies in policies and procedures.

Follow-up reports generated for each resolved incident can be helpful not only for evidentiary purposes but also for reference in handling future incidents and in training new team members. Multifamily firms should communicate these procedures and make these materials available to appropriate parties across the organization.

TRAINING, AWARENESS, AND ENFORCEMENT

Best Practice:

Test your incident response plan.

Why This Matters:

Having a policy or plan alone is not enough, and while the first thing a regulator will request during an investigation is a copy of the organization's written incident response plan, the second thing they will ask is whether that plan was followed. Thus, it is important that key players are trained on the incident response policy and that the plan is tested for consistency, effectiveness and operability.

A company can have a seemingly perfect plan on paper, but it can be rendered meaningless if the policies are not effective and internalized by key players in the process. Companies who test their incident response policies have a significant advantage— from both a practical as well as a liability standpoint—over those who first execute these procedures in response to a real life crisis.

Testing the incident response plan in a controlled environment allows the organization to identify and remediate gaps or deficiencies and to use the experience to prevent making similar mistakes in the future. In addition, regulators expect companies to routinely test their data security programs, and doing so will help inform prosecutorial discretion, should a real incident arise.

How to Implement:

Simulated cyber exercises have proven to be one of the best ways to test a company's incident response plan. There are various types of exercises that can be implemented, depending on the level of maturity of the entity's cybersecurity program, including tabletop and operational exercises.

A tabletop exercise is a facilitated analysis of a company's response to an emergency situation in a conversational environment. It typically includes previously identified key personnel discussing simulated scenarios and is used to assess incident response plans, policies and procedures. The format is discussion based and limited to participants in the venue or available by video/teleconference. No actions are taken on live systems.

In contrast to a tabletop exercise, an operational exercise is conducted to allow personnel to work in an environment that simulates an actual incident (i.e., employees are sitting at their desks, responding as they would in a real-world event). Operational exercises are ideal for providing insight into a company's effectiveness of security operations and incident response during a specified incident.

Operational exercises, either with or without prior notice to participants, can test capabilities in an even more realistic way, and may identify tactical issues that a tabletop would not reveal. The most effective testing programs combine multiple types of tests over time. Company-wide tabletop exercises can be combined with

smaller, targeted functions or department-specific exercises to fine tune specific problem or critical areas.

Best Practice:

Implement a company-wide security and awareness training program.

Why This Matters:

Employees cannot engage in procedures if they are not aware they are responsible for doing so. Similarly, personnel will be less inclined to prioritize security best practices if management does not lead by example. Implementing a consistent security and awareness training program will help ensure security practices remain top of mind for personnel and will foster a culture that values such practices.

Security training also ensures that employees exhibit consistent responses and behaviors when faced with security threats. Technology is a valuable tool, but it is not the end-all, be-all solution. Human interaction is still needed to analyze and act upon threat intelligence. Finally, as previously discussed, the cyber landscape is constantly evolving, so it is important that personnel are kept up-to-date on new threats, existing trends and best practices. Despite the constant development of and improvements to technological safeguards, people continue to be the weakest link in the maintaining organizational cybersecurity.

How to Implement:

A good place to begin with implementing security training is by establishing the appropriate tone at the top. Senior executives should take steps to implement top-down messaging, promoting data security and privacy practices throughout the organization. Posters, banners, and similar signage are easy ways to exhibit a security focus.

Secondly, incident response and key cybersecurity policies should be incorporated into onboarding materials and new-hire trainings. Many organizations neglect to focus on security training during the new-hire process, instead making it a minimal focus within a larger subset of general training policies.

A dedicated security training program that is implemented immediately upon onboarding will set expectations with employees from the moment they join the company and will help establish a baseline security awareness. Such training should be conducted before employees are given access to data or systems. Some organizations even require employees to achieve a passing “score” on security training modules before credentials are provided.

Further, employees who will have access to sensitive information or systems, as well as those who have key roles in the incident response process, should receive targeted security training, specific to their job duties and functions. Likewise, organizations should be sure there is a process in place for training employees upon a change of role or job duties that would materially alter their ability to access sensitive data.

Entities should also institute a periodic “refresher” information security training for all employees to remind them of required policies and procedures, update them regarding new threats or key information, and reiterate the importance of data security practices. Finally, companies should hold employees accountable for data security obligations by enforcement of policies and disciplinary measures, where appropriate.

INSURANCE

Best Practice:

Understand your risk, and match your risk transfer needs to your cyber liability policy.

Why This Matters:

Understanding what risks are most important to the company is absolutely essential to the process of securing the best coverage possible. For some companies, the primary concern may be the costs resulting from the theft of personal financial information (e.g., notification costs, credit monitoring, etc). For other companies, the main concern is the disruption of the business caused by attacks. It is likewise important to understand your existing coverage. Knowing what your various insurance policies will and will not cover may significantly reduce the expense of a cyber liability insurance policy. There is no point in paying for coverage that you do not need, and there is little value in purchasing coverage that does not cover your most important concerns.

How to Implement:

As mentioned, the first step in securing appropriate cyber liability insurance coverage is to understand the most significant risks facing the company. Then, you should assess your existing coverage to determine what gaps exist with respect to those risks. Once you have an understanding of your risk transfer needs, it is important to find a cyber liability policy that most closely aligns with those needs. Only a thorough review of the policy options will determine whether a particular policy provides a good fit for your risk transfer needs. It is critical when purchasing cyber liability insurance that the entity involves the relevant parties at the company in the key coverage decisions.

Best Practice:

Ensure you are permitted to use preferred experts.

Why This Matters:

Many companies have retained their own computer/forensic experts and legal professionals to review and/or vet their computer systems, apps, and related services. However, some policies will only provide coverage if the insured company uses one of the experts or professionals included on the policy's "panel list".

Many companies are more proactive today in their approach to cyber risk, and many have hired experts and legal professionals to assist them with their planning and crisis management needs, which can create significant issues if the company is not allowed to use the preferred expert or professional that it has a pre-existing relationship with simply because that expert or firm is not on the pre-approved panel.

How to Implement:

The time to learn about and resolve potential issues with approved experts is before the policy is finalized. Insurers are often much more willing to endorse a breach coach or firm onto a policy at renewal or before the policy is purchased than to provide an exception at the time of the claim.

Companies should, therefore, check their policies to ensure that they will be allowed to use their preferred experts and professionals in the event of a data breach or intrusion and, to the extent these experts are not included, work with the supplier to add the preferred expert and/or professional to the policy by endorsement before an incident or potential claim arises.

Best Practice:

Negotiate key definitions and the retroactive date.

Why This Matters:

Each coverage grant in a cyber liability insurance policy will have its own set of exclusions that will apply, but exclusionary language is not limited to the exclusions section. Companies must also consider a policy's definitions. In fact, the definitions section is often where many limitations on coverage appear in a policy. For example, in some policies, the term "computer system disruption" is limited to a data breach. In other policies, this term also includes the introduction of a virus or spam-mail. These distinctions could have significant implications for coverage. Although not technically

an exclusion, the more narrow definition has the same effect, which makes comparing policies between insurers extremely difficult.

How to Implement:

Given that there are myriad definitions in each cyber liability insurance policy, and that each may impact coverage, insureds should carefully review and negotiate the definitions in light of the insureds' specific risk transfer needs. It is also important when purchasing cyber liability coverage to negotiate the retroactive date. Many policies only cover cyber-attacks or data breaches occurring after the retroactive date, which may leave an insured without coverage for a network security breach that occurred but was undetected before the retroactive date.

Best Practice:

Request the right to control your defense.

Why This Matters:

Some cyber liability policies are written on a “duty to defend” basis, while others are written as “non-duty to defend”. A duty to defend policy means that the insurer (not the insured) controls the defense and claim strategy. Decisions such as which law firm to use, whether and how to defend a claim, and on what terms a claim should be settled are determined by the insurer in this type of policy.

A non-duty to defend policy requires the insureds to retain and pay for counsel to defend a claim. The insurer will then reimburse the insured for its expenses. Many insureds prefer a non-duty to defend policy because it gives the insureds more control of the defense of the claim. However, this additional control comes with insurer oversight.

The non-duty to defend policy also requires the insureds to obtain the insurers' consent prior to incurring defense costs and/or agreement to a settlement. Failure to obtain that consent may leave insureds responsible for paying all or a portion of their expenses. In short, although the insured controls the defense, the insured must still work with its insurers if it hopes to have its expenses covered by the insurance policy.

How to Implement:

Some companies may prefer a duty to defend policy—especially if they feel unequipped to handle a data breach on their own. However, insureds should request at least the option to defend claims on their own. At a minimum, insureds should consider requesting the right to control the defense of regulatory proceedings that may be covered by the cyber liability policy.

SAFEGUARDS

Best Practice:

Implement administrative, technical, and physical safeguards for sensitive information.

Why This Matters:

There is no one-size-fits-all solution to cybersecurity, and it is important that entities implement collective safeguards to help protect sensitive data. That said, although cyber criminals continue to adapt and improve their tactics, they still rely on traditional tactics (in part because these antics are still successful) and will often take the easiest route. For example, a recent report found that 63 percent of confirmed data breaches involved leveraging weak, default or stolen passwords. Implementing baseline administrative, technical and physical safeguards can help to prevent these sorts of attacks.

How to Implement:

The appropriate administrative, technical, and physical safeguards for a given company will depend on its size and complexity, the nature and scope of its activities and the sensitivity of the personal information collected from or about consumers. The following is a non-exhaustive list of examples of best practices for implementing these safeguards, which have been derived from FTC guidance and relate to findings and requirements implemented through FTC investigations and consent decrees.

Start with security. Do not collect personal or sensitive information that you do not need, and do not use such information when it is not necessary. Retain information only as long as there is a legitimate business need.

Control access to data sensibly. Maintain appropriate access controls, including restricting access to sensitive data and provisioning access on a need-to-know basis or as is necessary to perform job function. Administrative access should be limited.

Require secure passwords and authentication. Insist on complex, unique passwords, and require that users change credentials on a periodic basis. Ensure passwords are securely stored, and consider additional protections, such as two-factor authentication. Implement a policy to suspend or disable accounts after repeated login attempts, and test for common vulnerabilities.

Store sensitive personal information securely and protect it during transmission. Methods will depend on the types of information the business collects, how it is collected, and how it is processed, but some options include Transport Layer

Security/Secure Sockets Layer (TLS/SSL) encryption, data-at-rest encryption or an iterative cryptographic hash. It is important to ensure that sensitive information is secured throughout its lifecycle—not just during the initial transmission. Similarly, it is necessary to ensure proper configuration. There is also no need to reinvent the wheel. Industry-tested and accepted methods are a valuable resource.

Segment your network and monitor activity. Housing particularly sensitive data in a separate and secure location on the network will help protect this information. It is also important to monitor network activity, and this also includes conducting behavioral monitoring of employees to identify and respond to anomalous activity occurring internally.

Secure remote access to your network. Ensure endpoint security and put sensible access limits in place, including access by third parties. Institute a process to review and revoke and/or revise access controls upon termination or change of job duties, including remote access controls.

Incorporate security practices in the development of new products. It is important that engineers are trained on secure coding practices and that they are provided with and follow platform guidelines for security. Test for common vulnerabilities and, to the extent the product includes privacy or security features, ensure that these features function effectively.

Establish procedures to keep security current and address vulnerabilities. Update and patch software, and maintain a process to receive and timely respond to vulnerability warnings and threat intelligence.

Secure paper, physical media and devices. Protect devices that process personal information, and maintain safety standards for transporting data outside of the company, and limit the instances when employees will need to be outside of the organization with sensitive data in their possession.

MUSIC LICENSING FAQS ¹⁴

What is a Performance Rights Organization (PRO)?

A PRO is an organization that grants, administers and enforces public performance licenses on behalf of its member copyright owners. In the U.S., there are three PROs for songs: ASCAP, BMI and SESAC. Each songwriter and other song copyright owners join a PRO, but they can only be a member of one PRO at a time.

What is a blanket license and what does it do?

A blanket license from ASCAP, BMI or SESAC gives you, as a licensee, the right to play music within a PRO's repertory wherever your residents, employees and guests may gather. Whether your use of music is live, broadcast, transmitted or played via MP3 player, CD or video, a PRO license would cover all of the songs in that PRO's repertory.

We have a license with one PRO. Do we still need a license from the other two PROs?

Most businesses that use music in ways that should be licensed have agreements with all three PROs because each songwriter or composer is represented by only one PRO at any given time, and a music license with one PRO allows you to perform only songs represented by that organization.

Our apartment community's pool parties, movie nights, fitness centers and the like are not open to the public. Are we exempt from music licensing requirements?

U.S. copyright law defines a public place as any place that allows people outside of "a normal circle of family and friends" to gather, including "semi-public" places such as schools, clubs or business offices that are open to only certain people but not to the general public.

An argument could be made that common areas for the exclusive use of residents, such as your community's fitness center, are distinguishable from spaces that are accessible to others because these areas are extensions of residents' homes and there is no additional fee charged or revenue generated by these areas, unlike a club or restaurant. Also, in fitness areas, oftentimes headphones or closed captioning must be used, which restrict the audio portions of programming, and the size and location

14. Adapted from "Music Licensing Basics for Apartment Communities". (National Multifamily Housing Council.

^x Washington, DC, 2013).

of the screens limit viewing to one individual at a time and, therefore, should not be considered a public broadcast or performance.

There have not been any court decisions to this effect, so at present we do not know whether these arguments would be successful in a legal case or with a PRO. A PRO may take the position that even though an event or area of the property is open only to residents of your community, a performance license would be needed if the use of music would otherwise be considered a public performance. According to that point of view, even though an event or area of the property is closed to the general public, your residents may form a “public” under copyright law.

Our apartment community has a music service. Does that cover our music licensing responsibilities?

You are probably covered for playing background music provided by the service, but you should check your apartment community’s contract with the music service to be sure. Music services, such as Muzak and DMX, are licensed with the PROs to cover performance rights for background use only—in your elevators, leasing office or lobby area, for example. You are not covered by the agreement if you use music from another source or if you use music from your music service provider for a purpose outside of the scope of that agreement.

Do we have to pay for music licenses when we have already paid for a DJ or band?

The payment you make to a performer, such as a DJ or band, does not cover a license for them to publicly perform copyrighted music in your apartment community. Copyright law provides that the owner of a business establishment where the music is being played is usually responsible for obtaining any required performance licenses.

Our apartment community bought our own iPod, CDs, DVDs, and gaming software. Isn’t this our property to use and play anywhere we choose?

The law distinguishes between owning a copy of music, like a CD or a song saved on an iPod, and owning the rights to those songs, including the right to publicly perform them. When you purchase a CD or DVD or download an audio file, software, game or other product containing music, even those specifically marketed for business purposes, you are only buying a copy of the music and the right to play it “privately”. An apartment community will generally need a license if its use of copyrighted music is considered a public performance under copyright law.

Does it matter whether the music we play in our community's common areas is from a CD, stored on an MP3 player, or streaming from an Internet site online?

The PROs have licenses covering public performances of all of these different ways to deliver songs. If your use of music amounts to a public performance under copyright law, and does not qualify for an exemption, a license would be needed regardless of whether you use a CD or MP3 player. When music is streamed over the Internet, however, there is a distinct performance right with respect to the “sound recordings” of songs publicly performed via digital audio transmission. So, theoretically, streaming online music into shared spaces could also require a performance license from the sound recording copyright owners. As a practical matter, however, sound recording copyright owners have not been seeking licenses from apartment communities.

What if an apartment community uses television or radio?

Audio-only music channels on many satellite and cable television systems may authorize public performance rights to your property, but the licensed rights are limited to the background use of those stations. The public performance of audio-only content beyond background use is not generally covered by service agreements and may require a license. Songs featured in audio-visual programming during sports, news, movies and entertainment programs, as well as in advertisements on TV and radio, may trigger licensing requirements for your apartment community.

Your apartment community may be exempt if it has a limited number of speakers and TVs in each room and throughout the property, the broadcast is not retransmitted from one room or area of the property to another and there is no admission charge.

Specifically, if your community plays radio, it is exempt if the property has no more than six speakers, with no more than four speakers in any one room. If your community also uses TVs, it is exempt if it has no more than four TVs on the property, with no more than one in a room, and no screen exceeding 55 inches. Note that the analysis for this exemption applies to public performances of music that originate from a radio or television broadcast station licensed by the FCC or, for television content, by a cable system or satellite carrier.

Aren't TV, cable, and radio stations already licensed with the PROs?

They are, but those agreements do not generally authorize the public performance of such TV, cable and radio except by the broadcaster itself. (Audio-only music channels on many satellite and cable television systems may authorize public performance

rights to your property, but the licensed rights would be limited to background use as discussed above).

Our apartment community has TVs in our clubhouse and lounge area, but we do not organize movie nights or other similar gatherings. Could we need a license?

Subject to the exemptions discussed above, you may need a license if your apartment community provides TVs for residents in common areas or if you provide DVDs or a WiFi service for residents to watch in shared spaces, if the apartment community is considered to be facilitating public performances.

We have TVs for resident use in some of our fitness centers. In other fitness rooms, we don't have televisions, but some of the exercise machines have attached screens. We do not play music from CDs, MP3 players, or any other device using either stored or streaming music in our fitness rooms. Do we need a license?

When you provide televisions in fitness centers for resident use, you may need a license if the property management is considered to be facilitating residents to hear a public performance of the audio portion of video programming, subject to the analysis discussed in this paper. A PRO may also argue the same is true of machines with attached screens because although only one resident is using each attached screen at a time, the audio portion of the broadcast may be heard by multiple residents at the same place, even if they hear it at different times. However, as discussed previously, common areas for the exclusive use of residents, such as your community's fitness center, may be legally distinguishable from areas that are accessible to others. Moreover, a community's rules requiring headphones or closed captioning, and the size and location of the screens, limit viewing to one individual at a time and may preclude a need for a license.

Who is responsible for performance licenses when a resident reserves our club room, theater, or other space for a party or other event?

Copyright law and subsequent cases make the property or business owner responsible for obtaining a license if the particular situation would require a license and if the owner is aware such public performances are taking place.

We have music playing in our staff-only office. On occasion, we extend that music to the lobby area adjacent to the office. Do we need a license for the music we play in our staff-only office?

When music plays in a staff-only office, it is typically considered to be a public performance because it is a business usage of the music and is used outside of a small circle of one family and its friends. If you turn up the volume or use a speaker in the lobby, a license could also be needed because you are using music in a shared space for people outside of a small circle of family and friends.

I want to use music-on-hold in my business. Do I need a license?

Yes. It is a public performance of music when music is transmitted via your telephone lines to a caller on hold. Usually, however, the public performance license is covered by the service providing your on-hold music. You can check your service contract to be sure.

Can I be held liable for copyright infringement if I do not know whether a public performance license is needed?

Usually, yes. You are probably responsible, as the owner or manager of the premises, to obtain any required licenses for the public performance of songs performed on your premises, regardless of your knowledge of the law or whether a particular song or use of music is protected by copyright.

What happens if an apartment community doesn't have a performance license and copyrighted music is used, played, or performed live and is not subject to an exemption?

If copyrighted music is publicly performed without a performance license, in circumstances in which a performance license is legally required, you could be considered by a court to be a copyright infringer liable for damages and the copyright owner's costs and attorney fees. Statutory damages range from \$700 up to \$30,000 per song performed without a license. Under certain circumstances, there is also a risk that you may be considered to be a "willful" infringer, which could subject you to damages of up to \$150,000 for each song performed without a license.

