



Reference Guide

Certified Apartment SupplierSM



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Industry Essentials

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Apartment Ownership

Forms of ownership

An investor's financial goals and ownership objectives can dictate the type of ownership structure an investor selects. After the investor identifies their goals and objectives, an appropriate ownership structure can be selected. The table below describes the ways to own or invest in a property and the advantages and disadvantages of each.

Type	Description	Advantage	Disadvantage
Direct Ownership/ Sole Proprietor	One individual owns and manages the property.	Formation and dissolution of business is easy and has a low cost.	There is unlimited liability and limited ability to borrow.
Partnership	Two or more people jointly own and manage property.	Formation of business is easy and has a low cost. There is increased availability of capital and credit and retention of profits.	There is unlimited liability and potential difficulty in withdrawing investment from partnership
Limited Liability Partnership	The limited partners contribute capital but do not actively manage the business.	Liability is limited to the amount invested by each partner	There is a lack of uniformity in state laws. Some states have state insurance requirements. There is joint and several liability.
Limited Liability Corporation	Most LLCs consist of two or more members, but many states allow a single-member LLC.	An LLC, like a limited liability partnership, is recognized as a separate legal entity from its members. Ordinarily, only the LLC is responsible for the company's debts.	Taxable in some states. There is a lack of uniformity in states governing LLCs.
S Corporations	A corporation that is taxed as if it were a partnership—the corporation's income is taxed only as the personal income of the shareholders. This is an effective way to avoid double taxation while retaining the legal benefits of incorporation.	Shareholders can personally claim their share of losses incurred by the corporation to offset personal income.	There are a limited number of shareholders providing less flexibility in income allocation.

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Apartment Ownership, Continued

Forms of ownership, (continued)

Type	Description	Advantage	Disadvantage
Real Estate Investment Trusts (REITs).	Established by federal law in 1960. The purpose of a REIT is to allow small investors to pool their investments in real estate while also diversifying their risks, obtaining professional management and maintaining liquidity.	A REIT must, by law, pay virtually all its taxable income to its shareholders every year.	Investors have no control over when a company will sell its holdings or how it will manage them. REITs are fairly liquid assets
Tenants in Common (TICs)	A TIC is a form of real estate asset ownership in which there are two or more persons of an undivided fractional interest in an asset, where ownership shares are not required to be equal and where ownership interest can be inherited. At closing, each co-owner receives an individual deed to their undivided percentage interest in the entire property.	<p>This structure allows the deferment of capital gains tax that would be owed on a property that is sold.</p> <p>Also, provides a way for someone to be able to enjoy ownership in an institutional type property with a lesser investment.</p> <p>TICs have also become a vehicle for investors looking for a new "1031" exchange.</p>	<p>Disadvantages include the newness of the investment structure and thus liquidity is unproven.</p> <p>The TIC sponsor controls the hiring of the management agent and investors have no control over how the investment will be managed.</p>

Factors in Investment

Risk

Risk refers to the possibility of losing some of your initial investment. Safety in an investment means minimal risk or loss. An investor must decide how much risk they are willing to take and how much loss they can afford. Any investment, no matter how small, involves risk.

Common risks that affect multifamily housing investments include:

- general economic and market conditions
- job losses or job growth
- political climate
- supply/demand
- interest rates
- neighborhood conditions
- population changes
- household growth
- the interaction of a group of real estate investments in a portfolio, and
- the operations of the property itself

Risk is also associated with time. Long-term investments are generally considered riskier because they are subject to the impact of more risks over time. An investor will expect higher returns on a long-term investment because they face risk for a longer period of time and wants to compensate for giving up some safety.

Investments that have low risks, such as savings accounts or money market certificates, are typically associated with low returns. Conversely, when an investor chooses a riskier investment there is an expectation that the returns will be much higher. Low risk equals low return and high risk equals high return.

Income

The income factor refers to the expected income from an investment. To some extent, income depends on the amount of risk involved. Conservative investments, such as savings accounts and some bonds and stocks generally provide a predictable amount of interest or dividends each year. Riskier investments are perceived to have the potential of offering high returns. Income from investments may not always be in the form of cash. In some instances, an investment may act as a “shelter” against income taxes.

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Factors in Investment, Continued

Growth potential

To an investor, growth potential means their investment will increase in value. Investors looking for growth potential will look for opportunities to invest in expanding rather than stable or mature companies, businesses and/or markets. It is important to understand that investing for growth means that present income is given up for potential growth or future income, and that early returns may be low, as profit is reinvested in the business or property.

Liquidity

Liquidity is defined as the ease with which an asset can be converted to cash. An investor must decide how long he or she is willing to have money tied up in an investment. This will influence the type of investment chosen. Stocks may be considered a fairly liquid investment because they are easily sold. Real estate, on the other hand, is much less liquid because it is more difficult to find a buyer for an apartment community than a stock, for example.

Housing Types

Housing types

You will manage different housing types and you may encounter management tasks specific to those housing types.

Apartment buildings are categorized based on the demographic or market segment they attract and the purpose for which the buildings were constructed.

Conventional Market-Rate housing

Conventional Market-Rate housing refers to multifamily housing that has no rent restrictions or rent subsidies provided by a governmental or regulatory agency.

Affordable housing

Affordable housing refers to decent, safe housing made affordable for individuals who generally earn less than 60% of the Area Median Income (AMI). Affordable housing typically benefits from federal, state, or private subsidies.

Project based section 8

Project Based Section 8 is a type of affordable housing that provides rental subsidies for eligible residents residing in newly constructed, rehabilitated, and existing rental and cooperative apartment projects. Some rents are subsidized by HUD under Section 8 New Construction, Substantial Rehabilitation, and/or Loan Management Set-Aside (LMSA) programs. Assistance is "project-based," i.e. a subsidy is committed by HUD for the assisted units of a particular mortgaged property for a contractually determined period.

Low Income Housing Tax Credit (LIHTC)

Low Income Housing Tax Credit is an indirect Federal subsidy used to finance the development of affordable rental housing for low-income households. It is a dollar-for-dollar tax credit for affordable housing investments. It provides incentives for private investors to develop affordable housing for low income Americans. The LIHTC housing program currently accounts for approximately 90% of all affordable rental housing created in the United State. Unlike Section 8, LIHTC is administered by individual state agencies that ensure properties are in compliance applicable laws and regulations.

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Housing Types, Continued

Workforce housing

Workforce housing refers to affordable housing for households whose incomes are not sufficient to obtain quality housing that is reasonably close to where they work. It can refer to any form of housing, including single family homes and multifamily. The term is increasingly used by local governments, planners, developers, lenders and groups that are concerned with housing policy or advocacy.

Senior housing

Senior housing is any housing operated specifically for persons over the age of 55. It could include both conventional market rate and affordable housing. In some instances, senior housing may have supportive services that allow seniors to remain in their homes longer and “age in place.”

Independent living

Independent living is a type of senior housing that is designed exclusively for seniors and is meant to be “friendlier” to older adults. Independent living is also referred to as retirement communities. It is more compact and easier to navigate. It oftentimes includes some support services, but residents are expected to be able to care for themselves. Some recreational centers onsite provide programs for seniors.

Assisted living

Assisted living is a type of senior housing that offers help with some “activities of daily living,” including minor help with medications, dressing, bathing, etc. and is generally staffed 24 hours a day. It may include apartment-style living with small kitchens, or individual rooms.

Full service or continuing care retirement communities

A type of senior housing that includes independent living, assisted living, and nursing home care in one location. Seniors can stay in the same general area as their housing needs change over time.

Purpose-Built student housing

Apartment communities targeted specifically for college students. They can be garden-style, low-, mid- or high-rise and are generally configured around a shared living room and kitchen with private bedrooms. Some bedrooms also have their own private bathrooms while other units may have shared bathrooms. Apartments in student housing projects are leased “by the bed.” Many high-end student properties also have extensive amenities including fitness centers, pools, student rooms, game rooms, etc.

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Housing Types, Continued

Military housing

The Military Housing Privatization Initiative (MHPI) addresses a severe backlog in availability and adequacy of government housing for military service members. The MHPI was designed and developed to attract private sector financing, expertise and innovation to provide necessary housing faster and more efficiently than traditional military construction processes would allow. Military services are authorized to enter into agreements with private developers selected in a competitive process to own, maintain and manage military housing. The Department of Defense works with the private sector to revitalize military housing through a variety of financial programs including direct loans, loan guarantees, equity investments, or conveyance or leasing of land. Military service members receive a Basic Allowance for Housing (BAH) to cover housing costs so that they can choose to live in private sector housing or privatized military housing.

Condominiums

This is a form of ownership of an apartment in a building in which the units are individually owned. Owners receive a deed to the unit, including the right to sell, mortgage, etc. Condominiums include joint ownership of any common grounds, hallways, lobbies, and other common areas.

Co-Op

Cooperative housing is an ownership structure in which an association or corporation owns a group of apartments and the common areas for use by all the residents. Residents own a share in the co-op which entitles them to occupy an apartment (or townhouse) as if they were owners. They have equal access to the common areas and vote for members of the Board of Directors to manage the co-op. There are often restrictions on transfer of shares, limits on income, maximum sales price, etc.

Mixed Use

Mixed Use housing refers to single buildings or groups of buildings that combine multiple uses including residential, commercial, industrial, cultural, or institutional. Buildings are physically and functionally integrated and generally embrace “walkability” by providing pedestrian connections.

Extended stay rentals

Extended stay hotels offer apartment-style accommodations that are typically not available in standard hotels. They are also called “apartment hotels” and typically have suites with kitchens and laundry facilities. They are aimed at business travelers on extended assignments, relocating families, etc. and typically offer discounts for extended stays (beginning at 5 or 7 days).

Apartment Building Types

Duplex

A duplex is a building that has two separate apartment units, usually side-by-side units, but sometimes on two different floors. Each unit has its own separate entrance.

Triplex

Triplex buildings have three apartment units, divisions, or floors. Each unit has its own entrance, but there may be one main entrance into the building.

Garden style

Garden style buildings are typically no more than three stories with multiple apartments per story. Landscaped grounds surround buildings and are usually arranged with interior courtyards open at one end, with parking in front of buildings or along the perimeter. Each apartment has its own building entrance off of an open breezeway or shares an entrance via a stairwell and interior hallway that connects other units immediately above and/or below it. Each apartment occupies only one level. Garden apartment buildings typically do not have elevators.

Townhouse

Townhouse buildings are generally multi-story structures with units attached to each other side-by-side. Units often share common walls, depending on if they are in a center or end position. They can be grouped together as small units, such as duplexes or triplexes, or can be part of a larger community.

Low Rise

Low rise buildings are enclosed buildings that typically have no more than four stories. Some experts define low-rises as structures that are no more than 115 feet tall. Units are accessed from a common hallway; they may or may not have elevators.

Mid rise

Mid-rise buildings are enclosed buildings that have five to ten stories with elevators service each floor. Some have attached parking structures either below ground or adjoining the building.

High rise

High rise buildings are enclosed buildings that have more than ten floors with elevators service each floor. Residents enter through a common lobby and units are located on each floor off a common hallway. Most have attached parking structures either below ground or adjoining the building.

Apartment Types

Alcove

An 'L' shaped studio flat

- Generally, more spacious than typical studio apartments
 - Offers a bay for sleeping or dining
-

Basement Apartment

Located below street level and typically has a structure constructed over it.

Corporate Apartment

Fully furnished and equipped with all necessary resident amenities

- Typically used for a short term stay
 - Cost is typically equal to a stay in a hotel but has more space and is more convenient
-

Garage Apartment

Built using the same walls of a garage or above a garage

- Typically has a separate entry
 - May or may not connect with the main house
-

Garden Style Apartment or Flat

An apartment on one level with living room, kitchen, multiple bedrooms, and bathrooms; sometimes with a separate dining area

- Can be up to six bedrooms, but generally have one to three
 - The number of bathrooms can vary
-

Live/Work Apartment

Located in a mixed use residential/commercial building

- Often mixed with retail space or offices on the ground floor
 - Living areas are above ground floor
-

Loft

High-ceiling apartment that can range from a converted commercial building to a brand new luxury high-rise

- Typically has open floor plan with few or no interior walls and a second level sleeping area
-

Maisonette

A self-contained apartment usually on two floors in a house with its own entrance from the outside.

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Apartment Types, Continued

**Penthouse
Apartment**

An apartment located on the top floor of a multi-story building

- Generally considered luxury housing because of added amenities and views
-

**Railroad
Apartment**

A series of rooms are connected to each other, not directly but through a hallway

- Called “railroad” apartments because rooms are lined up like compartments of a train
 - Model was initially developed in New York City to solve overcrowding
-

Studio Apartment

A small apartment in which the kitchen, living room and bedroom are all in one room plus a full bathroom.

Financial Management

Reference Guide



Mortgage Loans

Mortgage loan definition

A mortgage, one of the most common sources of financing real estate investments, is a legal instrument that pledges a described property as collateral or security for the repayment of a loan under certain terms and conditions.

Types of mortgage loans

The table below describes the types of mortgage loans.

Type	Description
fixed rate	Traditionally, fixed-rate mortgage loans are made for long terms of 20 to 30 years and carry a fixed interest rate. Level payments, meaning the same dollar amount of payment, are made each period for the entire loan term. The payments are applied to the principal and interest owed until the loan is paid in full. This process is referred to as amortization. Commercial mortgage documents typically include an amortization table which details exactly how much interest and how much principal is paid with each mortgage payment.
variable rate	A variable rate mortgage or Adjustable Rate Mortgage (ARM) is a type of mortgage that has an interest rate that is adjusted periodically based on a financial index. The most common adjustment intervals range from one month to three, five and ten years.
balloon	A balloon mortgage behaves like a fixed-rate mortgage for a set number of years (usually five, seven or ten) and then must be paid off in full in a single “balloon” payment. Balloon loans are popular today and often used by those expecting to sell or refinance their property within a definite period of time.
bullet loan	Bullet loans are structured so that interest payments and the loan principal are paid off in one lump sum at a specified time. They may require monthly payments of interest. Bullet loans are frequently used in new construction and substantial rehabilitation situations where no income is received for a period of time from the property.

