

MANAGEMENT AGREEMENT FOR
MULTIPLE FAMILY HOUSING (MFH) PROJECTS

This Agreement is made this _____ day of _____, 20 ____, between _____ the (“Owner”), and _____ the (“Agent”) under the terms and conditions set forth herein.

I General

A Appointment and acceptance. The Owner appoints the Agent as exclusive agent for the management of the property described in paragraph I of this agreement, and the Agent accepts the appointment, subject to the terms and conditions set forth in this agreement.

B Project description. The property to be managed by the Agent under this agreement (the “Project”) is a housing development consisting of the land, buildings, and other improvements which make up Project No. _____. The Project is further described as follows:

Name _____
Location: City: _____ County: _____
State: _____
No. of dwelling units _____ Type of units _____
(Family, Elderly, Mixed, Congregate)

C Definitions. As used in this agreement:

- 1 “RD” means the USDA Rural Development, including any successor agencies.
- 2 “Principal Parties” means the Owner and the Agent.
- 3 “Agent,” as used throughout this agreement, means the person or business entity, including employees at the Agent’s office and project site, engaged in the task of providing management of a RD financed MFH project in contractual arrangement with the Owner.

D Identity of Interest. The Agent discloses to the Owner and RD any and all identities of interest that exist or will exist between the Agent and the Owner, suppliers of material and/or services, or vendors in any combination of relationship. Forms RD 3560-31, “Identity of Interest Disclosure/Qualification Certificate,” completed by the Agent as “applicant,” are attached and made part of this agreement.



E RD Requirements. In performing its duties under this management agreement, the Agent will comply with all relevant requirements of RD. RD requirements include preparation of forms and reports in the format of prescribed RD forms and exhibits.

F Basic Information. As soon as possible, the Owner will furnish the Agent with a complete set of “as built” plans and specifications and copies of all guarantees and warranties relevant to construction, fixtures, and equipment. With the aid of this information and inspection by competent personnel, the Agent will become thoroughly familiar with the character, location, construction, layout, plan, and operation of the project, and especially with physical plant.

G Compliance with Governmental Orders. The Agent will take such action as it may deem necessary to comply promptly with any and all governmental orders or other requirements affecting the project, whether imposed by Federal, State, county or municipal authority, subject, however, to the limitation stated in paragraph IV D of this agreement with respect to litigation and repairs. Nevertheless, the Agent shall take no action so long as the Owner is contesting, or has affirmed its intention to contest, any such order or requirement. The Agent will notify the Owner in writing of all notices of such orders or other requirements, within 72 hours from the time of their receipt.

H Nondiscrimination. In the performance of its obligations under this agreement, the Agent will comply with the provisions of any Federal, State or local Fair Housing law prohibiting discrimination in housing on the grounds of race, color, religion, sex, familial status, national origin, or handicap. Other nondiscrimination provisions include Title VI of the Civil Rights Act of 1964 (Public Law 88-352, 78 Stat. 241), Section 504 of the Rehabilitation Act of 1973, and the Age Discrimination Act of 1975, as they relate to the RD multi-housing program.

I Fidelity Coverage. The Agent agrees to furnish, at its own expense, fidelity coverage to the Owner, with copy to the RD Servicing Office on the employees of the Agent who are entrusted with the receipt, custody, and disbursement of any project monies, securities, or readily saleable property other than money or securities. The minimum coverage of \$ _____ will be provided according to the coverage chart found in Handbook-2-3560, Chapter 3, paragraphs 3-11 to 3-13, of the “Multiple Family Asset Handbook”. The Agent will obtain coverage from a company licensed to provide coverage in the project locality. Coverage will be in force to coincide with the assumption of fiscal responsibility by the Agent until that responsibility is relinquished.

Endorsement listing RD projects separate from other projects or operations will be obtained and made part of the coverage policy or bond. The other terms and conditions of the coverage, and the surety thereon, will be subject to the requirements and approval of the owner.

J Bids, Discounts, Rebates, etc. With prior approval of the owner, the Agent will obtain contracts, materials, supplies, utilities, and services on the most advantageous terms to the project, and is authorized to solicit bids, either formal or informal, for those items which can be obtained from more than one source. The Agent will secure and credit to the Owner all



discounts, rebates, or commissions obtainable with respect to purchases, service contracts, and all other transactions on the Owner's behalf.

II Management Plan

A Description. Attached is a copy of the management plan for the project, which provides a comprehensive description of the policies and procedures to be followed in the management of the project.

B Relationship with Management Plan. The Agent shall conduct its management activities in accordance with the policies and procedures set forth in the management plan. In addition, the Agent will also carry out the tasks and responsibilities set forth in paragraph IV of this agreement.