STATE LAWS: NONREFUNDABLE FEES

State	Statute	Permitted	Description
Alabama	None	-	
Alaska	None	-	
Arizona	§ 33-1321	Yes	The purpose of all nonrefundable fees or deposits shall be stated in writing by the landlord. Any fee or deposit not designated as nonrefundable shall be refundable.
Arkansas	None	-	
California	Cal Civ Code § 1950.5	No	No lease or rental agreement may contain any provision characterizing any security as “nonrefundable”.
Colorado	None	-	
Connecticut	None	-	
Delaware	25 Del. C. § 5311	No	Except for an optional service fee for actual services rendered, such as a pool fee or tennis court fee, a landlord shall not charge to a tenant any nonrefundable fee as a condition for occupancy of the rental unit.
D.C.	D.C. Code § 42-3502.22	Yes	Allows for nonrefundable application fees.
Florida	None	Yes	Reported standard of practice allows nonrefundable fees.
Georgia	None	Yes	Reported standard of practice, but must not be part of the security deposit.
Hawaii	HRS § 521-44	No	The landlord may not require or receive from or on behalf of a tenant at the beginning of a rental agreement any money other than the money for the first month's rent and a security deposit.

State	Statute	Permitted	Description
Idaho	None	-	
Illinois	None	-	
Indiana	None	-	
Iowa	None	-	
Kansas	None	-	
Kentucky	None	-	
Louisiana	None	-	
Maine	14 M.R.S. § 6039	Yes	Only pertaining to a surety bond premium. See statute for specific disclosure requirements.
Maryland	Md. REAL PROPERTY Code Ann. § 8-203	Yes	Only pertaining to payment of a surety bond. See statute for specific disclosure requirements.
Massachusetts	None	-	
Michigan	None	-	
Minnesota	Minn. Stat. § 504B.173, 175, & 177	Yes	Landlord may charge a screening fee to perform a background check so long as they comply with statutory requirements regarding reimbursement and fair practice (§ 504B.173 & 175). A late fee may be charged so long as the tenant has previously agreed to this practice in writing and it is allowed by federal statute (§ 504B.177).
Mississippi	None	-	
Missouri	None	-	
Montana	Mont. Code Anno., § 70-25- 101	No	A fee or charge for cleaning and damages, no matter how designated, is presumed to be a security deposit.

State	Statute	Permitted	Description
Nebraska	None	-	
Nevada	Nev. Rev. Stat. Ann. § 118A.200 & 242	Yes	Lease must fully explain each fee and why they are required. This may include a nonrefundable cleaning fee (§ 118A.242).
New Hampshire	None	-	
New Jersey	None	-	
New Mexico	N.M. Stat. Ann. N.M. Stat. Ann. § 47-8-15 & 20	Yes	A late payment fee may be assessed (§ 47-8-15) as well as an administrative fee related to submetering of utilities (§ 47-8-20).
New York	None	-	
North Carolina	N.C. Gen. Stat. § 42-53	Yes	The landlord may charge a reasonable, nonrefundable fee for pets kept by the tenant on the premises.
North Dakota	None	-	
Ohio	Ohio Rev. Code Ann. § 5321.01, & 16(B)	Yes	A nonrefundable pet fee is allowed so long as it is separate from the initial security deposit as described in § 5321.01 and does not violate § 5321.16(B).
Oklahoma	None	-	
Oregon	ORS § 90.302	Yes	Landlord may assess a fee for: a late rent payment; a dishonored check; removal or tampering with a functioning smoke alarm or carbon monoxide detector; violation of a written pet agreement; or for abandonment or relinquishment of a dwelling under fixed term tenancy.
Pennsylvania	None	-	
Rhode Island	None	-	

State	Statute	Permitted	Description
South Carolina	None	-	
South Dakota	None	-	
Tennessee	Tenn. Code Ann. § 66-28- 201	Yes	Statute allows landlord to charge nonrefundable late fee.
Texas	Tex. Prop. Code § 92.351 & 92.019	Yes	Landlord may charge a nonrefundable application fee to offset the costs of screening an applicant for acceptance as a tenant (§ 92.351) or a late fee so long as notice of such as given in the written lease (§ 92.019).
Utah	None	Yes	Reported to be the standard of practice so long as terms are detailed in a written agreement and stated to the tenant at the time monies are collected for the deposit.
Vermont	None	-	
Virginia	Va. Code Ann. § 55-226.2; 55-248.4	Yes Yes	With regard to energy submetering equipment owner, manager, or operator of the building may charge and collect from the tenant additional service charges, including, but not limited to, monthly billing fees, account set-up fees or account move-out fees, to cover the actual costs of administrative expenses and billing. They may also charge a nonrefundable application fee (Va. Code Ann. § 55- 248.4)
Washington	Rev. Code Wash. (ARCW) § 59.18.285		No moneys paid to the landlord which are nonrefundable may be designated as a deposit or as part of any deposit. If any moneys are paid to the landlord as a nonrefundable fee, the rental agreement shall be in writing and shall clearly specify that the fee is nonrefundable.

State	Statute	Permitted	Description
West Virginia	W. Va. Code § 37-6A-1	Yes	Landlord may assess a nonrefundable pet fee and/or application fee which is described in the written contract.
Wisconsin	None	-	
Wyoming	Wyo. Stat. § 1-21-1207	Yes	Any rental agreement shall state whether any portion of a deposit is nonrefundable and written notice of this fact shall also be provided to the renter at the time the deposit is taken by the owner or his designated agent.

STATE LAWS: LATE FEES

Alabama

Statute/Authority

Code of Ala. § 35-9A-421

Relevant Language

If rent is unpaid when due, the landlord may deliver a written notice to terminate the lease to the tenant specifying the amount of rent and any late fees owed to remedy the breach and that the rental agreement will terminate upon a date not less than seven days after receipt of the notice.

Notes

When giving notice to terminate lease for nonpayment of rent, landlord may specify in notice the amount of rent and late fees owed to remedy the noncompliance.

Alaska

Statute/Authority

None

Arizona

Statute/Authority

A.R.S. § 33-1368 (B)

Relevant Language

Before the filing of a special detainer action the rental agreement shall be reinstated if the tenant tenders all past due and unpaid periodic rent and a reasonable late fee set forth in a written rental agreement.

Arkansas

Statute/Authority

None

California

Statute/Authority

Harbor Island Holdings, LLC v. Kim (2003) 107 Cal.App.4th 790 [132 Cal.Rptr.2d 406] (liquidated damages provision unenforceable because it bore no reasonable relationship to range of actual damages parties could have anticipated); Orozco v. Casimiro (2004) 121 Cal.App.4th Supp. 7 [17 Cal.Rptr.3d 175] (late fee invalid because landlord failed to establish that damages for late payment of rent were extremely difficult to fix).

Notes

According to CA Dept of Consumer Affairs: A rental agreement cannot include a pre-determined late fee. the exception to this rule is when it would be difficult to figure out the actual cost to the landlord caused by the late rent payment. even then, the pre-determined late fee should not be more than a reasonable estimate of costs that the landlord will face as a result of the late payment. A late fee that is so high that it amounts to a penalty is not legally valid.

Colorado

Statute/Authority

None

Connecticut

Statute/Authority

Conn. Gen. Stat. § 47a-4(a)(8); 47a-15a

Relevant Language

A rental agreement shall not provide that the tenant agrees to pay a late charge prior to the expiration of the 9 day grace period after rent is due, or to pay rent in a reduced amount if such rent is paid prior to the expiration of such grace period.

Delaware

Statute/Authority

25 Del. C. § 5501(d)

Relevant Language

Where the rental agreement provides for a late charge payable to the landlord for rent not paid at the agreed time, the late charge shall not exceed 5% of the monthly rent. A late charge is considered as additional rent for the purposes of the Del. Code. The late charge shall not be imposed within 5 days of the agreed time for payment of rent. The landlord shall maintain an office in the county where the rental unit is located at which tenants can pay rent.

Notes

If the landlord does not have a local office for this purpose, the tenant has 3 extra days from the due date to pay rent before the late fee can be charged.

District of Columbia

Relevant Language

The landlord cannot charge a late fee greater than 5% of the tenants paid rent or \$25 whichever is greater. There is also a five day grace period and landlords cannot deduct late fees from future rent payments.

Notes

Ordinance also places restrictions on the eviction process. If the housing unit is owned by two or less people who have no other rental units in the district, then if the tenant pays rent late 3 times in 12 months, then the landlord can evict the tenant. Other landlords can evict if the tenant pays late 6 times in 12 months. The landlord cannot evict for nonpayment of the late fee.

Florida

Statute/Authority

None

Georgia

Statute/Authority

O.C.G.A. § 44-7-16

Notes

“All contracts for rent shall bear interest from the time rent is due”.

Hawaii

Statute/Authority

None

Idaho

Statute/Authority

None

Idaho

Statute/Authority

None at state level

Notes

Chicago: WHAT HAPPENS IF A TENANT PAYS RENT LATE? Chicago Landlord-Tenant Ordinance- does not apply if there are six units or less {MUN. CODE CH. 5-12-140 (h)}
If the tenant fails to pay rent on time, the landlord may charge a late fee of \$10.00 per month on rents under \$500 plus 5 percent per month on that part of the rent that exceeds \$500.00 (i.e., for a \$450.00 monthly rent the late fee is \$10.00, for a \$700 monthly rent the late fee is \$10 plus 5% of \$200.00 or \$20.00 total) (eff. 1-1-92)

Indiana

Statute/Authority

None

Iowa

Statute/Authority

Iowa Code § 562A.9, Subsection 3A

Relevant Language

For rental agreements in which the rent does not exceed seven hundred dollars per month, a rental agreement shall not provide for a late fee that exceeds twelve dollars per day or a total amount of sixty dollars per month. For rental agreements in which the rent is greater than seven hundred dollars per month, a rental agreement shall not provide for a late fee that exceeds twenty dollars per day or a total amount of one hundred dollars per month.

Kansas

Statute/Authority

K.S.A. § 58-2543 (j)

Notes

“Rent” is defined as all payments to be made to the landlord under the rental agreement; late fees must be written into lease.

Kentucky

Statute/Authority

None

Louisiana

Statute/Authority

None

Maine

Statute/Authority

14 M.R.S. § 6028

Relevant Language

A landlord may assess a penalty against a residential tenant for late payment of rent for a residential dwelling unit. A rent payment is late if it is not made within 15 days from the due date. A landlord may not assess a penalty for late rent which exceeds 4% of the amount due for 1 month. A landlord must also give the tenant written notice at the time they enter into the rental agreement that a penalty may be charged for late rent.

Maryland

Statute/Authority

Md. REAL PROPERTY Code Ann. § 8-208(d)(3)

Relevant Language

A landlord may assess a penalty against a residential tenant for late payment of rent for a residential dwelling unit. A rent payment is late if it is not made within 15 days from the due date. A landlord may not assess a penalty for late rent which exceeds 4% of the amount due for 1 month. A landlord must also give the tenant written notice at the time they enter into the rental agreement that a penalty may be charged for late rent.

Massachusetts

Statute/Authority

ALM GL ch. 186, § 15B(1)(c)

Relevant Language

No lease or other rental agreement shall impose any interest or penalty for failure to pay rent until 30 days after such rent shall have been due.

Michigan

Statute/Authority

None

Minnesota

Statute/Authority

Minn. Stat. § 504B.177

Relevant Language

A landlord of a residential building may not charge a late fee if the rent is paid after the due date, unless the tenant and landlord have agreed in writing that a late fee may be imposed. The agreement must specify when the late fee will be imposed. In no case may the late fee exceed 8% of the overdue rent payment. Any late fee charged or collected is not considered to be either interest or liquidated damages.

Mississippi

Statute/Authority

None

Missouri

Statute/Authority

None

Montana

Statute/Authority

Mont. Code Anno., § 70-25- 201(1, 4)

Notes

Late charges are allowed to be deducted from a security deposit.

Nebraska

Statute/Authority

None

Nevada

Statute/Authority

Nev. Rev. Stat. Ann. § 118A.200 (3)(g), (4)(c)

Relevant Language

Any written rental agreement must contain provisions relating to...charges which may be required for late or partial payment of rent. The absence of a written agreement raises a disputable presumption that...no charges for partial or late payments of rent are paid by the tenant.

New Hampshire

Statute/Authority

None

New Jersey

Statute/Authority

N.J. Stat. § 2A:42-6.1, 2A: 42-6.3

Relevant Language

A person to whom rent is due and payable on the first of the month upon a lease or other agreement shall allow a period of 5 business days grace in which the rent due shall be paid. No delinquency or other late charge shall be made which includes the grace period of 5 business days.

Notes

This provision is only applicable to senior citizens receiving Social Security Old Age Pensions, Railroad Retirement Pensions or other governmental pensions in lieu of Social Security OAPs, and to recipients of Social Security Disability Benefits, Supplemental Security Income or benefits under Work First New Jersey.

New Mexico

Statute/Authority

N.M. Stat. Ann. § 47-8-15 (D)

Relevant Language

If the rental agreement provides for the charging of a late fee, and if the resident does not pay rent in accordance with the rental agreement, the owner may charge the resident a late fee in an amount not to exceed 10% of the total rent payment for each rental period that the resident is in default. To assess a late fee, the owner shall provide notice of the late fee charged no later than the last day of the next rental period immediately following the period in which the default occurred.

North Carolina

Statute/Authority

N.C. Gen. Stat. § 42-46

Relevant Language

In all residential rental agreements in which a definite time for the payment of the rent is fixed, the parties may agree to a late fee not inconsistent with the provisions of this subsection, to be chargeable only if any rental payment is 5 days or more late. If the rent is due in monthly installments, a landlord may charge a late fee not to exceed \$ 15.00 or 5% of the monthly rent, whichever is greater.

Notes

A late fee may be imposed only 1 time for each late rental payment. A late fee for a specific late rental payment may not be deducted from a subsequent rental payment so as to cause the subsequent rental payment to be in default.

North Dakota

Statute/Authority

None

Ohio

Statute/Authority

None

Oklahoma

Statute/Authority

Sun Ridge Investors, Ltd. V. Parker, 956 P. 2d 876 (1998)

Relevant Language

Preset late fees are invalid and unenforceable.

Oregon

Statute/Authority

ORS § 90.260

Relevant Language

A landlord may impose a late charge or fee, however designated, only if the rent payment is not received by the 4th day of the rental period for which rent is payable; and there exists a written rental agreement that specifies: 1) The Tenant's obligation to pay a late charge on delinquent rent payments; 2) the type and amount of the late charge; and 3) the date on which rent payments are due and the date or day on which late charges become due. The amount of any late charge may not exceed: A) a reasonable flat amount, charged one per rental period; B) a reasonable amount, charged on a per-day basis beginning on the fifth day of the rental period for which rent is delinquent. The daily charge may accrue every day thereafter until the rent, not including any late charge, is paid in full through that rental period only. The per day charge may not exceed 6% of the amount described in (a); or C) 5% of the periodic rent payment amount, charged once for each succeeding five day period or portion thereof, for which the rent payment is delinquent, beginning on the fifth day of that rental period and continuing and accumulating until that rent payment, not including any late charge, is paid in full, through that rental period only.

Notes

Reasonable amount is defined as the customary amount charged by landlords for that rental market.

Pennsylvania

Statute/Authority

None

Rhode Island

Statute/Authority

None

South Carolina

Statute/Authority

S.C. Code Ann. § 27-40-210

Notes

Late fees are included within the definition of “rent”.

South Dakota

Statute/Authority

None

Tennessee

Statute/Authority

Tenn. Code Ann. § 66-28-201(d)

Relevant Language

There shall be a 5 day grace period between the day the rent was due and the day a fee for the late payment of rent may be charged. If the last day of the 5 day grace period occurs on a weekend or legal holiday, the landlord shall not impose any charge or fee if the rent is paid on the next business day. Any charge or fee by the landlord for the late payment of rent shall not exceed 10% of the amount of rent past due.

Texas

Statute/Authority

Tex. Prop. Code § 92.019

Relevant Language

A landlord may not charge a tenant a late fee for failing to pay rent unless: notice of the fee is included in a written lease; the fee is a reasonable estimate of uncertain damages to the landlord that are incapable of precise calculation and result from late payment of rent; and the rent has remained unpaid 1 full day after the date the rent was originally due. A late fee under this section may include an initial fee and a daily fee for each day the rent continues to remain unpaid.

Utah

Statute/Authority

None

Vermont

Statute/Authority

None

Virginia

Statute/Authority

Va. Code Ann. § 55-248.7

Notes

Provisions related to charges for late payment of rent may be included in a lease agreement.

Washington

Statute/Authority

None

West Virginia

Statute/Authority

None

Wisconsin

Statute/Authority

ATCP 134.09

Relevant Language

8) Late rent fees and penalties.

(a) No landlord may charge a late rent fee or late rent penalty to a tenant, except as specifically provided under the rental agreement.

(b) Before charging a late rent fee or late rent penalty to a tenant, a landlord shall apply all rent prepayments received from that tenant to offset the amount of rent owed by the tenant.

(c) No landlord may charge any tenant a fee or penalty for nonpayment of a late rent fee or late rent penalty.

Wyoming

Statute/Authority

None

STATE LAWS: APPLICATION FEES

California

Statute

Civil Code Section 1950.6

Description

The amount of the application screening fee shall not be greater than the actual out-of-pocket costs of gathering information concerning the applicant, including, but not limited to, the cost of using a tenant screening service or a consumer credit reporting service, and the reasonable value of time spent by the landlord or his or her agent in obtaining information on the applicant. \$30 maximum fee per applicant. The \$30 fee may be adjusted annually by the landlord or his or her agent commensurate with an increase in the Consumer Price Index, beginning on January 1, 1998.

Delaware

Statute

25 Del. C. § 5514

Description

Fee cannot exceed the greater of either 10 percent of the monthly rent for the rental unit or \$ 50. The landlord shall, upon receipt of any money paid as an application fee, furnish a receipt to the tenant for the full amount paid by the tenant, and shall maintain for a period of at least 2 years, complete records of all application fees charged and amounts received for each such fee. Where the landlord unlawfully demands more than the allowable application fee, the tenant shall be entitled to damages equal to double the amount charged as an application fee by the landlord.

Maryland

Statute

Md. REAL PROPERTY Code Ann. § 8-213 (b)

Description

Any fees other than a security deposit as defined by § 8-203(a) cannot exceed \$25. If they exceed \$25, then the landlord shall return the fees, subject to the exceptions below, or be liable for twice the amount of the fees in damages.

The return shall be made not later than 15 days following the date of occupancy or the written communication, by either party to the other, of a decision that no tenancy shall occur.

The landlord may retain only that portion of the fees actually expended for a credit check or other expenses arising out of the application, and shall return that portion of the fees not actually expended on behalf of the tenant making application.

Notes

This section does not apply to any landlord who offers four or less dwelling units for rent on one parcel of property or at one location, or to seasonal or condominium rentals.

Massachusetts

Statute

ALM GL ch. 186, § 15B

Description

A landlord CANNOT charge for an application fee. A landlord is limited to the following. At or prior to the commencement of any tenancy, no lessor may require a tenant or prospective tenant to pay any amount in excess of the following: (i) rent for the first full month of occupancy; and, (ii) rent for the last full month of occupancy calculated at the same rate as the first month; and, (iii) a security deposit equal to the first month's rent provided that such security deposit is deposited as required by subsection (3) and that the tenant is given the statement of condition as required by subsection (2); and, (iv) the purchase and installation cost for a key and lock.

Notes

Broad Street Associates v. Stephen Levine

Minnesota

Statute

Minn Stat. § 504B.173

Description

No cap BUT certain restrictions on use and return of screening fee. A landlord may not: 1) charge an applicant a screening fee when the landlord knows or should

have known that no rental unit is available at that time or will be available within a reasonable future time; 2) collect or hold an applicant screening fee without giving the applicant a written receipt for the fee, which may be incorporated into the application form, upon request of the applicant; or 3) use, cash, or deposit an applicant screening fee until all prior applicants have either been screened and rejected, or offered the unit and declined to enter into a rental agreement.

A landlord must return the applicant screening fee if: 1) the applicant is rejected for any reason not listed in the required disclosed criteria; or 2) a prior applicant is offered the unit and agrees to enter into a rental agreement.

If the landlord does not perform a personal reference check or does not obtain a consumer credit report or tenant screening report, the landlord must return any amount of the applicant screening fee that is not used for these purposes.