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Mortgage Loans, Continued

Mortgage terminology

The table below defines mortgage terminology.

Term	Definition
principal	The amount of money borrowed, or the debt not counting interest, left on a loan.
interest rate	The percentage of an amount of money that is paid for the use of that money for a specified time.
amortization	The process of retiring a debt or recovering capital investment, typically through scheduled, systematic repayment of the principal.
escrow account	A trust account set up by the lender into which the borrower must make payments. Escrow accounts are generally used to ensure that property taxes and insurance bills are paid, thus reducing the lender's risk. Not all mortgages include escrow accounts, but they are frequently used.
replacement reserve payment	Some loans require payments to a replacement reserve account. This is often the case with HUD insured or assisted properties and state agency financed properties. Lenders on market rate properties are beginning to require such accounts as a means for ensuring that money is available to maintain the property during the term of the loan.

Where mortgages are obtained

Mortgage loans may be obtained from:

- commercial banks
- finance companies
- savings and loan institutions
- insurance companies
- pension funds
- mutual funds, and
- the federal government through government sponsored enterprises or government chartered corporations, such as the
 - Federal Home Loan Mortgage Corporation (FHLMC) (Freddie Mac), Federal National Mortgage Association (FNMA) (Fannie Mae)

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Mortgage Loans, Continued

**Federally-
insured
mortgages**

The federal government insures mortgages through the Federal Housing Administration (FHA) and the U.S. Department of Agriculture's Rural Housing Services programs.

**Tax credit
financing**

State and local government programs offer tax credit financing (Section 42) and tax-free bond financing.

Annual Turnover Percentage

Total number of annual, physical move outs ÷ total number of apartments = Annual Turnover Percentage

Example

Assume you have a total of 360 units and a total of 295 physical move-outs.

Calculate the annual turnover as follows:

$$295 \div 360 = 82\% \text{ Turnover}$$

Note: The same unit may be occupied by several different residents in one year, thus, increasing your annual turnover percentage.

Annualizing a Number

(Number ÷ time period in months) x 12 = Annualized Number

Example

Assume you have 52 service requests recorded in January and 36 in February.

Calculate an annualized number of service requests for the year as follows:

$$52 + 36 = 88$$

$$(88 \div 2) \times 12 = 528 \text{ Annualized Number}$$

Average Effective Rent

$(\text{Rental Income} - \text{Concession Rent}) \div \text{Units Occupied} = \text{Average Effective Rent}$

Obtain Rental Income and Concession amounts from the Resident Billings section of a Rent Roll Detail. Obtain units occupied from a Unit Analysis section.

Example

42 units leased @ \$495 = \$ 20,790

58 units leased @ \$525 = \$ 30,450

94 units leased @ \$652 = \$ 61,288

86 units leased @ \$605 = \$ 52,030

280 Total Units Leased = \$164,558

$\$164,558 \div 280 = \$587.71 = \$588 \text{ Average Effective Rent}$

Average Renewal Increase

$\text{Average Effective Rent for Renewals} - \text{Average Effective Rent on Previous Lease}$

$\text{Percentage Increase} = \text{Amount of Increase divided by Previous Lease Rent}$

Example

The effective rate paid for the Previous Lease = \$470.

The effective rate paid for the Renewal Lease = \$505.

$\text{Renewal Increase} = \$505 - \$470 = \35

$\text{Percentage Increase} = \$35/\$470 = 7.5\%$

Average Square Feet/Unit

Square footage of all specific unit types ÷ total number of units = average square feet per unit

Example

Assume you have 62 two-bedroom units with 858 square feet and 27 two-bedroom units with 1242 square feet.

Calculate the average square feet as follows:

$$\begin{array}{r} 62 \text{ Units @ 858 square feet} = 53,196 \\ \underline{27 \text{ Units @ 1242 square feet} = 33,534} \\ 89 \qquad \qquad \qquad \qquad \qquad 86,730 \end{array}$$

$$86,730 \div 89 = 975 \text{ Average Square Feet per Unit}$$

Capitalization/Valuation

Annual net operating income ÷ capitalization rate = value or

Capitalization Rate x Value = (Annual) Net Operating Income (NOI)

$$\frac{I}{R} = V$$

Capitalization rates are determined by the market and quality of the property and generally range from 6–10%

Example

Assume the annual Net Operating Income is \$675,000 and the market capitalization rate is 7%.

Calculate the value of the property as follows:

$$\$675,000 \div .07 = \$9,642,857 \text{ Value}$$

Closing Percentage/Ratio

Total number of leases for the week ÷ total number of traffic = closing percentage

Example

Assume you have 16 visitors (traffic) to the property for the week and 4 of these lease. Assume one person was previously shown an apartment.

Calculate the closing percentage ratio as follows:

$$4 \div 15 = 27\% \text{ Closing Ratio}$$

Cost of Advertising per Lease

Total cost of ad ÷ number of leases generated from ad = cost per lease

Example

Assume you place an ad in the newspaper that costs \$5,400 and the ad generates 32 new leases.

Calculate the cost per lease as follows:

$$\$5,400 \div 32 = \$168.75 \text{ per lease}$$

Cost of Advertising per Traffic

Total cost of ad ÷ total number of traffic generated from ad = cost per traffic

Example

Assume you place an ad in the newspaper that costs \$3,800 and 58 prospective residents respond.

Calculate the cost per traffic as follows:

$$\text{\$3,800} \div 58 = \text{\$65.52 per Traffic}$$

Economic Occupancy Percentage

To calculate the economic occupancy percentage, divide the total rent revenue (TRR) by the gross potential rent (GPR). First determine the total rent revenue (net rental revenue).

Example

Current Month GPR = \$250,000

Less Vacancy, Collection

Loss, Concessions,

Non-revenue units = -\$ 52,000

Total Rent Revenue (TRR) = \$198,000

$\text{\$198,000} / \text{\$250,000} = 79\%$ Economic Occupancy

Effective Rent

If all leases are signed at scheduled market rent and all concessions awarded via a lease addendum, then the calculation is as follows:

Market rent x number of months in lease term less total concession awarded ÷ number of months in lease term

Example

Market Rent = \$665

Concession – 1 Month Free \$665

$$(665 \times 12 = \$7,980) - \$665 = \$7,315$$

$$\$7,315 \div 12 = \$610 \text{ (rounded) Effective Rent}$$

Gross Potential Income (GPI)

To calculate Gross Potential Income (GPI), combine the sum of all occupied units at current lease contract rates plus all vacant units at scheduled market rents.

Example

250 unit community

230 occupied units at average monthly lease rent of \$759 = \$174,570

20 vacant units at average scheduled market rent of \$810 = \$ 16,200

Gross Potential Income (GPI) = \$190,770

Gross Potential Rent (GPR)

Gross Potential Rent (GPR) is the amount of rent that would be collected if a property was fully occupied and all residents were paying market rent.

Example

250 unit community

230 units occupied

20 units vacant

Average market rent is \$810

Total units X Average Market Rent = GPR

$$250 \times \$810 = \$202,500$$

$$\text{Gross Potential Rent (GPR)} = \$202,500$$

Hourly Rate on Annual Basis

Hourly rate x 2080 = annual salary

NOTE! There are 2,080 hours in a normal work year. This means working 5 days a week, 8 hours for 52 weeks.

Example

Assume your hourly rate is \$12.50

Calculate your annual "salary" as follows:

$$\mathbf{\$12.50 \times 2080 = \$26,000. \text{ Annual "Salary"}}$$

Calculate your monthly "salary" as follows:

$$\mathbf{\$26,000 \div 12 = \$2,167. \text{ Monthly "Salary"}}$$

Example

Assume Your Salary is \$38,000

Your Monthly Salary is $\$38,000 \div 12 = \$3,167$ per month

Your "Hourly" Rate is $\$38,000 \div 2080 = \18.27 per hour

$$\mathbf{\text{Salary} \div 2080 = \text{Hourly Rate}}$$

Leasing Exposure

Total number of vacant units + total number of notice units – total number of pre-leased units = total exposure in units

Total exposure in units ÷ total number of units = exposure percentage

Example

Assume a 470 unit property with 26 vacants, 18 notices and 9 preleases.

You calculate the exposure units as follows:

$$26 + 18 - 9 = 35 \text{ Exposure in Units}$$

Calculate the exposure percentage as follows:

$$35 \div 470 = 7.5\% \text{ Exposure Percentage}$$

Month-to-Month Leased Percentage

Total number of month-to-month leases ÷ total number of apartments = percentage of month-to-month leases

Example

Assume you have 6 month-to-month leases and a total of 140 leases.

Calculate the percentage of month-to-month leases as follows:

$$6 \div 140 = 4.29\% \text{ Month-to-Month Leases}$$

Net Operating Income (NOI)

Net Operating Income = Total Income – Total Operating Expenses

Occupancy Percentage (Physical Occupancy)

Total number of (physical) occupied units ÷ total number of apartments = occupancy %

Example

Assume you have a total of 396 units and 308 units are occupied.

Calculate the occupancy percentage as follows:

$$308 \div 396 = 78\% \text{ Occupancy}$$

NOTE! Vacancy Percentage + Occupancy Percentage = 100%

Operating Expenses per Unit (Annual)

Total operating expenses ÷ total number of units = operating expenses per unit

Example

Annual Operating Expenses (\$825,000) ÷ 350 Units =

Operating Expenses Per Unit \$ 2,357 per unit per year (rounded)

Operating Expense Ratio

To calculate the operating expense ratio, divide the operating expenses by the Gross Potential Rent.

Example

Gross Potential Rent	=	\$3,410,700
Operating Expenses	=	\$1,325,743
OE/GPR	=	38.9% Operating Expense Ratio

Price per Square Footage

Total unit rental ÷ total square footage = price (rent) per square foot

Example

Assume the monthly rent on a unit is \$525 and the unit has 731 square feet.

Calculate the rent per square foot as follows:

$$\mathbf{\$525 \div 731 = \$.72 \text{ per Square Foot}}$$

Pro-rated Rent

To calculate the Pro-rated Move-In/Prorated Move-Out Rent, you must first calculate the daily rate. Most computer software systems use a calendar based pro ration method and round amounts to the nearest dollar. Prorated amounts lower than 50 cents are rounded down, while amounts higher than 50 cents are rounded up.

Daily Rate

Total rent ÷ Number of Days in the Month = Daily Rate

Pro-rated Move-In/Pro-rate Move-Out Rent

Daily rate x total number of days occupied** = Prorated Move-In or Pro-rated Move-Out Rent

****Make sure to count the Move-In/Out day as an occupied day!**

Example

Assume a resident occupies an apartment for 12 days in October and the monthly rent is \$690.

Calculate the prorated rent as follows:

$$\$690 \div 31 = \$22 - \text{Daily Rate}$$

$$\$22 \times 12 = \$264 - \text{Pro-rated Rent}$$

Projected Traffic Required to Meet Leasing Goals

Total number of leases needed ÷ average closing percentage = projected traffic needed

Example

Assume you need 14 leases and have an average closing ratio of 28%.

Calculate the traffic required to meet your goal as follows:

$$14 \div .28 = 50 \text{ Prospective Residents needed (traffic)}$$

Assume you have projected traffic of 60 and your closing ratio goal is 30%

$$60 \times .3 = \text{Leases Needed}$$

To reach your goal, you need 18 leases

Renewal Percentage

Total number of signed renewal leases ÷ total number of expiring leases = renewal percentage

Example

Assume you have 16 leases expiring and of those 6 people renew.

Calculate the renewal percentage as follows:

$$6 \div 16 = 37.5\% \text{ Renewal}$$

Total Leased Percentage

Total number of occupied units + total number of leased not occupied ÷ total number of apartments = total leased percentage

Example

Out of a total of 462 units, assume you have 312 occupied units and 10 units leased but not occupied.

Calculate the leased percentage as follows:

$$(312 + 10) \div 462 = 70\% \text{ Leased}$$

Total Rent Revenue (Net Rental Revenue)

GPR – current month vacancy, concessions, bad debt, and non-revenue units = Total Rent Revenue

Unit Type/Unit Mix Percentage

Total number of a specific unit type ÷ total number of units = percentage of unit type

Example

Assume you have 518 units and 340 of them are two bedroom units.

Calculate the percentage of unit type as follows:

$$340 \div 518 = 66\% \text{ Two-Bedroom Units}$$

Vacancy Percentage

Total number of vacant apartments ÷ total number of apartments = vacancy percentage

Example

Assume you have 385 total units and there are 62 vacant units.

Calculate the vacancy rate as follows:

$$62 \div 385 = 16\% \text{ Vacancy}$$

Variance Percentage

(Actual number – budgeted number) ÷ budgeted number = variance percentage

The variance percentage is the calculating of how much you are actually over or under your budgeted figures.

If an **expense** category is **over budget**, it is a **negative variance**

If an **expense** category is **under budget**, it is a **positive variance**

If an **income** category is **over budget**, it is a **positive variance**

If an **income** category is **under budget**, it is a **negative variance**

Example

Assume you collect income of \$1,800,000 versus a budgeted income of \$2,000,000.

Calculate the variance percentage as follows:

$$(\$1,800,000 - \$2,000,000) \div \$2,000,000 = -10\%$$

This (-10%) represents an unfavorable variance

Weighted Average Rent – Leased and Market

Example

Assume there are four (4) floor plans and 215 total units. Assume eight (8) vacant apartments (2 A-1, 3 A-2s and 3 Cs).

