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CAPS
CERTIFIED APARTMENT PORTFOLIO SUPERVISOR®

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CLIENT SERVICES AND STAKEHOLDER RELATIONS

Participant Guide

October 2018

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Acknowledgments

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Message to Apartment Portfolio Supervisors

The decisions a CAPS makes every day have an impact on many people, and in ways both immediate and far-reaching. It is the responsibility of the CAPS to balance the interests of all stakeholders in a way that ensures the portfolio properties are financially successful and legally compliant. At the same time, the CAPS will need to serve the needs of the renting public in a way that is both ethical and professional.

The Certified Apartment Portfolio Supervisor (CAPS) training program is designed to prepare CAPS to recognize and serve the needs of property stakeholders in a way that maximizes the financial health of the property.

Client Services and Stakeholder Relations is one module in the CAPS credential program.

The complete set of CAPS modules is:

1. **Client Services and Stakeholder Relations**
2. **Investment Management**
3. **Improving Asset Performance**
4. **Asset Evaluation and Preservation**
5. **Talent Development**
6. **Contemporary Issues in Multifamily Housing**

For more information about this program or any of NAAEI's education programs, ask your instructor, contact your local apartment association, or contact **NAAEI** at **(703) 518-6141** or **education@naahq.org**.

Module Structure and Timing

This module will run for approximately five to six hours. Each module will include a mix of activities, discussions, watching videos, and slides. Your instructor will lead the discussions and walk you through the course.

The time structure of the course will be:

Section	**Time**
Section 1 - Ethical Considerations	35 minutes
Section 2 - Property Owners and the Management Company	150 minutes
Activity: Property Goals	15 minutes
Activity: The Owner's Report	20 minutes
Activity: Contractor Dispute	10 minutes
Section 3 - Lenders	10 minutes
Section 4 - Regulatory Agencies and the Law	50 minutes
Section 5 - Residents	50 minutes
Section 6 - Communities and Municipalities	15 minutes
Section 7 - Other Stakeholders	20 minutes

Introductions

Welcome to the **Client Services and Stakeholder Relations** module, part of the National Apartment Association Education Institute's Certified Apartment Portfolio Supervisor (CAPS) credential program!

Your instructor will ask you to participate in the following activity:

Introduce yourself to the group and answer the following questions:

- **Is it accurate to say that the property owner is not the sole stakeholder in a property's performance? Justify your answer.**
- **What are some ways that property portfolio management might test a person's ethical or professional standards? How might you navigate those situations in order to maintain high standards?**

Learning Goals

At the end of this module, you will be able to:

- **Work with property owners to clarify their ownership goals.**
- **Identify and understand key parts of the Management Agreement that establish the management company's responsibilities and obligations.**
- **Create regular owner's reports to keep the property owner informed of the status of the property.**
- **Recognize the ways in which lenders, regulatory agencies, and local, state, and federal laws affect the management of multifamily housing properties.**
- **Coach your site team to provide a safe, habitable living environment for residents, while remaining in compliance with Fair Housing laws.**
- **Ask yourself the questions that lead to ethical decision-making.**

Section 1 - Ethical Considerations

To be a success in business, it’s not enough to have high standards for your products and services; you have to have equally high standards for how you deal with people.

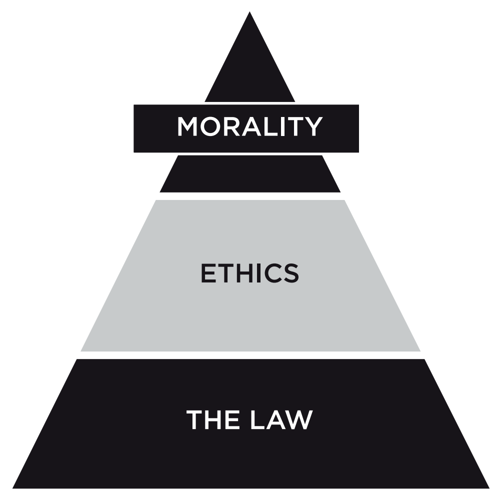
As a CAPS, you will be managing the expectations and interests of a lot of different people, and to do so with excellence, you’ll need to approach those interactions with a grounded sense of integrity, fairness, honesty, character, and a determination to do what is right, even when it’s difficult.

Topics Covered:

- Keys to Ethical Excellence.
- Asking the Right Questions.

KEYS TO ETHICAL EXCELLENCE

Think of ethics as part of a pyramid that constitutes your moral compass. The law is the base of pyramid and, at a minimum, we all have to obey the law. At the very top of the pyramid are our morals and values. They are the guiding principles by which we live our lives. In between the law and morality lies a grey area called ethics. We operate in that middle area every day and need to ensure that we maintain the highest ethical standards in all we do.



Obey the rules, but don't hide behind them.

Working within the law isn't the measure of ethical behavior; it's just the bare minimum. In fact, it's possible to obey the letter of the law and still be responsible for a lot of unethical behavior. Make sure you're not using compliance with the rules as a cover for actions that don't meet high ethical standards.

Do the right thing when there is a right thing, and learn to live with shades of gray.

Sometimes "the right thing" is a fuzzy concept. In any given situation, people may disagree about what constitutes the right thing, and what's right in one situation may not be right in another. Worse yet, you will often be faced with situations where none of your options are fully right or fully wrong, or where you're forced to choose from a number of bad alternatives. As long as you continue to be guided by the drive to act ethically and put in the effort to navigate these obstacles as best you can, you'll maximize the "right" and minimize the "wrong" over the long term.

Listen to your own conscience with skepticism.

It's important to listen to your conscience, but recognize that your inner voice isn't always an impartial judge. Sometimes the voice of your conscience is susceptible to the temptation to rationalize actions that are easy rather than ethical. Listen, but be skeptical.

Talk with ethical mentors.

Seek the opinions of people whose integrity you admire. Be picky about who you choose for this task, as some advice may be louder than it is valuable. You should also seek out input from people who generally hold opposing views or who have a different angle on a particular subject. Don't look for someone who will tell you what you want to hear; look for someone who will tell you what you need to hear.

Be prepared for pushback.

Not everyone will be on your side in your struggle to act ethically. You may aggravate people and step on some toes. Occasionally, organizations or employers may inadvertently incentivize unethical behaviors and punish people who act with integrity. Be prepared to defend your own ethical standards.

Stay out of ethical debt.

It's a lot easier to do the right thing now than it is to undo a wrong thing in the future. Always consider the long-term consequences of your actions. You may reap immediate rewards for an unethical decision in the short-term, but undoing the damage later will almost always prove more costly.

Don't just talk about ethics. Live it.

Don't just talk about ethical behavior. Live it. Actions are much more convincing than words. Let your character be revealed in every small interaction so that people will come to see you as a person who acts ethically in all things. If you're perceived as a person who acts ethically in the day-to-day, small situations, people will learn to trust you with the big things.

Recognize when something "smells" off.

Ethical dilemmas can sneak up on you if you're not paying attention to the signals. You may have a vague sense that something seems off, but it can be easy to ignore that feeling when everything seems legitimate on the surface. Unfortunately, by the time it becomes obvious that something is wrong, it may be too late to extricate yourself from the situation without an ethical struggle.

Pay attention when something arouses your suspicions, and keep a safe distance while you evaluate the situation. If you believe something unethical is happening, either steer clear of it, or (if appropriate) try to eliminate it. Whatever you do, don't let yourself be cornered by waiting too long to deal with the situation.

Champion others who act with integrity.

When you see people act with integrity, let them and others know you appreciate it. Showcase the members of your team who exemplify the high standards you seek.

Expect high standards from others, but allow people to make mistakes.

Promote ethical behavior in your organization by making sure everyone knows that you expect high ethical standards from everyone: coworkers, clients, customers, vendors, and even competitors. At the same time, be prepared to give people permission to make mistakes. People who are afraid to admit honest mistakes can feel forced to engage in dishonest cover-ups to protect themselves. Not only does that breed an atmosphere of dishonesty and distrust, it also eliminates the opportunity to fix the underlying problems.

ASKING THE RIGHT QUESTIONS

Is it legal?

- Would your actions keep you within the law?
- Does your company have specific policies in place that address the situation, and are you abiding by them?

Who is affected by your decision, and how?

- Carefully identify all parties that have an interest in the outcome of your decision. How will they be affected?
- Will anyone be hurt?
- Who will benefit?
- Is the decision fair?
- Can you discuss it with everyone involved?
- Would you choose a different solution if it was your parent or your child?
- If someone else were making the decision and you would be the only one affected, would you want that person to do the same thing?
- Could your decision affect the trust of your coworkers, residents, vendors, clients, or business colleagues?
- Could your employer's reputation be at stake?

What are the long-term consequences of your decision?

- Is it possible that what seems reasonable now might ultimately cause more harm than good?
- What are the likely effects a year from now?
- Are you considering an ethical short-cut because you're being pressured to decide too quickly?
- Would you make the same decision if you had more time to decide?