If a landlord accepts an applicant screening fee from a prospective tenant, the landlord must: 1) disclose in writing prior to accepting the applicant screening fee: 2) the name, address and telephone number of the tenant screening service the landlord will use, unless the landlord does not use a tenant screening service; and 3) the criteria on which the decision to rent the prospective tenant will be based; and 4) notify the applicant within 14 days of rejecting a rental application, identifying the criteria the applicant failed to meet.

Notes

A residential tenant screening service must make the disclosures to an individual without charge if information in a residential tenant report has been used within the past 30 days to deny the rental or increase the security deposit or rent of a residential housing unit to the individual. If the info has not been the basis for a denial within the past 30 days, the screening company may impose a reasonable charge for making the disclosure required under this section. Minn. Stat. § 504B.241

Oregon

Statute

ORS § 90.295

Description

(1) A landlord may require payment of an applicant screening charge solely to cover the costs of obtaining information about an applicant as the landlord processes the application for a rental agreement. This activity is known as screening, and includes

but is not limited to checking references and obtaining a consumer credit report or tenant screening report. The landlord must provide the applicant with a receipt for any applicant screening charge.

(2) The amount of any applicant screening charge shall not be greater than the landlord's average actual cost of screening applicants. Actual costs may include the cost of using a tenant screening company or a consumer credit reporting agency, and may include the reasonable value of any time spent by the landlord or the landlord's agents in otherwise obtaining information on applicants. In any case, the applicant screening charge may not be greater than the customary amount charged by tenant screening companies or consumer credit reporting agencies for a comparable level of screening.

Texas

Statute

Tex. Prop. Code § 92.351

Tex. Prop. Code § 92.351

Description

"Application fee" means a nonrefundable sum of money that is given to the landlord to offset the costs of screening an applicant for acceptance as a tenant.

If the landlord rejects an applicant and the landlord has not made the notice required by Subsection (a) available, the landlord shall return the application fee and any application deposit.

Vermont

Statute

9 V.S.A. § 4456a

Description

A landlord or a landlord's agent shall not charge an application fee to any individual in order to apply to enter into a rental agreement for a residential dwelling unit. This section shall not be construed to prohibit a person from charging a fee to a person in order to apply to rent commercial or nonresidential property.

Virginia

Statute

Va. Code Ann. § 55-248.6:1

Description

Any landlord may require a refundable application deposit in addition to a nonrefundable application fee. If the applicant fails to rent the unit for which application was made, from the application deposit the landlord shall refund to the applicant within 20 days after the applicant's failure to rent the unit or the landlord's rejection of the application all sums in excess of the landlord's actual expenses and damages together with an itemized list of said expenses and damages. If, however, the application deposit was made by cash, certified check, cashier's check, or postal money order, such refund shall be made within 10 days of the applicant's failure to rent the unit if the failure to rent is due to the landlord's rejection of the application. If the landlord fails to comply with this section, the applicant may recover as damages suffered by him that portion of the application deposit wrongfully withheld and reasonable attorney fees.

Washington

Statute

Rev. Code Wash. § 59.18.257

Description

(1) (a) Prior to obtaining any information about a prospective tenant, the prospective landlord shall first notify the prospective tenant in writing, or by posting, of the following:

(i) What types of information will be accessed to conduct the tenant screening;

(ii) What criteria may result in denial of the application;

(iii) If a consumer report is used, the name and address of the consumer reporting agency and the prospective tenant's rights to obtain a free copy of the consumer report in the event of a denial or other adverse action, and to dispute the accuracy of information appearing in the consumer report and

(iv) Whether or not the landlord will accept a comprehensive reusable tenant screening report made available to the landlord by a consumer reporting agency. If the landlord indicates its willingness to accept a comprehensive reusable tenant screening report, the landlord may access the landlord's own tenant screening report

regarding a prospective tenant as long as the prospective tenant is not charged for the landlord's own tenant screening report.

(b) (i) The landlord may charge a prospective tenant for costs incurred in obtaining a tenant screening report only if the prospective landlord provides the information as required in (a) of this subsection.

(ii) If a prospective landlord conducts his or her own screening of tenants, the prospective landlord may charge his or her actual costs in obtaining the background information only if the prospective landlord provides the information as required in (a) of this subsection. The amount charged may not exceed the customary costs charged by a screening service in the general area. The prospective landlord's actual costs include costs incurred for long distance phone calls and for time spent calling landlords, employers, and financial institutions.

(c) If a prospective landlord takes an adverse action, the prospective landlord shall provide a written notice of the adverse action to the prospective tenant that states the reasons for the adverse action. The adverse action notice must contain the following information in a substantially similar format, including additional information as may be required under chapter 19.182 RCWAny landlord who maintains a web site advertising the rental of a dwelling unit or as a source of information for current or prospective tenants must include a statement on the property's home page stating whether or not the landlord will accept a comprehensive reusable tenant screening report made available to the landlord by a consumer reporting agency. If the landlord indicates its willingness to accept a comprehensive reusable tenant screening report, the landlord may access the landlord's own tenant screening report regarding a prospective tenant as long as the prospective tenant is not charged for the landlord's own tenant screening report.

Any landlord or prospective landlord who violates subsection (1) this section may be liable to the prospective tenant for an amount not to exceed one hundred dollars. The prevailing party may also recover court costs and reasonable attorneys' fees.

West Virginia

Statute

W. Va. Code § 37-6A-1

Description

(2) "Application fee" means any deposit of money, however denominated, which is paid by a tenant to a landlord, lessor or agent of a landlord for the purpose of

being considered as a tenant for a dwelling unit. (14) “Security deposit” means any refundable deposit of money that is furnished by a tenant to a landlord to secure the performance of the terms and conditions of a rental agreement, or as security for damages to the leased premises. Security deposit does not include: (A) Rent; (B) a pet fee; or (C) application fee: Provided, That the parties expressly agree, in writing, that a pet fee or application fee is nonrefundable. A security deposit does not include prepaid rent.

Wisconsin

Statute

Wisc ATCP 134.05

Description

(a) Except as provided under par. (b), a landlord may require a prospective tenant to pay the landlord's actual cost, up to \$20, to obtain a consumer credit report on the prospective tenant from a consumer reporting agency that compiles and maintains files on consumers on a nationwide basis. The landlord shall notify the prospective tenant of the charge before requesting the consumer credit report, and shall provide the prospective tenant with a copy of the report.(b) A landlord may not require a prospective tenant to pay for a consumer credit report under par. (a) if, before the landlord requests a consumer credit report, the prospective tenant provides the landlord with a consumer credit report, from a consumer credit reporting agency that compiles and maintains files on consumers on a nationwide basis that is less than 30 days old. Note: Paragraph (b) does not prohibit a landlord from obtaining a more current consumer credit check at the landlord's expense.

STATE LAWS: LICENSING REQUIREMENTS FOR LEASE SIGNERS

Alabama

Real Estate Licensing Info/Broker Definition

Several years ago, the Alabama Legislature took persons acting as manager for an apartment building or complex out from under any requirement to be licensed and removed the restriction that a resident manager must live on the premises. (Section 34-27-2 (b)(7) of the license law). However, if a licensed real estate company decides to manage the apartments, the Commission will expect compliance with the law and rules to include depositing the security deposits in a trust account and running the rent and repairs through a trust account.

Exemptions According to Statute (or Other Licensing Information)

The licensing requirements do not apply to persons acting as the manager for an apartment building or complex. However, this exception shall not apply to a person acting as an on-site manager of a condominium building or complex.

(Al. Code 34-27-2)

Reciprocity

Section 34-27-3 indicates that you may co-broke with an Alabama licensee by executing a written co-broker agreement with an Alabama broker on each piece of property. This agreement is filed with the Alabama Real Estate Commission. By signing such an agreement you agree to abide by Alabama law and you agree that civil actions may be commenced against you in Alabama if the need should arise. Alternately, you may choose to obtain an Alabama real estate license by reciprocity if you are going to frequently deal in real property situated in Alabama.

Alaska

Real Estate Licensing Info/Broker Definition

Unless licensed as a real estate broker, associate real estate broker, or real estate salesperson in this state, a person may not, except as otherwise provided in this chapter,

- (1) sell, exchange, rent, lease, auction, or purchase real estate;
- (2) list real estate for sale, exchange, rent, lease, auction, or purchase;
- (3) collect rent for the use of real estate or collect fees for property management;

- (4) practice, or negotiate for a contract to practice, property management;
- (5) collect fees for community association management;
- (6) practice, or negotiate for a contract to practice, community association management;
- (7) as a business, buy, sell, or deal in
 - (A) options in real estate; or
 - (B) options in improvements to real estate;
- (8) assist in or direct the procuring of prospective buyers and sellers of real estate, communicate with prospective buyers and sellers of real estate, or assist in the negotiation of a transaction that results or is calculated to result in the sale, exchange, rent, lease, auction, or purchase of real estate;
- (9) accept or pay a fee for the performance of any of the activities listed in this section except as otherwise specifically provided in this chapter;
- (10) hold out to the public as being engaged in the business of doing any of the things listed in this section; or
- (11) attempt or offer to do any of the things listed in this section. (Sec. 08.88.161.)

Exemptions According to Statute (or Other Licensing Information)

This chapter does not apply to a person performing duties as a resident manager; the management of a total of four or fewer residential units by a natural person for other persons; community association management for property by a resident owner of a unit in the property if the owner is a member of a self-managed community association for the property; community association management by a developer of property during the period that the developer retains control of at least 51 percent of the property. (Alaska Statutes 08.88.900).

NAA Notes

Please also see Article 9 Property Management of Alaska Administrative Code (Section 550) 12 AAC 64.550. PROPERTY MANAGEMENT TRANSACTIONS. (a) A licensee engaged in property

management shall conduct property management activity in the registered name of the real estate company with which the licensee is affiliated.

(b) A licensee may not conduct property management activity for another person

without a prior written property management contract. At a minimum, a property management contract must include the

- (1) specific responsibilities of the property manager;
- (2) authority and powers given by the property owner to the property manager;
- (3) period of the agreement; and
- (4) management fee.

(c) A licensee acting as a property manager may transfer funds between two or more accounts maintained for the same property owner if the licensee has written authorization from the property owner. The licensee shall make entries fully identifying the transaction in each of the ledger accounts affected.

(d) The sale or exchange of a property that is subject to an existing property management contract must be authorized by specific language in the property management contract or by a separate listing agreement.

(e) A licensee that owns rental real property shall disclose in writing to all tenants and prospective tenants of that property that the licensee holds a real estate license and the name of the company with which the licensee is affiliated.

Reciprocity

Contact the Alaska Real Estate Commission directly.

Arizona

Real Estate Licensing Info/Broker Definition

Property Management Firms are to be licensed: . “Property management firm” means any corporation, partnership or limited liability company licensed pursuant to section 32-2125, subsection A or a designated broker that by written agreement, manages rental property or properties for compensation (32-2171. Definitions) From AZ Real Estate Commission: Is a real estate license required to conduct property management services?

Yes. A real estate license is required to perform property management services. Property management services are provided to the employing broker’s clients by persons licensed to the broker and with the knowledge and supervision of the designated or self-employed broker.

Exemptions According to Statute (or Other Licensing Information)

Arizona: Exemptions include: 6. Natural persons who are acting as residential leasing agents or on-site managers of residential rental property, who are performing residential leasing activities on residential income property at no more than one location during the period of the agents' or on-site managers' regular workday, who do not receive special compensation for the acts described in subdivisions (a) through (e) of this paragraph and who are employed by the owner or the owner's licensed management agent to perform the duties customarily associated with that employment. A bonus that is paid to a residential leasing agent or on-site manager working under the supervision of a licensed real estate broker and that is based on performance, that is received no more frequently than monthly and that does not exceed one-half of the agent's or on-site manager's total compensation for the time period does not constitute special compensation for the acts described in subdivisions (a) through (e) of this paragraph. For purposes of this paragraph "residential leasing agents or on-site managers" means natural persons employed by the owner or the owner's licensed management agent whose normal duties and responsibilities include any one or a combination of the following:

- (a) Preparing and presenting to any person a residential lease, application or renewal or any amendment of the lease.
- (b) Collecting or receiving a security deposit, a rental payment or any related payment for delivery to and made payable to a property, a property manager, an owner or the location.
- (c) Showing a residential rental unit to any prospective tenant.
- (d) Executing residential leases or rental agreements adopted under title 33, chapter 10.
- (e) Acting on behalf of the owner or the owner's licensed management agent to deliver notice pursuant to title 12, chapter 8 and title 33, chapters 10 and 11.

(A.R.S. § 32-2121)

Reciprocity

From Arizona Real Estate Commission: Arizona is a non-reciprocal state.

Arkansas

Real Estate Licensing Info/Broker Definition

(10) “Principal broker” means an individual expecting to act or acting for another for a fee, commission, or other consideration who:

- (A) Sells, exchanges, purchases, rents, or leases real estate;
- (B) Offers to sell, exchange, purchase, rent, or lease real estate;
- (C) Negotiates, offers, attempts, or agrees to negotiate the sale, exchange, purchase, rent, or lease of real estate;
- (D) Lists, offers, attempts, or agrees to list real estate for sale, lease, or exchange;
- (E) Auctions, offers, attempts, or agrees to auction real estate, or participates in a real estate auction;
- (F) Buys, sells, or assigns or offers to buy, sell, or assign or otherwise deals in options on real estate or improvements to real estate;
- (G) Collects, offers, attempts, or agrees to collect rent for the use of real estate;
- (H) Advertises or holds himself or herself out as being engaged in the business of buying, selling, exchanging, renting, or leasing real estate;
- (I) Assists or directs in the procuring of prospects calculated to result in the sale, exchange, lease, or rent of real estate;
- (J) Assists or directs in the negotiation of any transaction calculated or intended to result in the sale, exchange, lease, or rent of real estate;
- (K) Engages in the business of charging an advance fee in connection with any contract whereby he or she undertakes to promote the sale or lease of real estate either through its listing in a publication issued for such a purpose or for referral of information concerning the real estate to brokers, or both; or
- (L) Performs any of the acts described in this subdivision (10) as an employee of or on behalf of the owner of, or any person who has an interest in, real estate; (17-42-103)

Arkansas Real Estate Commission Regulations: (d) “Property Manager” means a licensed principal broker or designated executive broker who performs property management activities.

Exemptions According to Statute (or Other Licensing Information)

The provisions of this chapter shall not apply to; A person acting as a resident manager when the resident manager resides on the premises and is engaged in the leasing of real property in connection with his or her employment; Does not engage in or offer to perform any practice, act, or operation set forth in § 17-42-103(10) other than receiving a security deposit or payment as permitted by subdivision (a)(6)(B) (iii) of this section; and (B) Performs only one (1) or more of the following functions:

- (i) Delivering a lease application, lease, or an amendment to a lease application or lease to any person;
- (ii) Receiving a lease application, lease, or an amendment to a lease application for delivery to the principal broker, real estate firm, or owner;
- (iii) Receiving a security deposit, rental payment, or any related payment for delivery to and made payable to the principal broker, real estate firm, or owner;
- (iv) Acting under the direct written instructions of the principal broker, real estate firm, or owner:
- (a) Showing a rental unit to any person; or
- (b) Assisting in the execution of a preprinted lease or rental agreement containing terms established by the principal broker, real estate firm, or owner; or
- (v) Conveying information prepared by the principal broker, real estate firm, or owner about a lease application, lease, the status of a security deposit, or the payment of rent to or from any person; (A.C.A. § 17-42-104)

Reciprocity

<http://www.arec.arkansas.gov/licensing/Pages/ReciprocalStates.aspx>

California

Real Estate Licensing Info/Broker Definition

From CA Bureau of Real Estate Publication, “Quick Guide for Landlords hiring a property manager”: Check the property manager’s Bureau of Real Estate license, which must be valid and active to collect rent and manage your property. (Note: Resident property managers don’t need a real estate license).
http://www.dre.ca.gov/files/pdf/landlord_brochure_14-264.pdf

Exemptions According to Statute (or Other Licensing Information)

§ 10131.01. Exclusions

(a) Subdivision (b) of Section 10131 does not apply to (1) the manager of a hotel, motel, auto and trailer park, to the resident manager of an apartment building, apartment complex, or court, or to the employees of that manager, or (2) any person or entity, including a person employed by a real estate broker, who, on behalf of another or others, solicits or arranges, or accepts reservations or money, or both, for transient occupancies described in paragraphs (1) and (2) of subdivision (b) of Section 1940 of the Civil Code, in a dwelling unit in a common interest development, as defined in Section 4100 of the Civil Code, in a dwelling unit in an apartment building or complex, or in a single-family home, or (3) any person other than the resident manager or employees of that manager, performing the following functions, who is the employee of the property management firm retained to manage a residential apartment building or complex or court and who is performing under the supervision and control of a broker of record who is an employee of that property management firm or a salesperson licensed to the broker who meets certain minimum requirements as specified in a regulation issued by the commissioner:

(A) Showing rental units and common areas to prospective tenants.(B) Providing or accepting preprinted rental applications, or responding to inquiries from a prospective tenant concerning the completion of the application.(C) Accepting deposits or fees for credit checks or administrative costs and accepting security deposits and rents.

(D) Providing information about rental rates and other terms and provisions of a lease or rental agreement, as set out in a schedule provided by an employer.

(E) Accepting signed leases and rental agreements from prospective tenants.

(b) A broker or salesperson shall exercise reasonable supervision and control over the activities of nonlicensed persons acting under paragraph (3) of subdivision (a).

(c) A broker employing nonlicensed persons to act under paragraph (3) of subdivision (a) shall comply with Section 10163 for each apartment building or complex or court where the nonlicensed persons are employed.

NAA Notes

Real estate licensees must work under the direct supervision of a licensed real estate broker. If the property manager works for one specific owner and only at that owner's property they are exempt. Real estate management companies have to be licensed (From SF AA).

Reciprocity

According to the Real Estate Commission, CA does not have reciprocity agreements with other states.

Colorado

Real Estate Licensing Info/Broker Definition

From CO Division of Real Estate:

Q: Is a real estate license required to do property management?

A: A real estate license is required if the activity conducted falls within the definition of a Real Estate Broker as defined in C.R.S. 12-61-101(2)(a)).

“§ 12-61-101, C.R.S. Definitions” Property management services are provided to the employing broker’s clients by persons licensed to the broker and with the knowledge and supervision of the designated or self-employed broker. (CP-42, Colorado Division of Real Estate). (2) (a) “Real estate broker” or “broker” means any person, firm, partnership, limited liability company, association, or corporation who, in consideration of compensation by fee, commission, salary, or anything of value or with the intention of receiving or collecting such compensation, engages in or offers or attempts to engage in, either directly or indirectly, by a continuing course of conduct or by any single act or transaction, any of the following acts:

(I) Selling, exchanging, buying, renting, or leasing real estate, or interest therein, or improvements affixed thereon;

(II) Offering to sell, exchange, buy, rent, or lease real estate, or interest therein, or improvements affixed thereon;

(III) Selling or offering to sell or exchange an existing lease of real estate, or interest therein, or improvements affixed thereon;

(IV) Negotiating the purchase, sale, or exchange of real estate, or interest therein, or improvements affixed thereon;

(V) Listing, offering, attempting, or agreeing to list real estate, or interest therein, or improvements affixed thereon for sale, exchange, rent, or lease;

(VI) Auctioning or offering, attempting, or agreeing to auction real estate, or interest therein, or improvements affixed thereon;

(VII) Buying, selling, offering to buy or sell, or otherwise dealing in options on real estate, or interest therein, or improvements affixed thereon or acting as an “option dealer”;

(VIII) Performing any of the foregoing acts as an employee of, or in behalf of, the owner of real estate, or interest therein, or improvements affixed thereon at a salary or for a fee, commission, or other consideration;

(IX) Negotiating or attempting or offering to negotiate the listing, sale, purchase, exchange, or lease of a business or business opportunity or the goodwill thereof or any interest therein when such act or transaction involves, directly or indirectly, any change in the ownership or interest in real estate, or in a leasehold interest or estate, or in a business or business opportunity which owns an interest in real estate or in a leasehold unless such act is performed by any broker-dealer licensed under the provisions of article 51 of title 11, C.R.S., who is actually engaged generally in the business of offering, selling, purchasing, or trading in securities or any officer, partner, salesperson, employee, or other authorized representative or agent thereof;

(X) Soliciting a fee or valuable consideration from a prospective tenant for furnishing information concerning the availability of real property, including apartment housing which may be leased or rented as a private dwelling, abode, or place of residence. Any person, firm, partnership, limited liability company, association, or corporation or any employee or authorized agent thereof engaged in the act of soliciting a fee or valuable consideration from any person other than a prospective tenant for furnishing information concerning the availability of real property, including apartment housing which may be leased or rented as a private dwelling, abode, or place of residence, is exempt from this definition of “real estate broker” or “broker”. This exemption applies only in respect to the furnishing of information concerning the availability of real property. 12-61-101

Exemptions According to Statute (or Other Licensing Information)

Real estate salesperson” or “real estate broker” does not apply to a regularly salaried employee of an owner of an apartment building or complex who acts as an on-site manager of such an apartment building or complex. This exemption applies only in respect to the customary duties of an on-site manager performed for his employer, or to a regularly salaried employee of an owner of condominium units who acts as an on-site manager of such units. (C.R.S. 12-61-101) (2) (a)

Reciprocity

Reciprocity: Partial Recognition Agreement & Reciprocity If you are licensed in one of the 49 U.S. States, Colorado will accept your application for licensure with limited examination and or pre-licensing education.