Floorplan	#	Avg. Leased	Avg. Market
A-1	40	\$420	\$450
A-2	75	\$525	\$580
B	20	\$695	\$725
C	80	\$775	\$820

Calculating Weighted Average Leased Rent

Multiply the Average leased rent of a particular floor plan times the number of leased units in that floor plan.

$$38 \times 420 = \$15,960$$

$$72 \times 525 = \$37,800$$

$$20 \times 695 = \$13,900$$

$$\underline{77 \times 775 = \$59,675}$$

$$207 \quad \$127,335$$

Add the totals together, divide by the total of all
leased units

$$\mathbf{\$127,335/207 = \$615}$$

Calculating Weighted Average Market Rent

Multiply the market rate of a particular floor plan times the total number of units in that floor plan.

$$40 \times 450 = \$18,000$$

$$75 \times 580 = \$43,500$$

$$20 \times 725 = \$14,500$$

$$\underline{80 \times 820 = \$65,600}$$

$$215 \quad \$141,600$$

$$\mathbf{\$141,600/215 = \$659}$$

Add the totals together, divide by the total of all units

Risk Management

Reference Guide



Emergency Plan: Determining Type of Probability

Determine types When establishing an emergency plan determine what types of emergencies are most likely to occur at your property. You can contact your local American Red Cross, Civil Defense or Emergency Management offices for other types of emergencies to consider and to utilize any emergency planning materials they may have.

Determine probability To determine probability, review historical data especially for weather-related emergencies. Rate each emergency on a scale of one to five, with five being very likely to occur.

Emergency Type	Probability Rating (1 is low, 5 is high)				
	1	2	3	4	5
Fire					
Airplane crash					
Building collapse					
Explosion					
Chemical release					
Criminal Activity					
Drought					
Medical					
Power failure					
Water failure					
Electrical storms					
Tomado					
Hurricane					
Earthquake					
Flood					
Snow blizzard					
Terrorist event					
Train/subway accident					
Automobile/vehide accident					
Bio-Hazardous material release					
Elevator failure					
Heating/cooling failure					
Riot/civil disturbance					
Employee injury					
Gas leaks					
Sewer back-ups					
Animal-related emergencies					

Emergency Plan: Determining Type of Probability, Continued

Other factors to consider

Other factors to consider when determining the likelihood of various emergencies include:

- Proximity - Consider the distance to the nearest airport, rail line, interstate highway, subway or industrial facility.
 - Adjacent properties – What are the activities on the property next to yours? What kind of emergencies could that property experience that would affect you?
 - Weather and geography – Is the property in an area that is at risk for flooding, tornadoes, hurricanes, heavy snowstorms or earthquakes?
 - Residents – Are your residents mostly elderly, families or singles? How will your occupants respond to an emergency? Are there language barriers?
 - Property arrangement – How close are the buildings? Are the streets and building entrances easily accessible for larger emergency-response vehicles? Are the buildings high-rises with elevators or single story units?
 - Property infrastructure – Consider the buildings' emergency resistance or containment capabilities, emergency detection systems, security and locking systems and lighting.
-

Emergency Plan: Creating

Goal

Now that you've identified the highest priority emergencies for which you need to be prepared, you can create a plan. To develop a plan, you'll need to establish goals for each emergency.

The overriding goal should be to minimize the emergency's impact to the residents, staff, and business operations.

Other goals to consider are:

- preparing buildings and grounds to provide a reasonable level of safety
 - training staff in the use of available rescue and safety equipment, and
 - encouraging residents to develop their own personal emergency plans
-

What to include

The plan should specify details for:

- Prevention
- Detection
- Communication
- Evacuation
- Containment/Mitigation
- Recovery
- Public Relations

Reference: See also the "Most Common Emergencies" topic later in this chapter for things to include in the emergency plan.

Continued on next page

Emergency Plan: **Creating**, Continued

Prevention

The level of prevention depends on the type of emergency. Preventive measures can be a double-edged sword for onsite managers. If a disaster occurs, there will be questions regarding the lack of preparation, but if a disaster does not occur then preventive measures may seem restrictive or needless.

People

Prevention for the human components of an emergency includes training staff in the proper use of equipment, hazardous materials and tools. Residents should be encouraged to report dangerous conditions.

Property

Building and fire codes exist primarily to prevent the failure of the building either in and of itself or during a natural disaster.

Business

Prevention for business operations includes backing up computer files and storing back-up files of electronic and paper records off site.

Reference: The American Red Cross and the Federal Emergency Management Agency (FEMA) provide flyers and information on emergency planning.

Detection

Early detection can prevent some small incident from becoming a major emergency. Review each emergency to determine:

- whether detection is possible, and if so, how much time should elapse between detection and response, and
- which group of people is most likely to detect the different emergencies, and how this group can be trained for quicker detection

Example: If your community's management office accepts packages for residents, then the receptionist is the first person who could detect a suspicious package if he/she were trained in identifying elements of a suspicious package and how to respond upon identification.

Continued on next page

Emergency Plan: Creating, Continued

Communication

Communication includes:

- notifying the proper authorities and all others who might be impacted by the emergency, and
- maintaining open lines of communication among all impacted parties during and after an emergency.

Forms of Communication

All forms of communication that should be considered when thinking about the options for communication during an emergency, including:

- alarms
- building control panels
- sirens
- radio, and
- television broadcasts

Command Station Establishment

During an emergency, a command station should be established so that activities and the progress of the emergency can be monitored. From the command station, orders for an evacuation, relocation, search or medical response can be issued.

To reduce the amount of confusion, limit communication as it descends the chain of command.

Example: Communications to the residents should be kept simple and made only after a decision or instruction has been confirmed to prevent conflicting information.

Locating Command Station

Considerations for the location of the command station are:

- alternative site for the command station in case the primary location is affected by the emergency.
- accessibility to components such as communication lines, streets, building controls as well as protection from the emergency.

Continued on next page

Emergency Plan: Creating, Continued

Containment/ Suppression

Description

Containment and suppression refer to reducing the threat to people and property.

Containment and suppression efforts can be taken upon detection depending on the type of emergency.

Resident Centered

- Some types of containment efforts residents can perform themselves such as closing doors to prevent the spread of fire.
- Evacuation is also a type of containment.
- While training can decrease the threat of an emergency, no one should ever be encouraged to risk their personal safety when responding to an emergency.

Staff Centered

- Staff members can be held to a higher standard of responsibility than that of residents, but still should not be expected to act heroically.
- Staff members can be required to attend all safety and emergency training programs.

Continued on next page

Emergency Plan: Creating, Continued

Recovery

Once the emergency is over, efforts switch to recovery. Having an organized plan for recovery will help ensure operations return to normal as soon as possible.

Things to Consider

There are several issues to consider when developing your recovery plan:

- Which agencies and offices need to be contacted following each of the various emergencies? Regulatory or governmental agencies and insurance companies may have policies and procedures that will determine the pace of your recovery.
- How will you fill positions of injured or recovering staff members?
- What is the cost of paying employees overtime or hiring temporary workers?
- How will you deal with various types of damage to the buildings and property?
- If some of the residences are no longer habitable, where will the residents live?
- In what circumstances are you responsible for their lodging?
- How will smoke or water damage be cleaned?
- What vendors could provide the types of services needed after different emergencies (make a list)?
- What are the potential effects of losing records, equipment or inventory?
- Can your business operate from an alternate site?

Continued on next page

Emergency Plan: Creating, Continued

Public relations

A public relations plan should be part of your emergency plan because you will want to ensure that there is minimal damage to the community's reputation.

Nature of Response

The best way to ensure favorable media coverage is to respond to every emergency:

- Quickly
- Efficiently
- Compassionately

Spokesperson

Designate one spokesperson to answer all questions. All media inquiries should be directed to this one person who will ensure that only accurate information is released and the information is consistent.

- Prepare all responses so that the answers are in the most positive tone possible.
- Ensure that no one who speaks on behalf of the community responds with "no comment."
- Do not criticize local, state or federal officials for anything.
- Do not speculate or offer personal opinions - share only facts that have been confirmed.
- Thank the people involved in the emergency response.
- Convey compassion and sympathy for affected victims.
- Decide if and when media should talk to other technical experts.
- If the police or fire departments are present, refer the media to their spokespersons.

Response Example: If there were injuries (or worse) then express sympathy and compassion, but do not admit guilt. You do not want to say anything that you may have to recant later, or worse, could subject you to a slander or libel lawsuit.

Evacuation Plan: Implementing

What's involved After the plan is completely developed, it can be implemented. This includes:

- distributing an appropriate version of the plan to all affected parties
 - sponsoring training sessions
 - conducting drills, and
 - acquiring any additional materials and equipment
-

Distributing versions

You'll have to consider each party's affiliation to the community and how much of which types of emergencies might impact them, and then prepare the appropriate level material.

For example:

- maintenance supervisor should be fully aware of all the details of the emergency plan.
 - maintenance staff may only need to know parts of the plan
 - residents will need to know even less than the staff
 - vendors who are occasionally onsite may not need to know anything
-

Training sessions Once the plan is developed it will need to be presented to the people it is intended to protect and those who will be involved in the actual emergency.

Staff

Special training may be required for staff that will be required to perform special functions during an emergency. Consider training in:

- operating alarm systems
- operating suppression equipment
- evacuation techniques, and
- first aid and medical response

Community staff should also see the presentation, and be given the strategy behind the activities in the plan.

Residents

Residents should be directed to monitor local news broadcasts for possible evacuation instructions issued by the authorities.

Continued on next page

Evacuation Plan: Implementing, Continued

Emergency drills

Content

The drill should simulate an actual emergency as closely as possible. The drill should ensure that all aspects of the evacuation can be fully executed. Special evacuation procedures should also be practiced during a drill.

Participation/Attendance

Staff must not be permitted to skip the drill. You may want to designate one person who stays behind to answer the phone, but be sure to rotate this task so that everyone participates in at least one drill.

Type and Frequency

There may be local or state regulations governing the type and frequency of drills to be conducted.

Materials and equipment

Upon completion of the plan, you may realize that new equipment or materials need to be added to the community's inventory.

You may want to designate a special location on the property for emergency equipment such as:

- backup generator
 - personal protective equipment (PPE) for various situations such as fire or weather
 - tent for temporary shelter, and
 - first aid equipment
-

Legal Responsibilities

Reference Guide



Department of Housing and Urban Development (HUD)

History

Created as a part of President Lyndon B. Johnson's War on Poverty, the Department of Housing and Urban Development (HUD) was established in 1965. While HUD was established in 1965, its history extends back to the National Housing Act of 1934. HUD is now the largest administrator of government-assisted housing and the main enforcer of federal fair housing laws.

Mission

"HUD's mission is to increase homeownership, support community development and increase access to affordable housing free from discrimination. To fulfill this mission, HUD will embrace high standards of ethics, management and accountability and forge new partnerships—particularly with faith-based and community organizations—that leverage resources and improve HUD's ability to be effective on the community level."

What HUD does

HUD provides a coordinated and comprehensive response to the housing and community development needs of America.

HUD's major programs

The primary programs administered by HUD include:

- mortgage and loan insurance through the Federal Housing Administration;
 - Community Development Block Grants (CDBG) to help communities with economic development, job opportunities and housing rehabilitation;
 - HOME Investment Partnership Act block grants to develop and support affordable housing for low-income residents;
 - rental assistance in the form of Section 8 vouchers for low-income households;
 - public or subsidized housing for low-income individuals and families;
 - homeless assistance provided through local communities and faith-based and other nonprofit organizations; and
 - fair housing public education and enforcement (Office of Fair Housing and Equal Opportunity or FHEO).
-

Department of Housing and Urban Development (HUD), Continued

Income categories

An individual's or family's income plays a role in qualifying for government-funded housing. Under the federal government's definition a family is considered

- low income if their income is below 80% of an area's median income,
- very low income if their income is below 50% of the area's median income and
- extremely low income if their income is below 30% of the area's median income.

Note: 60% of area median income is used as *low income* for the low-income housing tax credit and HOME programs. For example:

I.e., Median Income - \$50,000 family of 4		
80%	\$40,000	Low income
50%	\$25,000	Very low income
30%	\$15,000	Extremely low income
60%	\$30,000	Tax Credit/Home

- Tax credit qualifications are similar to those in subsidized programs; however, tax credit programs have their own requirements and are not considered to be HUD-subsidized. Instead the owner receives tax benefits from the IRS, allowing the owner to charge a lowered rent.

Goals of Federally-Assisted Housing

Housing programs

Congress has created and authorized many federally-assisted multifamily housing programs. These programs are organized into sections. Most of these programs fall into one of three (3) categories:

- public housing programs,
- funding for privately-owned and managed properties, or
- tenant-based subsidies (Section 8 vouchers).

Note that there are other types of subsidized housing programs, such as those funded by states, counties or cities. They often follow requirements similar to some of the federal programs but not always. There are also tax-credit properties that do not receive funding but receive tax advantages. They have their own program requirements.

Public housing programs

More than 7 million families have lived in locally-managed, HUD-supported public housing. Today, HUD helps provide decent, safe and affordable housing to more than 4.3 million low-income families through its public housing, rental subsidy and voucher programs. These properties are government-owned and operated.

Note that residents are allowed up to two animals in public housing, as well as in assisted senior properties, under both federal law and some state laws.

Mortgage insurance and Project-based subsidies

In project-based subsidies, HUD's programs can reduce rents for low-income residents through HUD's mortgage programs and through its direct subsidy programs. The purpose of its insurance programs for single and multifamily housing is to reduce the interest rates for mortgages. A subsidized mortgage reduces the mortgage expense of the property, allowing community managers the increased potential to make a profit in spite of lower rents. Through HUD's direct subsidy program, properties can provide unit-based subsidies permitting residents to pay not more than 30% of their income as rent.