How will your decision make you feel?

- Are you having doubts about your decision?
- How will others view your decision?
- Would you choose differently if your decision were going to be reported on the local evening news?
- Could your motives be misunderstood or misinterpreted?
- If your competition acted this way, how would you react?
- Could you tell someone you respect about your decision?
- Would you feel comfortable telling your boss?
- Could you tell your family?
- Would you want your child to make the same decision?
- Can you live with your decision?

Have you examined all the alternatives?

- Have you considered all the options available to you?
- Has the situation ever come up before, and if so, how was it handled?
- Was that decision a good one?
- How is your current situation similar or different?
- What factors are different?
- What would be the impact for you or your company if your decision were repeated many times?
- What if everyone did it?

Section 2 - Property Owners and the Management Company

The CAPS manages the relationship between the owner and the management company (even in those situations where they may be part of the same parent organization). He or she makes sure that the portfolio performs in a manner that is consistent with both the Management Agreement contract and the property owner's short- and long-term goals.

In addition, the CAPS must remain cognizant of the management company as a stakeholder in the property's financial health. The management company (through its employees and representatives) contributes to, and depends upon, the success of the property.

Topics Covered:

- Working with Property Owners.
- Understanding the Management Agreement.
- Key Parts of the Management Agreement.
- Creating an Owner's Report.
- The Management Company and Its Representatives.

WORKING WITH PROPERTY OWNERS

The CAPS Role

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

The CAPS:

- Makes sure that the portfolio performs at or above expectations set in the Management Agreement and the annual budgets and business plans.
- Brings underperforming properties up to expectations, and keeps strong performing assets on track.

- Recommends and implements improvements and changes to improve operational efficiency and financial results.

As the direct supervisor of multiple properties, the CAPS has a significant role in property performance and the reporting of results. Through frequent monitoring of financial and operational performance, and thorough knowledge of the owner's goals and the expectations set out in the Management Agreement, the CAPS acts as the linchpin for portfolio health. All company employees will be part of this effort, including on-site community personnel, and corporate staff in areas including legal, accounting, and risk management, among others.

The Property Owner's Goals

To accomplish all of this, the first thing the CAPS must do is thoroughly understand the goals of the property owner. Each property owner will have different goals for specific properties, as well as for their overall portfolio. In addition, they may have specific short-term goals that differ from their long-term goals. Keep in mind that if the ownership entity for a particular property is not US-based, these owner goals may be impacted by foreign trade rules or laws that don't affect the other properties in the portfolio.

As a starting point, find out what investment goals the owner has for a property or a portfolio of properties. When possible, determine the owner goals by talking directly to the owner so the message isn't diluted by going through too many sources.

The most common goals are:

- Getting a specific rate of return: An owner may have a specific ROI goal in mind, or a rate of return that is required by the investors.
- Generating regular cash flow: Owners may be counting on regular cash flow as their monthly income, or they may need regular cash flow in order to pay out required dividends to investors. Real estate investment trusts (REITs) sometimes require minimum dividend payments at the end of a particular period, making regular cash flow essential.
- Refinancing: Owners may want to get cash out of a property by refinancing at a better rate. In those cases, the lender may require that the property occupancy and/or NOI meet certain benchmark levels before the refinancing loan can close.
- Renovating or retrofitting property: The owner may have funds set aside to retrofit or renovate the property. These funds may come

from an investor, an additional loan, or from the sale of another property. This renovation/retrofitting work is usually done in order to increase revenues or reduce operating expenses.

- Repositioning the property: The owner may wish to increase current and future income by making significant physical renovations and elevating the property class, which may include the change of name and/or resident profile. This change is generally accompanied by significant rental increases.
- Acquiring new properties: The owner may want to make enough cash flow on this property to be able to purchase another one, or to sell this one for a profit in order to purchase another one.

The CAPS' success is measured by the performance of the individual properties within his or her portfolio and by the performance of the portfolio overall, so don't overlook the importance of portfolio performance goals. These goals are built on the performance goals of individual properties, combined to meet the portfolio strategy. Indeed, stronger assets within a portfolio can carry lower performing assets so that the portfolio goals are still achieved (the opposite, of course, is also possible). Just keep in mind that, if the portfolio contains properties under more than one ownership entity, each individual owner is only going to care about the performance of their own properties.

While the CAPS bears ultimate responsibility for overseeing the performance of the portfolio, the ability to meet these objectives is only as good as the property's onsite leadership team: the community manager and the maintenance supervisor. These are the people who will oversee the day-to-day implementation of the strategy for that property. Having the right people in those roles is critical. Good community managers and maintenance supervisors can also help in the process of developing a financial strategy for the portfolio. If you have struggling properties, consider bringing in your team of managers and supervisors to brainstorm solutions.

The Financial Strategy or Roadmap

Once you know the owner's goals, you can then use them to put together a financial strategy to help manage the property or portfolio. A strategy document can be very helpful in verifying and tracking the goals of the property owner (see the Appendix for a sample strategy document). Work with the owner to detail the performance goals for the portfolio properties, and recommend specific strategies and tactics to address these goals.

This strategy document will act as a financial and operational roadmap that you can return to in the future to help evaluate whether the portfolio is on the right course. Make sure you involve the community managers in achieving those objectives, as well.

Any financial strategy you create should:

- Keep the owner well informed through detailed financial data, reports, and narratives. (Narratives explain the reasons for your decisions—why are you proposing a $20 rent increase for next June? Why are landscaping costs going up?)
- Factor the owner's goals into all key financial activities, such as budgeting.
- Provide incisive and timely analysis pertaining to financial matters, such as net operating income performance and actual versus budget results.
- Take decisive and effective steps to correct financial shortfalls.
- Recommend strategies and tactics to maximize property performance.
- Assess portfolio growth regularly.

MODULE 1 ACTIVITY 1: PROPERTY GOALS

You are the CAPS for a newly acquired property. The property owner has discussed his goals with you, and you've created a financial strategy to achieve those goals.The following are property goals from the financial strategy document for this property:

1. Maintain rents at acquisition levels for the first 90 days. Start pushing rents in the 4th month, with average increases reaching 6% within 12 months.

2. Maintain proposed summer vacancy rate for the first 6 months at no higher than 6%, increasing market occupancy to 96% by the end of the first 12 months.

3. Hold bad debt write-offs at 2% for the first 6 months, decreasing to under 1% by the end of the year.

4. Improve renewal conversion rates to 55% of renewable at an average rent increase of 3%.

5. Limit concessions to 4% in the first 6 months, dropping to 3% by the end of the year, and 2% by the end of 18 months.

With the information you have been provided in each goal, list two actions that you would want to take immediately after acquisition of the property in order to achieve those goals.

Goal 1
1. ______________________________
2. ______________________________

Goal 2
1. ______________________________
2. ______________________________

Goal 3
1. ______________________________
2. ______________________________

Goal 4
1. ______________________________
2. ______________________________

Goal 5
1. ______________________________
2. ______________________________

Notes

Notes

Notes

WORKING WITH PROPERTY OWNERS *(continued)*

Communication Tips

Communication and reporting are key elements of effective portfolio management. Be proactive about communication with property owners, but try to avoid the traps of too little or too much communication. The amount of communication will depend on the size of the property, its condition, the size of the portfolio, and the preferences of the property owner. Some owners will require frequent communication, while others are comfortable with periodic updates. Likewise, some owners will prefer particular kinds of communication over others (e.g., phone calls or emails). Find a balance of communication frequency and type that works for you and the owner— one that allows you to meet owner needs, while not overwhelming management administration.

Make sure you thoroughly document all of your interactions with the owner, as well. You'll want to have a record of the issues you discussed and any decisions made.

Handling Multiple Owners

There's a good chance that the portfolio of properties you manage will not all be owned by the same person or entity. In these cases, you will have to be especially diligent about managing time and resources to avoid conflicts.

In a perfect world, the amount of time spent managing a particular property would be proportional to the size of the property, its condition, and the revenue it produces. In the real world, of course, particular properties may take up a disproportionate amount of your time. This is as it should be, since struggling properties need a greater amount of attention than thriving properties in order to turn their performance issues around.
Nevertheless, you will need to monitor this balancing act to ensure that particular properties don't become chronic abusers of your time management plan. If an owner wants an unreasonable amount of your time or the management company's resources (especially if it exceeds the service agreed to in the Management Agreement), you should be prepared to voice your concerns to the management company. In those cases, the management company may arrange to charge the owner extra for those resources.

UNDERSTANDING THE MANAGEMENT AGREEMENT

It is critically important for the CAPS to understand the Management Agreement, and to share it with the management team (everyone needs to be clear about expectations.)

The Management Agreement is the contract between the owner and the managing agent. It lays out what you need to know, do, or expect in your relationship with the property owner, and vice versa. It establishes the rights, responsibilities, and limitations for the management agent; management agent compensation; and termination provisions, and it establishes an agency relationship so that the management agent has the authority to act on behalf of the owner and assume obligations in the owner's name.