C Division of Duties and Common Expense. An identification of duties and supervisory relationship for project site staff and Agent's office staff are described in the management plan as is the pro rata division of singularly incurred operating expense common to the Agent and the Owner.

III Budget

A Preparation. The Agent shall prepare an original project budget for submission to the owner and RD approval. For each subsequent fiscal year the Agent shall prepare a new budget.

B Budget Categories. The budget shall be prepared using the format and categories of RD Form 3560-07, "Multiple Family Housing Project Budget/Utility Allowance."

IV Agent's Authorizations. The Owner authorizes the Agent to:

A Operate the project according to the Owner's management plan and in compliance with the Owner's loan agreement (or resolution) with RD, and applicable RD regulations and guidelines.

B Operate and maintain the project within reasonable tolerance (as defined by RD) of the expense category subtotals in the project budget.

C Purchase all material, equipment, tools, appliances, supplies and services necessary for proper maintenance and repair of the project as stipulated by the Owner in the management plan, project budget, and/or other form of written documentation.

D Notwithstanding any of the foregoing provisions or any similar provisions that follow, the prior written approval of the Owner will be required for any expenditure which exceeds \$ _____ in any one instance for litigation involving the project, or labor, materials, or otherwise in connection with the maintenance and repair of the project. This limitation is not applicable for recurring expenses within the limits of the operating budget or



emergency repairs involving manifest danger to persons or property, or that are required to avoid suspension of any necessary service to the project. In the latter event, the Agent will inform the Owner of the facts as promptly as possible.

E Represent the Owner in specific matters related to management of the project. (Items such as representing the Owner's interest at appeal hearings may be specified here or may be indicated that such authorizations will be provided in writing as an addendum when appropriate.)

V Agent's Obligations

A Management Input During and After RD Processing. The Agent will advise and assist the Owner with respect to management planning and input during RD loan processing and subsequent review. The Agent's specific tasks will be:

- 1 Participation in any conference with RD officials involving project management.
- 2 Preparation and submission of Form RD 3560-07 as a quarterly Report throughout the period from initial occupancy after RD loan closing until such time as no longer required by RD. If the management is authorized to sign the reports for the owner, a copy of the signed report as submitted to RD will be provided to the Owner.
- 3 Participation in the on-site final inspection of the project, required by RD prior to initial occupancy.
- 4 Continuing review of the management plan, for the purpose of keeping the Owner advised of necessary or desirable changes.

B Liaison with Architect and General Contractor. At the directions of the owner during the planning and construction phases, the Agent will maintain direct liaison with the architect and general contractor, in order to:

- 1 Coordinate management concerns with the design and construction of the project.
- 2 To facilitate completion of any corrective work, and
- 3 To facilitate the Agent's responsibilities for arranging utilities and services pursuant to paragraph V J of this agreement. The Agent will keep the Owner advised of all significant matters of this nature.



C Marketing. The Agent will market the rental units according to the management plan, observe all requirements of the Affirmative Fair Housing Marketing Plan, and maintain records of the marketing activity for compliance review purposes.

D Rentals. The Agent will offer for rent and will endeavor to rent the dwelling units in the project. The following provisions will apply:

- 1 The Agent will make preparations for initial rent-up, as described in the management plan.
- 2 The Agent will follow the tenant selection policy described in the management plan.
- 3 The Agent will show the premises and available units to all prospective tenants without regard to race, color, national origin, sex, religion, familiar status, handicap or age; and will provide for reasonable accommodation to individuals with handicaps.
- 4 The Agent will take and process all applications received for rentals. If an application is rejected, the Agent will inform the applicant in writing of the reason for rejection. The rejected application, with the reason of rejection noted thereon, will be kept on file until a compliance review had been conducted. If the rejection is because of information obtained from a credit bureau, the source of the report must be revealed to the applicant according to the Fair Credit Reporting Act. A current list of qualified applicants will be maintained.
- 5 The Agent will prepare all dwelling leases, parking permits, and will execute the same in its name, identified thereon as Agent for the Owner. The terms of all leases will comply with the relevant provisions of the RD regulations and State and local law. Dwelling leases will be in a form approved by the Owner and RD.
- 6 The Owner will furnish the Agent with rental and income report forms required by RD, showing rents as appropriate for dwelling units, other charges for facilities and services, and income data relevant to determinations of tenant eligibility and tenant rents. In no event will the rents and other charges be exceeded.
- 7 The Agent will counsel all prospective tenants regarding eligibility and will prepare and verify eligibility certifications and recertifications in accordance with RD requirements.

E Reports. The Agent will furnish information (including occupancy reports) as may be requested by the Owner, RD, and/or the Office of Inspector General from time to time



with respect to the project's financial, physical, or operational condition. The Agent will also prepare and submit:

Form RD 3560-08	“Tenant Certification”
Form RD 3560-29	“Notice of Payment Due Report”
Form RD 3560-07	“Multiple Family Housing Project Budget/Utility Allowance”

The Agent will assist the owner in initiating or completing all additional reporting forms and data prescribed by RD affecting the operation and maintenance of the project.