Tenant-based subsidies

An example of a direct subsidy would be the Section 8 Voucher program. In tenant-based subsidies, residents live in privately-owned properties and pay a portion or percentage of their household income for rent and utilities. HUD or its local agent, a public housing authority or state agency enters into a Housing Assistance Payment Agreement (HAP) with the owner and pays the owner the difference between what the resident pays and what HUD considers a "fair" consideration. The tenant qualifies separately for the Voucher with the housing authority.

Section 8 Program

Overview

The Housing and Community Development Act of 1974 amended the United States Housing Act by adding the Section 8 program, which provides a subsidy to bridge the gap between a low-income resident's means and the cost of private housing. Congress wrote the Act to encourage the construction of new housing and to utilize existing housing.

In addition to rent subsidy programs, HUD hosts a variety of project-based subsidies aimed at rehabilitating properties and constructing properties that can house low-income families, the elderly and the handicapped.

Rent subsidy programs

The rent subsidy programs have these characteristics:

- Families receive the benefit of a rental subsidy, known as a housing assistance payment, equal to the difference between their share of the rent and the rent charged by the owner. Adjustments are made if the rent does not include all utilities.
 - Public or private owners receive the housing assistance payments directly from HUD or from a Public Housing Authority (PHA) that administers the program for HUD for a fee.
 - Eligible families are low-income or very low-income families.
 - Owners must maintain units in decent and sanitary conditions.
 - Rents are within the fair market rent (FMR) for the area and size of the rental housing.
-

Section 8 Housing Choice Voucher Program

Under Section 8 of the U.S. Housing Act of 1974, HUD established the Voucher and Certificate Programs. These programs allowed families to select their own units from housing available within the jurisdiction of public housing authority (PHA). While the programs were slightly different in application, in the late 1990's they were combined into what is known today as the Housing Choice Voucher Program.

This program assists very-low income families, the elderly and the handicapped secure decent, safe and sanitary housing in the private market. Participants can find their own housing, including single-family homes, townhouses and apartments. Vouchers are administered locally by the public housing authority (PHA) or state agencies.

Continued on next page

Section 8 Program, Continued

Section 8 Housing Choice Voucher Program, (continued)

An eligible family (or individual) is issued a voucher and is responsible for finding a suitable housing unit that the owner has agreed to rent under the program. Rental units are inspected prior to initial occupancy and annually thereafter to meet minimum standards for health and safety. The subsidy is paid directly to the owner, with the family paying the difference between the voucher amount and market rent. Families must pass regular screening criteria and annual recertification for their share of the income.

There is a formal application and approval process. Long waiting lists are commonplace (from 2 to 10 years), and each PHA establishes its own order of preference for awarding vouchers. For example, a homeless family or family in substandard housing may get preferential position.

The program is flexible to provide for expanding income for the family, moves to different parts of the country and changes in family circumstances. In other words, the voucher/subsidy moves with the family.

Participation in the program by owners is voluntary in many states. As a voucher program owner, owners have a mandate to provide decent, safe and sanitary housing at a reasonable rent. The unit has to pass program standards and remain in compliance so long as rent subsidy payments are received. The HUD lease addendum and PHA contract prevail over the owner's lease.

Note: Tax credit properties MUST accept Section 8 vouchers.

Section 8 Program, Continued

Types of Vouchers

The following table explains the types of vouchers that are available in this program.

Voucher	Use
Conversion	For replacement housing due to demolition, disposition or conversion. It is also used when an owner “opts out” of the HUD program by prepaying a HUD mortgage.
Family Unification	Assistance to families for whom housing expense has caused separation from children or prevented reunifying children with their families.
Homeownership	Assistance to low-income families buying homes.
Project-based	For owners, as incentives to develop, rehab or make available additional housing units.
Tenant-based	For low-income families seeking safe, clean affordable properties.
People with disabilities	For disabled people seeking housing.
Welfare-to-work	Assistance in the transition from welfare to economic self-sufficiency.

Special Section 8/subsidized housing termination requirements

Generally, the owner must be able to demonstrate good cause for the termination since the resident will lose his housing and/or voucher and in some cases may become homeless. An owner’s ability to terminate such tenancies without cause is limited by federal law and by the terms of the HUD-required lease addendum.

Even if the termination is for “cause,” it is always wise to consult with an experienced attorney when terminating a subsidized tenancy.

Additional requirements may apply when an owner chooses to stop participating in a subsidy program.

Management Agents

Types of agents The following table describes the four types of management agents recognized by HUD in its programs.

Type of Agent	Description
Owner/Manager	Also known as “self-management.” The owner and management are the same business organization. The same person who owns the property is also the manager.
Identity-of-Interest (IOI) Manager	The manager has a separate relationship to the owner. The manager also controls 10 percent or more of the voting rights of the owner entity.
Independent Fee Management Agent	The manager has no financial interest in the property. The only interest in the property is earning a fee for management services.
Project Administrator	Reports are made to a Board of Directors. The Project Administrator directs the day-to-day activities of the property (usually designed for elderly, handicapped or disabled residents). The manager receives a salary rather than a management fee.

How HUD monitors management If the management’s operating procedures do not meet with HUD’s approval, HUD will recommend specific improvements. However, HUD usually abstains from involvement in the daily operations of its properties unless there is a complaint.

Management Agents, Continued

Types of HUD reviews

HUD conducts the following three (3) types of reviews.

HUD conducts this type of review...	To...
Physical inspections	confirm that properties are in decent, safe and sanitary condition.
Management reviews or onsite visits	review occupancy practices, marketing, resident inquiries and record keeping.
Financial reviews	confirm that project funds are being handled properly by reviewing financial statements.

Tenant Selection Plans and Affirmative Fair Housing Marketing Plans are required and are commonly reviewed.

Potential consequences of failure to comply

HUD uses the following three (3) basic sanctions to discipline violators.

- Remove the manager for failing to
 - o maintain the physical condition of the property,
 - o follow proper management practices,
 - o keep proper records and reports, or
 - o observe fair housing and equal opportunity requirements.
- Impose civil penalties, such as monetary penalties, for various violations, with possible referral to the Department of Justice for civil action, and for tax-credit properties, loss of tax-credit benefits.
- Impose criminal penalties, such as fines and imprisonment, for making false statements and misusing funds.

Tax credit properties can also lose their tax status if found guilty of fair housing discrimination.

Creating a Positive Fair Housing Environment

Risk of complaints

Many fair housing complaints occur because a seemingly innocent action or remark on the part of the onsite staff is perceived as discriminatory. Community managers need to create an environment where complaints are less likely to occur because an emphasis on fair housing is present throughout the property operations.

Fair Housing poster

The placement of the federal Fair Housing poster in a clearly visible location within the rental office is a requirement for all properties of four units or more. The required size is 11 inches by 14 inches.

Creating a positive fair housing environment (Equal Housing Opportunity)

Encourage an aware and welcoming environment by following these guidelines.

- Display the symbols of fair housing, the “Fair Housing” poster, the Equal Opportunity Housing symbol and accessibility symbols on signs, placards and any other marketing or printed material. These actions remind the entire staff, as well as applicants and residents, that the community is sensitive to fair housing concerns.
 - Provide accessible parking places for applicants visiting the property as required by the ADA.
 - Document everything.
 - Establish a routine of documenting all visits, calls and emails from prospects or residents.
 - Use a log to document telephone calls and visits. Note the date, time and specific information about the reason for the contact as well as who took the notes.
 - Be especially alert to traffic logs and guest cards, work orders, applications, leases and other lease documents and use of incentive programs.
 - Document any deviations from established policy (who, when, what and why).
 - Keep all documents a minimum of three, and preferably four, years.
 - Document the selection criteria used to approve applicants. Make copies available to all applicants. Make sure all selection decisions are in line with the written criteria.
-

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Creating a Positive Fair Housing Environment, Continued

Creating a positive fair housing environment (continued)

- Treat all residents, applicants and staff equally, fairly, courteously and professionally.
 - Do not permit insensitive or offensive jokes, pictures or slogans to be used anywhere on a rental property, by anyone, including staff, contractors or applicants.
 - Do not have anything with symbolic meaning that might indicate a preference or limitation in the rental office.
 - Have a policy that you won't tolerate any type of discriminatory behavior by residents, whether toward other residents, onsite staff or vendors. Check with fair housing-knowledgeable counsel if the activity is occurring between residents.
-

Complying with the Law

Overview

No person, policy or procedure can guarantee that a property will never be sued under the fair housing laws. Understanding and implementing the following practices can help minimize risk and potential liability. The best policies and procedures don't help if they aren't being implemented by all staff members every day.

Compliance guidelines

Compliance and prevention are two aspects of fair housing that each property manager must address. Follow these guidelines to monitor your property's operations for compliance with the fair housing laws.

- Determine if the property receives federal funding and, if so, what the requirements are.
 - Identify state and local fair housing laws that apply to the property.
 - Review existing community and operating policies.
 - Perform a familial status review of rules and policies.
 - Develop improved policies and procedures and have them reviewed by fair housing-knowledgeable counsel before implementing.
 - Provide new or revised policies to staff and/or residents.
 - Identify known problems, if any, concerning fair housing requirements.
 - Determine whether any facility, other than the rental office, is covered by the ADA.
 - Perform an accessibility review on the property.
 - Meet with accessibility experts for advice on needed changes.
 - Make needed modifications to property.
 - Send management staff to annual fair housing training.
 - Administer follow-up quiz and reinforce fair housing policies with staff.
-

Cutting Edge Issues

Cutting edge issues

A prudent manager will stay informed of the new cutting edge issues affecting rental housing today. The following are some of the developing fair housing issues:

- Linguistic profiling is discrimination that can occur based on how a prospect or resident sounds (accents, slurs or difficult to understand). If a manager makes a decision based on the sound of someone's voice, it would be discriminatory. Linguistic profiling has been and will continue to be tested around the country.
- Visitability, already a localized requirement in some areas, describes new construction that must accommodate people with disabilities who visit able-bodied residents.
- Victims of domestic violence have been protected under certain circumstances based on the protected class of sex. Where families are commonly evicted in the case of domestic violence, it appears that the victims, generally female, may be protected since the policy has a disparate impact on women.
 - The VAWA (Violence Against Women Act) already provides federal protections for women in public housing and other subsidized programs.
 - Many states already have domestic violence statutes of their own. Be sure to learn about those laws when faced with a domestic violence situation on your property to avoid any legal missteps.
- Immigration issues and Homeland Security policies that may target protected classes, such as national origin or religion, are ongoing concerns of enforcement agencies and fair housing advocacy groups throughout the country.

Continued on next page

Cutting Edge Issues, Continued

Cutting edge issues (continued)

- Use of medical marijuana in states where it is legal is in conflict with federal drug laws. There is continued conflict between these laws and continued confusion between state and federal directives. This can impact housing providers in those states because while it is illegal under federal law to grow, use or distribute medical marijuana, state law may require that their state enforcing agencies investigate claims of discrimination based on disability accommodations.

Check with your attorney if you have a resident claiming they have a right to use medical marijuana as an accommodation for disability.
 - Name profiling is discrimination based on a person's name, such as first names that are common to African Americans or Middle Eastern names, and then basing rental decisions on those names. As more people immigrate to the U.S., name-profiling is likely to increase.
 - Second-hand smoke and smoking in rental property is a growing issue throughout the country. Many cities have enacted ordinances prohibiting smoking in certain areas of a multi-family property. To avoid the problem entirely, many properties have gone "smoke-free." Expect more legislation at both the local and state level throughout the country in the future.
-

Leasing Practices

Handling inquiries and site visits

Some of the best practices to reduce the risk of discrimination are to

- Keep a record of the date and time of all phone calls and visitors with a brief description of the conversations and the name of the note taker. This is useful in harassment situations.
- Use a standard welcoming greeting for both telephone and in-person visits. Be enthusiastic with everyone.
- Establish a policy for timing and format of responses to all electronic leasing inquiries.
- Establish a policy for returning all phone messages or voice mail.
- Use the same procedures for all phases of the selling process, from greeting to qualifying. Document any necessary deviations.
- Instruct staff not to answer questions regarding the demographic make-up of the residents and how to politely decline to discuss the issue. Even if a person of the same protected class asks about people like themselves, the question should not be answered other than with a polite refusal. We suggest that you answer the question by indicating that fair housing laws prohibit the tracking or keeping of such information. Further state that all residents who meet the property's rental criteria are welcome.
- Ensure the leasing area and tour routes are clear of any impediments and accessible to disabled applicants.
- Provide all applicants with an equal quality tour. Document any necessary deviations.

Keeping records of available units

- Ensure each staff member has an up-to-the-minute leasing availability record. Update the information throughout the day as units become leased or notices to vacate are given.
- Document when the make-ready process is completed and a unit becomes available for showing and leasing.
- Train staff in the proper recording of comments about the units on the availability list. For example, do not use descriptions such as "quiet," "active adults only," "executive property" or "private community."

