

PROPERTY MANAGEMENT MANUAL

This Manual outlines the requirements the Borrower is to follow in managing their Georgia Department of Community Affairs financed development. This Manual is organized as follows:

- I. Property Manager Selection**
- II. Management and Occupancy Plan**
- III. Property Manager Insurance Requirements**
- IV. Forms**

This Manual is applicable to multifamily projects with 12 or more units and not applicable for projects receiving only Low-Income Housing Tax Credits. This Manual also applies to projects funded by the Housing Trust Fund for the Homeless Commission.

Definitions:

The following words and terms, when used in this guide, shall have the meanings shown below, unless the context clearly indicates otherwise:

"Affirmative Fair Housing Marketing Plan" is a plan to provide information and otherwise attract eligible persons from all racial, ethnic and gender groups who would least likely apply for residence;

"DCA" is the Georgia Department of Community Affairs;

"Development" means the rental community, i.e. all the apartments and the common areas under one ownership;

"Elderly family" is one in which the head of household, spouse or sole member is 62 years of age or older, handicapped or disabled;

"Family" is two or more persons sharing residency and related by blood, marriage or operation of law, or who demonstrate a stable relationship over a period of time;

"Housing Trust Fund" is an instrumentality of the State of Georgia created by the General Assembly or the State of Georgia to provide financial assistance to sponsors of housing programs and activities which are designed to mitigate the problem of homelessness in the State of Georgia;

“Housing for Older Persons” means housing intended and operated for occupancy by persons 55 years of age or older (“Older Persons”). According to Georgia law, such housing must also have significant facilities and service serving the Older Persons population even though the requirement has been eliminated from the federal definition of an elderly project. At least 80% of the total occupied units in such a housing project must be occupied by at least one Older Person. Up to 20% of the units may be occupied by others, including the landlord’s employees, the surviving spouses or children of residents who were Older Persons when they died, and caregivers. DCA will monitor the required facilities and services during the applicable Compliance Period or the Period of Affordability whichever is longer.

"Household" is one or more persons who share or will share a residence;

"HUD" is the United States Department of Housing and Urban Development;

"Lease" shall mean the form of agreement between the Borrower and a Tenant under the terms of which said Tenant is entitled to enjoy occupancy of a dwelling unit;

"Minority" is a household in which one or more members are Black, Hispanic, American Indian or Asian/Pacific Islander;

"Non-Housing Income" shall mean all amounts actually collected by the Manager, other than the rental income from the residential units, including but not limited to (1) vending and laundry machine income, and (2) income received from rental of parking spaces, garage spaces and commercial space;

"Rent" shall mean the monthly amount that a Tenant is obligated to pay the Owner pursuant to the terms of a Lease;

"Restrictive Covenants" refers to the land use restriction agreement executed by Owner which sets forth certain rent and/or occupancy restrictions; and

"Tenant" shall mean a person occupying a dwelling unit in the Development pursuant to a Lease;

I. PROPERTY MANAGER SELECTION

Management Companies wishing to manage developments financed by DCA must be evaluated and approved by DCA. To facilitate the evaluation, the prospective Property Manager must complete a Management Agent Questionnaire, which is attached hereto. The management evaluation includes the following areas:

- A. Type of property to be managed;
- B. Principals and employees of the management company;
- C. Management company portfolio and experience;
- D. Financial reporting and operating controls;
- E. Maintenance systems;
- F. Tenant selection procedures;
- G. Tenant/Management relations;
- H. Physical condition of sample portfolio properties; and
- I. Affirmative Fair Marketing performance.

DCA retains the right to obtain credit reports and other pertinent information on the management company, the company principals and employees. Deficiencies in any of the above areas may need to be corrected or explained before DCA will approve the Property Manager.

In certain instances, a Property Manager may be approved subject to engaging the services of an acceptable consultant or a more experienced management company. In these instances, the functions of the consultant/management company must be described in detail in the contract and the contract must be submitted to DCA for review and approval. Based on the results of the management evaluation, DCA will either approve or deny the proposed management company.

Property Managers are generally eligible to manage all types of DCA-financed developments. In the case where a Property Manager is granted limited approval, applicable conditions will be specified. In those cases where the request for approval is rejected, DCA will state the reasons for rejection, and Property Manager may not be eligible to manage any DCA-financed development until deficiencies are corrected. Consequently, the development team may be required to engage another Property Manager acceptable to DCA.

