

Management Agent Training Information

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Important Websites

MSHDA's webpage

- <http://www.michigan.gov/mshda>

Asset Management Guidelines and Forms

- http://www.michigan.gov/mshda/0,4641,7-141-8002_47708-177124--,00.html
- From the main page select Property Managers > Management Agents > Management Agent Guidelines to access the page.

Certification On-Line (COL) System

Financial reporting to MSHDA occurs through this website, but the Management Agent must setup a corporate account with MSHDA in order to access the website for financial submissions. This website is used to submit MIE, Budget, and Audit Reports.

- http://www.michigan.gov/mshda/0,1607,7-141-8002_34213---,00.html
- From the main page select Property Managers > Online Systems to access the page.
- Select the **COL System (Production)** link on the webpage to proceed.

Affirmative Fair Housing Marketing Plans

Developments must submit an Affirmative Fair Housing Marketing Plan when:

- New Development\Deals – Plans must be submitted and approved prior to initial close (Initial Plan) and must be in place before initial marketing begins.
- Every Five Years after the initial plan (Updated Plans)
- The Management Agent changes

Initial Plans

Submit in a Narrative Form to Donald Rencher (MSHDA Legal Division) for approval. Do **not** use the MSHDA Affirmative Fair Housing Marketing Plan form for an initial plan.

Updated Plans

Submit on MSHDA's Affirmative Fair Housing Marketing Plan form.

- The form can be found on the Asset Management Guidelines and Forms webpage.
- Send completed forms to **Michele Whitmore** or **Willa Ray** for review and approval.
- Include an e-mail address with paper submissions.

Requirements

- A copy of the approved Affirmative Fair Housing Marketing (AFHP) Plan must be kept at the development site.
- Owners must take necessary steps to eliminate discriminatory practices involving MSHDA-financed housing.

Completing the Form

Make sure all sections are completed in full according to the instructions.

Employee Dishonesty

Reason for Employee Dishonesty

- This insurance helps protect the financial stability of the development in the event of a loss.

Policy Submission Requirements

- Indicate the effective and ending date of the coverage.
- Indicate the Management Agent as named-insured
- Cover all employees without exception against theft of the collected rent money each month.
- Indicate the total amount of the policy. The minimum coverage required for each development is the greater of \$100,000 or:
 - Sec 8 developments - one month's gross rent potential (based on current budget);
 - For all Non-Sec 8 developments - two month's gross rent potential (based on current budget).
- "Per occurrence" policies are also required to maintain these coverage limits.
- Indicate the owners as loss payee for blanket policies provided by managers.
- MSHDA must receive a 30-day notice in the event of a cancellation.
- Indicate amount of forgery coverage. Each policy regardless of program type must provide Forgery Coverage in an amount not less than \$100,000.
- Indicate MSHDA as an additional insured.
- Include a List/Endorsement/Declarations page of covered developments:
 - All covered developments must be MSHDA-financed;
 - The amount of coverage afforded to each development must meet the minimum coverage requirements identified above and be stated on the policy and renewal certificate;
 - The total amount of coverage for the policy, at a minimum, must equal the sum of the required coverage amounts for all the developments covered by the policy.
- Proof of annual renewal of coverage must be submitted prior to the current policy expiration date.
- Binders are not acceptable proof of insurance

Multiple Developments

- All developments are MSHDA –financed;
- All owners are included as loss payees;
- The policy's minimum coverage required for each development is the greater of \$100,000 or:
 - For Section 8 developments – one month's gross rent potential;
 - For all non-Section 8 developments- two month's gross rent potential.

Management Fees

Purpose of Management Fees

Pay for agent oversight of developments and financial reporting requirements and define management fee versus development operating costs.

Effective Date of Management Fees

Effective with permission to occupy a unit or the date of the management agreement.

Fee Amounts and Updating the Fee

Set each year with the budget guide release.