Leasing Practices, Continued

Making offers

Follow these tips when making offers:

- Do not direct certain prospects to certain apartments, for example, to a unit that is near the playground for a family, a ground floor unit for a mobility-impaired prospect or a unit with security system for a single female. This is friendly but discriminatory “steering.”
 - Make the same housing offer to every applicant for the same unit.
 - Negotiating the rental price with residents is a risky practice. Everyone should be offered the same rent for the same unit. Before undertaking a practice of negotiating rental prices, seek the advice of a fair housing-knowledgeable attorney.
 - When rent specials are in effect, clearly document the beginning and end of the campaign. Be sure that every prospect is offered the special, even if they are not aware of it.
 - Beware of offering “discounts” to applicants. For example, preferred employee programs, which give preference to employed applicants, should only be offered in states which do not protect “source of income.” Senior discounts show both a preference based on age in some states and a limitation based on familial status, and has been litigated in past years.
 - Provide an application to every applicant 18 years of age or older (and minors who are emancipated by court order, active duty in the military or by marriage).
 - Do not attach a photocopy of the applicant’s photo-ID to the application. You may request a photocopy AFTER the applicant has been approved as a resident.
-

Screening applicants

- Ensure that the application process is neutral and does not discriminate against an applicant’s membership in a protected class. It should also be consistent for every applicant. This guarantees that every application is reviewed against the same criteria and receives equal consideration.
- Reference: See the topic “Applicant Screening” in the *Management of Residential Issues* module for additional information on screening applicants.
- Do not use information that is acquired informally in the screening process. The use of any information not obtained through the normal screening process leaves the property open to fair housing complaints.

Continued on next page

Leasing Practices, Continued

Screening applicants, (continued)

Disqualification for residency based on criminal background could be considered to have “disparate impact” on some protected classes unless it relates to the prospective resident’s ability to meet tenancy obligations.

Example: Crimes that occurred a very long time ago, or that are of certain types (illegal gambling, bigamy), may not relate to the ability to perform the obligations of tenancy.

Megan’s Law

In most states, property owners are not required to rent to persons who are registered sex offenders. However, in California, owners can be heavily fined for denying housing to persons on the offender’s list, which is an important difference for national companies to be aware of when developing rental criteria.

Registered sex offenders are not allowed in any HUD-subsidized, project-based housing.

Providing agreements or contracts in foreign languages

In project-based, subsidized housing, the mandatory federal Limited English Proficiency or LEP program requires that leases and other documents be provided in a variety of languages for applicants and residents. HUD has a number of these forms available on their Web site for downloading.

Resident Practices

**The relationship
between you
and your
residents**
(management to
resident)

Do the following to minimize fair housing issues that may arise between management and residents.

- Let disabled prospects and residents identify their needs. Do not presume or attempt to accommodate out of good intentions.
- Never threaten or intimidate or otherwise pressure a resident because the resident's visitors or associates are from protected classes.
- Always treat applicants and residents with respect. Make each one feel valued and proud of their apartment homes.
- Policies for common area amenities should not discriminate against protected classes but should use fair rules for conduct, sanitation and safe operation.
- Consider the manufacturer's recommendations for use of fitness or other equipment if establishing rules for use of the fitness center and/or other common area amenities.
- Do not ban children from, or set unreasonable restrictions for, the use of recreational amenities. Require adult supervision only where appropriate based on legitimate and verifiable health and safety reasons.
- Handle all complaints promptly, including harassment and sexual harassment.
- Provide equal service to all residents. This includes having a written procedure for handling maintenance requests in a timely manner.
- Follow that old management warning: be friendly, but never a friend, to your residents.

Continued on next page

Resident Practices, Continued

**The relationship
between your
residents**
(resident to
resident)

Do the following to minimize fair housing issues that may arise from resident-to-resident relations.

- Don't automatically assume the issue is just a personality problem and ignore it.
- Don't automatically evict both parties in the dispute.
- Be cautious about taking eviction action based on behavior if a female resident could be a victim of abuse or harassment by a spouse or live-in. Such situations have been held to be sex discrimination by the housing provider against the female victim and should be considered on a case-by-case basis. Obtain legal advice before proceeding.
- Set a policy for responding consistently to resident complaints of other residents who are harassing him/her because of the resident's protected category. List the steps that should be taken in the procedure.
- Get the complaint in writing or document a witness' statement or write a confirming letter to the witness if necessary.
- Investigate the situation. If in doubt as to what to do, check with fair housing-knowledgeable counsel as to whether investigation is appropriate and how to proceed in the particular situation
- Consult fair housing-knowledgeable legal counsel for proper response to findings.
- Respond to the accused resident. Provide a warning if the findings support the claim that harassment occurred.
- Respond to the complaining resident by asking what they want done as a result. Do not promise compliance with the request.
- Document and follow up with all parties regarding the findings.

Be prepared to evict the abusive resident if the evidence shows that harassment occurred.

Testing of Leasing Practices

Overview

“Shoppers” are used broadly in the industry by companies seeking to “test” the leasing performance of the onsite staff. The shopping service’s “test” may include testing of some fair housing practices. Frequently, such shopping is used to evaluate just-completed training or as part of a performance appraisal.

“Testing” is similar to shopping except it is conducted to compare the information and treatment provided to testers who pose as applicants strictly for fair housing purposes. It is carried out, in most cases, as a result of a complaint being filed. Two testers of different races or other protected classes, depending on the complaint, may be used to determine whether the staff treats a person from that protected class less favorably in the leasing process.

Testers

Testers are trained individuals who pose as applicants to collect evidence of discrimination, usually after a fair housing complaint has been filed. They have no intention of renting an apartment or purchasing a home. Fair housing and tenant advocacy organizations train and use testers to determine if the owner or community manager is engaging in discriminatory behavior.

Testers and fair housing groups have the legal right to file a fair housing discrimination complaint on their own.

When testing can happen

Testing can be conducted at any time.

There are two types of testing: 1) testing in response to a complaint and 2) testing as part of an “audit” or “survey” to determine the level of discrimination against a particular protected class in a given community or city at a given time.

Who conducts testing

Testing is usually conducted by local private fair housing advocacy agencies. In a proactive style, testing may be ordered by the management or owners if discrimination is suspected. Consult with fair housing-knowledgeable counsel before hiring testers to minimize the risk of a test backfiring on you. The practice can be risky since the results may be discoverable in a fair housing complaint.

Testing of Leasing Practices, Continued

Funding for testing

HUD and occasionally the DOJ provide grants to fair housing advocacy groups across the country under HUD's Fair Housing Initiatives Program. The money is used to investigate cases of housing discrimination through undercover investigations, including testing.

The testing scenario

Testing occurs when two individuals simulate a housing transaction with the intent of gathering evidence of discriminatory housing practices. The two individuals will have similar profiles and housing needs, but only one will belong to a protected class. Both testing parties contact the same rental provider and complete a questionnaire after the contact. It is then reviewed by a third party (debriefed) to determine whether they were treated equally.

Testers are not permitted to ask discriminatory questions or become involved in a discriminatory discussion on the property. The purpose of the test is to obtain objective evidence that will hold up in court.

Characteristics of a test

Below are some of the characteristics of a test.

- Contact may be made via the telephone, personal visit, electronically or all three.
- Calls or visits can occur as soon as within a half hour of each other, depending on the circumstances of the particular community or the particular test being conducted.
- Testing is legally recognized as evidence of discriminatory practices.
- Testing is usually the result of a complaint being filed. If the complaint was filed with a fair housing agency, evidence from the testing may lead to a complaint filed against the property with HUD or in some cases, with the Department of Justice.
- Testing can be used to evaluate fair housing compliance in telephone presentations using testers with ethnic names, accents or of different races or national origins. The test is for linguistic profiling, a relatively new focus.
- Testing can also be used to evaluate fair housing compliance with regard to response to electronic inquiries as well as responses to phone messages.

Note: Some private civil rights groups have been known to use audio and videotapes and photographs to determine if a landlord or property manager discriminates.

Fair Housing Complaints

Overview

Both federal and many state fair housing laws have established procedures for handling complaints as well as statutes of limitation. This process usually begins with the filing of a complaint with HUD, a state administrative agency or a private fair housing organization.

Administrative and non-administrative enforcement of fair housing laws

Federal:

Administrative enforcement of federal fair housing laws is the responsibility of the Office of Fair Housing and Equal Opportunity (FHEO), a subdivision of HUD.

The U.S. Department of Justice (DOJ) also has authority to enforce federal law and can bring “pattern or practice” lawsuits against companies if it believes that a violation is ongoing rather than a “one-time” discriminatory incident.

Substantially Equivalent State/Local Agencies

Organizations which have met the “substantial equivalency” requirements may intake, investigate and resolve fair housing complaints. This is only where state fair housing laws are equivalent to the federal laws. They also handle complaints that occur in their state or local area that are referred to them by HUD.

Fair housing agencies:

Throughout the country, private agencies also take complaints and provide testing in fair housing situations. They are not part of the administrative process; however, they often refer cases to either HUD or state agency when it appears that there is a reasonable belief that discrimination has occurred. For the most part, these agencies provide fair housing education and mediation services.

Private attorneys:

Private attorneys also handle many fair housing complaints through the state or federal court system. In many cases, they take the cases on a contingency basis since many complainants have few financial resources.

Timeliness of complaints (statute of limitations)

Complaints filed with HUD must be filed within one (1) year after the occurrence of the alleged discriminatory act or practice. Complaints filed in state or federal court must be made within two (2) years of the occurrence, not counting any time that the administrative agency has been processing the complaint. This means that a complaint could be filed in court as long as three years after the alleged event took place.

Fair Housing Complaints, Continued

Who are the parties to a complaint

The following individuals or groups are named as parties to a complaint:

- **Aggrieved person**—An aggrieved person includes any individual or entity who claims to be, or believes that they have been, injured by a discriminatory housing practice. To file a complaint, information must be provided to establish that the claim is jurisdictional, meaning that a marital status complaint, for example, falls under a particular state law, not federal law. Additionally, a nexus or relationship must be demonstrated between the alleged injury and the protected status. Most complaints filed with an administrative agency are by in-place residents based on evictions, harassment, denial of accommodations or modifications, for example. Persons seeking an apartment who allege discrimination make up a much smaller share of the complaints filed.
 - **Complainant**—The person(s) or entity filing a fair housing complaint is called the Complainant. A complainant can be an aggrieved person, fair housing group or governmental agency. Complainants and aggrieved parties can include residents, applicants, guests, testers, fair housing agencies or employees.
 - **Respondent**—The entity or entities named as causing the alleged injury is called the Respondent. A Respondent can be any person having ownership, a lessor, sub-lessor, assignee, managing agent, salesperson or real estate broker. Essentially, anyone employed on the property or involved in the company could be named.
-

Reasons that complaints are not filed

Enforcement agencies have found that individuals who have been discriminated against may decide not to file a complaint because of

- a fear of reprisals (a reprisal itself is a violation),
- a lack of reaction due to previous incidents of discrimination,
- a lack of knowledge about how to proceed, and/or
- a lack of knowledge that help is free.

Further, the person who believes he or she has been discriminated against may fear that the complaint process will be too emotional or painful for him or her to pursue.

Note: A HUD Study showed that 40% of those who feel they have been discriminated against did not file a complaint because they felt nothing would change because of it.

Federal Administrative Complaint Process

The federal administrative complaint process (HUD)

A complaint with HUD can be filed

- by phone,
- online,
- by fax,
- by mail,
- or by iphone app.

Note: The majority of housing complaints filed with HUD will be referred to state enforcing agencies for investigation and determination. HUD retains final control over the complaint but usually concurs with the state's findings. When this happens, the first letter you would receive comes from HUD. Shortly thereafter, you will receive a letter from the state enforcing agency.

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Federal Administrative Complaint Process, Continued

The federal administrative complaint process (HUD)
(continued)

The following explains the federal complaint process when it is filed with HUD.

Notification to Respondent

HUD tells the respondent of the complaint and asks them to submit an answer to the complaint.

Investigation

The complaint will then be investigated to determine whether there is reasonable cause to believe the violation occurred. The investigation includes interviewing witnesses, reviewing documents and collecting data. At the end of the investigation, HUD will either make a determination of “no cause” and dismiss the complaint or “charge” the respondent with discrimination.

Notification to Complainant

HUD must complete the investigation within 100 days unless it is impracticable to do so. When the 100-day time-frame is logistically impossible to meet, HUD must notify all parties in writing as to what the estimated period for the investigation will be.

Conciliation

If HUD has reasonable cause to believe that a violation occurred, HUD issues a formal charge of discrimination and brings the complaint before an Administrative Law Judge (ALJ) on behalf of the complainant. The complainant may intervene and be represented by his or her own attorney. HUD will try to reach an agreement with the respondent that protects both the aggrieved person and public interest.

Administrative Hearing

If HUD finds reasonable cause to believe discrimination occurred but is unable to negotiate a conciliation agreement, it will hold an administrative hearing within 120 days unless the complainant or the respondent want the case to be heard in Federal court. Either can choose this option.

Federal Administrative Complaint Process, Continued

The federal administrative complaint process (HUD)
(continued)

Action

If the respondent signs the agreement, HUD will take no further action. If the respondent breaks this agreement and HUD has reasonable cause to believe that this has occurred, they will recommend that the Department of Justice file suit.

Referral

If HUD determines that a state or local agency has the same fair housing powers as HUD (meaning it meets the substantial equivalency requirements), it may refer the case to that agency for investigation (as it does in many states). If the local agency does not begin work on the complaint within 30 days, HUD may take the case back.

Federal Administrative Complaint Process, Continued

Possible penalties in the federal administrative process

If the Administrative Law Judge (ALJ) decides that discrimination occurred, the respondent can be ordered to do any or all of the following:

- Compensate the complainant for actual damages, including humiliation, pain and suffering.
- Be subjected to injunctive or other equitable relief; for example, to make the housing available to the complainant.
- Pay the Federal Government a civil penalty to vindicate the public interest. (The maximum penalties are up to \$16,000 for a first violation, \$37,500 for a second violation within a five year period and \$65,000 for more than two violations within the preceding seven years. These amounts are subject to frequent increase by the government.)
- Pay reasonable attorney's fees and costs.
- Turn over management of the property to professional property management and stay away from the property (common in sexual harassment cases).

Legal Obligation Basics

Manager's responsibility

You are not a lawyer, but your job requires a working knowledge of certain legal obligations surrounding rental housing. Rather than ask you to memorize cases, statutes and regulations as lawyers must, let's discuss how we can become legally obligated.