Some Management Agreements contain detailed and specific guidelines, while others simply outline anticipated duties and responsibilities. The agreement may define details as big as "who owns this property and what is the term of the agreement?" to details as tiny as "who pays for office supplies?"

Though many Management Agreements start out as boilerplate documents, there is usually some negotiating back and forth that goes into each agreement, so you may not see any two agreements that look exactly alike. The needs of a particular property should be paramount in negotiating the agreement.

Management agreements are intended to protect both the owner and the managing agent. Such an agreement should be reviewed by counsel for both entities before being signed to ensure compliance with applicable laws and to provide protections for both parties.

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

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

You'll find a sample property Management Agreement in the online Appendix of this module.

KEY PARTS OF THE MANAGEMENT AGREEMENT

A few key components of a Management Agreement are discussed below. You'll find a more comprehensive list of the parts of a typical Management Agreement in the online Appendix to this module.

Budget and Business Plan

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.

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.

Minimum leasing guidelines establish accountability on the part of the management company for the performance of the property.

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 advances funds.

It's important for the Management Agreement to establish that the owner is obligated to cover expenses when the management company ends up effectively advancing its own money to the property owner. This can happen in situations where the management company temporarily funds an operational expense (e.g., payroll or emergency expenses), and then discovers that there's not enough available in the property's operating account to reimburse that expense.

When these situations occur the CAPS may need to act as a buffer between the owner and the site team. Owners may be unhappy at the unexpected expense and may take their displeasure out on site team members, so it should fall on the CAPS to communicate with the owner when these situations come up. The CAPS should also keep in mind that the owner will expect the property to generate additional income to make up for the unexpected expense.

It's absolutely critical that the accounting for the property is set up to minimize the possibility of these scenarios occurring. One of the best ways to avoid this happening is to ensure that owners are required to maintain cash reserves to fund operating expenses for at least a month in advance, as well as funds for unexpected emergencies. Advancing management company funds for property expenses should be an extremely rare occurrence, and should always be a last resort.

Operating Expenses and Extraordinary Expenses

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.

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.

The Management Agreement will often place limits on what is considered a typical operating expense (which generally will not require owner approval), and define a category of extraordinary expenses (which will require owner approval). It's important for the CAPS to know what those limits are, and follow prescribed procedures for getting approval for expenses in excess of those limits.

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.

While the owner is generally responsible for property-related legal fees, the Management Agreement may specify that any such fees exceeding a predetermined limit require notification of the owner. In addition, the agreement should specify that the owner is not obligated to pay any legal fees that result from the management company's misconduct. It's important for the CAPS to be aware of these restrictions, and the obligations they entail.

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 funded (net proceeds). These disbursements are also outlined in the property's financial plan.
- Specifies the frequency of fund transmittal and bank information.

Because the CAPS and community manager are both focused on NOI as a primary measure of their success as property stewards, it can be easy to lose sight of one of the owner's other financial priorities: cash flow. The Management Agreement should specify exactly what to do with the money that is left after all of the property's monthly obligations have been taken care of, and it's important that the CAPS ensures these disbursements happen on time and in accordance with this plan.

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 payments (but keep in mind that not all Management Agreements will prioritize payments in the same way):

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

The order noted in the Management Agreement 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.

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 or reporting period.

- 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.

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.

The Management Agreement may specify that the owner has the right to request account audits. The CAPS will need to be aware of this possibility, and will need to understand that this makes the CAPS accountable for the financial health of the property as well as the soundness and accuracy of its accounts.

Leasing and Rental Practices

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 year) without owner approval.
- Shares approval of rental agreement form between the owner, the management company, and the property lender.

The CAPS needs to know who has the authority to set rents, prepare leases, negotiate lease terms, and let residents out of their leases. They also need to know the impact of those decisions. For example, it's tempting to want to let an unhappy resident out of their lease, but eventually actions like that add up to a significant impact on the property's bottom line.

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 as long as 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.

The Management Agreement should authorize the management company to do what is necessary to repair and maintain the property. The CAPS should familiarize themselves with this part of the agreement so they understand their level of responsibility when it comes to day-to-day maintenance.

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.

This section of the Management Agreement is critical for ensuring that the management company is able to contract for basic services for the property.

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.

Specifying the use of the property's legal name is particularly important, because using names inconsistently can complicate things like the sale or refinancing of the property.

Management Company Compensation and Expenses

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.)

Management fees are usually based on a percentage of collections (typically 2.5% - 5%) with a specified minimum compensation. The Management Agreement will stipulate if other income items are included in the fee calculation. In some cases RUBS (Ratio Utility Billing System) income is deducted from the total collections number before calculation of management fees.

This compensation structure means that the CAPS and their site teams can have a tremendous impact on the management company's income with just small increases in monthly income and decreases in monthly expenses at the properties.

Sometimes management companies also receive incentive bonuses based on the property's financial performance (increasing cash flow over previous years, for example). In this way, the management company participates in, and is invested in, the financial health of the property.

You can also charge additional fees for special tasks, including set-up, payroll administration, IT, revenue management, and capital supervision fees for capital work over a specified dollar amount (this allows the management company to hire personnel to supervise the work). On-site staff are usually paid out of the property owner's funds.

Termination

- 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.

It's critical for the CAPS to know what the Management Agreement says about contract termination. It is the CAPS' responsibility to help the management company retain contracts whenever possible, so they need to know exactly what could cause them to lose a contract with an owner. Contract loss reverberates throughout the management company. Not only does it mean a loss of income for the company, it also means potential job losses for site staff.

Complete 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.

The Management Agreement should include language that specifies that it constitutes the sole and complete agreement between the owner and the management company. This is necessary because people often assume informal agreements based on conversations they have, but this can lead to confusion and misunderstanding. If it's not in writing, it shouldn't count. This protects both the owner and the management company by making sure each party knows exactly what they're responsible for with minimal room for misunderstanding or misinterpretation.

Property Information Sheet

Once the Management Agreement is set, you should create a summary abstract of the provisions of the agreement, and attach it to the property information sheet (you can find a sample of this document in the Appendix to this module). The property information sheet documents all of the static information about the property, such as information about its location, size, name, age, relevant building codes, and mix of unit types and amenities. This document will also contain information about the mortgage, such as lender information, term, rate, and monthly debt service amount.

You should review the property information sheet, including the summary of the provisions of the Management Agreement, with your management in the field. Everyone should be familiar with the expectations for managing the property in compliance with the agreement, and onsite management should be responsible for keeping the property information sheet current.

CREATING AN OWNER'S REPORT

What Is an Owner's Report?

The property Management Agreement obligates the management company to create periodic reports on the status of the property. One of the most important of these is the Owner's Report (see examples in the Appendix.)

The Owner's Report explains how a property has performed for the previous month, quarter, or year. The report includes key financial and operational reports, as well as a narrative that provides:

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

Reports from property management software packages are also often included, though it's important to remember that some owners will want these reports customized.

Note that the Owner's Report is not a substitute for communication with the property owner. You should maintain regular contact with the owner, and be sure to document all interactions.

Why It's Important

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

When It's Produced

The Owner's Report is created according to the terms of the Management Agreement. It could be monthly, quarterly, or yearly. Your site teams should prepare an owner's report for each property you manage.

Where It's Sent

Sometimes, the Owner's Report may go directly from the CAPS to the owner. In other cases, asset managers will transmit it to the owner after receiving it from the CAPS.

The CAPS Role

In most cases, the community manager will be tasked with compiling the bulk of the Owner's Report, and the CAPS will review it and add an executive summary before passing it along to asset managers within the management company.

While reviewing the Owner's Report, the CAPS should ensure that it is both detailed and clear, and that it thoroughly explains how the property is performing. Make sure the community manager has gathered the necessary data and reports, written the narrative sections clearly and accurately, and explained all budget variances (both favorable and unfavorable). The property's financial software reporting systems will most likely provide the majority of the data used for the owner's report, but it's important that both the community manager and the CAPS stay aware of how the property is performing at any given time. Be sure you're on top of market conditions, property improvements, income and expenses, day- to-day operations (rentals, leases, turnover), and the actions currently being taken to maximize property results.

The Parts of an Owner's Report

Most management companies have a default template that ensures consistency between Owner's Reports across properties. Often companies will start with this template and then customize it to meet the owner's needs. Ultimately, owner reporting requirements drive the final format for the report.

While the format may vary from owner to owner, the information included is generally the same. There are typically six recommended parts to an Owner's Report:

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

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

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

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

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

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

MODULE 1 ACTIVITY 2: THE OWNER'S REPORT

For this activity, you will step into the owner's shoes to evaluate an owner's report.

While reviewing the Amber Oak Park Apartment Homes Monthly Operating Report (in the Activity Resources section), note your answers to the following questions.

- What areas are lacking details? What follow-up questions would you have for the CAPS?
- What areas indicate immediate action would be needed? What directions would you want to give the CAPS and the site team?
- Is there any indication of future budget issues? Any area that causes you concern?
- What are the success areas?