Connecticut

Real Estate Licensing Info/Broker Definition

“Real estate broker” or “broker” means (A) any person, partnership, association, limited liability company or corporation which acts for another person or entity and for a fee, commission or other valuable consideration, lists for sale, sells, exchanges, buys or rents, or offers or attempts to negotiate a sale, exchange, purchase or rental of, an estate or interest in real estate, or a resale of a mobile manufactured home, as defined in subdivision (1) of section 21-64, or collects or offers or attempts to collect rent for the use of real estate, and (B) any person, partnership, association, limited liability company or corporation employed by or on behalf of the owner or owners of lots or other parcels of real estate, at a stated salary, upon commission, upon a salary and commission basis or otherwise to sell such real estate, or any parts thereof, in lots or other parcels, and who sells or exchanges, or offers, attempts or agrees to negotiate the sale or exchange of, any such lot or parcel of real estate (Sec. 20-311.)

Exemptions According to Statute (or Other Licensing Information)

The provisions of this chapter concerning the licensure of real estate brokers and real estate salespersons shall not apply to any person who as owner or lessor performs any of the acts enumerated with reference to property owned, leased or sought to be acquired or leased by the person, or to the person’s regular employees who are employed as on-site residential superintendents or custodians, with respect to the property so owned or leased or sought to be acquired or leased when such acts are performed in the regular course of, or incident to, the management of such property and the investment therein; any employee of any nonprofit housing corporation that (A) has been certified as a tax-exempt organization and manages a housing project or manages a housing project assisted in whole or in part by the federal government pursuant to Section 8 while such employee is performing duties in the regular course of, or incidental to, the management of such housing project. (Conn. Gen. Stat. § 20-329)

Reciprocity

Call CT Real Estate Commission for information.

Delaware

Real Estate Licensing Info/Broker Definition

24 Del. C. § 2902 (2) “Broker” means any individual who holds a broker license from the Commission and who for a compensation or valuable consideration, is self-employed or is employed directly or indirectly by a brokerage organization to sell or offer to sell, or to buy or offer to buy, or to negotiate the purchase, sale, or exchange

of real estate, or to lease or rent or offer for rent any real estate, or to negotiate leases or rental agreements thereof or of the improvements thereon for others. The broker is responsible for providing real estate services and is primarily responsible for the day to day management and supervision of a brokerage organization as it relates to this chapter.

(18) “Property management services” means those actions taken for others, pursuant to an agreement, in exchange for a fee, commission, compensation or other valuable consideration which include the supervision and the administration of the physical maintenance and/or the financial matters of real property. These supervision services may include assisting the owner in decisions in the selection of tenants, budgeting for the operation of property or properties, collecting of rent or rents, or maintaining security deposits.

Exemptions According to Statute (or Other Licensing Information)

Exemptions include: (1) Any person or a subsidiary or division thereof with common ownership or control who, as owner or lessor or buyer or lessee, performs any of the acts enumerated in this section with reference to property owned, purchased or leased by such person or a subsidiary or division thereof with common ownership or control or to the regular employee of such person, with respect to the property so owned, purchased or leased, where such acts are performed in the regular course of or as an incident to the management of such property and the investment therein; or

(5) A provider of property management services as defined in § 2902 of this title excepting that a provider of property management services shall not directly or indirectly sell or offer to sell, buy or offer to buy, negotiate the purchase, sale, or exchange of real estate, lease or rent or offer for lease or rent any real estate, or negotiate leases or rental agreements thereof or of the improvements thereon for others. (24 Del. C. § 2901)

NAA Notes

Licensing for 3rd party managers has always been on the books, but statute wording is vague and has not been enforced.

Reciprocity

Please contact Delaware Real Estate Commission for more information.

District of Columbia

Real Estate Licensing Info/Broker Definition

QUESTION: What is required for an individual to engage in leasing in the District of Columbia?

ANSWER: The individual can become a real estate broker, property manager, or real estate salesperson. There is actually no requirement that all on-site personnel hold a property manager's license as there are a number of property management functions (not including signing leases however) which do not require a license under District law (AOBA).

Exemptions According to Statute (or Other Licensing Information)

A person is not required to possess a property manager's license, and shall not be considered a property manager, when performing the following actions: (a) Delivering a lease application, a lease, or any amendment of a lease to any person; (b) Receiving a lease application, a lease, an amendment of a lease, a security deposit, a rent payment, or any related payment for delivery to a property manager; (c) Showing a rental unit to any person; (d) Providing information about a rental unit, a lease, an application for a lease or the status of a security deposit, or the payment of rent to any person; (e) Assisting an owner or another person in the performance of property management functions by carrying out ministerial, administrative, or clerical tasks; (f) Other actions that do not create or offer to create a contractual obligation on the person's employer; or (g) Any person who, as an owner or lessor of real estate, performs any of the acts specified in this chapter that are performed in the regular course of, or incident to, the management of real estate, business, and the investments therein owned by that person. (Code of DC Mun. Regs CDCR 17-2624)

For property managers specifically, the law says:

§47-2853.141 SCOPE OF PRACTICE FOR PROPERTY MANAGERS. For the purposes of this subpart, the term "property manager" means an agent for the owner of real estate in all matters pertaining to property management as defined in this subchapter, which are under his or her direction, and who is paid a commission, fee, or other valuable consideration for his or her services. A property manager may employ resident managers. The property manager shall be held accountable for the day-to-day job-related activities of the property manager's employees. The property manager shall not perform any activities that relate to listing for sale, offering for sale, buying or offering to buy, negotiating the purchase, sale, or exchange of real estate, or negotiating a loan on real estate for a fee, commission, or other valuable consideration.

NAA Notes

<https://www.asisvcs.com/publications/pdf/090902.pdf>

Reciprocity

Reciprocity with just Virginia and Maryland.

Florida

Real Estate Licensing Info/Broker Definition

475.01 Definitions.—(a) “Broker” means a person who, for another, and for a compensation or valuable consideration directly or indirectly paid or promised, expressly or impliedly, or with an intent to collect or receive a compensation or valuable consideration therefor, appraises, auctions, sells, exchanges, buys, rents, or offers, attempts or agrees to appraise, auction, or negotiate the sale, exchange, purchase, or rental of business enterprises or business opportunities or any real property or any interest in or concerning the same, including mineral rights or leases, or who advertises or holds out to the public by any oral or printed solicitation or representation that she or he is engaged in the business of appraising, auctioning, buying, selling, exchanging, leasing, or renting business enterprises or business opportunities or real property of others or interests therein, including mineral rights, or who takes any part in the procuring of sellers, purchasers, lessors, or lessees of business enterprises or business opportunities or the real property of another, or leases, or interest therein, including mineral rights, or who directs or assists in the procuring of prospects or in the negotiation or closing of any transaction which does, or is calculated to, result in a sale, exchange, or leasing thereof, and who receives, expects, or is promised any compensation or valuable consideration, directly or indirectly therefor; and all persons who advertise rental property information or lists. A broker renders a professional service and is a professional within the meaning of s. 95.11(4)(a). Where the term “appraise” or “appraising” appears in the definition of the term “broker,” it specifically excludes those appraisal services which must be performed only by a state-licensed or state-certified appraiser, and those appraisal services which may be performed by a registered trainee appraiser as defined in part II. The term “broker” also includes any person who is a general partner, officer, or director of a partnership or corporation which acts as a broker. The term “broker” also includes any person or entity who undertakes to list or sell one or more timeshare periods per year in one or more timeshare plans on behalf of any number of persons, except as provided in ss. 475.011 and 721.20.

Exemptions According to Statute (or Other Licensing Information)

This part does not apply to any individual, corporation, partnership, trust, joint venture, or other entity which sells, exchanges, or leases its own real property;

any salaried employee of an owner, or of a registered broker for an owner, of an apartment community who works in an onsite rental office of the apartment community in a leasing capacity; any person employed for a salary as a manager of a condominium or cooperative apartment complex as a result of any activities or duties which the person may have in relation to the renting of individual units within such condominium or cooperative apartment complex if rentals arranged by the person are for periods no greater than 1 year. (Fla. Stat. § 475.011).

From Florida Real Estate Commission: There is no state license for a property manager but a real estate license may be required.

Who needs a license in Florida and Who Doesn't:

http://www.myfloridalicense.com/dbpr/pro/division/Servicesthatrequirelicense_re.html

NAA Notes

FAA has indicated onsite property managers do not need a license as long as they are a full time employee of an apartment management company and do not receive a commission. Companies do need to have one managing broker on staff, but this person can cover multiple properties.

Reciprocity

http://myfloridalicense.custhelp.com/app/answers/detail/a_id/490/kw/reciprocity

Georgia

Real Estate Licensing Info/Broker Definition

According to the Georgia Real Estate Commission, exemption from licensure does not apply to firms. A management firm must obtain a broker's license. This requirement applies whether the firm is a traditional "full" service management firm or a "specialty" service management firm, such as an apartment locator firm. The exemption from licensure is a choice such management brokerage firms can make for their employees. (Source: <http://www.grec.state.ga.us/articles/propmgtissues.html>)

Exemptions According to Statute (or Other Licensing Information)

The Official Code of Georgia Annotated Section 43-40-29 (10) exempts from licensure:

Any individual employed by a broker to assist in property management services on which the broker has a written Management Agreement that the broker procured from and negotiated with the owner, provided that such individual's activities are explicitly authorized by the broker in a written agreement between the broker and

the employee and provided that such activities are limited to one or more of the following:

- (A) Delivering a lease application, a lease, or any amendment thereto to any person;
- (B) Receiving a lease application, a lease, or any amendment thereto, a security deposit, rental payment, or any related payment for delivery to and made payable to the broker or the owner;
- (C) Showing a rental unit to any person, provided that the employee is acting under the direct instructions of the broker, and executing leases or rental agreements;
- (D) Providing information about a rental unit, a lease application, or a lease;
- (E) Providing information to a tenant about the status of such tenant's security deposit or rent payments or to an owner about the owner's financial accounts and payments from the owner's tenants; and
- (F) Performing any ministerial acts that are explicitly authorized by the broker in a written agreement between the broker and the employee.

Any broker utilizing the services of such an employee shall be held responsible under this chapter for the activities of that individual [.]

Reciprocity

<https://www.grec.state.ga.us/grec/rereciprocity.html>

Hawaii

Real Estate Licensing Info/Broker Definition

§ 467-1. Definitions. "Real estate broker" means any person who, for compensation or a valuable consideration, sells or offers to sell, buys or offers to buy, or negotiates the purchase or sale or exchange of real estate, or lists, or solicits for prospective purchasers, or who leases or offers to lease, or rents or offers to rent, or manages or offers to manage, any real estate, or the improvements thereon, for others, as a whole or partial vocation; or who secures, receives, takes, or accepts, and sells or offers to sell, any option on real estate without the exercise by the person of the option and for the purpose or as a means of evading the licensing requirement of this chapter.

Exemptions According to Statute (or Other Licensing Information)

The provisions requiring licensing as a real estate broker or salesperson shall not apply to any individual who, as owner of any real estate or acting under power of attorney from the owner, performs any of the acts enumerated in the definitions of real estate broker and real estate salesperson with reference to the real estate; to any individual who leases, offers to lease, rents, or offers to rent, any real estate or the improvements thereon of which the individual is the custodian or caretaker. (HRS § 467-2)

NAA Notes

Note: Exemptions don't mention leasing staff.

Reciprocity

According to the Hawaii Real Estate Commission, not reciprocal with other states. however, the submission and approval of the Application for the Broker's Experience Certificate , application for prelicensing education equivalency , and the application for equivalency of the Uniform Section will allow brokers in other states to sit for the Hawaii portion of the broker's examination. The individual must have a current and unencumbered broker's license in another state. The broker's license also needs to be active to qualify for the prelicensing education equivalency.

Idaho

Real Estate Licensing Info/Broker Definition

Idaho does not address property management activities in real estate licensing. The Idaho Real Estate Commission has looked into proposing legislation that require that property managers and leasing agents be licensed, but nothing has been enacted.

Reciprocity

If already licensed in another jurisdiction: Idaho has no reciprocal or other license agreements with any jurisdiction. However, Idaho waives the national portion of the licensing exam, prelicense education, and broker experience requirements (if applicable) if you are licensed on active status in another state. You may obtain the same type of license in Idaho (salesperson or broker) as you hold in your primary state of licensure, unless your primary state is a "single licensure" state (everyone holds a broker license). If you are licensed in a "single licensure" state, you must hold a Principal or Designated Broker license to qualify for an Idaho broker license. (Source: Idaho Real Estate Commission: <http://irec.idaho.gov/ilr.html#other>)

Illinois

Real Estate Licensing Info/Broker Definition

(225 ILCS 454/1-10) "Broker" means an individual, partnership, limited liability company, corporation, or registered limited liability partnership other than a leasing agent who, whether in person or through any media or technology, for another and for compensation, or with the intention or expectation of receiving compensation, either directly or indirectly: (1) Sells, exchanges, purchases, rents, or lease real estate. (2) Offers to sell, exchange, purchase, rent, or lease real estate. (3) Negotiates, offers, attempts, or agrees to negotiate the sale, exchange, purchase, rental, or leasing of real estate. (4) Lists, offers, attempts, or agrees to list real estate for sale, rent, lease, or exchange. (5) Buys, sells, offers to buy or sell, or otherwise deals in options on real estate or improvements thereon. (6) Supervises the collection, offer, attempt, or agreement to collect rent for the use of real estate. (7) Advertises or represents himself or herself as being engaged in the business of buying, selling, exchanging, renting, or leasing real estate. (8) Assists or directs in procuring or referring of leads or prospects, intended to result in the sale, exchange, lease, or rental of real estate. (9) Assists or directs in the negotiation of any transaction intended to result in the sale, exchange, lease, or rental of real estate. (10) Opens real estate to the public for marketing purposes. (11) Sells, rents, leases, or offers for sale or lease real estate at auction. (12) Prepares or provides a broker price opinion or comparative market analysis as those terms are defined in this Act, pursuant to the provisions of Section 10-45 of this Act.

Exemptions According to Statute (or Other Licensing Information)

ec. 5-20. Exemptions from managing broker, broker, or leasing agent license requirement. The requirement for holding a license under this Article 5 shall not apply to:

(1) Any person, partnership, or corporation that as owner or lessor performs any of the acts described in the definition of "broker" under Section 1-10 of this Act with reference to property owned or leased by it, or to the regular employees thereof with respect to the property so owned or leased, where such acts are performed in the regular course of or as an incident to the management, sale, or other disposition of such property and the investment therein, provided that such regular employees do not perform any of the acts described in the definition of "broker" under Section 1-10 of this Act in connection with a vocation of selling or leasing any real estate or the improvements thereon not so owned or leased.

(4) Any person acting as a resident manager for the owner or any employee acting as the resident manager for a broker managing an apartment building, duplex, or apartment complex, when the resident manager resides on the premises, the

premises is his or her primary residence, and the resident manager is engaged in the leasing of the property of which he or she is the resident manager. 225 ILCS 454/5-5) (Section scheduled to be repealed on January 1, 2020)

Sec. 5-5. Leasing agent license.

(a) The purpose of this Section is to provide for a limited scope license to enable persons who wish to engage in activities limited to the leasing of residential real property for which a license is required under this Act, and only those activities, to do so by obtaining the license provided for under this Section.

(b) Notwithstanding the other provisions of this Act, there is hereby created a leasing agent license that shall enable the licensee to engage only in residential leasing activities for which a license is required under this Act. Such activities include without limitation leasing or renting residential real property, or attempting, offering, or negotiating to lease or rent residential real property, or supervising the collection, offer, attempt, or agreement to collect rent for the use of residential real property. Nothing in this Section shall be construed to require a licensed managing broker or broker to obtain a leasing agent license in order to perform leasing activities for which a license is required under this Act. Licensed leasing agents must be sponsored and employed by a sponsoring broker.

(c) The Department, by rule shall provide for the licensing of leasing agents, including the issuance, renewal, and administration of licenses.

(d) Notwithstanding any other provisions of this Act to the contrary, a person may engage in residential leasing activities for which a license is required under this Act, for a period of 120 consecutive days without being licensed, so long as the person is acting under the supervision of a sponsoring broker and the sponsoring broker has notified the Department that the person is pursuing licensure under this Section. During the 120 day period all requirements of Sections 5-10 and 5-65 of this Act with respect to education, successful completion of an examination, and the payment of all required fees must be satisfied. The Department may adopt rules to ensure that the provisions of this subsection are not used in a manner that enables an unlicensed person to repeatedly or continually engage in activities for which a license is required under this Act. (Source: P.A. 99-227, eff. 8-3-15).

NAA Notes

Chicagoland Apartment Association: Property manager must reside on premises; leasing agents must be licensed and managing broker must be licensed w/ state, especially those doing 3rd party management.

From Illinois Real Estate Commission:

Q. Is a real estate license required for Property Management?

The answer to this question depends upon the specific types of property management services provided. Property management activities that involve general administration, like contracting for property maintenance (garbage pick-up, etc). and paying general expenses (utilities, etc)., do NOT require a real estate license. 7/29/2015 9 Serving as an accountant for association dues also does not require a real estate license. Only those property management activities that involve a conveyance of real estate by contract or lease require a real estate license. Accordingly, property management activities that require a real estate license include: showing a unit for sale or lease, negotiating lease or real estate contract terms, maintaining security deposits, rent payments or earnest money deposits.

Reciprocity

<http://www.idfpr.com/DRE/reciprocity2000.asp>

Indiana

Real Estate Licensing Info/Broker Definition

25-34.1-1-2. Definitions.(4) “Broker” means a person who:

(A) for consideration, sells, buys, trades, exchanges, options, leases, rents, manages, lists, or appraises real estate or negotiates or offers to perform any of those acts; and

(B) is acting in association with and under the auspices of a managing broker and broker company.

Exemptions According to Statute (or Other Licensing Information)

The statute with exemptions is as follows: This article does not apply to rental of residential apartment units by an individual employed or supervised by a licensed broker; rental of apartment units which are owned and managed by a person whose only activities regulated by this article are in relation to a maximum of 12 apartment units which are located on a single parcel of real estate or on contiguous parcels of real estate; acts performed by a regular, full-time, salaried employee of a person in relation to real estate owned or leased by that person unless the employee is licensed under this article, in which case the article does apply to him. (Burns Ind. Code Ann. § 25-34.1-3-2)

NAA Notes

IAA indicates that there must be a person within a management company that holds a real estate broker’s license but individual properties do not need to have a licensed

person on site. The threshold to require a company to have a licensed person is once a person owns and manages more than 12 apartment units located on a single parcel of real estate or on contiguous parcels of real estate.