Private agreements or contracts

A contract is an agreement with specific terms between two or more persons or entities in which there is a promise to do something in return for a valuable benefit known as consideration. These agreements are called contracts. Contracts are promises that are enforceable by law.

Common Law

The courts in the United States are influenced by Common Law, which began in England in the Middle Ages. Even today, our Supreme Court decisions may cite some ancient ruling in support of a judicial opinion. It is that tradition when joined with respect for prior similar decisions, (called legal precedent) that creates the Common Law.

Common Law is the historical treatment of legal issues by the courts

Government

The United States Government, state governments, as well as municipalities, counties, and townships all have the ability to enact laws and regulations which require compliance. Statutes are more important than private agreements or the Common Law on the theory that statutes represent the reasoned decisions of our elected representatives. Therefore, a private agreement that violates a statute will not be enforced (e.g., a lease that violates state landlord tenant law).

This is why it is important to be aware of the laws in the jurisdictions where apartment communities are located.

Unenforceable agreements

An agreement made with minors (unless legally emancipated) or incapacitated persons are not legally enforceable.

Example: You rent a unit to a 17 year old with false identification.

Negligence

Overview No legislature can pass enough laws to govern every aspect of human behavior. The courts have used Common Law principles in the absence of statutes. One of the most important of these principles is negligence.

Definition Negligence is defined as an unreasonable response to a foreseeable risk.

Liability determination Questions likely to be asked include was the danger foreseeable and was the response reasonable?

Premises liability As part of their obligation to provide suitable housing, managers assume the duty to maintain a habitable environment. This is different from a guarantee of a safe environment.

Resident injuries on the premises Management may be liable if the injury was a result of management negligence or conduct that was unreasonably careless. The important question is never “Can I be sued?” The important question is “What is my exposure?”

A personal injury claim could be filed under any one of the following circumstances.

- You were legally responsible for the “control area” and failed to repair the “system” or problem that caused the injury.
 - An accident was foreseeable.
 - The chances of an accident could have been sharply reduced with reasonable attention to the repair problem.
 - It’s probable that a serious injury could result because of your lack of reasonable attention.
 - Your lack of response to the proper maintenance was the cause of the injury.
-

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Negligence, Continued

Mitigation of manager's liability

The manager's liability may be mitigated under the following circumstances.

- The injury was the result of the resident's carelessness. For example,
 - the resident disregarded posted warnings, was drunk, never reported the problem in a timely fashion, etc.
 - The injury occurred but was not the direct result of failed maintenance.
 - The manager was honestly unaware of the particular needed repair.
 - You have a proven track record in seeing to the timely maintenance needs of the facility.
 - The repair was scheduled, but given circumstances beyond your control, you were unable to perform the necessary repairs.
-

Nuisance

Another dimension of habitability is the need for managers to respond appropriately to the potential for danger to residents. The following are recommendations for preventing potential danger to residents and reducing potential liability for injury claims.

- Know the frequency and nature of crime in your particular neighborhood.
 - Consult with the local police department to see if it has someone who will visit your property and show how physical security can be improved.
 - Participate in the Crime Free Multi-Housing Program or any similar program offered by the local police.
 - Know and observe city and state laws regarding precautions such as:
 - Installation of dead-bolt and keyless locks
 - Lighting requirements
 - Procedures for entry of non-residents
 - Landscaping design and upkeep
 - Hiring of a doorkeeper, and
 - Parking lot surveillance
-

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Negligence, Continued

Nuisance, (continued)

- Keep your residents reasonably informed of current criminal activity in your neighborhood. Crime in the neighborhood and on site should be identified in an alert letter to each resident. Company policy will provide guidance and should describe at what point such a letter should be written, what it should say and how it should be distributed. Managers who understated criminal activity to prospective residents have been found liable if residents are injured by criminal activity.
- Encourage residents to understand their personal responsibility for their own safety and to inform the manager of dangerous situations around the community.
- Carefully screen applicants prior to move in, and confront illegal activity quickly by calling local law enforcement.
- Conduct regular property inspections to ensure that there are no settings or circumstances (broken lighting) that might compromise resident safety.
- Cooperate with law enforcement officials and encourage residents to do the same.
- Develop a responsive strategy to the concerns and complaints pertinent to safety issues.

What happens if a resident is a victim of a criminal act

If a resident is the victim of a criminal act on your premises, a lawsuit could be brought against you. Nonetheless, it is practical and reasonable for the manager to offer support, express regret at the occurrence and offer assistance without invoking the potential for increased liability. A manager can be caring without becoming responsible for the incident. Company policies must always be carefully followed in these circumstances.

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Negligence, Continued

What happens if a resident is a victim of a criminal act,
(continued)

The resident has to demonstrate with a “preponderance of evidence” that you:

- intentionally tolerated illegal activity
- were negligent or careless in allowing it to occur, or
- failed to take reasonable precautions to prevent it

If the manager is found negligent, they may be liable for sizeable financial damages. Err on the side of caution and stress prevention! Remember, the damages suffered by the resident were caused by criminal activity. You can become liable for those damages if you acted unreasonably in the face of a foreseeable risk. Company policies exist to ensure “reasonable” responses.

FCC Ruling on Satellite Dishes, Central Antennas, and Exclusive Cable TV Contracts

Overview

Since the late 1990s, residents have been permitted to install satellite dishes for their use in their apartment home. The Federal Communication Commission (FCC) has permitted owners to fairly govern the method of installation and has made recommendations along those lines.

FCC rules

In its interpretation of the Telecommunications Act of 1996, the FCC has ruled the following.

- A resident of an apartment (or any leasehold space including seniors housing) may not be unreasonably restricted from installing an individual satellite dish of one meter or less in diameter or a traditional stick-type antenna on a balcony, balcony railing or patio that is totally within the premises being leased.
 - An existing exclusive agreement with a third party provider for television service to the property may not be used as a reason for restricting installation of a dish or antenna by an individual resident.
 - No dish or antenna may be installed on any common areas, including outside walls, outside window sills, roofs, common area balconies, common area stairwells or any other common area.
 - No holes may be drilled through outside walls, roofs, balcony railings or glass.
 - The property owner/manager is not required to install a central dish or other devices for residents who cannot otherwise receive a satellite signal.
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FCC Ruling on Satellite Dishes, Central Antennas, and Exclusive Cable TV Contracts, Continued

Resident requirements

Based on the FCC Order, a property owner/manager can insist on the following before an individual resident can install a satellite dish or antenna.

- A dish or antenna may only be installed on a balcony, balcony railing or patio that is totally within the individual leased premises.
 - No holes may be drilled in any exterior wall, roof, window or balcony railing.
-

Additional conditions

The following conditions can be applied to dish installation, so long as the conditions are not in conflict with any state or local laws.

- Residents can be required to sign a legal document holding the owner/manager harmless and assuming total responsibility for any personal or physical damage to property or persons as a result of damage or injury caused by the dish or antenna.
 - Residents can be required to obtain a reasonable amount of liability insurance adequate to fully cover claims that may be made by the property owner/manager or third parties as a result of damage or injury caused by the dish or antenna. The insurance should list the owner/manager as an additional insured.
 - Owners should encourage residents to have the dish or antenna installed by a professional. The “hook-up” to an inside receiving device can be made by either a flat cable under a sliding door or by means of a device on a window that allows a signal to pass through the glass.
 - Devices that extend the dish or antenna beyond the balcony railing or patio line may not be used.
 - So long as not prohibited by state or local law, a reasonable security deposit to cover any physical damage caused by installation may be requested.
 - • The satellite or antenna system must be a stand-alone system. A resident may not splice into any existing wires or cables.
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FCC Ruling on Satellite Dishes, Central Antennas, and Exclusive Cable TV Contracts, Continued

Satellite dish lease addendum The NAA Lease Package of documents contains a Satellite Dish Addendum that describes specifically the maintenance rules, required insurance coverage and installation requirements.

Central antenna option If the apartment property has a central dish or antenna for use by all residents, individuals may be prohibited from installing individual dishes if the central antenna provides the commercially acceptable signals that the individual viewer wishes to obtain and the cost of that central antenna service to the individual viewer is not greater than the cost of service the individual could obtain privately.

NOTE: Exclusive Contract Cable Ban-The FCC 2007 ruling that retroactively banned exclusive access agreements between apartment properties and cable television providers was upheld in 2009 by the U.S. Court of Appeals.

The Resident Experience

Reference Guide



Customer Service Opportunities

Communication opportunities and timeframes

The following table shows the opportunities for communication that you may have with a resident from the time they are a prospect until the end of their residency, and the suggested timeframes within which to make this contact.

Type of communication/contact	Timeframe
Personal phone call and written follow up	within 24 hours of initial visit
Applicant approval/denial notification	Within 24- 72 hours of application for residency
Interim communication with resident to be sure they are moving into the apartment	prior to move-in day
Lease paperwork completion and explanation	prior to move-in day
Move-in orientation and Personal Apartment Inspection (contact at least 48 hours prior to move-in to confirm the appointment)	on move-in day
Follow up call or visit to the resident in their new apartment	5-10 days after move-in day
Follow up call after service request completion to determine satisfaction	48 hours
Informal resident survey by mail to assess their living experience to date	3-4 months prior to lease expiration
Lease renewal invitation by mail and notification of lease expiration	60-90 days prior to lease expiration
Follow up calls and contact	throughout lease renewal process
Communication with resident via newsletter and information notices	ongoing

Applicant Screening Criteria

How criteria are established

Criteria have limits determined by company policy and you are responsible for complying with company policy. It is recommended that company criteria for credit, income and employment be printed and posted where all can see them in the leasing office. Many companies give signed copies of the criteria to every applicant in order to avoid any misunderstanding about the screening process. The following table contains some suggestions.

Criteria	Possible Levels
What credit history will be allowed?	less than 50% with a 3 or higher; less than 40%
What income to rent ratio will be used?	33%, 30%, 35%, 40%
How much rental history is required?	12 months; 24 months
How much work history will be required?	12 months; 24 months
Will late rent payment history be allowed?	3 in 12 months; 2 in 12 months
Will NSF check history be allowed?	1 in 12 months; 2 in 12 months
Will owner debt disqualify an applicant?	Yes; No
What happens if just one category is poor?	Extra deposit; Guarantor Required
Will guarantors be allowed and at what income level will they be required?	Yes; No.
Will a personal bankruptcy disqualify an applicant?	Yes; No

Information About Co-Signers

When co-signers are allowed

- Some communities accept co-signers. Check your company's policy as to verification requirements and when co-signers should not be allowed. When co-signers are allowed, the person must often sign the lease agreement.

Note: On the lease agreement, the co-signer is usually listed as a party to the agreement, but not as an occupant. If not a party to the lease, a guarantee agreement can be used and should be notarized. A new agreement should be executed in the event of lease renewal or other material change in lease terms.

Verification required

The co-signer agreement must be verified to ensure that the person meets all rental criteria and has sufficient income to also include the applicant's rental obligation.

When the lease expires and the resident wants to renew, re-verify the resident's application to determine if the co-signer is still required. If so, the co-signer must sign the lease renewal and be re-verified. If not, the co-signer may be removed from the lease agreement.

When co-signers should not be allowed

Co-signers should not be permitted if the applicant fails to qualify because he or she has unacceptable rent history which may include:

- judgments from other apartment communities
- a late payment history
- eviction from a prior owner,

Consult your company policy and screening criteria when dealing with recent mortgage foreclosure actions.

Occupant Changes

Prepare for changes in resident occupancy

Collecting rent and managing occupancy are two of the most important responsibilities for a community manager. Therefore, preparing for and managing changes in resident occupancy is essential for maximizing income. This topic will discuss what you can do to effectively manage and enforce lease obligations when the occupants of an apartment home change.

Change affects the bottom line

Despite having carefully qualified and approved applicants and executed signed leases, you will find that it is not uncommon for situations and lives to change. Roommates can change. Managing these changes is necessary to protect the revenue sources for your community.

Legal clauses

One way to prepare for change is to use reasonable and legal clauses in the lease that will protect your interests.

- Use lease clauses that limit occupants and require the company's permission for subleasing or assigning. Most companies don't allow subletting.
 - Use a "joint and several" clause in the lease. This clause states that when two or more people sign the lease, each person is liable for paying rent and adhering to the terms of the agreement. If one resident cannot pay their share of the rent, or simply moves out, the other resident must still pay the full rent due. Also, each resident is responsible for any occupant's action that violates any of the terms of the lease.
 - Have all occupants of legal age sign the lease as lease holders and not simply permitted occupants.
 - Check company policy for how payments from roommates are handled. Is one payment for all occupants required or are individual payments accepted from each occupant for the combined rent and fees due.
-

New occupants

If adding a new occupant is allowed by the community manager:

- at least one original occupant should remain in the apartment.
 - the new occupant must meet all the qualifying guidelines for an occupant
 - the rental application should be completed and approved prior to the new occupant moving into the apartment, and
 - an application fee should be paid by the new occupant.
-

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Occupant Changes, Continued

Removing occupants

If removing an occupant is allowed by the community manager:

- at least one original occupant should remain in the apartment
 - all occupants should complete and sign an addendum to the lease stating that
 - the security deposit will not be refunded until all occupants move out
 - the remaining occupants will be responsible for the apartment and all damages
 - the moving occupant will have no further claim to the security deposit, and any concerns regarding the security deposit must be handled between the occupants, and
 - all keys must be returned by the moving resident, and
 - all lease terms should remain the same.
-

Community Policies

Example of policies

The table below shows examples of community policies that may be incorporated within the lease agreement or part of an addendum of community policies attached to and incorporated by reference.