New agreements every 4 to 5 years

New addendums every year by Dec 31st, but typically sent in with budget.

Disallowed expenses identified on pre-final closing and annual audits

Partnership or management expenses paid out of operations will be flagged as part of audit processes and require repayment.

COE must be paid from MF

COE can only be paid from operations if an on-site employee is being temporarily replaced for less than 3 months.

Premium Management Fees

Provides incentive for the Management Agent to meet the Authority's obligations throughout each year.

Final close must occur before the PMF becomes an eligible expense to the development.

The Management Agent may negotiate the fee with the owner and within the established maximum fee set on a per unit per year basis.

Award of PMF is dependent on approval from the Authority and the liquidity of the development.

- PMF may be accrued if funds are not available at the time of approval

The PMF factors are broken into two categories:

- Mandatory – Factors that must be met or the whole fee is lost for the year.
- Prorated – Factors where failure in one factor result in a proration of the PMF granted and multiple failures eliminate the PMF achieved.

Mandatory Factors are:

Mortgage Payments,

Material Defaults,

Delinquent Water/Sewer Bills,
Employee Dishonesty/Crime Coverage,
Annual Certified Audit/ Audit Fee Submissions,
Real Estate Tax and Property Insurance,
Payments Due per the Audit.

Pro-rated Factors are:

MIE Reporting,
Annual Operating Budget Reporting,
Management Agreement/Management Fee Concerns,
Physical Inspection & Inspection Response Concerns,
Tenant File Audit & File Audit Responses,
Section 8 Management Occupancy Reviews, and,
Section 8 Contract Renewal or Rent Adjustment Submissions.

Performance Tracking (Open Conditions)

These mirror the PMF factors, but are a sign of failing performance.

Open Condition – If you receive a letter from the Authority citing an open condition. Read it thoroughly and determine what actions need to be completed to alleviate the open condition. Open conditions affect more than just your performance on the current development and can potentially hinder future business with the Authority.

Open Conditions Results – The following consequences occur:

- Hold on processing escrow draw requests.
- Management agent and owner's ability to do future business with the Authority
- The owner will be reviewed for default of the regulatory agreement and the agent will be review for default of the management agreement.
- Negative points will be assessed to any LIHTC applications.

Closing an Open Condition – When an open condition issue has been resolved to the Authority's satisfaction, the management agent and owner will be reinstated to a good standing status and receive notification.

If the management company is **NOT** an Identity of Interest company and can prove that an open condition is the result of an owner's inaction on an item, the management company may be able to have an open condition removed from their record separate from the resolution of the open condition issue. Issues are reviewed on a case by case basis. Examples of justification for release of a non-IOI management company from an open condition are:

- Correspondence from the management agent to the owner requesting cash to pay delinquent debt service.
- An explanation of what the agent has done to assure proper filing of the annual certified audit by the due date when the owner fails to certify the audit.

MIE

Purpose

- Report accurate and meaningful data to MSHDA.
- MSHDA uses the data to create budget and audit template variances.

Due Dates – By the 20th of the month following the month being reported

- New developments – First report due the month following a developments first income or expenses.
- Submission must include the MIE template workbook saved in excel format (.xls or .xlsx) and the CSV tab of the template saved in CSV format.
- The due date is firm – no exceptions for internet outage, so give yourself time to submit.

Template Format - Consists of multiple tabs

- CSV – data tab for uploading.
- MIE – Record income and expenses for the month.
- Balance Sheet – Record B/S account balances for the month end.
- Adjustments – Record only disposal of assets and surplus cash transactions as needed.
- Escrows – Record development escrow balances for the month.
- Aging of Accounts 1-12 – Record each months A/R and A/P aging of accounts.

Template Entry

- Template is available on the MSHDA website – use one template for whole year.
- MIE instructions are also available on the website – read the field descriptions carefully to complete the MIE template accurately.
- Double check your **Liquidity** calculation – does it look accurate; all highlighted items on the balance sheet tab are used to generate the liquidity amounts.
- Start with the MIE to begin entry
- Enter all amounts as whole numbers (round everything to nearest dollar)
- Verify row 242 is YES for the month to be submitted.