Reciprocity

Indiana no longer holds reciprocal agreements with any state, however you may still qualify if your original state of licensure has licensing requirements that are substantially similar to those in Indiana. (Source: Indiana Real Estate Commission).

Iowa

Real Estate Licensing Info/Broker Definition

543B.3 Broker -- definition.

As used in this chapter, “real estate broker” means a person acting for another for a fee, commission, or other compensation or promise, whether it be for all or part of a person’s time, and who engages directly or indirectly in any of the following acts:

1. Sells, exchanges, purchases, rents, or leases real estate.
2. Lists, offers, attempts, or agrees to list real estate for sale, exchange, purchase, rent, or lease.
3. Advertises or holds oneself out as being engaged in the business of selling, exchanging, purchasing, renting, leasing, or managing real estate.
4. Negotiates, or offers, attempts, or agrees to negotiate, the sale, exchange, purchase, rental, or lease of real estate.
5. Buys, sells, offers to buy or sell, or otherwise deals in options on real estate or improvements on real estate.
6. Collects, or offers, attempts, or agrees to collect, rent for the use of real estate.
7. Assists or directs in the procuring of prospects, intended to result in the sale, exchange, purchase, rental, or leasing of real estate.
8. Assists or directs in the negotiation of any transaction intended to result in the sale, exchange, purchase, rental, or leasing of real estate.
9. Prepares offers to purchase or purchase agreements, listing contracts, agency disclosures, real property residential and agricultural rental agreements, real

property commercial rental agreements of one year or less, and groundwater hazard statements, including any modifications, amendments, or addendums to these specific documents.

Exemptions According to Statute (or Other Licensing Information)

Exemptions include 8. A person acting as a resident manager when such resident manager resides in the dwelling and is engaged in the leasing of real property in connection with their employment. (Iowa Code § 543B.7) Property Management Rules (property managers need licensure-resident managers are exempt): <https://www.legis.iowa.gov/docs/ACO/IAC/LINC/09-04-2002.Rule.193E.15.1.pdf>

Reciprocity

<https://plb.iowa.gov/reciprocity-licensing>

Kansas

Real Estate Licensing Info/Broker Definition

No real estate license required for property managers/leasing agents; Kansas Real Estate Commission only requires license if leasing commercial property, not residential rental property management. Property management companies not required to be licensed (Source: Kansas Real Estate Commission FAQ)

Reciprocity

Kansas: Reciprocity agreements were cancelled in 2007. Applicants using Missouri Requirements 1. Must request their pre-license education and exam information be included on the certification of license issued by the Missouri Real Estate Commission. If the Missouri license was obtained without completion of a pre-license course, the applicant must take either the Missouri salesperson pre-license course or the Kansas Principles of Real Estate Course. 2. A certificate of your Missouri license may be obtained from the website for the Missouri Real Estate Commission. DO NOT ALTER THE CERTIFICATION BY MARKING BOXES, ETC. AFTER IT IS ISSUED <http://www.kansas.gov/krec/Documents/Application%20-%20Broker.pdf>

Kentucky

Real Estate Licensing Info/Broker Definition

From Kentucky Real Estate Commission:

May a principal broker's affiliated licensee provide property management services for others for a fee, compensation, or other valuable consideration, if the affiliated licensee has an ownership interest in the property management company, but his or her principal broker does not offer property management services?

ANSWER: No. Property management is a real estate brokerage service that some, but not all, real estate brokerage companies offer. To provide this service, a property management company must have a principal broker, who may have affiliated licensees. However, the licensees who are affiliated with the property management company may not be simultaneously affiliated with another real estate company or another principal broker.

Do I need a license to provide property management services for others for a fee in Kentucky?

ANSWER: Yes.

May an affiliated agent work as a licensee for a property management company while affiliated with the agent's principal broker, who is affiliated with a different real estate company?

ANSWER: No.

Exemptions According to Statute (or Other Licensing Information)

Kentucky statute exempts the following from licensure: This section shall not apply to any person who as owner or lessor performs any of the acts defined in KRS 324.010 with reference to property owned or leased by him or to his regular employees, with respect to the property so owned or leased, if the acts are performed in the regular course of, or as an incident to, the management of the property and the investment in it; a person engaged in property management, if the person is a regular employee of the owner or principal broker of the company engaged in property management or receives as his primary compensation the use of a rental unit. (KRS § 324.030)

Under statute, the definitions under licensing law include:

1) "Real estate brokerage" means a single, multiple, or continuing act of dealing in time shares or options, selling or offering for sale, buying or offering to buy, negotiating the purchase, sale, or exchange of real estate, engaging in property

management, leasing or offering to lease, renting or offering for rent, or referring or offering to refer for the purpose of securing prospects, any real estate or the improvements thereon for others for a fee, compensation, or other valuable consideration;

2) (9) “Property management” means the overall management of real property for others for a fee, compensation, or other valuable consideration, and may include the marketing of property, the leasing of property, collecting rental payments on the property, payment of notes, mortgages, and other debts on the property, coordinating maintenance for the property, remitting funds and accounting statements to the owner, and other activities that the commission may determine by administrative regulation;

Reciprocity

<http://krec.ky.gov/licensing/Pages/lr.aspx>

Louisiana

Real Estate Licensing Info/Broker Definition

(37 §1431. Definitions)Property management is defined under the Real Estate License Law as: 31) “Property management” means the marketing, leasing, or overall management of real property for others for a fee, commission, compensation, or other valuable consideration.

And Real Estate Activity is defined as: (7) “Real estate activity” means any activity relating to any portion of a real estate transaction performed for another by any person, partnership, limited liability company, association, or corporation, foreign or domestic, whether pursuant to a power of attorney or otherwise, who for a fee, commission, or other valuable consideration or with the intention, in the expectation, or upon the promise of receiving or collecting a fee, commission, or other valuable consideration:

(a) Sells, exchanges, purchases, manages, rents, or leases or negotiates the sale, exchange, purchase, rental, or leasing of real estate.

(b) Offers or attempts or agrees to negotiate the sale, exchange, purchase, management, rental, or leasing of real estate.

(c) Lists or offers or attempts or agrees to list for sale or lease any real estate or the improvement thereon.

(d) Buys or offers to buy, sells or offers to sell, or otherwise deals in options on real estate or the improvements thereon.

(e) Advertises or holds himself, itself, or themselves out as engaged in the business of selling, exchanging, purchasing, managing, renting, or leasing real estate.

(f) Assists or directs in the procuring of prospects or the negotiation or closing of any transaction, other than mortgage financing, which results or is calculated to result in the sale, exchange, managing, leasing, or renting of any real estate, other than a provider of information, ideas, and materials to guide homeowners in the sale of their own property.

(g) Is engaged in the business of charging an advance fee or contracting for collection of a fee in connection with any contract whereby he undertakes primarily to promote the sale, exchange, purchase, rental, or leasing of real estate through its listing in a publication issued primarily for such purpose, or for referral of information concerning such real estate to brokers, or both.

(h) (i) Sells or attempts to sell or offers or attempts to negotiate the sale of any business whose assets include real estate or leases of real estate.

(ii) Lists or offers or attempts or agrees to list for sale any business whose assets include real estate or leases of real estate.

Exemptions According to Statute (or Other Licensing Information)

Under Louisiana law, the following exemptions apply: The provisions of this Chapter shall not apply to any salaried person employed by a licensed real estate broker for and on behalf of the owner of any real estate which the licensed broker has contracted to manage for the owner, if the salaried employee is limited in his employment to: delivering a lease application, a lease, or any amendment thereof to any person, receiving a lease application, lease, or amendment thereof, a security deposit, rental payment, or any related payment for delivery to and made payable to a property manager or owner, showing a rental unit to any person, as long as the employee is acting under the direct instructions of the broker, including the execution of leases or rental agreements, provided the broker is responsible for the actions of his employees, providing information about a rental unit, a lease, an application for lease, or the status of a security deposit or the payment of rent to any person and assisting in the performance of property management functions by carrying out administrative, clerical, or maintenance tasks; any person employed by a housing authority to manage its property or otherwise managing property of the Department of Housing and Urban Development, but only with respect to the management of such property. (La. R.S. 37:1438)

Reciprocity

<https://www.lrec.state.la.us/reciprocal/>

Maine

Real Estate Licensing Info/Broker Definition

According to the Maine Real Estate Commission, Real estate transactions that involve rental activity, leasing or property management are NOT real estate brokerage services that require a real estate license in Maine. The Real Estate Commission does not have the legal authority to intervene in matters involving rentals, leasing or property management.

Exemptions According to Statute (or Other Licensing Information)

Real estate brokerage does not include transactions conducted by any person who is the owner or lessor of the real estate, or to their regular employees with regard to the employer's real estate, provided that the real estate transaction services rendered by the employee are performed as an incident to the usual duties performed for the employer. (32 M.R.S. § 13002)

Reciprocity

http://www.maine.gov/pfr/professionallicensing/professions/real_estate/nonresident.html

Maryland

Real Estate Licensing Info/Broker Definition

§ 17-101. Definitions Real estate brokerage services are defined as: Provide real estate brokerage services. -- "Provide real estate brokerage services" means to engage in any of the following activities:

(1) for consideration, providing any of the following services for another person:

(i) selling, buying, exchanging, or leasing any real estate; or

(ii) collecting rent for the use of any real estate;

(2) for consideration, assisting another person to locate or obtain for purchase or lease any residential real estate;

(3) engaging regularly in a business of dealing in real estate or leases or options on real estate;

(4) engaging in a business the primary purpose of which is promoting the sale of real estate through a listing in a publication issued primarily for the promotion of real estate sales;

(5) engaging in a business that subdivides land that is located in any state and sells the divided lots; or

(6) for consideration, serving as a consultant regarding any activity set forth in items (1) through (5) of this subsection.

Exemptions According to Statute (or Other Licensing Information)

AOBA and MMHA have indicated that property managers and third party management companies are not required to obtain a real estate license. Statute indicates a license is not required for an agent of a licensed real estate broker or of an owner of real estate while managing or leasing that real estate for the real estate broker or owner; any person in negotiating the sale, lease, or other transfer of a business enterprise if the proposed transfer does not include any interest in real property other than a lease under which the business enterprise operates. (Md. BUSINESS OCCUPATIONS AND PROFESSIONS Code Ann. § 17-301). Also, an Attorney General's opinion is as follows: BROAD CONSTRUCTION --The exemption of this section has been construed somewhat broadly, so that a property manager would not need to obtain a license even if the manager's principal activity as agent on behalf of a property owner was leasing apartments and collecting rent for that property -- activities that would ordinarily require a license; if the better reading of the exemption is a narrower one, under which a property manager would not be entitled to claim the exemption if the individual's activities predominantly involve leasing and rent collection, the General Assembly will need to achieve that result through a change in the law. 79 Op. Att'y Gen. 393 (January 24, 1994).

Reciprocity

<http://www.dllr.state.md.us/license/mrec/mrecrecip.shtml>

Massachusetts

Real Estate Licensing Info/Broker Definition

'Real estate broker', hereinafter referred to as broker, any person who for another person and for a fee, commission or other valuable consideration, or with the intention or in the expectation or upon the promise of receiving or collecting a fee, commission or other valuable consideration, does any of the following: sells,

exchanges, purchases, rents or leases, or negotiates, or offers, attempts or agrees to negotiate the sale, exchange, purchase, rental or leasing of any real estate, or lists or offers, attempts or agrees to list any real estate, or buys or offers to buy, sells or offers to sell or otherwise deals in options on real estate, or advertises or holds himself out as engaged in the business of selling, exchanging, purchasing, renting or leasing real estate, or assists or directs in the procuring of prospects or the negotiation or completion of any agreement or transaction which results or is intended to result in the sale, exchange, purchase, leasing or renting of any real estate. (ALM GL ch. 112, §87PP).

Exemptions According to Statute (or Other Licensing Information)

Generally, these exemptions apply in Massachusetts: The provisions of these sections shall not apply to: any person who, acting for himself as owner, lessor, lessee, tenant or mortgagee, shall perform any acts of a broker or salesman with reference to real estate owned or leased or rented by or to him, or mortgaged to him; the regular employees of any person aforesaid, with respect to such real estate, if such acts are performed in the regular course of, or as an incident to, the management of such real estate and the investment therein; a managing agent while acting under a contract with the owner of the real estate or the regular employees of such agent acting in his behalf in the regular course of their employment. (ALM GL ch. 112, § 87QQ).

Reciprocity

<http://www.mass.gov/ocabr/docs/dpl/boards/re/recinf01.pdf>

Michigan

Real Estate Licensing Info/Broker Definition

‘339.2501 (h) “Real estate broker” means an individual, sole proprietorship, partnership, association, corporation, common law trust, or a combination of those entities who with intent to collect or receive a fee, compensation, or valuable consideration, sells or offers for sale, buys or offers to buy, provides or offers to provide market analyses, lists or offers or attempts to list, or negotiates the purchase or sale or exchange or mortgage of real estate, or negotiates for the construction of a building on real estate; who leases or offers or rents or offers for rent real estate or the improvements on the real estate for others, as a whole or partial vocation; who engages in property management as a whole or partial vocation; who sells or offers for sale, buys or offers to buy, leases or offers to lease, or negotiates the purchase or sale or exchange of a business, business opportunity, or the goodwill of an existing business for others; or who, as owner or otherwise, engages in the sale of real estate as a principal vocation.

Exemptions According to Statute (or Other Licensing Information)

This article shall not apply to an individual, partnership, association, or corporation, who as owner, sells or offers for sale a detached, single family dwelling, duplex, triplex, or quadruplex, which has never been occupied and which was built by the individual, partnership, association, or corporation while licensed under article 24. This article does not apply to an individual, partnership, association, or corporation, who as owner or lessor or as attorney-in-fact acting under a duly executed and recorded power of attorney from the owner or lessor, or who has been appointed by a court, performs an act as a real estate broker or real estate salesperson with reference to property owned by it, unless performed as a principal vocation not through a licensed real estate broker. § 339.2512c. Property management performed by real estate broker.

Sec. 2512c. (1) Except as otherwise provided in this section, all property management duties, responsibilities, and activities performed by a real estate broker and his or her agent engaged in property management shall be governed by and performed in accordance with a property management employment contract.

(2) A real estate broker who engages in property management shall maintain property management accounts separate from all other accounts. Except as provided in this section, a property management account shall be managed in accordance with the property management employment contract.

(3) A property management account may be an interest-bearing account or instrument, unless the property management employment contract provides to the contrary. The interest earned on a property management account shall be handled in accordance with the property management employment contract.

(4) a real estate broker or any designated employee of the real estate broker engaged in property management may be signatory on drafts or checks drawn on property management accounts.

(5) A person who engages in property management shall maintain records of funds deposited and withdrawn from property management accounts. Property management account records shall indicate the date of the transaction, from whom the money was received or to whom it was given, and other pertinent information concerning the transaction the property management employment contract may require.

(6) A real estate broker engaged in property management shall render an accounting to his or her property management client and remit all money strictly in accordance with the property management employment contract.

(7) All records required to be kept pursuant to this section or pursuant to the property management employment contract shall be subject to inspection by the department.

Property owners and direct employees of the owner who perform the renting or leasing activity as the owner or for the employer in the employer's name, a real estate license is NOT required; however 3rd party property management company employees are required to be licensed (339.2501-339.2518).

339.2501 (e) "Property management" means the leasing or renting, or the offering to lease or rent, of real property of others for a fee, commission, compensation, or other valuable consideration pursuant to a property management employment contract.

(f) "Property management account" means an interest-bearing or noninterest-bearing account or instrument used in the operation of property management.(g) "Property management employment contract" means the written agreement entered into between a real estate broker and client concerning the real estate broker's employment as a property manager for the client; setting forth the real estate broker's duties, responsibilities, and activities as a property manager; and setting forth the handling, management, safekeeping, investment, disbursement, and use of property management money, funds, and accounts.

NAA Notes

According to Washtenaw Area Apartment Association, property managers and part time leasing persons or anyone transacting a contract in anyway need a license. Even some answering a phone if they give a cost to rent number. If you own and manage your own properties or you work for the owner, you do not need a license. For third party management companies, they must have a broker to do business in the state.

Reciprocity

Please contact the Michigan Dept of Licensing and Regulatory Affairs.

Minnesota

Real Estate Licensing Info/Broker Definition

82.55 DEFINITIONS. "Real estate broker" or "broker" means any person who: for another and for commission, fee, or other valuable consideration or with the intention or expectation of receiving the same directly or indirectly lists, sells, The licensing statute reads as follows: The term real estate broker does not include any custodian, janitor, or employee of the owner or manager of a residential building who leases residential units in the building. (Minn. Stat. § 82.56).

However, you may only work for one owner, so if a property manager is providing management services to more than one owner, the person would not be exempt.

Exemptions According to Statute (or Other Licensing Information)

The licensing statute reads as follows: The term real estate broker does not include any custodian, janitor, or employee of the owner or manager of a residential building who leases residential units in the building. (Minn. Stat. § 82.56).

However, you may only work for one owner, so if a property manager is providing management services to more than one owner, the person would not be exempt.

Reciprocity

http://mn.gov/elicense/licenses/licensedetail.jsp?URI=tcm:29-3180&CT_URI=tcm:27-117-32

Information for a Non-Resident Applicant with an active license in a Reciprocal State

Must reside in and hold an active broker license in a Reciprocal State: Colorado, Iowa, Nebraska, North Dakota, Oklahoma, South Dakota and Wisconsin.

Mississippi

Real Estate Licensing Info/Broker Definition

Real estate broker is defined as including all persons, partnerships, associations and corporations, foreign and domestic, who for a fee, commission or other valuable consideration, or who with the intention or expectation of receiving or collecting the same, list, sell, purchase, exchange, rent, lease, manage or auction any real estate, or the improvements thereon, including options; or who negotiate or attempt to negotiate any such activity; or who advertise or hold themselves out as engaged in such activities; or who direct or assist in the procuring of a purchaser or prospect calculated or intended to result in a real estate transaction. The term “real estate broker” shall also include any person, partnership, association or corporation employed by or on behalf of the owner or owners of lots or other parcels of real estate, at a stated salary or upon fee, commission or otherwise, to sell such real estate, or parts thereof, in lots or other parcels, including timesharing and condominiums, and who shall sell, exchange or lease, or offer or attempt or agree to negotiate the sale, exchange or lease of, any such lot or parcel of real estate. § 73-35-3.

Exemptions According to Statute (or Other Licensing Information)

Exempt from the licensing requirements of this chapter shall be any person, partnership, association or corporation, who, as a bona fide owner, shall perform any

aforesaid act with reference to property owned by them, or to the regular employees thereof who are on a stated salary, where such acts are performed in the regular course of business. (Miss. Code Ann. § 73-35-3).

Reciprocity

Please contact the Real Estate Commission for specifics on reciprocity as states vary.

Missouri

Real Estate Licensing Info/Broker Definition

339.010. Real estate broker is defined as: “real estate broker” is any person, partnership, limited partnership, limited liability company, association, professional corporation, or corporation, foreign or domestic who, for another, and for a compensation or valuable consideration, does, or attempts to do, any or all of the following:

- (1) Sells, exchanges, purchases, rents, or leases real estate;
- (2) Offers to sell, exchange, purchase, rent or lease real estate;
- (3) Negotiates or offers or agrees to negotiate the sale, exchange, purchase, rental or leasing of real estate;
- (4) Lists or offers or agrees to list real estate for sale, lease, rental or exchange;
- (5) Buys, sells, offers to buy or sell or otherwise deals in options on real estate or improvements thereon;
- (6) Advertises or holds himself or herself out as a licensed real estate broker while engaged in the business of buying, selling, exchanging, renting, or leasing real estate;
- (7) Assists or directs in the procuring of prospects, calculated to result in the sale, exchange, leasing or rental of real estate;
- (8) Assists or directs in the negotiation of any transaction calculated or intended to result in the sale, exchange, leasing or rental of real estate.