Issue	Policy
Emergencies	<ul style="list-style-type: none"> • Call 911 first, and then notify the office. • Maintenance emergencies handled 24 hours a day. After hours, call the answering service.
Parking/Vehicles	<ul style="list-style-type: none"> • Vehicles cannot park in unauthorized areas. • Vehicles must have current license plates. • Vehicles not permitted without manager's approval include: <ul style="list-style-type: none"> o motorcycles o RVs o trailers o boats o jet skis, and o commercial vehicles. • Vehicles not permitted on the property include inoperable, unlicensed or abandoned vehicles. • Repair or washing of vehicles is not allowed without manager's approval. • Towing policies
Walls/Windows	<ul style="list-style-type: none"> • Hanging of objects from any balcony, windows or in front of any apartment unit is not permitted. • Residents cannot put anything on windowsills or balcony railings, and shall not permit anything to be thrown from the windows. • Mini blinds may not be removed without manager's approval. • Window treatments must have white backing to provide a uniform look. • Residents may use nails and non-adhesive picture hangers on the walls.

Continued on next page

Community Policies, Continued

Example of policies, (continued)

Issue	Policy
Appliances/Fixtures	<ul style="list-style-type: none"> • Equipment in bathroom and kitchen may only be used for the purposes they were intended for. • No throwing of glass, corn cobs, nut shells, fruit pits, bones or non-food in the disposal. • Portable washers, dryers or dishwashers not allowed without prior manager's approval.
Noise	<ul style="list-style-type: none"> • Residents and guests are required to control the volume of stereos, radios, television or other musical devices within the apartment and the community. Disturbance of residents in other apartments will not be permitted. • Residents are responsible for their guests at all times. • Large parties are forbidden.
Trash	<ul style="list-style-type: none"> • Trash must be deposited in trash containers located in the community. A fine may be charged to a resident if trash is left in hallways or other common areas. • Residents must abide by all local and state regulations regarding the sorting, separation and recycling of waste products, garbage and trash.
Grilling	<ul style="list-style-type: none"> • Charcoal and gas grills on the balconies or patios is not allowed where prohibited by local ordinance, and only allowed elsewhere when approved by management.
Lockouts	<ul style="list-style-type: none"> • Lockout service will be performed during office hours only, upon resident's presentation or proper identification.
HVAC Closets	<ul style="list-style-type: none"> • Residents may not place or store anything within two (2) feet of heating or air-conditioning closets or units. Local ordinances/codes must be checked and followed. • Many communities/cities do not allow storage of any kind in these closets. • Flammable materials may not be stored anywhere within these closets. Management reserves the right to inspect these areas.

Continued on next page

Community Policies, Continued

Example of policies, (continued)

Issue	Policy
Liquid Filled Furniture	<ul style="list-style-type: none"> Residents must maintain and provide the manager with evidence of current renter's insurance for waterbeds and other liquid filled furniture prior to the installation of such items. The insurance policy must cover the apartment community for damages.
Solicitations/Notices	<ul style="list-style-type: none"> Solicitations/Notices by residents or posting of any notices is prohibited without permission from management.
Amenities	<ul style="list-style-type: none"> Residents must adhere to the operating hours and policies of the amenity areas. Guests must be accompanied by a resident.
Trails/Paths	<ul style="list-style-type: none"> Any resident using any jogging or walking trail on or abutting the property after dark does so at his or her own risk.
Packages	<ul style="list-style-type: none"> Residents will allow management to accept packages from the post office and other carriers on behalf of the resident. The resident must show valid identification to claim the package. Packages not claimed after 7 days will be returned to the sender at the resident's expense.
Common Areas	<ul style="list-style-type: none"> The sidewalks, entryways, halls and stairways of the community will not be obstructed or used for any purpose other than ingress and egress to and from the apartment. This includes storage of personal property of any kind.

Continued on next page

Community Policies, Continued

Example of policies, (continued)

Issue	Policy
Swimming Pool	<ul style="list-style-type: none"> • Lifeguards are not provided by management. Residents and guests swim at their own risk. • Management is not responsible for accidents or injuries. • Children under [age] must be supervised by an adult when using the pool/spa. • The pool is for the exclusive use of residents. • No more than two (2) guests are allowed at the pool with any one resident. • Only unbreakable containers allowed in the pool area. • All trash must be deposited in the trash receptacle in the pool area. • No pets allowed in the pool area. • No diving allowed. • No alcohol is permitted in the pool area. • Regulation bathing suits must be worn at all times. • Gates must remain closed and latched at all times. • No radios or other musical devices may be played at volumes that would disturb others.
Pets	<ul style="list-style-type: none"> • No pets may be kept for breeding purposes. • Pets must be kept on a leash when outside. • Pets must be walked in natural or wooded areas. • Pet houses or crates are not permitted on patios, balconies or in common areas. • Pets are not permitted to be staked or chained outside the apartment. • All pet waste must be disposed of immediately and properly by residents. • Pets that cause noise complaints or display aggressive behavior will not be permitted to remain at the apartment community. • Pets (other than assistive animals) are not permitted in the club house, office, pool area, laundry room, or fitness center.

Continued on next page

Community Policies, Continued

Example of policies, (continued)

Issue	Policy
Satellite Dishes and Antennae	<ul style="list-style-type: none"> • The size of the satellite dish may not exceed one meter. • No satellite dish or antenna may be affixed on any common areas including, but not limited to, outside walls, windowsills, roofs, common area balconies, or stairwells. • No holes may be drilled through outside walls, roofs, balcony or patio railings, or exterior windows. • The satellite dish should be installed by a professional installer. • The satellite dish or antenna system must be a stand-alone system.
Garages and Carports	<ul style="list-style-type: none"> • Garages and carports are intended for automobile storage only. • No garage or carport is intended for storage of personal belongings. • Resident assumes responsibility for costs and expenses due to damage or theft of personal belongings stored in any garage or carport. • No smoke detectors or fire extinguishers are provided by management for garages or carports. • May also include information about: <ul style="list-style-type: none"> o garage rent o garage security deposit o access o insurance, and o vacating garages and carports.

Criminal Activity

Policy on crime Most properties will experience some kind of criminal activity, usually involving vandalism or noise complaints. All disturbances or incidents of crime must be dealt with immediately. Send the message to residents and guests that there is zero-tolerance for this behavior.

**Resident-
Resident
disputes**

Your responsibility

A resident's disruptive behavior should not be tolerated. A community manager may not know how to handle every situation and should never hesitate to ask for guidance from supervisory staff, legal counsel or the local law enforcement officials.

What you can do

Address and arbitrate (if possible) disputes among residents without delay. If management is aware of a potential danger to a resident or has been warned about disturbing behavior, any of the following actions may be appropriate:

- Initiate eviction proceedings against the resident involved in criminal activity. (Follow the policy in the lease if one exists for criminal activity.)
- Warn other residents. (The warning must be factual and as non-inflammatory as possible.)
- Call the police.

Respond quickly

Respond to complaints and concerns about residents quickly to manage inappropriate behavior. If management has been made aware of potential danger or discovered past criminal history and fails to react in a reasonable and timely manner, a victim may have legal recourse for recovering damages.

**Domestic
violence**

Your responsibility

Noise complaints may be the first sign of domestic violence. Do not ignore these incidents of family arguments that can be heard outside the residence. Domestic violence is just as much a criminal activity as violence between unrelated individuals. It can be just as dangerous as well.

Continued on next page

Criminal Activity, Continued

Domestic violence, (continued)

What you can do

Do not attempt to arbitrate in a domestic dispute. Call the police when there is the threat of physical violence to anyone involved in the dispute. Enforce the policies restricting noise and criminal activity and take appropriate actions, including eviction. Consult local counsel for compliance with applicable domestic violence victim protection laws and potential fair housing implications in domestic violence cases.

Drug dealing

Your responsibility

Drug dealing is another area managers need to monitor within the residential area. If drug dealing is not acted upon, it could cause many legal and practical problems.

Managing resident activity carefully and preventing criminal activities are among the top priorities of a manager. Make sure you include a clause in the lease agreement that prohibits the use of and dealing of drugs or other illegal activities. Promptly evict residents who do not adhere to this lease requirement.

What you can do

Managers should know the warning signs of drug use and drug activity, and train employees to spot drug activity and to identify drug paraphernalia when in a resident's home.

Warning signs for drug dealing activities include:

- Increased traffic at a resident's home, especially at night and on weekends.
 - Frequent traffic at very late hours.
 - Frequent visitors with short or brief stays.
 - Visitors who leave one person waiting in the car.
 - Visitors who arrive with valuable objects, but leave without them.
 - Residents and guests sitting in their cars for extended periods of time.
-

Continued on next page

Criminal Activity, Continued

Drug dealing (continued)

Warning signs of drug use or manufacture in a residence include:

- smoking paraphernalia including rolling papers, rolling tray, “roach clip,” glass pipes
 - syringes
 - bags of white powder
 - unusual amount of plastic baggies
 - unusual number of baking soda boxes
 - sophisticated weight scales or pocket-sized scale
 - overwhelming scent of ammonia
 - appearance of a laboratory including glass vials, bottles, jugs, flasks, and
 - extremely bright or high-wattage light bulbs on all night.
-

Seek help from the authorities

If you or your staff suspects a resident or a guest is involved in criminal activity, do not confront them. Contact local law enforcement officials and explain the situation. They will instruct you on how to proceed. Consider yourself a partner with the local police department; you have a responsibility to report any suspicious behavior. However, do not confront the individuals yourself.

Never hesitate to call 911 in an emergency. When calling be prepared to explain:

- the type of incident
 - whether it is still in progress
 - location of the incident, and
 - description of people and vehicles involved.
-

Move-Out Inspection

Handling items left behind in an apartment

When walking an apartment after a resident moves out, do not remove any items from the apartment that were left behind. Some company policies do not allow employees to remove items without a resident’s permission.

Follow the steps in the table below to handle items left in an apartment.

Step	Action								
1	Immediately contact the resident.								
2	Use the table below to complete this step. <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;">IF...</th> <th style="width: 50%;">THEN...</th> </tr> </thead> <tbody> <tr> <td>the resident tells you the items are trash</td> <td> <ul style="list-style-type: none"> • ask the resident to fax permission to throw away the items, and • throw away the items once the fax has been received. </td> </tr> <tr> <td>the resident tells you he or she wants to return for the items</td> <td> <ul style="list-style-type: none"> • take photographs of the items • place a tag on the bag so that the items can quickly be identified, and • store the items until the resident can return for them. </td> </tr> <tr> <td>you cannot reach the resident</td> <td> <ul style="list-style-type: none"> • take photographs of the items • make an inventory list of each item • place the item(s) in a bag, and • send the resident a letter to notify him or her that we are storing the item(s) and will hold them up to 30 days. </td> </tr> </tbody> </table>	IF...	THEN...	the resident tells you the items are trash	<ul style="list-style-type: none"> • ask the resident to fax permission to throw away the items, and • throw away the items once the fax has been received. 	the resident tells you he or she wants to return for the items	<ul style="list-style-type: none"> • take photographs of the items • place a tag on the bag so that the items can quickly be identified, and • store the items until the resident can return for them. 	you cannot reach the resident	<ul style="list-style-type: none"> • take photographs of the items • make an inventory list of each item • place the item(s) in a bag, and • send the resident a letter to notify him or her that we are storing the item(s) and will hold them up to 30 days.
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Continued on next page

Move-Out Inspection, Continued

Handling items left behind in an apartment, (continued)

Step	Action	
3	Use the table below to complete this step.	
	IF the resident... responds to the letter	THEN... <ul style="list-style-type: none"> store the items until the resident an return for them, <u>or</u> throw the item(s) out if the resident says it is trash and faxes you permission.
	does not respond to the letter	<ul style="list-style-type: none"> send another letter 30 days after the move-out to let the resident know the item(s) will be thrown away. <p>Notes:</p> <ul style="list-style-type: none"> Allow the resident a week to contact the office prior to actually throwing the item(s) away. If the property is not claimed and attempts to contact the resident have failed, the items may be thrown out, donated to charity or sold.

Security Deposit Disposition

Applying the security deposit to the last month's rent

Applying the security deposit to the last month's rent can be a problem since the condition in which the resident will leave the residence is unknown, and market conditions do not always allow the amount of the security deposit to be the same as a full month's rent.

If the security deposit is used as payment for the last month's rent, and the residence is left damaged, there will be no money to use on repairs or cleaning. The cost of the repairs will have to be absorbed or the resident will have to be sued. The best policy is to not allow the security deposit to be used for the last month's rent. This should be in the lease agreement.

When a resident wants to use a security deposit for last month's rent, the resident's non-payment or partial payment of the last month's rent can be treated as a case of rent non-payment like any other month. When this occurs, the community manager prepares and serves notice to pay rent or quit. If the resident doesn't pay upon receipt of this notice the appropriate legal steps should follow.

Reference: See the Toolbox for a sample Notice of Resident Intent to Terminate (Vacate).

Continued on next page

Security Deposit Disposition, Continued

Basic rules for returning deposits

The community manager is allowed to deduct from the security deposit whatever amount is needed to fix damages or restore unpaid rent. Many states have guidelines concerning this procedure. These guidelines vary from state to state, but usually give 30 to 45 days after the resident leaves to return the security deposit.

State security deposit statutes require the manager to send the resident's entire deposit or a written itemized account describing how the deposit was used for back rent, cleaning or damage repair. This is sent to the resident's last known forwarding address.

Promptly returning the security deposit with an itemized list of deductions and why they are necessary helps avoid future disputes with a resident. If there is no money to refund, an itemized list must still be sent.

Deductions for cleaning and damage

Disputes about the security deposit usually center on the deductions for cleaning and repairing the residence. Charges may be assessed for any cleaning or repairs necessary to make the residence available to rent. However, you should not deduct for the cost of ordinary wear and tear.