Your instructor will divide you into groups for this activity. Each group will review a portion of the owner's report.

Notes

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SAMPLE

THE MANAGEMENT COMPANY AND ITS REPRESENTATIVES

The CAPS Role

Because property owners have invested a great deal of trust in the management company to oversee the health of their properties, the management company is also an important stakeholder for you to consider.

As a CAPS, you are a critical part of the management company's revenue model. The management company's income comes directly from the income generated by the properties you manage. Some of this will be in the form of set fees for specific services (as outlined in the Management Agreement), but the bulk of the management company's income will be calculated as a percentage of the properties' rental income.

It is your job to focus on ensuring that your properties are generating high occupancy rates (both physical and economic) at maximum rents. This is what makes it possible for the management company to pay for office space, payroll, and all of the other expenses necessary to keep the business operational and profitable.

Referral and Repeat Business

The importance of effective supervision of the properties in your portfolio goes beyond the immediate generation of income from those properties. When owners are satisfied with the service you provide, they are likely to return to your management company in the future when they acquire new properties. They often become sources of additional business through word-of-mouth referrals, as well. Conversely, if the relationship between the management company and the owner goes poorly, word-of-mouth reviews can prove damaging to future prospects.

Quality portfolio supervision is an investment in the management company's future, as well as its present.

Management Company Employees

A CAPS manages property performance through other people. This means that the management company employees who work with your properties are also important stakeholders. Employees benefit directly from good property performance through the income that provides their paycheck.

Employees are also critical to the delivery of the services that generate that income. They are often the front line in your company's interaction with other important stakeholders. They have daily interactions with residents and vendors, and will frequently be called upon to interact with visiting stakeholders, such as lenders, regulatory agency representatives, and municipal inspectors.

Because your employees are your representatives in the field, their actions are a direct reflection on the management company. Training and supervision of your employees is a key part of ensuring optimum property performance. You can learn more about this topic in ***Module 5: Talent Management and Leadership***.

Third-Party Vendors and Contractors

Similar to the way that your employees represent the management company, any third-party vendors and contractors you hire to work on the property are also a direct reflection of management, as well as being stakeholders in the property's success.

The vendors and contractors you hire to provide services or work on special projects rely on the property's ability to pay them for their work. At the same time, they come into regular contact with your residents, your employees, and anyone else who may be visiting or doing business there. Because they provide services, both directly and indirectly, to all of these groups of people, they operate as an extension of the management company. How they do their jobs, how they look, and how they behave has an impact on resident satisfaction and, as a result, on the financial health of the property.

MODULE 1 ACTIVITY 3: CONTRACTOR DISPUTE

You've hired a contractor to paint the clubhouse building exterior. The contract spells out the scope of work in detail, including the timing of completion (with contingencies for weather-related delays) and daily clean-up details (including a detailed description of how the job site is to be left at the end of each day). The job was to take 10 business days.

The first few days were completed without incident, but on the 3rd day, when the contractor crew left the property at the end of the day, they left a mess. There were several paint buckets on the sidewalk near the fitness center entrance, a pile of drop cloths lying on the bushes outside the front door of the main entrance, and a ladder leaned up against the side of the building.

You've contacted the sales person with whom you negotiated the contract, and he promised this issue wouldn't happen again.

It is now the end of day 4, and the crew has, once again, left the property a mess.

Answer the following questions, referencing the ABC Vendor Service Agreement and XYZ Painting Contract in the Resources section:

1. Based on the language in the contract, what are your options to rectify this situations? Identify the advantages and disadvantages of each.
2. What specific actions would you take to solve the problem while still seeing that the painting project is completed within the time frame?
3. What will you tell your residents, prospects and marketing partners during this interim?

Notes

Section 3 - Lenders

Along with the owner and the management company, one of the stakeholders most invested in the financial health of the property is the lender, or mortgage provider. They loan the money that allows the owner to acquire the property, and if the property does poorly, they risk not getting paid back on time—or, in the worst case scenario, not getting paid back at all.

Lenders typically have very little day-to-day control over the property, so they are relying on the owner to look out for their best interest. In practical terms, this means they are relying on the CAPS. The ability of your team to effectively manage the property and maximize its profitability ensures the lender's return on investment.

Topics Covered:

- Lender Requirements.
- Debt Coverage Ratio.
- Loans for Government Assisted Properties.

LENDER REQUIREMENTS

Lender Requirements

The relationship between the lender and the owner is spelled out in detail in the property's loan documents. In addition to specifying things like the loan's term and interest rate, these documents also lay out the lender's requirements for fulfilling the loan. The CAPS will need to be familiar with these requirements because they will be tasked with ensuring the property is able to meet them. For example, if the lender requires periodic reports on the property's financial status, the CAPS will need to know which reports the lender wants to see, and on what schedule they should be delivered.

Typical areas of concern for lender requirements include:

- Property maintenance.
- Insurance coverage.
- Lender inspections.
- Replacement reserve funding.
- Reporting.
- Occupancy (physical and economic.)
- Collections.

- Debt Coverage Ratio.
- Maximum number of corporate and month-to-month (MTM) leases.
- Length of terms.
- Regulatory compliance.

These are just a few of the typical lender requirements you'll find in the loan documents. Each property's loan documents and lender requirements are unique, so you will need to review all of the loan documents for each property you manage. You need to know how to meet the lenders' expectations for every property.

DEBT COVERAGE RATIO

The requirement lenders are likely to focus on the most is the Debt Coverage Ratio (DCR). The Debt Coverage Ratio compares the property's expected Net Operating Income (NOI) with its annual cost for debt servicing. In simplified terms, the Debt Coverage Ratio is a measurement of the property's ability to make the necessary mortgage and interest payments.

The lender wants evidence that the property owner will be able to make payments in full and on time. Moreover, they want to know that there's enough of a cash flow cushion to service the debt during those times when NOI is impacted by external or internal reasons, such as economic downturns, competition, or unexpected increases in operating costs. The CAPS needs to manage the property in such a way to ensure there is sufficient cash flow to meet the lender's desired DCR. If the property is unable to meet the requirement, you risk default, special servicing, and eventually receivership.

You can learn more about mortgages, financing, and the Debt Coverage Ratio in ***Module 2: Investment Management***.

LOANS FOR GOVERNMENT ASSISTED PROPERTIES

Government sponsored loans will come with a number of additional requirements. HUD-insured, Fannie Mae, Freddie Mac, and Ginnie Mae loans all fall under federal regulations that have significantly greater reporting requirements, and may also include additional inspection, occupancy, and income requirements.Despite these additional requirements, these loans are appealing because they are typically financed at lower interest rates than regular market loans. A significant percentage of properties are now financed this way, so all CAPS will likely find themselves responsible for managing them.

These regulatory requirements are discussed in more detail in the next topic, Regulatory Agencies and the Law.

Section 4 - Regulatory Agencies and the Law

Regulatory agencies establish and enforce requirements and standards of conduct for following laws enacted by Congress. Property management companies interact with regulatory agencies and must adhere to the laws they enforce in multiple domains. At the federal level, the most common of these will be housing, occupational safety, and labor. You will also be responsible for following state and local laws governing these subjects, as well as any laws affecting remodeling or new construction work.

Regulatory agencies generate regulations and policies to ensure compliances with the various laws that govern properties that are either assisted or insured by government entities. The CAPS must be familiar with and adhere to those policies. In some cases, merely knowing and following the law will be sufficient. In others, however, you may be responsible for making periodic reports to regulatory bodies or other third parties to show compliance. Some laws will even require regular inspections of the property.

Regardless of the type of loan in place on a property, the CAPS will need to understand the key provisions of various laws that govern multifamily housing.

Topics Covered:

- Key Federal Laws and Regulations.
- Rental Laws and Regulations.
- Government Assisted Properties.
- Occupational Safety Laws and Regulations.
- Labor Laws and Regulations.

KEY FEDERAL LAWS AND REGULATIONS

Rather than memorize cases, statutes, and regulations that affect your properties, you should have a good understanding of the intent of the laws affecting the multifamily housing industry. These laws and regulations generally cover three important legal areas:

- Leasing Laws and Regulations.
- Workplace Safety Laws and Regulations.
- Employment Laws and Regulations.