Exemptions According to Statute (or Other Licensing Information)

Exemptions include: 1) Any person, partnership, limited partnership, limited liability company, association, professional corporation, or corporation who as owner, lessor, or lessee shall perform any of the acts described in subsection 1 of this section with reference to property owned or leased by them, or to the regular employees thereof;

Any person employed or retained to manage real property by, for, or on behalf of the agent or the owner of any real estate shall be exempt from holding a license, if the person is limited to one or more of the following activities:(a) Delivery of a lease application, a lease, or any amendment thereof, to any person; (b) Receiving a lease application, lease, or amendment thereof, a security deposit, rental payment, or any related payment, for delivery to, and made payable to, a broker or owner;(c) Showing a rental unit to any person, as long as the employee is acting under the direct instructions of the broker or owner, including the execution of leases or rental agreements;(d) Conveying information prepared by a broker or owner about a rental unit, a lease, an application for lease, or the status of a security deposit, or the payment of rent, by any person; (§ 339.010 R.S.Mo)

NAA Notes

St Louis Apartment Association indicated that property managers aren't required to be licensed. In relation to third party management companies, typically there is an individual at a property management company that holds their license.

Reciprocity

<http://pr.mo.gov/boards/realestate/resnonresidentrequirements.pdf>

Montana

Real Estate Licensing Info/Broker Definition

37-51-102 Definitions. (5) "Broker" includes an individual who:

(a) for another or for valuable consideration or who with the intent or expectation of receiving valuable consideration negotiates or attempts to negotiate the listing, sale, purchase, rental, exchange, or lease of real estate or of the improvements on real estate or collects rents or attempts to collect rents;

(b) is employed by or on behalf of the owner or lessor of real estate to conduct the sale, leasing, subleasing, or other disposition of real estate for consideration;

(c) engages in the business of charging an advance fee or contracting for collection of a fee in connection with a contract by which the individual undertakes primarily to promote the sale, lease, or other disposition of real estate in this state through its listing in a publication issued primarily for this purpose or for referral of information concerning real estate to brokers;

(d) makes the advertising, sale, lease, or other real estate information available by public display to potential buyers;

(e) aids or attempts or offers to aid, for a fee, any person in locating or obtaining any real estate for purchase or lease;

(f) receives a fee, commission, or other compensation for referring to a licensed broker or salesperson the name of a prospective buyer or seller of real property;

(g) performs asset management services for real property in conjunction with the marketing or transfer of the property; or

(h) advertises or represents to the public that the individual is engaged in any of the activities referred to in this subsection (5).

Exemptions According to Statute (or Other Licensing Information)

37-51-601 License required to manage property.

It is unlawful for a person to engage in or conduct business, directly or indirectly, or to advertise as a property manager within this state without having met the qualifications for licensure as a property manager and having been granted a license by the board.

Exemptions: 37-51-602 Exemptions from requirement of property manager license.

(1) The property manager licensing provisions of this chapter do not apply to:

(a) a relative of the owner of the real estate, defined as follows:

(i) a son or daughter of the property owner or a descendant of either;

(ii) a stepson or stepdaughter of the property owner;

(iii) a brother, sister, stepbrother, or stepsister of the property owner;

(iv) the father or mother of the property owner or the ancestor of either;

(v) a stepfather or stepmother of the property owner

(vi) a son or daughter of a brother or sister of the property owner;

(vii) a brother or sister of the father or mother of the property owner;

(viii) a son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law of the property owner; or

(ix) the spouse of the property owner;

- (b) a person who leases no more than four residential real estate units;
- (c) a person acting as attorney-in-fact under a power of attorney from the owner of real estate who authorizes the final consummation of any contract for the renting or leasing of the real estate. This exemption is meant to exclude a single or irregular transaction and may not be routinely used to escape the necessity of obtaining a license.
- (d) an attorney at law in the performance of duties as an attorney;
- (e) a receiver, trustee in bankruptcy, personal representative, person acting in regard to real estate pursuant to a court order, or a trustee under a trust agreement, deed of trust, or will;
- (f) an officer of the state or any of its political subdivisions in the conduct of official duties;
- (g) a person acting as a manager of a housing complex for low-income individuals subsidized either directly or indirectly by the state, any agency or political subdivision of the state, or the government or an agency of the United States;
- (h) a person who receives compensation from the owner of the real estate in the form of reduced rent or salary, unless that person holds signatory authority on the account in which revenue from the real estate is deposited or disbursed;
- (i) a person employed by the owner of the real estate if that person's property management duties are incidental to the person's other employment-related duties;
or
- (j) a person employed on a salaried basis by only one person.

(2) A licensed real estate broker on active status or a licensed real estate salesperson on active status and acting under a supervising broker may act as a property manager without meeting any qualifications in addition to those required for licensure as a real estate broker or real estate salesperson and without holding a separate property manager's license.

NAA Notes

Third party property managers/managers with multiple properties have to be licensed as a property manager and take a 30 hour property management course, but employees on site are exempt (Board of Realty Regulation website).

Reciprocity

Please contact Montana Board of Realty Regulation.

Nebraska

Real Estate Licensing Info/Broker Definition

According to Nebraska Real Estate Commission:

Do I need a Real Estate License to do Property Management?

Under most circumstances, you do need a license to manage real estate for a third party. There are exclusions which can be found in 81-885.04 of the License Act.

Must the property owner have a license to manage property?

The property owner does not need a license to manage his/her own property. They do need one to manage for a third party. Again the exclusions are in 81-885.04 of the License Act.

Must the “residential leasing agent or manager” of the owner’s property be licensed?

Not as an employee of the property owner when those duties are part of their employment.

Exemptions According to Statute (or Other Licensing Information)

The Nebraska Real Estate License Act shall not apply to any person who as owner or lessor shall perform any of the acts with reference to property owned or leased by him or to the regular employees thereof, with respect to the property so owned or leased, when such acts are performed in the regular course of the management, sale, or other disposition of such property and the investment therein: any person acting as the resident manager of an apartment building, duplex, apartment complex, or court, when such resident manager resides on the premises and is engaged in the leasing of property in connection with his or her employment, or any employee, parent, child, brother, or sister of the owner or any employee of a licensed broker who manages rental property for the owner of such property. (R.R.S. Neb. § 81-885.04)

Broker means any person who, for any form of compensation or consideration or with the intent or expectation of receiving the same from another, negotiates or attempts to negotiate the listing, sale, purchase, exchange, rent, lease, or option for any real estate or improvements thereon, or assists in procuring prospects or holds himself or herself out as a referral agent for the purpose of securing prospects for the listing, sale, purchase, exchange, renting, leasing, or optioning of any real estate or collects rents or attempts to collect rents, gives a broker’s price opinion or comparative market analysis, or holds himself or herself out as engaged in any of the foregoing. Broker also includes any person: (a) Employed, by or on behalf of the owner or owners of lots or other parcels of real estate, for any form of compensation

or consideration to sell such real estate or any part thereof in lots or parcels or make other disposition thereof; (b) who auctions, offers, attempts, or agrees to auction real estate; or (c) who buys or offers to buy or sell or otherwise deals in options to buy real estate;

Reciprocity

<http://www.nrec.ne.gov/licensing-forms/otherlicrecognitioninfo.html>

Nevada

Real Estate Licensing Info/Broker Definition

645.019. “Property management” defined.

“Property management” means the physical, administrative or financial maintenance and management of real property, or the supervision of such activities for a fee, commission or other compensation or valuable consideration, pursuant to a property Management Agreement.

645.0195. “Property manager” defined.

“Property manager” means a person engaged in property management who, as an employee or independent contractor, is associated with a licensed real estate broker, whether or not for compensation.

645.030. “Real estate broker” defined.1. “Real estate broker” means a person who, for another and for compensation or with the intention or expectation of receiving compensation:

(a) Sells, exchanges, options, purchases, rents or leases, or negotiates or offers, attempts or agrees to negotiate the sale, exchange, option, purchase, rental or lease of, or lists or solicits prospective purchasers, lessees or renters of, any real estate or the improvements thereon or any modular homes, used manufactured homes, used mobile homes or other housing offered or conveyed with any interest in real estate;

(b) Engages in or offers to engage in the business of claiming, demanding, charging, receiving, collecting or contracting for the collection of an advance fee in connection with any employment undertaken to promote the sale or lease of business opportunities or real estate by advance fee listing advertising or other offerings to sell, lease, exchange or rent property;

(c) Engages in or offers to engage in the business of property management; or

(d) Engages in or offers to engage in the business of business brokerage.

2. Any person who, for another and for compensation, aids, assists, solicits or negotiates the procurement, sale, purchase, rental or lease of public lands is a real estate broker within the meaning of this chapter.

645.6052. Permit to engage in property management: Persons eligible; requirements; instruction; expiration; renewal; regulations.

1. A person who is licensed pursuant to this chapter as a real estate broker, real estate broker-salesperson or real estate salesperson may apply to the Real Estate Division for a permit to engage in property management.

645.6054. Permit to engage in property management: Requirements for certain organizations.

1. To engage in the business of property management in this State:

(a) A partnership shall designate one of its members;

(b) A corporation shall designate one of its officers or employees;

(c) A limited-liability company shall designate its manager; and

(d) A broker who conducts business as a sole proprietor shall designate a person who is licensed under the broker, to submit an application for a permit to engage in property management. The partnership, corporation, limited-liability company or sole proprietor shall not engage in the business of property management unless the person so designated has been issued a permit to engage in property management by the Real Estate Division.

Exemptions According to Statute (or Other Licensing Information)

Persons to whom chapter does not apply.

1. The provisions of this chapter do not apply to, and the terms “real estate broker” and “real estate salesperson” do not include, any:

(a) Owner or lessor of property, or any regular employee of such a person, who performs any of the acts mentioned in NRS 645.030, 645.040, 645.230 and 645.260, with respect to the property in the regular course of or as an incident to the management of or investment in the property. For the purposes of this subsection, “management” means activities which tend to preserve or increase the income from the property by preserving the physical desirability of the property or maintaining high standards of service to tenants. The term does not include sales activities.

(b) Employee of a real estate broker while engaged in the collection of rent for or on behalf of the broker.

(c) Person while performing the duties of a property manager for a property, if the person maintains an office on the property and does not engage in property management with regard to any other property.

(d) Person while performing the duties of a property manager for a common-interest community governed by the provisions of chapter 116 of NRS, an association of a condominium hotel governed by the provisions of chapter 116B of NRS, a condominium project governed by the provisions of chapter 117 of NRS, a time share governed by the provisions of chapter 119A of NRS, or a planned unit development governed by the provisions of chapter 278A of NRS, if the person is a member in good standing of, and, if applicable, holds a current certificate, registration or other similar form of recognition from, a nationally recognized organization or association for persons managing such properties that has been approved by the Real Estate Division by regulation.

(e) Person while performing the duties of a property manager for property used for residential housing that is subsidized either directly or indirectly by this State, an agency or political subdivision of this State, or the Federal Government or an agency of the Federal Government.

Reciprocity

<http://red.nv.gov/uploadedFiles/rednvgov/Content/Forms/501.pdf>

New Hampshire

Real Estate Licensing Info/Broker Definition

331-A:2 III. "Broker" means any person acting for another on commission or for other compensation, for the promise of such commission or other compensation, or any person licensed under this chapter acting on the licensee's own behalf who:

(a) Sells, exchanges, purchases, rents, or leases real estate.

(b) Offers to sell, exchange, purchase, rent or lease real estate.

(c) Negotiates, offers, attempts or agrees to negotiate the sale, exchange, purchase, rental or leasing of real estate.

(d) Lists, offers, attempts or agrees to list real estate for sale, lease or exchange.

(e) Buys, sells, offers to buy or sell, or otherwise deals in options on real estate or improvements on real estate.

(f) Collects, offers, attempts or agrees to collect rent for the use of real estate.

(g) Advertises or holds oneself out as being engaged in the business of buying, selling, exchanging, renting or leasing real estate.

(h) Assists or directs in the procuring of prospects, calculated to result in the sale, exchange, lease, or rental of real estate.

(i) Assists or directs in the negotiation of any transaction calculated or intended to result in the sale, exchange, leasing or rental of real estate.

(j) Engages in the business of charging an advance fee in connection with any contract whereby the person undertakes to promote the sale or lease of real estate, through its listing in a publication or data base issued for such purpose, through referral of information concerning such real estate to brokers, or both.

Exemptions According to Statute (or Other Licensing Information)

While New Hampshire law exempts an owner who is not a licensee, or the regular employees of an owner of real estate who are not licensees, with respect to the real property of the owner, or a prospective purchaser or tenant who is not a licensee, or the regular employees of a prospective purchaser or tenant who are not licensees, with respect to the real property of the owner.

NAA Notes

According to an old document from the NH Real Estate Commission, Persons who lease or manage their own property and the “regular employees” of such persons, are exempt from the licensing requirements of RSA 331-A. This exemption is not applicable to independent contractors or their employees who perform property management services for an owner. The Real Estate Commission will look at the substance of the property management relationships in determining whether the exemption applies in a particular situation.

Reciprocity

RSA 331-A:11-a allows the NH Real Estate Commission to enter into licensing reciprocity agreements with real estate commissions of other states. The law makes it possible for licensees from states which have contracted with New Hampshire to obtain a New Hampshire license by taking and passing only the state portion of the licensing exam. The New Hampshire Real Estate Commission currently has reciprocity agreements with the following states: Massachusetts, Maine, Vermont, and Georgia.

New Jersey

Real Estate Licensing Info/Broker Definition

§ 45:15-3. Terms defined, license required for bringing action for compensation

A real estate broker, for the purposes of R.S.45:15-1 et seq., is defined to be a person, firm or corporation who, for a fee, commission or other valuable consideration, or by reason of a promise or reasonable expectation thereof, lists for sale, sells, exchanges, buys or rents, or offers or attempts to negotiate a sale, exchange, purchase or rental of real estate or an interest therein, or collects or offers or attempts to collect rent for the use of real estate or solicits for prospective purchasers or assists or directs in the procuring of prospects or the negotiation or closing of any transaction which does or is contemplated to result in the sale, exchange, leasing, renting or auctioning of any real estate or negotiates, or offers or attempts or agrees to negotiate a loan secured or to be secured by mortgage or other encumbrance upon or transfer of any real estate for others, or any person who, for pecuniary gain or expectation of pecuniary gain conducts a public or private competitive sale of lands or any interest in lands. In the sale of lots pursuant to the provisions of R.S.45:15-1 et seq., the term “real estate broker” shall also include any person, partnership, association or corporation employed by or on behalf of the owner or owners of lots or other parcels of real estate, at a stated salary, or upon a commission, or upon a salary and commission, or otherwise, to sell such real estate, or any parts thereof, in lots or other parcels, and who shall sell or exchange, or offer or attempt or agree to negotiate the sale or exchange, of any such lot or parcel of real estate.

Exemptions According to Statute (or Other Licensing Information)

The provisions of this article shall not apply to any person, firm, partnership, association or corporation who, as a bona fide owner or lessor, shall perform any of the aforesaid acts with reference to property owned by him. (N.J. Stat. § 45:15-4)

NAA Notes

According to NJAA, property managers are not technically required to obtain a real estate license to manage property. However, under certain circumstances, leasing activity could trigger licensure requirements which would include both the leasing agent (salesperson license) as well as the agent’s employer (brokerage license). There is an owner exemption. Also covered activity that is otherwise incidental to a person’s job description could be exempt under certain circumstances. Under most circumstances, third party management companies are required to do obtain licensure, however if there is no leasing activity, as you would find under the management of a condo for example, there would be no requirement for a license.

Reciprocity

Please contact the NJ Real Estate Commission.

New Mexico

Real Estate Licensing Info/Broker Definition

61-29-2 (14) “qualifying broker” means a licensed real estate broker who has qualified a proprietorship, corporation, partnership or association to do business as a real estate brokerage in the state of New Mexico, who discharges the responsibilities specific to a qualifying broker as defined by the commission and who for compensation or other consideration from another:

(a) lists, sells or offers to sell real estate; buys or offers to buy real estate; or negotiates the purchase, sale or exchange of real estate or options on real estate;

(b) is engaged in managing property for others;

(c) leases, rents or auctions or offers to lease, rent or auction real estate;

(d) advertises or makes any representation as being engaged in the business of buying, selling, exchanging, renting, leasing, auctioning or dealing with options on real estate for others as a whole or partial vocation; or

(e) engages in the business of charging an advance fee or contracting for collection of a fee in connection with a contract under which the qualifying broker undertakes primarily to promote the sale of real estate through its listing in a publication issued primarily for that purpose or for the purpose of referral of information concerning real estate to other qualifying brokers or associate brokers;

Exemptions According to Statute (or Other Licensing Information)

The provisions do not apply to (1) a person who as owner performs any of the activities included in this section with reference to property owned by the person, except when the sale or offering for sale of the property constitutes a subdivision containing one hundred or more parcels; (2) the employees of the owner or the employees of a qualifying broker acting on behalf of the owner, with respect to the property owned, if the acts are performed in the regular course of or incident to the management of the property and the investments (N.M. Stat. Ann. § 61-29-2).

NAA Notes

According to AANM, property managers/leasing agents/etc. do not have to obtain a real estate license. There does, however, have to be a qualifying broker for the property, licensed in New Mexico. The same broker is typically attached to several properties especially when it's same management company. Exemptions are for employees of the property owner or of the qualifying broker, acting on their behalf. It is their understanding that if you own the property directly and want to lease it, then you do not need a real estate license.

Reciprocity

Please contact the New Mexico Real Estate Commission but according to their website, Applicants with current broker's licenses in other states may apply for a waiver of the Real Estate Principles and Practice and Real Estate Law courses and the national portion of the real estate broker's examination by submitting a written request to the Commission Education Director, accompanied by a certified license history from the state or states in which the applicant is currently licensed. The remaining 30-hour Broker Basics course cannot be waived and is available only in the classroom.

New York

Real Estate Licensing Info/Broker Definition

Statute is vague. From New York Division of Licensing Services: If I am a real estate management company, do I need a real estate broker's license? That depends on what services you provide. If you collect rent or place tenants in vacant spaces on behalf of your landlord client, the answer is yes. If, on the other hand, your services are strictly maintenance, the answer is no. you are not acting as a fiduciary (not handling another person's money).

Exemptions According to Statute (or Other Licensing Information)

Exemptions: Tenant associations and not-for-profit corporations authorized in writing by the commissioner of the department of the city of New York charged with enforcement of the housing maintenance code of such city to manage residential property owned by such city or appointed by a court of competent jurisdiction to manage residential property owned by such city.

NAA Notes

According to NYCRAA, property managers are not required to obtain a real estate license but if outside property management is running the property, they must be a licensed real estate broker or agent.

Reciprocity

http://www.dos.ny.gov/licensing/realestate/re_reciprocity.html

North Carolina

Real Estate Licensing Info/Broker Definition

§ 93A-2. Real Estate Broker means is any person, partnership, corporation, limited liability company, association, or other business entity who for a compensation or

valuable consideration or promise thereof lists or offers to list, sells or offers to sell, buys or offers to buy, auctions or offers to auction (specifically not including a mere crier of sales), or negotiates the purchase or sale or exchange of real estate, or who leases or offers to lease, or who sells or offers to sell leases of whatever character, or rents or offers to rent any real estate or the improvement thereon, for others.