A Property Manager who received limited approval, or whose request for approval was rejected, may reapply for approval status. DCA will review a request for reapplication if the reasons for rejection are corrected or other significant changes have occurred. The period for reapplying is one year from the date of the decision.

Property Managers who intend to resign property management responsibilities must provide the Borrower with no less than 60 days prior written notice. The Borrower must notify DCA Asset Management of the resignation decision within two business days after receiving such notice. Following the Property Manager's resignation notice, Borrower shall propose a replacement Property Manager and provide DCA Asset Management with such information as outlined in this section within 30 days of receipt.

II. MANAGEMENT AND OCCUPANCY PLAN

The Borrower (a/k/a Owner) and Manager are to submit a comprehensive Management and Occupancy Plan ("Plan") detailing planned management activities. If the rental housing is assisted with HOME funds, the following procedures must comply with Paragraphs 92.203 (Income determinations), 92.252 (Qualification as affordable housing: Rental housing), 92.253 (Tenants and participants protections), and 92.351 (Affirmative marketing; minority outreach program) from the Final Rule of the HOME investments Partnerships Program, 24CFR Part 92, dated September 16, 1996. The Plan should be attached as an exhibit to the Management Agreement and all statements contained in the Plan should be incorporated into the Management Agreement. At a minimum, the Plan must address the areas outlined below:

A. Relationship between Borrower and Property Manager

Items to be addressed in this section of the Plan must include:

1. A description of the Borrower's goals and objectives, including a brief summary of the Borrower's expectations to achieve and sustain lease-up;
2. A description of the legal and corporate relationship between the Borrower and Manager, including a history of all prior services performed by the Manager on the Borrower's behalf;
3. A description of the limitations of management's authority, identifying those requiring the Borrower's prior approval, and the type of authority the Manager has in dealing with emergency situations; and
4. A description of the levels of authority for disbursements and Borrower limitations.

B. Development Characteristics

This section of the Plan should include a description of the project development including location, site, neighborhood characteristics, type/number of building(s), number of stories, number of units, number of bedrooms/distribution, types of financial subsidy(s) and tenant composition (e.g. family, elderly or mixed).

C. Property Manager's Structure of Organization

This section of the Plan should include a description of the Property Manager's organization and history. Items to be addressed in this section of the Plan must include:

1. Names and resumes of personnel (if known) responsible for on-site management activities;
2. Job descriptions for both supervisory and on-site personnel, indicating:
 - a. job title;
 - b. scope and purpose of job;
 - c. specific duties and responsibilities associated with the job;
 - d. required qualifications for the position; and
 - e. salary (including benefits) to be charged as a project expense.
 - f. Completion of the Property Management Staffing Breakdown form.
3. Personnel policies relating to fringe benefits (e.g. medical coverage, vacation, sick leave, overtime, etc.), grievance procedure, termination procedure, hiring procedure (e.g. security check and screening) and training and promotion opportunities, and for employee rent-free or reduced-rent units.
4. First year proposed budget for subject property which details the expenses for staff salaries, fringe benefits by position type. This budget must also include the overall management fee charged to the project and should align with the proposed management fees and staffing proposed in the application budget for the subject property.

D. Policies and Procedures for Occupancy

Items to be addressed in this section of the Plan must include:

1. Plan for advertising (e.g. television, radio, newspapers, signage, etc.);
2. Procedures for implementing an Affirmative Fair Housing Marketing Plan (Form HUD 935.2), including the strategy for marketing the rental units for both initial occupancy and for ongoing occupancy;
3. Policy/procedures for screening and processing applications (including sample of the application and other appropriate forms);
4. Procedures for determining tenant income eligibility;
5. Tenant Selection policy/procedures (including priorities and preferences for admission, limitations on admission for over-income tenants and prohibited conditions for admission);
6. Procedures for income certification, recertification and verification (including sample forms);
7. Procedures for notifying acceptable applicants and rejecting applicants;
8. Procedures for establishing waiting list;
9. Policy/procedures regarding non-discrimination; and
10. Policy/procedures for temporary tenant relocation (DCA has a nondisplacement policy).