KEY FEDERAL LAWS AND REGULATIONS			
Year	**Title**	**Description**	**Area of Focus**
1935	National Labor Relations Act (NLRA)	Establishes the right of most, but not all, workers to organize into unions. (www.nlrb.gov.)	Employment
1938	Fair Labor Standards Act (FLSA)	Establishes minimum wage, overtime pay, recordkeeping, and child labor standards. (www.dol.gov.)	Employment
1963	Equal Pay Act (EPA)	Prohibits discrimination in wages and benefits to men and women who do the same job or jobs that require equal skill, effort and responsibility. (www.eeoc.gov.)	Employment
1964	Title VII of the Civil Rights Act of 1964, As Amended	Prohibits employment discrimination based on race, color, religion, sex, or national origin. (www.eeoc.gov.)	Employment
1967	Age Discrimination in Employment Act (ADEA)	Prohibits discrimination against those 40 years and older in all aspects of employment. (www.eeoc.gov.)	Employment
1968	Fair Housing Act (Title VIII of the Civil Rights Act of 1968)	Prohibits discrimination in the sale, rental, and financing of dwellings, and in other housing-related transactions, based on race, color, national origin, religion, sex, familial status (including children under the age of 18 living with parents or legal custodians, pregnant women, and people securing custody of children under the age of 18), and disability. The Act makes several types of activities illegal, including the refusal to rent, discriminatory language or images in advertising, and to deny the availability of units. The law is enforced by the U.S. Department of Housing and Urban Development (HUD.)	Leasing

KEY FEDERAL LAWS AND REGULATIONS			
Year	**Title**	**Description**	**Area of Focus**
1970	Fair Credit Reporting Act (FCRA)	To promote accuracy, fairness, and privacy of information in files maintained by credit reporting agencies. You must provide written notice and receive authorization from the subject of the report, and certify to the credit reporting agency that you won't use the report for any discriminatory purposes. (www.ftc.gov)	Leasing, Employment
1970	Occupational Safety and Health Act of 1970 (OSHA)	Says that employers must provide a place of employment that is "free from recognized hazards that are causing, or are likely to cause, death or serious physical harm to employees." (www.osha.gov.)	Workplace Safety
1973	Section 504 of the Rehabilitation Act of 1973	Requires federally assisted housing be readily accessible to and usable by individuals with disabilities.	Leasing
1978	Jury Systems Improvement Act	Prohibits an employer from disciplining or discharging an employee because he or she was called and served on federal jury duty. (www.dol.gov.)	Employment
1986	Immigration Reform and Control Act of 1986 (IRCA)	Prevents discrimination against people who aren't U.S. citizens or nationals and have been lawfully admitted to the U.S. for permanent or temporary residence, and aliens who have applied for temporary residence status. It also prohibits hiring illegal aliens and requires verification of work eligibility. (www.dol.gov.)	Leasing, Employment
1988	Employment Polygraph Protection Act	Prohibits employers from requiring applicants to submit to a lie detector test or inquire about prior polygraph tests	Employment

KEY FEDERAL LAWS AND REGULATIONS

Year	Title	Description	Area of Focus
1990	Title I of the Americans with Disabilities Act (ADA)	Prohibits employment discrimination against qualified applicants or employees with a disability who, with or without reasonable accommodation, can perform the essential functions of the employment position. The Act was amended in 2010. (www.eeoc.gov.)	Employment
1990	Title III of the Americans with Disabilities Act (ADA)	Requires that public spaces and common areas used by the public be accessible to persons with disabilities.	Leasing, Employment
1993	Family and Medical Leave Act of 1993 (FMLA)	Says that some employers (with more than 50 employees) must grant employees up to 12 weeks of unpaid leave during any 12-month period for the birth or adoption of a child; care of a parent, spouse or child with a serious health condition; or employee's serious health condition. (www.dol.gov.) Note: The Act was revised effective January 19, 2009. The revisions include adding active duty military to covered employees, as well as changes intended to clarify and improve an overly complex regulatory framework. Questions addressed in the revised regulations include: notice requirements for employers and employees, medical certification requirements, interplay between employer-sponsored paid leave and unpaid FMLA leave, privacy concerns related to shared health information, intermittent leave, fitness for duty certifications, and what constitutes a "serious health condition." Two categories of leave were added specifically for the military: Qualifying Exigency Leave and Military Caregiver Leave.	Employment

KEY FEDERAL LAWS AND REGULATIONS			
Year	**Title**	**Description**	**Area of Focus**
1994	Uniformed Services Employment and Reemployment Rights Act of 1994	Prohibits employment discrimination because of an employee's or applicant's past, current or future military obligations. (www.dol.gov and www.osc.gov.)	Employment
2003	Fair and Accurate Credit Transaction Act (FACTA)	Addresses consumer concerns about identity theft and inaccuracies in consumer reports. It gives consumers the right to restrict how businesses use their non-public personal information. (www.ftc.gov.)	Leasing
	Federal Posting Requirements	Require the posting of notices in employee work locations. These include postings of the Fair Labor Standards Act ("Your Rights Under The Fair Labor Standards Act"); Title VII of The Civil Rights Act of 1964; the Age Discrimination in Employment Act of 1967; the American with Disabilities Act of 1990 ("Equal Employment is The Law"); Family and Medical Leave Act ("Your Rights under the Family and Medical Leave Act of 1993"); Occupational Safety and Health Act ("Job Safety and Health Protection"); and Employee Polygraph Protection Act ("NOTICE – employee Polygraph Protection Act"). Changes in these laws occur from time to time. Make sure your posters are up to date	Employment, Workplace Safety

State and local governments will also have their own laws and regulatory agencies governing rental housing, occupational safety, and labor. As a CAPS, you will need to ensure you are familiar with the specific state and local ordinances that may effect the properties in your assigned portfolio. Contact your local NAA chapter if you need assistance in identifying and complying with state and local regulations.

RENTAL LAWS AND REGULATIONS

Rental regulations at the federal, state, and local levels are primarily designed to ensure that residents have access to safe, well-maintained living spaces, and are treated fairly. Some provisions of these laws also exist to ensure the property owner is treated fairly when disputes arise.

The table below indicates the laws that affect different phases of the rental process.

Rental Process	Applicable Law(s)
Marketing and Advertising	Fair Housing Consumer Protection
Screening and Applications	Fair Housing Fair Credit
Leases	Contract Law Landlord/Tenant Law Employment Fair Housing
Maintenance	Contract Law Employment Fair Housing EPA and OSHA
Termination of Occupancy	Lease Agreements Landlord/Tenant Law Fair Housing

From the perspective of the management company, the most important of these is the Fair Housing Act. At the federal level, the Fair Housing Act prohibits discrimination in the housing industry on the basis of race, color, national origin, religion, sex, familial status (including children under the age of 18 living with parents or legal custodians, pregnant women, and people securing custody of children under the age of 18), and disability. Many state and local governments augment these requirements with additional protected classes, such as source of income, sexual orientation, and gender identity.

Violations of the Fair Housing Act (and its state and local analogues) can result in both civil and criminal penalties, so it's particularly important that you and your team understand this law, and know how to steer clear of trouble spots.

For a more detailed discussion of the Fair Housing Act, particularly as it relates to renting to persons with disabilities, see the next topic, Residents.

For more details on the Fair Housing Act and other fair housing laws, visit www.hud.gov/fairhousinglaws.

GOVERNMENT ASSISTED PROPERTIES

Various federal, state, and local government programs exist to incentivize apartment owners to provide housing to lower-income residents and lenders to provide funding for such housing. Properties that are assisted in this way may be subject to special regulations and restrictions.

These programs can take many different forms including: voucher programs where residents receive rent vouchers from the federal government (commonly referred to as "Section 8"); direct pay programs in which the apartment owner receives direct payment from the government to subsidize payments from residents; tax-free bond financing, which provides financing to the owners at below-market rates; and LIHTC (Low-Income Housing Tax Credit) programs, in which corporations and individuals receive tax credits for providing equity to developers for building affordable housing.

These investments have the advantage of providing stable cash returns, since the demand for such housing typically exceeds supply, but these programs also place limitations on rents that properties are allowed to charge, as well as additional restrictions and mandates on accessibility. They also require management to file reports demonstrating compliance with these regulations.

Fair Housing and Section 504

For example, a property that receives "project-based" subsidies is subject to the accessibility requirements of Section 504 of the Rehabilitation Act of 1973 rather than the Fair Housing Act. The requirements under Section 504 are more strict and extensive. Under the Fair Housing Act, for example, residents are usually required to pay for certain accessibility modifications, but under Section 504, the property owner must pay for them.

Issue	Fair Housing	Section 504
Covers all properties.	Yes	No (applies to federally-subsidized properties only)
Protects families with children.	Yes	No
Covers federally-assisted properties.	Yes	Yes
In-unit and common area accessibility modifications paid for by person with disabilities.	Yes	Rarely
In-unit accessibility modifications are paid for by the housing provider.	No (with exceptions)	Usually

As is the case with violations of the Fair Housing Act, violations of the regulations in place on assisted properties can have very serious consequences, resulting in significant civil and criminal penalties. As a CAPS, you will need to understand the additional requirements of these regulations in order to avoid costly mistakes that can impact the management company and the property owner.

The Community Reinvestment Act (CRA)

The Community Reinvestment Act (CRA), enacted by Congress in 1977, encourages banks to invest in low- and moderate-income communities where they operate.

The law does not prescribe any specific benchmarks or require that banks make high-risk loans. Rather, it uses a system of periodic regulatory review to encourage banks to work within their communities to expand services and promote development by making institutional credit available in communities that have typically been underserved financially.