Exemptions According to Statute (or Other Licensing Information)

93A:2: Exemptions under statute include: (1) Any partnership, corporation, limited liability company, association, or other business entity that, as owner or lessor, shall perform any of the acts aforesaid with reference to property owned or leased by them, where the acts are performed in the regular course of or as incident to the management of that property and the investment therein. The exemption from licensure under this subsection shall extend to the following persons when those persons are engaged in acts or services for which the corporation, partnership, limited liability company, or other business entity would be exempt hereunder:

Added law in 2015 to also include these exemptions under (1): a. The officers and employees whose income is reported on IRS Form W-2 of an exempt corporation.; b. general partners and employees whose income is reported on IRS Form W-2 of an exempt partnership.

c. The managers, member-managers, and employees whose income is reported on IRS Form W-2 of an exempt limited liability company.

d. The natural person owners of an exempt closely held business entity. For purposes of this subdivision, a closely held business entity is a limited liability company or a corporation, neither having more than two legal owners, at least one of whom is a natural person.

e. The officers, managers, member-managers, and employees whose income is reported on IRS Form W-2 of a closely held business entity when acting as an agent for an exempt business entity if the closely held business entity is owned by a natural person either (i) owning fifty percent (50%) or more ownership interest in the closely held business entity and the exempt business entity or (ii) owning fifty percent (50%) or more of a closely held business entity that owns a fifty percent (50%) or more ownership interest in the exempt business entity. The closely held business entity acting as an agent under this sub-subdivision must file an annual written notice with the Secretary of State, including its legal name and physical address. The exemption authorized by this sub-subdivision is only effective if, immediately following the completion of the transaction for which the exemption is claimed, the closely held business entity has a net worth that equals or exceeds the value of the transaction.

When a person conducts a real estate transaction pursuant to an exemption under this subdivision, the person shall disclose, in writing, to all parties to the transaction (i) that the person is not licensed as a real estate broker or salesperson under Article 1 of this Chapter, (ii) the specific exemption under this subdivision that applies, and (iii) the legal name and physical address of the owner of the subject property and of the closely held business entity acting under sub-subdivision e. of this subdivision, if applicable. This disclosure may be included on the face of a lease or contract executed in compliance with an exemption under this subdivision.

Also exempt:

(6) Any salaried person employed by a licensed real estate broker, for and on behalf of the owner of any real estate or the improvements thereon, which the licensed broker has contracted to manage for the owner, if the salaried employee's employment is limited to: exhibiting units on the real estate to prospective tenants; providing the prospective tenants with information about the lease of the units; accepting applications for lease of the units; completing and executing preprinted form leases; and accepting security deposits and rental payments for the units only when the deposits and rental payments are made payable to the owner or the broker employed by the owner. The salaried employee shall not negotiate the amount of security deposits or rental payments and shall not negotiate leases or any rental agreements on behalf of the owner or broker. (7) Any individual owner who personally leases or sells the owner's own property.

Reciprocity

<https://www.ncrec.gov/Licensing/Jurisdiction>

North Dakota

Real Estate Licensing Info/Broker Definition

43-23-06.1. Broker is defined as: Real estate broker", or "broker", means any person that, for another, for a fee, commission, salary, or other consideration, or with the intention or expectation of receiving or collecting such compensation from another, engages in or offers or attempts to engage in, either directly or indirectly by a continuing course of conduct or by a single act or transaction, any of the following acts:

- a. Lists, offers, attempts, or agrees to list real estate or any interest in that real estate, or any improvements affixed on that real estate for sale, exchange, or lease.
- b. Sells, exchanges, purchases, or leases real estate or any interest in that real estate, or any improvements affixed on that real estate.

- c. Offers to sell, exchange, purchase, or lease real estate or any interest in that real estate, or any improvements affixed on that real estate.
- d. Negotiates or offers, attempts, or agrees to negotiate the sale, exchange, purchase, or leasing of real estate or any interest in that real estate, or any improvements affixed on that real estate.
- e. Buys, sells, offers to buy or sell, or otherwise deals in options on real estate or any interest in that real estate, or any improvements on that real estate.
- f. Who is a licensee under this chapter and performs any of the acts set out in this subsection while acting in the licensee's own behalf.
- g. Advertises or holds out as being engaged in the business of buying, selling, exchanging, or leasing of real estate or any interest in that real estate, or any improvements on that real estate.
- h. Assists or directs in the procuring of prospects, calculated to result in the sale, exchange, or leasing of real estate or any interest in that real estate, or any improvements on that real estate.

Exemptions According to Statute (or Other Licensing Information)

43-23-07: The term “real estate broker” or “real estate salesperson” does not include: 1. Any person, partnership, association, corporation, or limited liability company who is a bona fide owner or lessor or who accepts or markets leasehold interests in residential or agricultural property and performs any of the aforesaid acts with reference to property owned or leased by them, nor does it apply to regular employees thereof, when the acts are performed in the regular course of or as an incident to the management of the property and the investment therein.

NAA Notes

The Government Relations Chair of the North Dakota Apartment Association has indicated that property managers aren't required to obtain a real estate license, the only exception is if they do commercial leasing or commercial lease renewals as part of or in addition to the regular management services.

Reciprocity

<http://www.realestatend.org/licensees/obtaining-a-reciprocal-license/>

Ohio

Real Estate Licensing Info/Broker Definition

§ 4735.01(A) “Real estate broker” includes any person, partnership, association, limited liability company, limited liability partnership, or corporation, foreign or domestic, who for another, whether pursuant to a power of attorney or otherwise, and who for a fee, commission, or other valuable consideration, or with the intention, or in the expectation, or upon the promise of receiving or collecting a fee, commission, or other valuable consideration does any of the following:

- (1) Sells, exchanges, purchases, rents, or leases, or negotiates the sale, exchange, purchase, rental, or leasing of any real estate;
- (2) Offers, attempts, or agrees to negotiate the sale, exchange, purchase, rental, or leasing of any real estate;
- (3) Lists, or offers, attempts, or agrees to list, or auctions, or offers, attempts, or agrees to auction, any real estate;
- (4) Buys or offers to buy, sells or offers to sell, or otherwise deals in options on real estate;
- (5) Operates, manages, or rents, or offers or attempts to operate, manage, or rent, other than as custodian, caretaker, or janitor, any building or portions of buildings to the public as tenants;
- (6) Advertises or holds self out as engaged in the business of selling, exchanging, purchasing, renting, or leasing real estate;
- (7) Directs or assists in the procuring of prospects or the negotiation of any transaction, other than mortgage financing, which does or is calculated to result in the sale, exchange, leasing, or renting of any real estate;
- (8) Is engaged in the business of charging an advance fee or contracting for collection of a fee in connection with any contract whereby the broker undertakes primarily to promote the sale, exchange, purchase, rental, or leasing of real estate through its listing in a publication issued primarily for such purpose, or for referral of information concerning such real estate to brokers, or both, except that this division does not apply to a publisher of listings or compilations of sales of real estate by their owners;
- (9) Collects rental information for purposes of referring prospective tenants to rental units or locations of such units and charges the prospective tenants a fee.

Exemptions According to Statute (or Other Licensing Information)

(I) The terms “real estate broker,” “real estate salesperson,” “foreign real estate dealer,” and “foreign real estate salesperson” do not include a person, partnership, association, limited liability company, limited liability partnership, or corporation, or the regular employees thereof, who perform any of the acts or transactions specified or comprehended in division (A) of this section, whether or not for, or with the intention, in expectation, or upon the promise of receiving or collecting a fee, commission, or other valuable consideration: (1) With reference to real estate situated in this state or any interest in it owned by such person, partnership, association, limited liability company, limited liability partnership, or corporation, or acquired on its own account in the regular course of, or as an incident to the management of the property and the investment in it. (ORC Ann. 4735.01)

NAA Notes

Additionally, under their FAQ, the Ohio Real Estate Commission has this about property management services: I am a broker for a real estate company that does not engage in property management. However, my salespeople would like to start offering property management services on their own. Is this OK? No. A salesperson must run any and all property management and/or leasing activities through the broker with which the salesperson is licensed. If the salesperson offers property management on their own, they would be in violation of license law. The Greater Cincinnati Northern Kentucky Apartment Association has confirmed that Exemption stands if they are either working directly for the owner or under a licensed broker.

Reciprocity

http://com.ohio.gov/documents/real_COM3618BrokerReciprocityApplication.pdf

Oklahoma

Real Estate Licensing Info/Broker Definition

§ 858-102. The term “real estate broker” shall include any person, partnership, association or corporation, foreign or domestic, who for a fee, commission or other valuable consideration, or who with the intention or expectation of receiving or collecting a fee, commission or other valuable consideration, lists, sells or offers to sell, buys or offers to buy, exchanges, rents or leases any real estate, or who negotiates or attempts to negotiate any such activity, or solicits listings of places for rent or lease, or solicits for prospective tenants, purchasers or sellers, or who advertises or holds himself out as engaged in such activities;

Exemptions According to Statute (or Other Licensing Information)

§ 858-301. It shall be unlawful for any person to act as a real estate licensee, or to hold himself or herself out as such, unless the person shall have been licensed to do so under the Oklahoma Real Estate License Code. However, nothing in this section shall:

1. Prevent any person, partnership, trust, association or corporation, or the partners, officers or employees of any partnership, trustees or beneficiaries of any trust, association or corporation, from acquiring real estate for its own use, nor shall anything in this section prevent any person, partnership, trust, association or corporation, or the partners, officers or employees of any partnership, trustees or beneficiaries of any trust, association or corporation, as owner, lessor or lessee of real estate, from selling, renting, leasing, exchanging, or offering to sell, rent, lease or exchange, any real estate so owned or leased, or from performing any acts with respect to such real estate when such acts are performed in the regular course of, or as an incident to, the management, ownership or sales of such real estate and the investment therein;
2. Apply to any person acting as the resident manager for the owner or an employee acting as the resident manager for a licensed real estate broker managing an apartment building, duplex, apartment complex or court, when such resident manager resides on the premises and is engaged in the leasing of property in connection with the employment of the resident manager;

Reciprocity

http://www.ok.gov/OREC/Information_for_Obtaining_a_License/index.html#arrangements

Oregon

Real Estate Licensing Info/Broker Definition

I am a real estate broker. Do I need a property manager license in order to manage other people's rental property?

No. As a broker, you are allowed to engage in professional real estate activity, which includes the management of rental real estate.

Any professional real estate activity must be done under the supervision of your principal broker.

Exemptions According to Statute (or Other Licensing Information)

The statute does not apply to: (9) A nonlicensed individual who is employed by a

principal real estate broker engaged in the management of rental real estate or by a licensed real estate property manager and who acts on behalf of the principal real estate broker or licensed real estate property manager pursuant to a written delegation of the principal real estate broker's or licensed real estate property manager's authority, as provided by the agency by rule, if the real estate activity of the nonlicensed individual is limited to:(a) Negotiating rental or lease agreements;(b) Checking tenant and credit references;(c) Physically maintaining the real estate;(d) Conducting tenant relations;(e) Collecting the rent;(f) Supervising the premises' managers;(g) Discussing financial matters relating to the management of the real estate with the owner; and(h) Receiving and disbursing trust funds in a clients' trust account under ORS 696.241.ORS § 696.030)

*Oregon has a property manager licensure but some exemptions do apply. Property manager licensure requirements: http://www.oregon.gov/rea/lic/pages/property_manager_license_requirements.aspx

NAA Notes

Multifamily NW: Property managers are not required to obtain a property manager license if the property manager is working for a licensed principal broker. Many property managers fall into that category. The other exemption to property manager licensure is when the property manager is managing property that they own. Third party property managers, those who are being paid for their management services without an ownership stake in the property are required to be licensed.

Reciprocity

Oregon has licensing agreements with Alabama, Alberta, Georgia, Nebraska, and South Dakota. If you hold a resident real estate license from one of these jurisdictions, contact the Licensing Section at (503) 378-4170 for information about obtaining an Oregon real estate broker license.

Pennsylvania

Real Estate Licensing Info/Broker Definition

From PA Apartment Association: Regarding property managers and licensing. Generally, the key aspects of property managers' jobs , leasing and renting, are considered real estate activities and, as such, subject to PA real estate licensing laws – which say it is unlawful for anyone directly or indirectly to act in the capacity of a broker or salesperson without a license. So property managers can't negotiate or sign leases if they are not licensed. Only an owner or a real estate broker (or attorney or trustee representing an owner's interest) can negotiate terms and sign leases. Others

can show apartments and provide information, and even take the application- but not negotiate or sign the contract.

Companies can apply for a broker's license with a designated broker licensee as the Broker of Record for the corporation. And all third party managing agents or agencies must have a broker's license and their managers or leasing agents conducting rental activity or rental collection must have a salespersons license.

Exemptions According to Statute (or Other Licensing Information)

There are exclusions- owners can negotiate and sign their own leases. In the case of a corporation or partnership, this exclusion does not extend to more than five of the partnerships partners or officers.

See 49 PACode35.201. and 63 PS455.304

Reciprocity

Arkansas, Georgia, Louisiana, Maryland, Massachusetts, New York, West Virginia

Rhode Island

Real Estate Licensing Info/Broker Definition

(4) "Real estate broker":

(i) Within the meaning of this chapter, includes all persons, partnerships, associations, and corporations, foreign and domestic, who:

(A) For a fee, commission, or other valuable consideration, or who with the intention or expectation of receiving or collecting a fee, commission, or other valuable consideration, lists, sells, purchases, exchanges, rents, leases, appraises residential property containing four (4) or fewer units, or auctions any real estate, or the improvements on real estate including options or who negotiates or attempts to negotiate any such activity;

(B) Advertises or holds himself or herself, itself, or themselves out as engaged in those activities;

(C) Directs or assists in the procuring of a purchaser or prospect calculated or intended to result in a real estate transaction.

(ii) Also includes any person, partnership, association, or corporation employed by or on behalf of the owner or owners of lots, or other parcels of real estate, at a stated

salary, or upon a fee, commission or otherwise, to sell that real estate, or any parts, in lots or other parcels, and who sells, exchanges or leases, or offers or attempts or agrees to negotiate the sale, exchange or lease of any such lot or parcel of real estate; (§ 5-20.5-1).

Exemptions According to Statute (or Other Licensing Information)

Exemptions include any person, partnership, association, or corporation, who, as a bona fide owner, lessee, or lessor, performs any of the previously stated acts as to property owned, or leased by them, or to their regular employees, where those acts are performed in the regular course of, or as an incident to the management of the property and the investment in the property (R.I. Gen. Laws § 5-20.5-2)

NAA Notes

The Govt Relations Chair at the Rhode Island Apartment Association has indicated that neither property managers nor property management firms are required to be licensed.

Reciprocity

<http://www.dbr.ri.gov/documents/divisions/commlicensing/realestate/RE-recip-lic-inst.pdf>

South Carolina

Real Estate Licensing Info/Broker Definition

(11) “Property manager” means an individual who for a fee, salary, commission, or other valuable consideration or who with the intent or expectation of receiving compensation:

(a) negotiates or attempts to negotiate the rental or leasing of real estate or improvements thereon;

(b) lists or offers to list and provide services in connection with the leasing or rental of real estate or improvements thereon;

(c) advertises or otherwise holds himself out to the public as being engaged in any of the foregoing activities. (12) “Property manager-in-charge” means the property manager who is designated as having the responsibility over the actions of associated property managers and also the responsibility and control over and liability for real estate trust accounts. (S.C. Code Ann. § 40-57-30)

§ 40-57-20. Valid licensure requirement for real estate brokers, salesmen, and property managers.

It is unlawful for an individual to act as a real estate broker, real estate salesman, or real estate property manager or to advertise as such without a valid license issued by the department.

(E) The management of each residential multi-unit rental location must be provided by an on-site licensee or an off-site licensee if there is no on-site staff.

(1) The department may permit multiple multi-unit rental property locations to be managed by one licensee.

Exemptions According to Statute (or Other Licensing Information)

(2) An unlicensed employee of the owner of a multi-unit rental property or an unlicensed individual who works under the supervision of a licensee is permitted to perform only the following duties:

- (a) maintenance;
- (b) clerical or administrative support;
- (c) collection of rents which are made payable to the owner or real estate company;
- (d) showing rental units to prospective tenants;
- (e) furnishing published information;
- (f) providing applications and lease forms;
- (g) receiving applications and leases for submission to the owner or the licensee for approval. (SC Code Ann SECTION 40-57-135).

NAA Notes

Property managers are required to be licensed but there are some exemptions.

Reciprocity

<http://www.llr.state.sc.us/pol/rec/index.asp?file=Online/OnlineNonResident.htm>

South Dakota

Real Estate Licensing Info/Broker Definition

36-21A-12.1. "Residential rental agent" defined.

For the purposes of this chapter, a residential rental agent is any person who for

compensation or consideration is associated with a real estate broker or property manager to negotiate or attempt to negotiate the rental or leasing of residential property, or collect rents or attempt to collect rents. The Real Estate Commission may promulgate rules pursuant to chapter 1-26 to establish requirements for licensing a residential rental agent.

36-21A-10. "Property manager" defined.

For the purposes of this chapter, a property manager is any person who for a fee, commission or other valuable consideration or with the intent or expectation of receiving a fee, commission or consideration negotiates or attempts to negotiate the rental, exchange or leasing or any real estate or of the improvements on it; lists real estate exchanges, rentals or leases; collects rents or attempts to collect rents for real estate; or advertises or holds himself out as engaged in any of the foregoing activities.

The term also includes any person who engages in the business of charging a fee or contracting for the collection of a fee in connection with a contract under which he undertakes to prompt the renting or leasing of real estate through its listing in a publication issued primarily for this purpose or through referral of information concerning the rentals or leases.

Exemptions According to Statute (or Other Licensing Information)

36-21A-29. Inapplicability of chapter.

This chapter does not apply to the following:

(1) Any person who as a bona fide owner or lessor, performs any of the acts described in §§ 36-21A-6 and 36-21A-12 with reference to property owned, or leased by the person, or to any regular employees thereof, if such acts are performed in the regular course of, or as an incident to the management of such property or investment in such property; (5) Any custodian, janitor, or employee of the owner or manager of a residential building who exhibits a residential unit therein to prospective tenants, accepts applications for leases and furnishes prospective tenants with information relative to the rental of the unit, terms and conditions of leases required by the owner or manager and similar information;

Reciprocity

<https://dlr.sd.gov/bdcomm/appraiser/reciprocity.aspx>

Tennessee

Real Estate Licensing Info/Broker Definition

62-13-102: “Broker” means any person who, for a fee, commission, finders fee or any other valuable consideration or with the intent or expectation of receiving a fee, commission, finders fee or any other valuable consideration from another, solicits, negotiates or attempts to solicit or negotiate the listing, sale, purchase, exchange, lease or option to buy, sell, rent or exchange for any real estate or of the improvements on the real estate or any time-share interval as defined in the Tennessee Time-Share Act, compiled in title 66, chapter 32, part 1, collects rents or attempts to collect rents, auctions or offers to auction or who advertises or holds out as engaged in any of the foregoing;

(B) “Broker” also includes any person employed by or on behalf of the owner or owners of lots or other parcels of real estate, at a salary, fee, commission or any other valuable consideration, to sell the real estate or any part of the real estate, in lots or parcels or other disposition of the real estate. It also includes any person who engages in the business of charging an advance fee or contracting for collection of a fee in connection with any contract whereby the person undertakes primarily to promote the sale of real estate either through its listing in a publication issued primarily for that purpose or for referral of information concerning the real estate to brokers, or both;

Exemptions According to Statute (or Other Licensing Information)

Exemptions: The provisions of this chapter do not apply to a resident manager for a broker or an owner, or employee of a broker, who manages an apartment building, duplex or residential complex where such person’s duties are limited to supervision, exhibition of residential units, leasing and/or collection of security deposits and rentals from such property. The resident manager or employee shall not negotiate the amounts of security deposits or rentals and shall not negotiate any leases on behalf of the broker. (Tenn. Code Ann. 62-13-104).

NAA Notes

TN Apt Association met with Real Estate Commission and the Commission found that License Act exempts resident managers and that a real estate broker is not required to be on-site at a property. The resident manager or employee shall not negotiate the amounts of security deposits or rentals and shall not negotiate any leases on behalf of the broker.