Reasonable deductions

Cleaning and repairs such as replacing stained or ripped carpets and drapes, fixing damaged furniture, cleaning excessively dirty kitchens and appliances, cleaning bathrooms or eliminating flea infestations. The question comes down to what is wear and tear versus what is the resident's responsibility. The general rules to follow are:

- Do not charge for conditions present at move in.
 - Do not charge for replacing an item when it can be repaired.
 - Consider the length of the resident's occupancy. It is difficult to collect for cleaning carpets, drapes and repainting walls when the resident has lived in the residence for more than one year.
 - Do not charge for cleaning if the resident paid a nonrefundable cleaning fee when he or she moved in.
-

Continued on next page

Security Deposit Disposition, Continued

Deductions for cleaning and damage, (continued)

- Charge fair prices for repairs and replacements. Security deposits should not be considered a source of revenue. Remember that much of our business depends on word-of-mouth referrals, and if the resident is upset it could potentially affect a positive referral.
- All charges deducted should have proper documentation, such as photos and repair receipts.

Painting

Painting, carpets and fixtures are also common areas of disagreement between residents and owners. The general rule is that if a resident has lived in the residence for less than a year, and the walls were freshly painted at that time, then the resident may be charged for the cost of cleaning or painting the walls. If the resident has lived in the residence for more than one year then the residence should be painted at the community's expense.

Rugs and carpets

If the carpet was new when the resident moved in then becomes stained and worn within months, it has been subjected to more than normal wear and tear and the resident may be charged for replacement. If the carpet was already worn at move in, and looks worse when the resident moves out, then that may be attributed to normal wear and the resident should not be charged for its replacement.

Fixtures

Furniture, fixtures or equipment that a resident physically attaches to the apartment are considered the property of the community. Residents are not allowed to remove these items when they move out. To avoid these problems, lease and rental agreements usually state that the resident is not allowed to make any changes to the residence without management consent. Examples of such fixtures include closet organizers, bookshelves or installed light fixtures.

Deductions for unpaid rent

Unpaid rent and utility charges can be deducted from a residents' security deposit. The following are common reasons for deductions from deposit.

Unpaid rent

When resident is behind on rent the community manager can deduct what is owed from the security deposit at the time the resident moves out. Using the deposit for unpaid rent during the tenancy is not recommended since there are other collection methods available while the resident dwells in the apartment home.

Continued on next page

Security Deposit Disposition, Continued

Deductions for unpaid rent, (continued)

Extended stay

The resident stays after the move out date. The rent can be prorated for the number of days the resident stayed and deducted from the security deposit.

Inadequate notice

Notice of less than 30 or 60 days, depending on the notice requirements in the lease, may require the resident to pay the full amount of rent for the balance of the notice period. If the apartment is re-rented during the notice period, most states will not allow charging the old resident for the period of occupancy by the new resident.

Fixed-term lease

If the resident moves before this type of lease has expired, the community may legally be entitled to the balance of the rent due under the lease, less any rent received for that period by the new residents. A termination fee (“buying out the lease”) may be allowed by the lease agreement, but such a lease agreement should be approved by company counsel and comply with local and state law.

Evictions

In many states, a money judgment will be issued after a court eviction, and the resident is ordered to pay rent through the date of the judgment. This allows the community manager to subtract from the security deposit the amount of the judgment and prorated rent from the date of the judgment to the time the resident actually leaves.

Deductions for damages and cleaning should be taken out of the security deposit first before anything else is deducted. The money entitled the community in the judgment can be collected through garnishing the resident’s paycheck in some states and other means, but damages and cleaning costs can sometimes only be received through the security deposit unless a separate court action is taken to collect them.

Timeframe for return

Security deposit refunds should be processed in a timely manner – within 5 – 10 days of move-out – so that state law requirements are met.

Most states require security deposit refunds or an explanation of charges against the deposit within 21 – 45 days. Some states require even earlier notice if any portion of the security deposit is being held.

Types of Property Management Systems

Property management

Web-based, browser-based or Windows-based property management software provides a centralized location for data where apartment managers, as well as corporate personnel, can instantly access information on:

- leasing
 - occupancy
 - screening
 - rent collection
 - facilities maintenance
 - accounting, and
 - purchasing.
-

Billing management services

Billing management can be handled at the site level. Property management companies can bill and collect for utility services (for example, water and trash services) not paid directly to the provider by the resident.

Improving the bottom line

Billing management services can help improve the bottom line by:

- recapturing income lost through inefficient billing practices
- reducing energy/water consumption
- eliminating substandard meters that cost money
- reducing billing costs with the simplicity of an “all-in-one” bill, and
- getting payments to properties faster.

Improving resident service

Billing management services can help improve resident service by:

- combining all resident charges on a single, convergent bill
- recapturing the hours that staff now spends on billing, collections, and move-outs
- maximizing and accelerating resident utility collections, and
- sending monthly messages to residents.

Built-in utility charge calculations

Billing management services offer built-in utility charge calculations, such as:

- RUBS (Ratio Utility Billing System) water and energy charges
 - sub-metered or allocated water and energy meter-reading and charge calculations
-

Continued on next page

Types of Property Management Systems, Continued

Billing management services, (continued)

- other utility fees (for example, trash pickup), and
 - vacant unit cost recovery for electric service.
-

Revenue/Yield management

Yield/revenue management systems use detailed past and present data to forecast key variables like supply, demand, and economics to make pricing decisions based on current and future market conditions. Software can offer optimal terms for any possible unit, lease term and move-in date allowing flexible terms that work best for both the community and the resident. Computers evaluate every data point to make pricing decisions and calculate ideal rent by managing the weight of each data point rather than by intuition or perception. Human error and/or possible fair housing violations are minimized and staff can focus more on customer service.

Factors analyzed:

unit availability
 competitive influences
 current and historical lease activity
 move in dates
 current market dynamics
 lease duration
 projected demand
 how long units have been available
 likelihood of resident renewal
 possibility of economic strengthening or continued decline

Make ready and maintenance management

Apartment managers have instant access to information, allowing sites to speed up the process of servicing resident requests, expediting the make-ready process, and regularly scheduling routine preventive maintenance to keep properties running in top form.

Mobile work orders/Pocket PCs

Equipping maintenance staff with Pocket PC devices that store daily service requests helps them stay in the field more and in the office less. This equates to higher technician efficiency and utilization, and more importantly, satisfied residents because issues are responded to in a more timely manner.

Continued on next page

Types of Property Management Systems, Continued

Make ready and maintenance management, (continued)

Maintenance analysis reports

Instant access to maintenance reports helps management know which maintenance technicians are performing at the highest efficiency and are the most utilized. The reports also identify other personnel that may need additional training in certain maintenance areas, based on their service request completion times or rework percentages.

Spanish capability

Providing a Spanish version of mobile service requests allows Spanish-speaking maintenance staff to perform their jobs with comfort and ease. It allows them to use their primary language to perform their jobs and minimizes the communication gap of having site management translate everything or train them in how to use the application.

Community Web pages

The Internet has become the number one resource for marketing and advertising the community. As more people go online for information about apartment communities, it's a necessity for properties to have a presence on the Web.

Standard components

The Web site should be simple, functional, and easy to use. Not all computers have the software programs to run the "sizzle" that some Web designers may want to provide. Avoid trying to provide too much.

A basic Web site for a community should include:

- templates and color schemes that brand the property
 - unit level rents and availability information
 - lists of amenities
 - photographs
 - floor plan images
 - site plans
 - maps with directions
 - guest cards, and
 - links to Internet Listing Services.
-

Continued on next page

Types of Property Management Systems, Continued

Community Web pages, (continued)

Advanced features

An increasing number of apartment communities have advanced features such as:

- real time pricing and availability
 - online leasing
 - online rent payment, and
 - online service requests.
 - Video tours of the community
-

Resident portal

A resident portal can make residents feel as if they are truly a part of the community—a big factor in retaining them. Residents have choices and these tools can provide improved service satisfaction. Resident portals free onsite personnel from some cumbersome paperwork, increase resident retention, and give prospective residents, another avenue to your community. The resident portal can be used to:

- create an online service request as well as check on its status
 - make an online rent payment
 - post newsletters
 - post announcements
 - post policies, and
 - allow residents to reserve rooms/facilities.
 - Communicate on line
-

Online leasing reservations

Using the Internet, potential residents can access the following functions to reserve apartments online.

- Fill out a guest card online with the prospective resident's preferences, such as move-in date, price range, number of occupants, and number of bedrooms.
- Identify an available unit with the right amenities, price and lease terms
- Complete the lease application.
- View special offers at the point of lease and pay application fees.
- Submit a credit application for processing. When it has been completed, the electronic information can be processed through a screening vendor.

Once the prospect has passed the screening requirements, all that is left to do is sign the lease, pay the necessary deposits and fees, and pick up the keys.

Continued on next page

Types of Property Management Systems, Continued

Call center

Calls to the leasing office, whether resident service requests or prospect inquiries, may be handled by the on-site leasing staff. Surveys indicate that more than 30% of phone calls are missed because the staff was just too busy to answer the calls – or the call came in after business hours. Other survey results indicated that the leasing professional asked for an appointment with only 61% of qualified callers and only 23% resulted in a specific appointment.

A call center, staffed by highly trained apartment leasing professionals who receive on going training for their job responsibilities, can provide critical backup to on-site leasing professionals. A call center:

- works as an extension to your existing leasing staff
 - creates the impression for a prospect that the call was answered directly by a leasing professional in the community's leasing office
 - helps capture prospective leads and converts more of those into leases, and
 - schedules appointments for the prospect to visit the community.
-

Questions to ask before hiring a call center

The “Professional Apartment Management” newsletter suggests that you ask the following questions before hiring a call center.

- What training do call center employees receive and what experience do they have?
 - How are call center employees paid? Do they receive straight salary or are incentives available?
 - What monitoring systems are in place to track employee performance at the call centers?
 - Is the call center able to answer e-mail inquiries and in a timely manner?
 - Does the call center have the capability to provide guest card information to your community's property management software? Can it send the information to your leasing office electronically?
 - Are all phone calls into the call center recorded and available for review?
 - Can various advertising methods used to drive traffic be tracked and reported using individual toll-free numbers?
 - How will the call center go about learning information about your community so that the same quality of information available onsite is part of their knowledge?
 - Does the call center have the interface capability with your property management software to get current, real time availability information.
 - Do call center employees receive fair housing training?
-

Continued on next page

Types of Property Management Systems, Continued

Purchasing

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

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

Centralized Invoice Processing

One of the key benefits of purchasing management systems is centralized invoice processing, which streamlines invoicing from procurement to payment. For each purchase, an electronic invoice is coded automatically, verified against the agreed-upon pricing, and then interfaces directly with the accounts payable system.

Other Benefits

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

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

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

In Practice

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

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

Continued on next page

Types of Property Management Systems, Continued

Electronic payments

Apartment managers may want to offer alternative ways for residents to pay rent, and to receive payment more quickly.

ACH

The Automated Clearing House (ACH) network is a processing and delivery system that provides for the distribution and settlement of electronic credits and debits among financial institutions. Through a nationwide telecommunications network, each ACH operator is able to communicate with other ACH operators to exchange entries quickly and efficiently, regardless of geographic distances involved. The ACH network is governed by operating rules and guidelines and offers an assortment of technical formats that can be used for a variety of payment applications.

Credit card

Bank cards may be a credit card or debit card and, in some cases, both. Bank credit cards are generally issued by a financial institution under license by a national credit card organization. Credit cards are not true payment instruments because they do not result in a direct transfer of funds from the payer to the payee. Practical experience to date indicates that residents are using credit cards where accepted for one-time events, rather than monthly rent, such as security deposits and initial fees like application and administrative fees.

Some owners feel that accepting cards is a competitive advantage even with a low usage rate. They believe automatic rent payments with credit cards provide more efficient cost savings in time and manpower spent on check processing. However, a recent survey by ApartmentGuide.com ranked acceptance of credit card payments for rent as at the bottom of the list of the most important amenities for future residents. Reputation of the community, laundry facilities, proximity to employment, cable or satellite TV, floor plan variety, high speed Internet, professional landscaping, swimming pool(s), and pet policies all ranked as more important in the minds of potential residents. Reward points are more important to the high-end renter.

The most important detriment to the use of credit cards is that residents are often charged a transaction fee. Some owners absorb this cost as a competitive offering in the marketplace.

Check 21

The Check Clearing for the 21st Century Act (Check 21) was signed into law on October 28, 2004. Check 21 legalizes a new negotiable document that includes an image of the front and back of the original paper check. This substitute check also referred to as an Image Replacement Document (IRD) can be processed in the same manner as the original check and is considered its legal equivalent.

Sample Notice of Crime Incident Letter

DATE

To the residents of the xxxxxxxx Apartments,

We wanted you to be aware of an increase in criminal activity at our property. Over the last several weeks we have had several reports of auto break-ins and, more recently, threatened assaults of drivers exiting their vehicles. These incidents are occurring during both daylight and evening hours. The police have been notified and affected individuals have filed police reports. We wanted you to be aware of this criminal activity on our property and remind you to always take whatever precautions you feel are necessary to ensure the safety of yourself, your family, friends and possessions.

We urge you, your family, co-residents, occupants and visitors to be as careful as possible for your own safety and security. If a crime is suspected or occurring or even if suspicious persons are spotted on the property, you need to contact the police immediately by calling 911. Failure to do so could result in crucial delays. After first notifying the local law enforcement authorities, you should then contact our management office.

No one can ensure your safety. Please remember that your security is your responsibility and that of the local law enforcement agencies.

Sincerely,

Ima Cam
Property Manager

Hand delivered on Thursday, DATE

National Apartment Association Education Institute
4300 Wilson Blvd, Suite 400
Arlington, VA 22203
703-518-6141 | www.naahq.org