The regulatory agencies responsible for evaluating CRA compliance include the Board of Governors of the Federal Reserve System (FRB), the Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC.)

The CRA mandates that these agencies review a bank's community investment record every 3-5 years, as well as upon submission of any applications for new charters, new branches, mergers, or other similar activities. These agencies provide advance notice of bank evaluations in order to invite community input, and when the evaluation process is complete, the results are made available to the public.

As an outgrowth of CRA, many banks purchase tax credits as way of investing in local communities and providing equity for developers of affordable (LIHTC) housing.

OCCUPATIONAL SAFETY LAWS AND REGULATIONS

The Occupational Safety and Health Administration (OSHA) is the federal agency that oversees regulations regarding health and safety in the workplace. The cornerstone of OSHA's rules and regulations for employers is that they must provide a place to work that's "free from recognized hazards that are causing, or are likely to cause, death or serious physical harm to employees." It's the CAPS' responsibility to ensure that their site teams are compliant with these safety regulations, and that their planning, budgeting, and work processes reflect these priorities.

There are five major OSHA standards you'll need to address:

- The Hazard Communication Standard for Chemicals: Requires employee notification and training when working with hazardous chemicals.
- The Lockout/Tagout Standard for Controlling Energy Sources: Requires potentially dangerous energy sources be turned off and secured during maintenance.
- Bloodborne Pathogens: Requires employee notification and training when working with potential bloodborne pathogens, and investigation of incidents of potential contact with bloodborne pathogens.
- Personal Protective Equipment (PPE): Requires assessment of potential for employee injury, and the wearing of personal protective equipment to minimize potential for injury.
- The Electrical Safety Training Program: Requires training for employees who perform electrical service and maintenance.

For more information on these OSHA standards, see the online Appendix to this module. For complete details, visit www.osha.gov.

OSHA Inspections

OSHA employees, or state Safety and Health Compliance Officers, are authorized to enter any workplace covered under OSHA regulations during regular hours.

- Inspect and investigate any facility, equipment, and records mandated by the regulations.
- Interview and observe personnel.
- Observe areas that aren't covered by the employer's consent or the inspection.

During the inspection, the designated "Competent Person" at the property should be the only individual interacting with the inspector. This person may be the community manager, you, or a representative from your company's risk management department.

OSHA Recordkeeping

OSHA inspections are performed without advanced warning, so all of your records need to be kept up to date. You need to have:

- Injury and illness records for the past five years.
- All written programs outlined.
- OSHA Form 300A posted (based on the time of the year.)
- OSHA poster displayed.
- Documentation of all training and written assessments.
- Medical and exposure records.

Employees, Discrimination, and OSHA

It is illegal to fire or discriminate against employees who complain to OSHA about safety or health conditions.

LABOR LAWS AND REGULATIONS

From the time a job description gets posted until the time an employee leaves their position, the management company will be subject to a number of important laws and regulations regarding that person's employment.

Before an employee is hired, employers must follow laws that respect applicants' privacy rights with regard to credit checks and background checks. Laws that prohibit discrimination in hiring will effect what kinds of questions can be asked in job interviews, and what kinds of pre-employment tests can be required. Once an offer has been made, the employer must verify the applicant's eligibility to work in the United States.

Once a person is hired, the company will need to be in compliance with the Fair Labor Standards Act, which covers the minimum wage, overtime pay, and payroll recordkeeping. The company will also have to ensure compliance with federal laws mandating that employees be free of workplace harassment based on race, color, religion, national origin, sex, age, or handicap. State and local governments may augment these laws with additional protected classes.

Finally, in the unfortunate event that an employee must be disciplined or terminated, the company will have to be careful to ensure that such actions are for serious, job-related reasons, and not because of the employee's membership in any protected class.

Section 5 - Residents

The financial performance of any multifamily property is dependent upon keeping occupancy high, and for that you need residents.

To keep these important stakeholders on board, the CAPS needs to understand:

- How to provide an appealing and safe living environment.
- How to manage interactions with residents, both professionally and legally.

Understanding your relationship with residents is about more than just keeping current residents happy. Your current residents provide word-of-mouth referral for future residents. As online review sites and social media play an increasingly central role in potential residents' search for apartments, ensuring the satisfaction of current residents becomes an ever more critical investment in the property's future.

Topics Covered:

- Complying with the Fair Housing Act.
- Renting to Persons with Disabilities.
- Assuring Quality Habitability.
- Understanding Environmental Safety.
- Deterring Crime.
- Entering a Residence.
- Handling Disputes.

COMPLYING WITH THE FAIR HOUSING ACT

Fair Housing laws and regulations prohibit discrimination against applicants and residents in all housing in multifamily communities. You must treat all applicants and residents equally without regard to race, color, religion, sex, handicap, familial status, national origin, or any other classification as defined by state or local fair housing laws.

Fair Housing Policies

Each community must have a fair housing policy that describes its fair housing practices, including any requirements relating to occupancy guidelines, income, and credit and rental histories.

Additionally, some states, counties, and cities have housing laws that provide more protection than federal laws, so communities will need to include these in their policies, too.

All policies must be clearly displayed in the business office and you must ensure training and re-training occurs for all staff members.

Examples of Discrimination under the Fair Housing Act:

- Refusing to lease to someone that meets the required and stated screening standards relating to income, credit history, or rental history.
- Falsely denying that housing is available for inspection or rental.
- Refusing to make a reasonable accommodation for a person with a disability.
- Refusing to allow a disabled resident to make a reasonable modification to their home.
- Setting different terms, conditions, or privileges for the rental of a dwelling.
- Directing a prospective renter to a specific unit, area of your property, or neighborhood based on the prospect's protected class(es.)
- Refusing to lease to someone who requires an assistive animal.

Being Proactive

- Have your communities display Fair Housing posters where they can be easily seen by prospective renters and residents. The minimum size required by law is 11" x 14".
- Train employees on the Fair Housing Act when they begin their employment with your company. Also provide refresher training on an annual basis (or more frequently if needed.)

- Establish screening protocols for occasions when potential Fair Housing conflicts arise.
- Monitor employee compliance with "mystery" shoppers.
- Consider hiring a third party screening company in order to eliminate the need for your onsite staff to screen potential residents.

RENTING TO PERSONS WITH DISABILITIES

Under the Fair Housing Act, people with disabilities are promised "equal enjoyment of housing." That means they can ask for reasonable modifications and accommodations to give them equal accessibility to all features and benefits of the rental community and its policies.

What is a Disability?

According to the Fair Housing Act, an individual has a disability if he or she has a mental or physical condition that substantially limits one or more major life activities. These conditions include but are not limited to:

- Physical, visual, hearing, or mobility impairments.
- Alcoholism.
- Mental illness.
- AIDS or AIDS-related complex.

Reasonable Accommodations

Reasonable accommodations are defined as a change in the application of a policy or practice that provides the protected resident full use and enjoyment of the facility.

Some examples of reasonable accommodations might include:

- Allowing an assistive animal to live in a community with a "no pets" policy.

- Reminding a person with a developmental disability that the rent is due the next day.
- Providing a sign language interpreter for meeting a resident who has a hearing impairment.

HUD and the Justice Department have established significant rules regarding reasonable accommodations. The rules govern how an owner may or may not require documentation of the disability in order to be granted the accommodation. Your company may have a template form for a reasonable accommodation or modification request, but HUD/DOJ rule that you cannot require its execution. They also state that, while the owner may not be required to grant a particular accommodation as the resident requests, the owner is required to enter into an "interactive process" to identify and resolve the request.

Reasonable Modifications

Reasonable modifications are defined as a physical change to a unit interior, property exterior or common area in order to provide the protected resident full use and enjoyment of the facility.

Some examples of reasonable modifications might include:

- Installing a ramp.
- Installing grab bars in the bathroom.
- Widening doorways.
- Lowering cupboards.
- Changing doorknobs to levered handles.
- Installing a roll-in shower.

In March 2008, HUD and the Department of Justice issued a joint guidance document clarifying the "reasonable modifications" provisions of the Fair Housing Act. The guidance does not change the law; it "clarifies" provisions in effect since 1989.

The guidance covers eligibility to request a modification; what information the housing provider can request before granting the modification request; when a housing provider can deny a request or propose an alternative; what modifications residents must pay to undo when they move; and when owners can require residents to pre-pay restoration costs. It further clarifies the difference between reasonable modification (a structural change to the premises) and a reasonable accommodation (a change, exception, or adjustment to a rule, policy, practice or service.)

This joint statement document can provide useful guidance when management is faced with modification requests.

Note: Although design and construction requirements apply only to properties with first occupancy after March 13, 1991, generally all apartment properties (pre- and post-1991) must allow reasonable modifications.