F. Leasing Policies and Procedures

Items to be addressed in this section of the Plan must include:

1. Procedures for "Move-in/Move-out" (including samples forms);
2. Procedures for supplemental charges stating amount (e.g. air conditioning, pets, parking, washers);
3. Procedures for handling security deposits;
4. Procedures for lease termination and eviction;
5. Policy and enumerating "House Rules" concerning such issues as NSF checks, car repairs in parking lots, loud music/ television, pool conduct, long term visitors, etc, including procedures for enforcing the rules; (must not violate housing)
6. Procedures to obtain coverage under federal crime insurance (if applicable); and
7. Standard lease forms.

G. Rent Collection Policies and Procedures

Items to be addressed in this section of the Plan must include:

1. Procedures for rent collection (who, when, where and how);
2. Procedures for collecting late charges and amount charged;
3. Procedures for collecting accounts receivable noting date when delinquent accounts will be referred to an attorney;
4. Samples of collection and other form letters;
5. Collection procedures for laundry and other receivables; and
6. Procedures for rental increases (must comply with contractual and regulatory obligations).

H. Accounting Policies and Procedures

Items to be addressed in this section of the Plan must include:

1. Location of tenant records;
2. Description of the accounting system including the type of software system/program with samples of an income statement, balance sheet and cash flow statement; and
3. Description of internal controls including payables/receivables, cash disbursements; and
4. Statement that the management entity will provide financial statements for the subject project to the Owner and/or DCA annually for Owner and DCA's review.

I. Maintenance and Security

Items to be addressed in this section of the Plan must include:

1. Procedures for conducting and following-up on regular property inspections;
2. Procedures for conducting unit inspections;
3. Procedures and schedules for regular cleaning and maintenance of all project amenities and common areas (e.g. grounds, hallways, clubhouse, etc.);
4. Procedures for apartment/exterior painting and other renovations and for scheduling the work;
5. Procedures for controlling tenant maintenance requests, including samples of work order forms;
6. Procedures and schedules for pest and insect exterminating services and for handling special tenant requests;

7. Standard maintenance requirements to be performed by on-site staff and outside contractors;
8. Procedures and schedules for preventative maintenance programs (mechanical systems); and
9. Procedures for security and safety (e.g. controlling keys, fire prevention plan, company or outside security).
10. Statement which states management companies agreement to immediately notify DCA of any reportable incidents that occur on the subject property.
11. Statement of office hours.
12. Statement that emergency contact number is posted at office. Contact for management company headquarters.

J. Tenant Services

Items to be addressed in this section of the Plan must include:

1. Plan and procedures for providing tenant orientation;
2. The role management will take in the tenants' organization, programs, activities and sources of funding (e.g. recreation, social service programs, etc.), if applicable; and
3. Procedures for handling all types of tenant grievances;
4. Plan for providing proposed social services and activities as presented in the application for the subject property. Plan should include frequency of events, marketing strategies, anticipated participation and staffing required.

K. Management Fee

This section of the Plan should include a description of the management fee designed to compensate the Property Manager for directing and supervising project operations in accordance with DCA, HUD and industry guidelines and standards. The management fee should be quoted as a percentage of rental collections.

L. Marketing

This section should include a description of the overall marketing strategy and the associated costs of furnishing a model apartment, hiring/training support staff (if applicable) and advertising (e.g. publications, signage, etc.) the subject project.

The section should include the annual marketing budget.

Note: Any changes to the information must be provided to DCA Asset Management for review. Substantive material changes to the information, such as an adjustment in the management fee, may require prior written approval from DCA Asset Management.

III. PROPERTY MANAGER INSURANCE REQUIREMENTS

The Property Management Company shall be required to procure and maintain the insurance coverage in such form and substance specified in the Insurance Guide section of the 2003 Application Manual. The Management Company /Owner shall provide a copy of any claim or notification sent to the Insurance Company to DCA's Multifamily Asset Management Department within 24 hours of the initial correspondence or contact. The Management Company / Owner will continue to provide copies of any correspondence, or communication, between the Insurer and the Management Company /Owner regarding any outstanding issue connected to the property until the issues is resolved.

Note: The insurance required to be maintained must be fully paid and shall be issued with appropriate coverage in such amounts, in such form and substance, and with such expiration dates as are acceptable to DCA. Such policies are to provide that the insurer shall give DCA at least thirty (30) days prior written notice of cancellation/termination/material change, and to provide that no action by the insured shall invalidate or diminish the insurance or bond(s) provided to DCA. Refer to the Insurance Requirements section of the DCA 2003 Application Manual, the General Requirements section for details.