Budgets

Provide a projection of the upcoming year's income and expenses for comparison to MIE reporting throughout the year.

First Budget is due – For the year after cut-off occurs (when mortgage payments begin).
A feasibility budget may be allowed if the cut-off date occurs after August 31st.

Annual Budget Timeline:

Aug 1st – Begin collecting utility data samples.

Prior to Sept 30th – (Sec 236 developments only) Send and post Rent/Utility Change Notice

Oct 1st – Sec 236 development budgets are due.

Oct 1st to 31st – AM review of Sec 236 development budgets. Help your AM review.

Prior to Oct 31st – For all non-section 8 and sec 236 developments send and post rent/utility change notice to the development’s residents.

Nov 1st – All non-section 236 development budgets are due.

Nov 1st to Nov 30th – AM review of development budgets. Help your AM review.

Dec 31st – Management Agreements/Addendums are due if not submitted with the budget package.

Jan 1st – Implement the new budget standards.

Budget Submissions

A template will be sent to each management agent with all your MSHDA-financed developments included in the template.

Templates provide the previous calendar year’s MIE data for comparison against budget projections for the upcoming year.

Submission must include the Budget template workbook saved in excel format (.xls or .xlsx) and the CSV tab of the template saved in CSV format.

A number of budget items must be submitted in hard copy to Maureen Carden:

1. Signed Budget form #450
2. Detail notes for each line item requiring budget notes
3. Owner’s utility certification
4. Utility Allowance Calculation Summary page
5. Rent/Utility Change Notice
6. Proposed Rent Schedule
7. Identity of Interest Disclosures
8. Fee Addendum to Management Agreement
9. Current Service Contracts – I/A
10. Pension Plan Evidence – I/A
11. Market Analysis – I/A
12. Letter from Owner – If deficit planned

Section 236 developments – additional items

1. HUD Budget Worksheet
2. Resident Comments
3. Retain Excess Income Approval or Request
4. Excess Income Report
5. Owner Certification of Purchasing Practices and Reasonableness of Expenses

Use the budget and utility/rent schedule policies for guidance

Completing the utility template

- Utility sampling – must collect at least 25% of each unit type or a minimum of 5 units of each type.
- Template calculates average with standard deviation of the sampling to determine the new utility amounts.
- Ask for utility data as soon as you can from the utility companies to provide ample time.
- Sampling must be good to within 60 days of the posting.
- Posting must occur as close to 90 days prior to the intended rent/utility change.

Complete the budget form 450 and detailed notes

- Provide notes for all line items with a greater than 20% or \$2000 variance from previous year's expenses.
- Some line items require notes regardless of variance such as:
 - GRP
 - All payroll expense line items (need names, hour, hourly rates, & total salary amounts)
 - Other income and expense items

Pension Plans

In order to use pension plan expenses at a MSHDA-financed development, the management company must complete a certification form regarding the use of funds in employee pension plans. (Include this with Budget language)

Audits

Most critical financial report

3rd party Assessment of the financial condition and operations of the development.

Submission Requirements

Submission must include the:

1. Audit template workbook saved in excel format (.xls or .xlsx) and the CSV tab of the template saved in CSV format.
2. Financial Statements as an image document (pdf);
3. Owner Certification of the Audit;
4. Tax and Insurance deficits;
5. MIE Audit adjustments;
6. Any payments due per the audit.

Annual Due Dates

Tax and insurance deficits are due by January 25th.

Audit documents and payments must be submitted by April 30th.

Initial audit is due for the first year where there is occupancy before July 1st.

Otherwise, activity after July 1st must be included in the following year's audit.

New Developments – if a development doesn't have a construction loan with MSHDA are not required to submit an audit until the permanent loan is closed.