If Your Multifamily Housing Was First Occupied After March 13, 1991…

Housing that consists of four or more units and was built for first occupancy after March 13, 1991, must comply with the seven technical requirements for new construction:

- Wheelchair accessible entrances on an accessible route.
- Accessible public and common use areas.
- Usable doors.
- Accessible routes into and within the dwelling.
- Switches, outlets, and environmental controls at specific heights.
- Usable kitchens and bathrooms.
- Bathroom walls reinforced for grab bar installation.

Note: These standards apply to ground level units if a property with four or more units has no elevator and was ready for first occupancy after March 13, 1991. In properties with elevators, the standards apply to all the units—not just those on the ground floor.

The CAPS Role

The CAPS is responsible for ensuring their site teams understand how to deal with resident requests for reasonable accommodations and modifications. Typically there is a written process in place for handling such requests: the resident will fill out a request form, and that form will be reviewed by someone with the authority to make a final decision. In many cases, that person will be the CAPS.

Ensuring the site teams know how to handle this process is largely a matter of getting them the necessary training, but there are also a number of ways the CAPS can monitor site compliance on an ongoing basis.

- Mystery shop reports: Reviewing these reports can give you a good sense of whether your site teams know what to do when these situations present themselves.

- Spot check live calls: Listening in on live calls between your site team and residents lets you observe them in action.
- Budget line items for reasonable accommodations and modifications: Some companies keep track of these expenses as a separate line item. The CAPS should monitor these expenses to ensure that they're reasonable.
- Software tracking of modified and/or modifiable units: Some software packages may allow you to track which units are accessible, have had modifications, or are potentially modifiable.

ASSURING QUALITY HABITABILITY

Property management is legally responsible for maintaining "habitable" properties. You and your site teams need to ensure that properties are in good condition, protect residents from the elements, provide working utilities, and provide a reasonable degree of safety. The suitable maintenance of housing properties is the responsibility of the owner and the management company and its employees. This has come to be known as the "implied warranty of habitability." Nearly every state has adopted this as a legal understanding that regulates the obligation to maintain housing that is fit and livable for residents. As a property supervisor, you have a crucial oversight role with your community managers to ensure quality habitability for residents in your communities.

Know Your Legal Responsibilities

In terms of habitability, your company's legal responsibilities include:

- Protecting residents from the weather by maintaining roofs, windows, and walls.
- Providing working water, heat, air conditioning, electric, plumbing, and lighting systems.
- Collecting trash and having it removed.
- Providing clean and safe common areas—lobbies, elevators, stairwells, and corridors.
- Providing for the safety of residents and guests.
- Addressing potential environmental hazards.
- Controlling other nuisances that prevent residents from the "quiet enjoyment" of the property such as excessive noise, insufficient ventilation, overcrowding, drug dealing, and so on.

The degree of liability that can be incurred by your company will vary by locality. Therefore, know the applicable city or county housing codes, be aware of state statutes, and get legal advice on habitability as needed.

Be Proactive

You can avoid many habitability issues—and give your residents the excellent apartment community they deserve—by doing the following:

- Hire community managers who understand and share your energy and enthusiasm for providing a quality living environment.
- Ensure that the maintenance-related policies are executed in a timely manner and with quality.
- Provide the necessary maintenance personnel and financial resources that will maintain the goal of a quality living environment.
- Establish inspection checklists, and tour and inspect your communities to verify that quality maintenance standards are being met. Require your onsite managers to do the same.

UNDERSTANDING ENVIRONMENTAL SAFETY

Environmental safety has become an increasingly important issue for quality community habitability. The Environmental Protection Agency (EPA) is responsible for the establishment and enforcement of environmental protection standards, but the Occupational Safety and Health Administration (OSHA) is involved as it relates to workplace health and safety. In addition, state and local governments can regulate certain environmental health, such as in non-smoking ordinances for public areas.

Both OSHA and the EPA require property owners to report and remediate environmental hazards, and state and local governments may have additional requirements. As the portfolio supervisor, you may be involved in overseeing repairs or cleanup.

Possible Environmental Hazards:

- Asbestos found in pipe wrapping, acoustical ceilings, floor tile, and caulking in joint and spackling compounds.
- Lead found in paint, pipes, and solder in copper pipes.
- Radon that enters a property through the water supply, building materials, and soil beneath the building.
- Carbon monoxide emitted from combustion appliances such as gas stoves, furnaces, dryers, and water heaters when these appliances are not properly ventilated.
- Mold found in areas where water intrusion may have occurred and not been correctly dried and repaired.

The Asset Evaluation and Preservation module has more detailed information on environmental hazards.

DETERRING CRIME

Coaching Safety-Focused Site Teams

As a CAPS, it is your responsibility to coach your community managers to implement crime deterrence measures and keep residents aware of crime deterrence.

Make sure your community managers are tracking the types, frequency, and location of crimes committed in the neighborhood. It is a good idea for them to stay in contact with law enforcement and other apartment communities in the area, as well.

Ensure that your site teams are taking all necessary crime prevention precautions, such as the establishment of key control procedures, and the installation and maintenance of monitoring equipment (e.g., alarm systems, deadbolt locks, peepholes, and exterior and common area lighting). Some state and local authorities establish minimum standards for safety features, so make sure your community managers are familiar with these regulations.

Keeping residents well-informed about community safety can go a long way in deterring crime, as well. Have your community managers hold informational programs on safety. This information should also be posted in public areas, and included in resident handbooks and community newsletters. Make sure you spot check newsletters and other printed materials to ensure that the safety message is getting out to residents.

Responding When Incidents Occur

Even if you take every precaution, sometimes incidents occur, and when they do, it is the CAPS' responsibility to be front and center. It will be your job to coordinate the response, whether that means communicating with residents, coordinating with law enforcement, or dealing with media interviews.

Be sure your community managers understand how critical it is to contact you when situations like this arise. Once law enforcement or other first responders have been contacted, the community manager should contact you so that you can begin coordinating your response as soon as possible.

Coordinated communication is key during times like these. You want to make sure your residents are adequately informed but not unnecessarily frightened, and you want to make sure the media are talking to you or another media-trained professional within the management company, and not a busy and stressed community manager.

ENTERING A RESIDENCE

In the course of maintaining a safe, habitable environment, members of your site team will sometimes need to enter residences. You need to ensure that your onsite team understands how to handle these interactions in a way that is legally compliant and professionally appropriate.

What constitutes legal access to a resident's apartment varies depending on the situation, and should be outlined in your community policies and procedures. Make sure the community manager and maintenance supervisor are familiar with the state and local laws that are applicable to their community, and ensure that they are communicating that information to any other site team members who might have reason to enter an occupied apartment.

Official Entry

While repairs and routine maintenance are the most frequent reason for needing access to a resident's apartment, occasionally law enforcement officers or municipal inspectors may need access, as well. The CAPS should coach their community managers on the right way to facilitate these interactions.

Inspectors and public safety officials generally ask the resident if they can enter the apartment. If the resident refuses—officials may turn to the community manager for assistance. In more serious situations, inspectors who were denied entry may return with a search warrant and a police officer.

Make sure your community managers know that they cannot deny entry to any government or law enforcement official who has a warrant, and that police officers may demand entry without a warrant if they are in hot pursuit of a fleeing criminal or for similar emergency situations.

Except in the event of an emergency, ensure your community managers always consult you, risk management, counsel, or other company executives before providing entry to officials.

Denied Entry

If a site team member has a legitimate reason to enter an apartment (such as a repair), has explained that reason repeatedly, and is met with an unreasonable refusal, you may need to coach them on how to proceed.

Make sure your site team understands:

- They have a legal right to enter the apartment in these situations.
- They should not use force to enter. Too many negative things could happen.
- They should arrange for someone to accompany them, perhaps a law enforcement officer. That way, there will be a witness.
- If the resident has changed the locks (which is illegal without management's permission, or without giving management a new key) they should not break the door down or drill the locks. They should contact the resident and explain the need to enter the apartment once again. If they are refused, they should let the resident know that eviction proceedings will begin, because of lease non-compliance.

HANDLING DISPUTES

Even under the best of circumstances, disputes with residents may arise. Your site team may be vigilant about maintaining a safe, clean, friendly, regulation-compliant environment, but people are imperfect. Misunderstandings, conflicts, mistakes, and accidents happen.

As a CAPS, you are responsible for making sure that your site team is prepared to handle these situations with diplomacy and with a familiarity with the laws that govern the rights of the resident, the property owner, and the management company. They'll also need to know when it's appropriate to say "no," and when it's time to consult legal counsel.

Settlement and Release Agreements

Settlement and Release Agreements are sometimes used to resolve situations when a resident is injured or incurs damage to personal property. (An example might be that a resident's clothes are damaged by a dryer in a laundry owned by the property.) Typically, the CAPS would involve the management company's legal counsel to negotiate a resolution to any damage or injury claim.

Settlement and Release Agreements are used to settle a claim that one party has against another. They are designed to release one party from civil claims (though, they do not release that party from criminal claims). In a Settlement and Release Agreement, the "Releasing" party gives up all claims and rights, whether known or unknown, held against the other party in exchange for a monetary payment or other compensation. These agreements are also used by insurance carriers to settle claims for things like slip falls or other minor injuries that a resident or a resident's guest might sustain on the property.