Reciprocity

<https://www.tn.gov/commerce/article/rec-nonresident-licensure-information>

Texas

Real Estate Licensing Info/Broker Definition

1101.002. Definitions (1) “Broker”:

(A) means a person who, in exchange for a commission or other valuable consideration or with the expectation of receiving a commission or other valuable consideration, performs for another person one of the following acts:

- (i) sells, exchanges, purchases, or leases real estate;
- (ii) offers to sell, exchange, purchase, or lease real estate;
- (iii) negotiates or attempts to negotiate the listing, sale, exchange, purchase, or lease of real estate
- (iv) lists or offers, attempts, or agrees to list real estate for sale, lease, or exchange;
- (v) auctions or offers, attempts, or agrees to auction real estate;
- (vi) deals in options on real estate, including a lease to purchase, buying, selling, or offering to buy or sell options on real estate;
- (vii) aids or offers or attempts to aid in locating or obtaining real estate for purchase or lease;
- (viii) procures or assists in procuring a prospect to effect the sale, exchange, or lease of real estate;
- (ix) procures or assists in procuring property to effect the sale, exchange, or lease of real estate;
- (x) controls the acceptance or deposit of rent from a resident of a single-family residential real property unit; or
- (xi) provides a written analysis, opinion, or conclusion relating to the estimated price of real property if the analysis, opinion, or conclusion:
 - (a) is not referred to as an appraisal;
 - (b) is provided in the ordinary course of the person’s business; and
 - (c) is related to the actual or potential management, acquisition, disposition, or encumbrance of an interest in real property;

(xii) advises or offers advice to an owner of real estate concerning the negotiation or completion of a short sale; and

(B) includes a person who

(i) is employed by or for an owner of real estate to sell any portion of the real estate; or

(ii) engages in the business of charging an advance fee or contracting to collect a fee under a contract that requires the person primarily to promote the sale of real estate by:

(a) listing the real estate in a publication primarily used for listing real estate; or

(b) referring information about the real estate to brokers.

Exemptions According to Statute (or Other Licensing Information)

Exemptions include: This chapter does not apply to an on-site manager of an apartment complex; an owner or the owner's employee who leases the owner's improved or unimproved real estate. (Tex. Occ. Code § 1101.005)

NAA Notes

According to the Texas real estate commission:

Q: Does a property manager have to be licensed?

A: It depends on what the property manager is doing for the property owner. If the duties include showing or leasing the property for the owner for which the manager gets paid, a license is required.

Q: I have a property management company and engage in leasing activity. May I have some of my unlicensed employees solicit business for me?

A: No. A rental agent who solicits a prospect by phone must be licensed.

Q: Do I need a license to act as an on-site manager of an apartment complex?

A: No, but this exemption only applies to apartments; managers of condominiums or town homes need to be licensed. Note, also, that the "on-site" requirement means that you have an office at the apartment complex, not that the manager has to live there.

Reciprocity

Texas does not have reciprocity with any other state according to the Texas Real Estate Commission.

Utah

Real Estate Licensing Info/Broker Definition

61-2f-201. License required.

(1) Unless a person is licensed under this chapter, it is unlawful for the person to do the following with respect to real estate located in this state:

- (a) engage in the business of a principal broker, associate broker, or sales agent;
- (b) act in the capacity of a principal broker, associate broker, or sales agent;
- (c) advertise or assume to act as a principal broker, associate broker, or a sales agent.

(2) Except as provided in Section 61-2f-202, an individual is required to be licensed as a principal broker, associate broker, or a sales agent if the individual performs, offers to perform, or attempts to perform one act for valuable consideration of:

- (a) buying, selling, leasing, managing, or exchanging real estate for another person;
- or (b) offering for another person to buy, sell, lease, manage, or exchange real estate.

From Utah Real Estate Commission, Property Management Licensure: Property Management Licensure

A Sales Agent or Broker license is required for any individual who, for another and for valuable consideration, engages in property management including advertising real estate for lease or rent, procuring prospective tenants or lessees, negotiating lease or rental terms, executing lease or rental agreements. A licensed Sales Agent and Associate Broker engaging in property management must be affiliated and supervised by a Principal Broker. The licensing requirement does not apply to an owner who manages his or her own property, an employee for one property owner, apartment managers who reside in the apartments at reduced rent, full-time salaried employees of a Homeowners Association, hotel or motel management, or management activities associated with rental accommodations for a period of less than 30 consecutive days.

Prior to opening a property management company, a Broker must submit to the Division:

Completed and signed Real Estate Company/Branch Registration along with this checklist .

A Change Card for licensee affiliating with the Property Management Company.

Certificate of Existence from the Utah Division of Corporations showing the company is current and in good standing.

Notarized letter on the company's letterhead, signed by a company Officer, Manager/Member or Owner, authorizing the Broker to use the company name.

Documentation from a financial institution less than 30 days old verifying a property management trust account on which the Broker is a signatory.

Note: the Broker must have separate trust accounts for the property management company and the real estate company.

\$200 non-refundable fee.

Exemptions According to Statute (or Other Licensing Information)

Exempt persons and transactions.

(1) (a) Except as provided in Subsection (1)(b), a license under this chapter is not required for:

(i) an individual who as owner or lessor performs an act described in Subsection 61-2f-102(18) with reference to real estate owned or leased by that individual;

(ii) a regular salaried employee of the owner or lessor of real estate who, with reference to nonresidential real estate owned or leased by the employer, performs an act described in Subsection 61-2f-102(18)(a) or (b);

(iii) a regular salaried employee of the owner of real estate who performs property management services with reference to real estate owned by the employer, except that the employee may only manage real estate for one employer;

(iv) an individual who performs property management services for the apartments at which that individual resides in exchange for free or reduced rent on that individual's apartment;

(v) a regular salaried employee of a condominium homeowners' association who manages real estate subject to the declaration of condominium that established the condominium homeowners' association, except that the employee may only manage real estate for one condominium homeowners' association; and

(vi) a regular salaried employee of a licensed property management company or real estate brokerage who performs support services, as prescribed by rule, for the property management company or real estate brokerage.

61-2f-102. Definitions. (19) (a) “Property management” means engaging in, with the expectation of receiving valuable consideration, the management of real estate owned by another person or advertising or otherwise claiming to be engaged in property management by:

(i) advertising for, arranging, negotiating, offering, or otherwise attempting or participating in a transaction calculated to secure the rental or leasing of real estate;

(ii) collecting, agreeing, offering, or otherwise attempting to collect rent for the real estate and accounting for and disbursing the money collected; or

(iii) authorizing expenditures for repairs to the real estate.

Reciprocity

If you are licensed in another state you may obtain a Utah license either through reciprocity or by qualifying for an education waiver.

Utah currently has reciprocity agreements with Georgia, Mississippi, and Alberta Canada. Applicants with an active Real Estate license in good standing from a state that has a reciprocity agreement with Utah should submit to the Division:

- Completed and signed Real Estate Reciprocity Application.
- Original and certified license history (no more than six months old) from the jurisdiction where you are actively licensed and which has a reciprocity agreement with Utah.
- Original and certified license histories (no more than six months old) from all other jurisdictions where you have previously held a Real Estate license.
- For Principal and Branch Brokers, a notarized letter on the company’s letterhead, signed by a company Officer, Manager/Member or Owner, authorizing the Broker to use the company name.
- Two fingerprint cards and a signed Fingerprint Waiver (cards may be obtained from the Division or a local police station).
- For a sales agent, \$152 total non-refundable fee (\$100 application fee, \$12 recovery fund fee and \$40 fingerprint processing fee).

- For a broker, \$158 total non-refundable fee (\$100 application fee, \$18 recovery fund fee and \$40 fingerprint processing fee).
- Completed Certification of Legal Presence

Vermont

Real Estate Licensing Info/Broker Definition

§ 2211.(4) “Real estate broker,” or “broker,” means any person who, for another, for a fee, commission, salary, or other consideration, or with the intention or expectation of receiving or collecting such compensation from another, engages in or offers or attempts to engage in, either directly or indirectly, by a continuing course of conduct, any of the following acts:

(A) lists, offers, attempts, or agrees to list real estate or any interest therein for sale or exchange;

(B) sells, exchanges, or purchases real estate or any interest therein;

(C) offers to sell, exchange, or purchase real estate or any interest therein;

(D) negotiates, or offers, attempts, or agrees to negotiate the sale, exchange, or purchase of real estate, or any interest therein;

(E) buys, sells, offers to buy or sell, or otherwise deals in options on real estate or any interest therein;

(F) advertises or holds himself or herself out as being engaged in the business of buying, selling, or exchanging real estate or any interest therein;

(G) assists or directs in the procuring of prospects, calculated to result in the sale or exchange of real estate or any interest therein; however, a nonlicensed employee of a licensee shall be allowed to respond to inquiries from members of the public, so long as the employee makes it clear that he or she is not licensed and that any information provided should be confirmed by a licensed person.

Exemptions According to Statute (or Other Licensing Information)

Does not license property management or renting or leasing activities under existing broker or salesperson law. Exemptions under state law include: The terms “real estate broker,” “real estate salesperson” or “broker” shall not be held to include: any person, partnership, association or corporation who as a bona fide owner performs any of the aforesaid acts with reference to property owned by them, nor shall it apply to regular employees thereof, where such acts are performed in the regular course of or as an

incident to the management of such property and the investment therein: any person who leases real estate or any interest therein or any improvements affixed thereon, or offers to lease, negotiates the lease of, or advertises as being in the business of leasing real estate. (26 V.S.A. § 2211)

Reciprocity

If you are licensed in another state and wish to apply for a license in Vermont, you must complete an application and send a verification of licensure request form to all states that you are currently licensed in to verify that you are in good standing in that state.

Virginia

Real Estate Licensing Info/Broker Definition

§ 54.1-2100. Definitions “Real estate broker” means any person or business entity, including, but not limited to, a partnership, association, corporation or limited liability company, who, for compensation or valuable consideration (i) sells or offers for sale, buys or offers to buy, or negotiates the purchase or sale or exchange of real estate, including units or interest in condominiums, cooperative interest as defined in § 55-426, or time-shares in a time-share program even though they may be deemed to be securities, or (ii) leases or offers to lease, or rents or offers for rent, any real estate or the improvements thereon for others.

Exemptions According to Statute (or Other Licensing Information)

A. The provisions of this chapter shall not apply to:

1. Any person, partnership, association, corporation, entity, or their regular employees, who as owner or lessor perform any of the acts enumerated in §§ 54.1-2100 and 54.1-2101 with reference to property owned or leased by them, where the acts are performed in the regular course of or incident to the management of the property and the investment therein. For property governed by Chapter 21 (§ 55-360 et seq). of Title 55, the term “owner” for purposes of this subdivision shall include affiliated entities, provided that (i) the owner has a controlling interest in the affiliated entity or (ii) the affiliated entity and the owner have a common parent company;

Any corporation managing rental housing when the officers, directors, and members in the ownership corporation and the management corporation are the same and the management corporation manages no other property for other persons, partnerships, associations, or corporations;

Any existing tenant of a residential dwelling unit who refers a prospective tenant to the owner of the unit or to the owner’s duly authorized agent or employee and for the referral receives, or is offered, a referral fee from the owner, agent or employee;

Any person who is licensed and is in good standing as a real estate broker or salesperson in another state, and who assists a prospective purchaser, tenant, optionee, or licensee located in another state to purchase, lease, option, or license an interest in commercial real estate, as defined in § 55-526, in the Commonwealth. Such real estate licensee from another state may be compensated by a real estate broker in the Commonwealth. Nothing in this subdivision shall be construed to permit any person not licensed and in good standing as a real estate broker or salesperson in the Commonwealth to otherwise act as a real estate broker or salesperson under this chapter.

The provisions of this chapter shall not apply to any salaried person employed by a licensed real estate broker for and on behalf of the owner of any real estate or the improvements thereon which the licensed broker has contracted to manage for the owner if the actions of such salaried employee are limited to (i) exhibiting residential units on such real estate to prospective tenants, if the employee is employed on the premises of such real estate; (ii) providing prospective tenants with factual information about the lease of residential real estate; (iii) accepting applications for lease of such real estate; and (iv) accepting security deposits and rentals for such real estate. Such deposits and rentals shall be made payable to the owner or the broker employed by such owner. The salaried employee shall not negotiate the amounts of such security deposits or rentals and shall not negotiate any leases on behalf of such owner or broker.

NAA Notes

Broker's license is required of individuals and companies involved in sales and transactions transferring real estate. Managers and management companies do not require a license. (AOBA)

Reciprocity

Applicants for a salesperson license must (1) pass the State portion of the examination, (2) submit verification of completion of a 60 hour course called "Principles of Real Estate" and (3) submit letters of certification from other jurisdictions where licensed. Also, in order to apply through reciprocity, the salesperson MUST hold a current salesperson license in another state.

Applicants for a broker license must (1) pass the State portion of the examination, (2) submit verification of experience (actively engaged as a salesperson or broker for 36 out of 48 months preceding application for licensure), (3) submit original transcripts or certified copies of transcripts from the educational institution where the applicant completed 180 classroom hours of broker pre-licensing courses substantially equivalent to Virginia's real estate education requirements, and (4) submit letters of certification from other jurisdictions where licensed. Also, in order to apply through reciprocity, the broker MUST hold a current broker license in another state.

Washington

Real Estate Licensing Info/Broker Definition

18.85.011. Definitions. (16) “Real estate brokerage services” means any of the following services offered or rendered directly or indirectly to another, or on behalf of another for compensation or the promise or expectation of compensation, or by a licensee on the licensee’s own behalf:

- (a) Listing, selling, purchasing, exchanging, optioning, leasing, renting of real estate, or any real property interest therein; or any interest in a cooperative; or any interest in a floating home or floating on-water residence, as defined in RCW 90.58.270;
- (b) Negotiating or offering to negotiate, either directly or indirectly, the purchase, sale, exchange, lease, or rental of real estate, or any real property interest therein; or any interest in a cooperative; or any interest in a floating home or floating on-water residence, as defined in RCW 90.58.270;
- (c) Listing, selling, purchasing, exchanging, optioning, leasing, renting, or negotiating the purchase, sale, lease, or exchange of a manufactured or mobile home in conjunction with the purchase, sale, lease, exchange, or rental of the land upon which the manufactured or mobile home is or will be located;
- (d) Advertising or holding oneself out to the public by any solicitation or representation that one is engaged in real estate brokerage services;
- (e) Advising, counseling, or consulting buyers, sellers, landlords, or tenants in connection with a real estate transaction;
- (f) Issuing a broker’s price opinion. For the purposes of this chapter, “broker’s price opinion” means an oral or written report of property value that is prepared by a licensee under this chapter and is not an appraisal as defined in RCW 18.140.010 unless it complies with the requirements established under chapter 18.140 RCW;
- (g) Collecting, holding, or disbursing funds in connection with the negotiating, listing, selling, purchasing, exchanging, optioning, leasing, or renting of real estate or any real property interest; and
- (h) Performing property management services, which includes with no limitation: Marketing; leasing; renting; the physical, administrative, or financial maintenance of real property; or the supervision of such actions.

Exemptions According to Statute (or Other Licensing Information)

RCW 18.85.151. Exemptions include: (13) Any person employed or retained by, for, or on behalf of the owner or on behalf of a designated or managing broker if the person is limited in property management to any of the following activities:

- (a) Delivering a lease application, a lease, or any amendment thereof to any person;
- (b) Receiving a lease application, lease, or amendment thereof, a security deposit, rental payment, or any related payment for delivery to and made payable to the real estate firm or owner;
- (c) Showing a rental unit to any person, or executing leases or rental agreements, and the employee or retaineer is acting under the direct instruction of the owner or designated or managing broker;
- (d) Providing information about a rental unit, a lease, an application for lease, or a security deposit and rental amounts to any prospective tenant; or
- (e) Assisting in the performance of property management functions by carrying out administrative, clerical, financial, or maintenance tasks.

Reciprocity

I'm licensed in another state, how do I get licensed in Washington?

Get a certified license history from the real estate agency in the state you're currently licensed. Submit it with a cover letter, include your contact information and mailing address. If you'd like to take the exam outside of Washington, please specify this in your cover letter. Mail it to:

Real Estate Licensing
PO Box 9021
Olympia, WA 98507

If you've had an active license within the last 6 months, the education requirement and the National portion of the test will be waived. When we get your receipt, we'll send an approval letter, within 10 business days, with instructions on:

- How to register for the exam,
- A Washington State Real Estate Law Book, and
- If applicable, a waiver to take the exam out of state.

West Virginia

Real Estate Licensing Info/Broker Definition

§30-40-4. Definitions.(c) “Broker” means any person who for compensation or with the intention or expectation of receiving or collecting compensation:

- (1) Lists, sells, purchases, exchanges, options, rents, manages, leases or auctions any interest in real estate; or
- (2) Directs or assists in the procuring of a prospect calculated or intended to result in a real estate transaction; or
- (3) Advertises or holds himself or herself out as engaged in, negotiates or attempts to negotiate, or offers to engage in any activity enumerated in subdivision (1) of this subsection.

Exemptions According to Statute (or Other Licensing Information)

§30-40-5.Exemptions include (8) Any person employed exclusively to act as the management or rental agent for the real estate of one person, partnership or corporation.

Manager/agent may not work for multiple partnerships/corporations - management not really defined in statute.

Reciprocity

<http://www.wvrec.org/recagree.pdf>

Wisconsin

Real Estate Licensing Info/Broker Definition

452.01: Broker means: (a) For another person, and for commission, money, or other thing of value, negotiates or offers or attempts to negotiate a sale, exchange, purchase, or rental of, or the granting or acceptance of an option to sell, exchange, purchase, or rent, an interest or estate in real estate, a time share, or a business or its goodwill, inventory, or fixtures, whether or not the business includes real property.

(b) Is engaged wholly or in part in the business of selling or exchanging interests or estates in real estate or businesses, including businesses goodwill, inventory, or fixtures, whether or not the business includes real property, to the extent that a pattern of sales or exchanges is established, whether or not the person owns the real estate or businesses. Five sales or exchanges in one year or 10 sales or exchanges in 5 years is presumptive evidence of a pattern of sales or exchanges.

(bm) For another person, and for commission, money, or other thing of value shows

real estate or a business or its inventory or fixtures, whether or not the business includes real property, except that this paragraph does not include showing a property that is offered exclusively for rent.

(h) For another person, and for commission, money, or other thing of value, promotes the sale, exchange, purchase, option, rental, or leasing of real estate, a time share, or a business or its goodwill, inventory, or fixtures, whether or not the business includes real property. This paragraph does not apply to a person who only publishes or disseminates verbatim information provided by another person.

Exemptions According to Statute (or Other Licensing Information)

“Broker” does not include: any custodian, janitor, employee or agent of the owner or manager of a residential building who exhibits a residential unit therein to prospective tenants, accepts applications for leases and furnishes such prospective tenants with information relative to the rental of such unit, terms and conditions of leases required by the owner or manager, and similar information. (Wis. Stat. § 452.01)

Reciprocity

<http://dsps.wi.gov/Licenses-Permits/RealEstateBroker/REBRlicense>

Wyoming

Real Estate Licensing Info/Broker Definition

33-28-102(vii) “Broker” means any person licensed under this act including associate brokers and responsible brokers. “Broker” does not include a salesman; (xlii)

“Property management” means the act of management for compensation of real estate for another, including collection of rents, maintenance of the real estate and accounting of fees received for another;

Exemptions According to Statute (or Other Licensing Information)

The provisions of this act shall not apply to: an owner of real estate or to a member of his immediate family or to his regular employees with respect to property owned by him; any person or employee acting as the resident manager for the owner or an employee acting as the resident manager for a broker managing an apartment building, duplex, apartment complex or court, when the resident manager resides on the premises and is engaged in the leasing of property in connection with his employment unless that individual is a licensee. (Wyo. Stat. § 33-28-103)

Reciprocity

Broker Applicant Licensed in Another State

Individuals must complete and pass the Wyoming Law Portion of the Broker I Course, all of Broker II Course, the Broker Management Class, and the State Exam.

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[illegible]

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