Preservation or Sale – Audit must cover from sale closing through the year end, but if there are only 60 days left in the year, this can be deferred to the next year's audit.

Required Financial Statements

Include the following:

- Audited Financial Statement;
 - Balance Sheet,
 - Income Statement
 - Owner's Equity
 - Cash Flow Statement
 - Notes
- Schedule 1;
- Schedule 2;
- Reports on Compliance and Internal Controls, and;
- Agreed Upon Procedures

Selection of a CPA

Audits must be prepared by an "independent" Certified Public Accountant selected by the owner. Auditor that prepares the audit cannot also prepare the development's MIEs and/or make any management decisions regarding the MIE reports.

Identity of Interest Disclosures

Identity of Interest Disclosures

- Individual form for each vendor and any IOI management agent
- Can't begin contracting until the IOI vendor/MA has been approved.
- Approved for up to a four year period unless prices increase beyond original approval or if the goods and services provided change, i.e. vendor is doing more services.
- Bids required from 3 vendors to show the proposed price is reasonable.

Incident Notification

Notify MSHDA when a serious issue arises in one of the following areas:

- Property damages,
- Potential or actual disturbances to the well-being of the residents, and

- Development finances, operations, or reputation.

As Mortgagee, MSHDA is a party to the development's property and liability insurance reimbursement thus notify MSHDA of:

- Any serious property damage
 - To allow inspection of before and after repairs are complete
 - Intent is to ensure that design and quality of building components are comparable or better than the components installed as part of the original mortgage and that it meets MSHDA's Standards of Design.

Management Agents must notify your assigned Asset Manager of anything that happens at the development that is of a serious or unusual nature.

- As a regulatory agency, MSHDA must answer questions from the public, the press, the legislature, and other government officials regarding the operation of MSHDA financed developments.
- Someone from the management company is expected to notify the assigned AM without delay if anything adversely affects the physical well-being of the property.
- Examples include, but are not limited to:
 - Fires,
 - Floods,
 - Weather damage,
 - Failure of major systems or components, and;
 - Significant damage from other causes.

Notice should be given when anything significantly disturbs, or has the potential to disturb the well-being of residents or development staff. Examples include, but are not limited to:

- Violence;
- Threats to health or safety, and;
- Disturbances in the community.

Finally, inform your assigned Asset Manager of anything that threatens the development's finances, operations, or reputation. Some examples include:

- Significant lawsuits,
- Large-scale criminal arrests,
- Anything else that brings negative attention from the media, neighbors, police or any other government entity, and;
- If you think MSHDA is likely to receive inquiries about the development, please contact your assigned Asset Manager.

Development Reviews and Site Visits

A Development Review is completed for all developments each year. Your Asset Manager will either complete the report via e-mail / phone call with the Property Manager, or in conjunction with a site visit. During Development Review, your assigned Asset Manager will gather

information about the operations and physical condition of the development. Items they may discuss with you are:

- Vacancies
- Income and expenses
- Accounts Payables
- Accounts Receivables
- Operating procedures
- Site maintenance and repairs
- Security
- Resident Concerns

Site visits are typically scheduled with the Property Manager. Both the property and site managers are expected to attend. Hopefully, maintenance staff is available to answer questions, too.

Site Visits will be conducted at a minimum of every three years. A site visit should not be confused with a file audit or physical inspection. Residents do not need to be notified of a site visit as the Asset Manager will not enter occupied units. Please be prepared to show the Asset Manager the grounds, common areas and VACANT units. If for some reason the Asset Manager needs to enter occupied unit(s) they will notify you in advance.

Your assigned Asset Manager should be able to answer any questions about the development review or site visit process.

Escrow Draws

Submitting a draw

Escrow draws must be submitted via U.S. mail. We only process request from e-mail in emergency situations.