F Collection of Rents, Security Deposits and Other Receipts. The Agent will endeavor to collect when due all rents, charges, and other amounts receivable on the Owner's account in connection with the management and operation of the project. Such receipts will be deposited immediately in the project's general operating account with _____ (name of bank or such other financial institution designated by the owner), whose deposits are insured by an agency of the Federal Government. The Agent will collect, deposit, and disburse security deposits, if required, in compliance with any State or local laws governing tenant security deposits. Security deposits will be deposited by the Agent in a separate account, at a Federally insured institution. This account will be carried in the owner's name and designated of record as “(Name of Project) Security Deposit Account.”

G Accounting System. The Agent must develop a systematic method to record the business transactions of the project that appropriately reflects the complexity of project operations and the owner's requirements. The Agent may be required to implement and use a bookkeeping and accounting system acceptable to RD. The accounts described in paragraph VI of this agreement, as a minimum, will be established and regularly maintained by the Agent.

H Enforcement of Leases. The Agent will endeavor to ensure full compliance by each tenant with the terms of the lease. Voluntary compliance will be emphasized. The Agent, using the services of local social service agencies when available, will counsel tenants and make referrals to community agencies in cases of financial hardship or other circumstances deemed appropriate by the Agent. Involuntary termination of tenancies should be avoided to the maximum extent consistent with sound management of the project. Nevertheless, and subject to the relevant procedures prescribed in the management plan, the Agent may initiate action to terminate any tenancy when, in the Agent's judgment, there is material noncompliance with the lease or other good cause as prescribed by RD regulations for such termination. The tenant must be properly notified of hi/her right to appeal the proposed action according to RD regulations. Attorney's fees, and other necessary costs incurred in connection with such actions will be paid out of the general operating account as project expenses within the itemized limit of the project budget.

I Maintenance and Repair. The Agent will endeavor to maintain and repair the project in accordance with the management plan and local codes, and keep it in a condition acceptable to the Owner and RD at all times. This will include, but is not limited to, cleaning, painting, decorating, plumbing, carpentry, grounds care, energy conservation measures and



practices, and such other maintenance and repair work as may be necessary, subject to any limitations imposed by the Owner in addition to those contained herein.

Incidental thereto, the following provisions will apply:

- 1 Special attention will be given to preventative maintenance, and to the greatest extent feasible, the services of regular maintenance employees will be used.
- 2 The Agent will contract with qualified independent contractors acceptable to the Owner for the maintenance and repair of air conditioning, heating systems, and elevators, and for extraordinary repairs beyond the capability of regular maintenance employees. Any identity of interest will be identified in accordance with paragraph V B of this agreement.
- 3 The Agent will systematically receive and promptly investigate all service requests from tenants, take such action as may be justified, and keep records of the same. Emergency requests will be received and serviced on a 24 hour basis. Serious complaints will be reported to the Owner after investigation.
- 4 The Agent will advise the Owner of any cost-effective and adaptable energy conservation measures or practices that should be used in the project. The Agent will encourage their use and will assist the Owner during any installation of these measures or institution of practices.

J Utilities and Services. In accordance with the Owner's management plan, the Agent will make arrangements for water, electricity, gas, fuel, oil, sewage and trash disposal, vermin extermination, decorating, laundry facilities, and telephone service.

K Insurance. The Owner will inform the Agent of insurance to be carried with respect to the project and its operations, and the Agent will cause such insurance to be placed and kept in effect at all times. The Agent will pay premiums out of the general operating account, and premiums will be treated as operating expenses. All insurance will be placed with companies, on conditions, in amounts, and with beneficial interests appearing thereon as shall be acceptable to the Owner and the RD provided that the same will include public liability coverage, with the Agent designated as one of the insured, in amounts acceptable to the Agent as well as the Owner and RD. The Agent will investigate and furnish the Owner with full reports on all accidents, claims, and potential claims for damage relating to the project, and will cooperate with the owner's insurers in connection therewith.

L Taxes, Fees, and Assessments. The Agent shall provide for the payment from project funds all taxes, assessments, and government fees for the owner promptly when due and payable. The Agent shall also evaluate local property taxes to determine if they bear a fair relationship to the project value and if they do not, at the direction of the Owner, appeal such



taxes on behalf of the Owner or assist the Owner in the appeal, whichever is required by local jurisdiction or is appropriate.

M Employees and/or Services. The Agent will employ persons and/or services, (or will manage persons and/or services employed by the Owner) to perform duties and responsibilities at the project site as described in the management plan. Compensation of such persons and/or services will be paid as a direct expense to the project as specified in the management plan and this agreement. The Agent will employ sufficient resources (staff and/or services) within the Agent’s operation to fulfill Agent’s obligation to the Owner under the terms of this agreement.