Any situation requiring a settlement and release agreement must involve CAPS oversight. The community manager should never handle these kinds of situations on their own. The CAPS should also consider getting legal counsel involved.

When a Resident Comes to You Directly

Occasionally, an unsatisfied resident will choose to go above their community manager's head and contact the CAPS directly. When that happens, you may be tempted to give in to whatever demands they present because it's the easiest and fastest solution, but you should resist this temptation.

Giving in to the resident's demands in order to avoid dealing with the problem sets a bad precedent. They may learn that the easiest way to get what they want is to contact you, and you may find yourself fielding such calls even more frequently. In addition, you run the risk of undermining the authority of your community manager.

In these situations, it's best to tell the resident that you will investigate their complaint and get back to them. Do your research and make a fair decision, but understand that your first instinct generally should be to back up your community manager. It's important that the community manager's authority be respected onsite.

Section 6 - Communities and Municipalities

Multifamily apartment properties and the communities that surround them enjoy a mutually beneficial relationship.

The multifamily property provides needed rental housing, neighborhood revitalization, and economic opportunities for residents, investors, and local businesses.

In turn, the community provides development incentives, fire and police protection, schools, and other services your residents need.

Cultivating a positive relationship with the communities in which your properties are situated can make life easier for you and your residents, as well as ensure a friendly environment for future development.

Topics Covered:

- Multifamily Contributions to the Community.
- Community Contributions to the Multifamily Property.
- Cultivating a Relationship With the Community.

MULTIFAMILY CONTRIBUTIONS TO THE COMMUNITY

The multifamily housing industry does more than just provide rental housing. Multifamily properties contribute to the larger community—on both the national and local levels—in several ways:

- Economic contribution: Multifamily is a major force in the U.S. economy, with its many millions of renters having tremendous buying power that generates billions of dollars for state and local economies annually through jobs supported and the dollars renters spent in their local communities.
- Neighborhood revitalization: Multifamily plays a key social role in transforming America's cities, suburbs, and blighted neighborhoods. Apartment owners and developers are significant community partners with municipalities in many areas of the country, helping to convert once impoverished neighborhoods into thriving centers.
- Environmental responsibility: Multifamily is at the forefront of sustainable living initiatives. By definition, apartments represent more compact living and thus use space more efficiently. The apartment industry is seeking ways to minimize

the use of nonrenewable energy, reduce pollution, and leave the world a better place for the next generation.

- Specialized housing: Multifamily has responded to the requirements of very specific market segments of the population, providing specialized housing for unique renter groups, such as seniors, military families, and students. The industry carefully watches the trends of its target demographics and anticipates their needs, offering housing that is better-built and better-suited to meet the preferences of a diverse audience.
- Investment vehicle: Multifamily is an investment vehicle that often generates better yields when compared to other financial instruments or alternatives, delivering excellent returns, tax benefits, and value creation, depending on ownership goals and objectives.
- Housing advocacy: Multifamily has a strong presence on Capitol Hill with the National Apartment Association (NAA) and the National Multifamily Housing Council (NMHC) serving as the industry's primary advocates for safe, affordable rental housing. NAA and NMHC serve the interests of apartment owners, managers, developers, and financiers on federal legislation and regulatory matters to ensure the industry better serves the needs of the general public.

COMMUNITY CONTRIBUTIONS TO THE MULTIFAMILY PROPERTY

In turn, communities and municipalities can support multifamily properties in critical ways:

- Development incentives: Whether through direct loans, loan insurance, or tax incentives, communities and governments at all levels regularly invest in multifamily housing.
- Police, fire, and emergency services: Because of their increased population density, communities with multifamily properties may have to spend more on law enforcement and emergency services.
- Schools: Depending on the size of the community, multifamily properties may be a source of hundreds, or even thousands, of children in the local public school system, which could strain resources.
- Utilities: Communities deliver utilities to multifamily properties, and the density of such properties can impact water runoff, water pressure, waste disposal and, ultimately, rates for services.
- Multifamily zoning: In most cases, developers of multifamily properties rely on local governments to approve certain areas for such developments. Without support for multifamily-friendly zoning, it can be difficult to meet the needs of the renting public.

CULTIVATING A RELATIONSHIP WITH THE COMMUNITY

Because communities and multifamily properties depend upon each other, it's important that you cultivate your property's reputation as a good neighbor. You can do this by:

- Working with local law enforcement on crime and safety issues.
- Getting involved in community events.
- Implementing "green" initiatives to reduce waste and conserve resources.
- Developing mutually beneficial relationships with local businesses, such as cross marketing, or providing discounts to their employees.
- Complying with local, state, and federal laws.
- Developing and maintaining a good relationship with local government.
- Keeping in touch with your local NAA affiliate to stay abreast of legal and political considerations that are unique to your area.

Each community is unique, and the details of each property's situation will be different, but there is one thing all of these communities and properties share: the way a property is perceived in the larger community can set the tone for multifamily development in that area far into the future. You want to make sure the impression you're making is a good one.

Section 7 - Other Stakeholders

In addition to the primary stakeholders already mentioned, certain special property types will have unique stakeholders.

Mixed use properties that combine residential, retail, and office spaces, as well as special residence types (age restricted, military, student) will have additional interested parties with highly specialized interests.

Topics Covered:

- Mixed Use Properties.
- Special Property Types.

MIXED USE PROPERTIES

Mixed use properties contain various property types, such as residential, retail, and office, within the same development (often within the same building). These developments are often found in urban, infill, and inner suburban locations.

Since each of these uses require unique skill sets, it is common for the ownership and management of each use to be separate. This can result in complex ownership, easement, and shared cost issues, and adds to the number of stakeholders the CAPS needs to take into consideration:

- Other owners.
- Other managers.
- Retail and office tenants.
- Employees of retail and office tenants.
- Customers of retail and office tenants.
- Operational issues arising from shared uses.
- Additional laws and regulations governing certain business types.

For example, if you manage an apartment building with a restaurant on the first floor, you may need to consider more than just your residents' needs when it comes to utilizing available parking. You may also need to work with local public health departments who need access to your building to conduct inspections. In addition, if the retail portion of the property is owned or managed by another party, you will need to work with them on a shared use plan that is workable for both parties.

SPECIAL PROPERTY TYPES

Special property types—such as student, military, and age restricted housing—present both unique stakeholders and highly specialized interests for stakeholders already mentioned.

Student

Student housing has become an increasingly specialized segment of the multifamily industry. The emerging trend has seen a growth in highly amenitized and technologically advanced apartment projects that offer students a digitally "connected" environment in a resort-style setting. The rent structure for these properties is unique in that rents are often charged and leases signed by the bedroom rather than by the unit. Parents of the students typically co-sign the lease. Lenders' underwriting guidelines for student projects differ from those for conventional communities.

Military

Like student housing, military housing is another very specialized segment of the business. Military communities with large installations can provide a very stable demand, and the amount of rent officers and enlisted personnel can afford is very predictable. Each military community has an assigned basic allowance for housing (BAH), which is essentially a monthly stipend. Personnel living off-post receive the monthly BAH (though, they are not required to spend it solely on housing.)

Military housing can present special challenges, as well. Soldiers deployed must be released from their lease without penalty, so deployments can result in a mass exodus of residents causing the market occupancy rate to be suppressed for extended periods of time. Downsizing or closing of a base can permanently impact the local market. Additionally, rules about how different ranks of military personnel are assigned housing and the specific preferences to which community managers must adhere may be in conflict with Fair Housing requirements. However, those preferences are mandated by the Department of Defense.

Age Restricted

These communities, also known as active adult communities, are defined by the Department of Housing and Urban Development as properties that have a minimum of 80% of the units with at least one resident age 55 or over. Operators are required to verify compliance every two years. Managing one of these properties may require special attention to senior- friendly amenities, and may involve interacting with non-resident family members as interested parties and lease co-signers.

Note: While the Fair Housing Act is designed to prohibit housing discrimination based on race, color, religion, national origin, disability, sex, and familial status, many state and local housing discrimination laws add protections for age and sexual orientation. Even in those locations with protections based on age, age restricted communities are considered legal as long as they comply with the requirements specified above.

CONCLUSION

The CAPS does not operate in vacuum. Many people and entities impact the way you do your job. Each brings a different set of requirements that all need the your attention. It's important to understand the role each stakeholder plays in the success of the properties that you oversee.

Your job demands that you balance the goals and objectives of the owner with the requirements of the lender and do so in the context of abiding by all applicable laws and regulations and the guidance provided in the Management Agreement.

Employees in the field implement your directives and look to you for guidance. And – residents have an expectation that they will be able to enjoy their homes and that their specific needs will be met by the onsite staff.

All of your job responsibilities must also be guided by high ethical standards. All of the stakeholders with whom you interact expect that of you.

Notes