Replacement Reserve (RR) Draws

- All RR draws must have a cover letter (MSHDA Mgmt. 503A form) stating the Development Name, MSHDA number, and amount of the draw request.
- Draw requests must be at least \$1,000 or greater.
- Include the RR worksheet (MSHDA Mgmt. 503B form) with each draw.
 - Please read the worksheet carefully to make sure it is completed correctly.
- Provide copies of the applicable CNA pages that correspond to the items submitted for reimbursement.
 - Highlight or clearly mark the corresponding lines

- Include a summary sheet listing each invoice (MSHDA Mgmt. 503E form).
 - Make sure invoice copies are attached in the order of the summary sheet.
 - All invoice must submitted within one year to be eligible for reimbursement.
- Pre-approval is required for any single item expenditure that is over \$10,000 on the MSHDA Mgmt. 503c form.
 - Pre-approval requires three bids to be submitted to MSHDA for review.
 - Identify which vendor bid you would like to use and why.
- Draws submitted incorrectly may be returned for correction and resubmission.
- Review the Replacement Reserve policy for helpful information on the escrow draw and pre-approval process along with lists of eligible and ineligible items.

Operating Assurance Escrow (OAE) Draws

- All Operating Assurance Escrow Draws must have a cover letter stating the Development Name and MSHDA number as well as the amount requested and what the draw will be used for, i.e. to catch up past due payables.
- In order to process an OAE draw, **WRITTEN APPROVAL FROM THE OWNER MUST BE ATTACHED** (an e-mail from the owner to the agent is fine). Without written ownership approval, the draw will not be processed.
- Include all back-up documentation that relates to the draw request. For example: if a draw is needed to catch up past due payables, please include a current payables list, with the amounts highlighted that you plan to pay with the draw.

Operating Reserve Cash (ORC) Draws

- All Operating Reserve Cash Draws must have a cover letter (MSHDA Mgmt. 501A form) stating the Development Name and MSHDA number as well as the amount requested and what the draw will be used for.
- Include all back-up documentation that relates to the draw request. For example: if a draw is needed to catch up past due payables, please include a current payables list, with the amounts highlighted that you plan to pay with the draw.

Housing Locator and MIPIE

New card – Michigan Housing Resources

Financial Reporting Timeline

20th of each Month Previous Months MIE is due.
January 25th Tax/Insurance Deficits are due.

February	PMF Applications are due after the updated application is released.
April 30th	Annual Certified Audits are due. Payments due per the Audit are due.
By July 31st	Budget Guide Policy update is released.
August 1st	Collect utility data.
October 1st	Sec 236 budgets are due.
November 1st	All non-section 236 budgets are due.
December 1st	Insurance changes are due.

Contacts

If you have concerns with one of the following topics:

<u>Financial reporting submissions</u>	Nikki Miller	millern@michigan.gov	517.373.1975
<u>Premium Management Fees</u>	Maureen Carden	cardenM1@michigan.gov	517.335.6971
<u>Employee Dishonesty Insurance</u>	Linda Ritter	ritterl@michigan.gov	517.335.5969
<u>Affirmative Fair Housing</u>	Michele Whitmore	whitmorem@michigan.gov	313.456.3585
	Willa Ray	rayw@michigan.gov	313.456.3583
<u>Policy</u>	Assigned Asset Manager		
<u>Michigan Housing Locator</u>	Paul Bursley	bursleyp@michigan.gov	517.241.4508
<u>MIE, Budget, and Audit</u>	Ryan Armstrong	ArmstrongR2@michigan.gov	517.335.2010
<u>Line Item entries</u>	Lisa Espinoza	EspinozaL@michigan.gov	517.373.3276

Management Agent Contact Information

Who does the Management Agent want to receive notification when there are updates to the following items:

- Policy Notifications
- MIE Forms
- Budget Forms
- Audit Forms
- Premium Management Fee
- Open Condition letters
- Asset Manager contact
- Tenant Concern contact