VI Project Accounts. The Agent will maintain and safeguard the Owner’s project financial accounts and tenant security deposit accounts according to the current requirements set forth in Handbook-2-3560, chapter 4, paragraphs 4.1 to 4.3 of the “Multiple Housing Asset Management Handbook.”

VII Agent’s Compensation, Tenure, and Identification

A Agent’s Compensation. The Agent will be compensated for its services for provided management described under this agreement, and the Owner’s management plan, by monthly fees, to be paid from the general operating account and treated as a project operation and maintenance expense. Such fees will be payable on the first day of each month for the preceding month. Each monthly fee will be in an amount computed as follows:

(The following are acceptable methods in no order of preference. Any other method of compensation will be fully described and inserted in this section). The costs incurred by the Agent for performing the specified services listed in this agreement shall be allocated to the owner and Agent as outlined in the agreement, management plan, and approved project budget.

1. \$ _____/occupied unit
2. \$ _____ Add on Fees

Maximum annual compensation under this agreement and approved project budget shall be \$_____/year.

B Term of Agreement. This agreement shall be in effect for a period of not more than 3 years, beginning on the _____ day of _____, 20 __, subject, however, to the following conditions:

- 1 This agreement will not be binding upon the Principal Parties until approved by RD.



- 2 This agreement may be terminated by mutual consent of the principal parties as of the end of any calendar month, provided that at least 30 days advance written notice thereof with reasons given is submitted to RD.
- 3 In the event that a petition in bankruptcy is file by or against either of the Principal Parties, or in the event that either makes an assignment for the benefit of creditors or takes advantage of any insolvency act, the other party may terminate this agreement without notice to the other, provided that prompt written notice with reasons given for such termination is submitted to RD.
- 4 It is expressly understood and agreed by and between the Principal Parties that the State Director may terminate this agreement with cause upon the issuance of a 30-day written notice of cancellation to each of the Principal Parties. It is further understood and agreed that no liability will attach to either of the Principal Parties in the event of such termination.
- 5 Upon termination of this agreement, the Agent will submit to the Owner all project books and records and any financial statements required by the RD. After the Principal Parties have accounted to each other with respect to all matters outstanding as of the date of termination, the Owner will furnish the Agent security, in form and Principal amount satisfactory to the Agent, against any obligations of liabilities which the Agent may properly have incurred on behalf of the Owner hereunder.

C Agent's Indemnification. Notwithstanding any provision of this agreement or any obligation of Agent hereunder, it is understood and agreed: that Owner has assumed and will maintain its responsibility and obligation throughout the term of this agreement for the finances and the financial stability of the project; and that Agent shall have no obligation, responsibility, or liability to fund authorized project costs, expenses, or accounts other than those funds generated by the project itself or provided to the project or to Agent by Owner. In accordance with the foregoing, Owner agrees that Agent shall have the right at all times to secure payment of its compensation, as provided for under paragraph VII A of this agreement, from the operating and maintenance account, immediately when such compensation is due and without regard to other project obligations or expenses provided the Agent has satisfactorily discharged all duties and responsibilities under this agreement. Moreover, Owner hereby indemnifies Agent and agrees to hold it harmless with respect to project costs, expenses, accounts, liabilities, and obligations during the term of this agreement and further agrees to guarantee to Agent the payment of its compensation under paragraph VII A of this agreement during the term of this agreement to the extent that the project's operating and maintenance account is insufficiently funded for this purpose. Failure of Owner at any time to abide by and to fulfill the foregoing shall be a breach of this agreement entitling Agent to obtain from Owner, upon demand, full payment of all compensation owed to Agent through the date of such breach and entitling Agent, at its option, to terminate this agreement forthwith.



VIII Interpretative Provisions

A This agreement constitutes the entire agreement between the Owner and the Agent with respect to the management and operation of the project. No change will be valid unless made by supplemental written agreement approved by RD.

B This agreement has been executed in several counterparts, each of which shall constitute a complete original agreement, which may be introduced in evidence or used for any other purpose without production of any of the other counterparts.

C This agreement is NOT in full force and effect unless and until concurred with by RD.

D. At all times, this agreement will be subject and subordinate to all rights of the RD and will work to the benefit of and constitute a binding obligation upon the Principal Parties and their respective successors and assigns. To the extent that this agreement confers rights upon the consenting parties, it will be deemed to work to their benefit, but without liability to either, in the same manner and work with the same effect as though the consenting parties were primary parties to the agreement.

The Principal Parties [by their duly authorized officers] have executed this agreement on the date first above written.

OWNER: _____

By: _____

Title: _____

AGENT: _____

By: _____

Title: _____

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