

House Corporation Guide to Hiring a Property Management Firm

Owning and managing any type of property can be a challenge; but, owning and managing a **fraternity house** takes that challenge to another level! Things like maintenance, capital expenses with limited or no reserves, rent collections, accounting and risk management are *ALL* elements of day-to-day operations.

We've learned that proactive management can prevent minor issues from spiraling into major problems that can take countless years – and dollars! -- to sort out.

So, how's a House Corporation supposed to manage all this, especially when the time and effort of chapter officers and alumni volunteers is limited?

Property Management Firms can be a great solution... and, one may be a good fit for your chapter! By providing top-notch livability and functionality, professional management creates a "first impression" that fosters great recruitment during Rush, and strong relations with your school year-round!



Professional management helps your chapter look to the future... today!

Determining roles:

As with any third-party contract, your House Corporation needs to clarify the level of involvement a Property Management Firm will have: Is a full management contract the goal? Is an abbreviated agreement for physical management only, without handling any financial obligations, be preferred?

Whatever working relationship is established, the House Corporation needs to meet with the firm quarterly, at best; but at any case, no less than bi-annually. Meetings should be conducted at the Chapter House, allowing time to complete a thorough walk-thru -- including individual rooms -- to ascertain the condition of the house and occupants' conformance to the Lease Agreements. Your House Corporation should never rely solely on a third-party property manager to fulfill this most important responsibility.

Want a few good reasons to consider third-party management? Consider:

Your house receives better maintenance.

With an initial inspection (which will be ongoing), third-party managers identify minor issues before they become major ones, so your House Corporation can plan maintenance, repairs, and improvements accordingly.

Your insurance may cost less.

House Corporations using third-party management generally have better insurance loss histories. And fewer paid claims ultimately lead to lower insurance premiums.

Your revenue is reliably managed.

Collecting rents and fees from Brothers can be awkward. Third-party managers remove "personal" issues; it's their business to be objective. This ensures revenue is available when needed, to cover expenses and grow reserves.

Your house value grows.

Property Management Firms have established vendor relationships, helping secure discounted pricing for major repairs or capital expenditures. Making these improvements possible grows the value of your property.

Your accounting and budgeting improves.

Property Management Firms provide detailed accounting, and maintain records to save time and effort when budgeting or filing taxes. Your House Corporation will always know where it stands, financially.

We hope, after considering all the benefits of using a Property Management Firm, your House Corporation's next step is, "OK, I'm in. How do I pick the right one?"

We're glad you asked!

Start with **setting expectations** on what you want and need from the management firms that you are considering.

Expectations -- does the firm:

- Conduct its business activities in compliance with all applicable laws and regulations?
- Have established written policies and procedures for firm operations?
- Maintain its own, and all property and client records, in accordance with regulatory, contractual and company guidelines?
- Have, maintain, and update as needed an accounting system that complies with generally accepted accounting procedures, firm operations and client obligations?
- Have internal financial controls for the handling of firm and client funds, to avoid commingling funds of multiple clients, or of clients and the firm?
- Have in place and maintain a corporate insurance program (see Section 4 below for details)?



Professional management can improve your finances...



Professional management can improve your physical spaces...

Determine Roles & Expectations prior to an Interview or Request for Proposal:

As with any third-party contract, your House Corporation needs to ascertain confirm the level of involvement it wants from a Property Management Firm. Is a full management contract, as outlined above, the goal? Would an abbreviated agreement for physical management only, without handling any financial obligations, be preferred? What maximum authorized maintenance expenditure do you want to set for the firm?

Whatever working relationship is established, the House Corporation needs to meet with the firm quarterly, at best; but at any case, no less than bi-annually. Meetings should be conducted at the Chapter House, and allow time to complete a thorough walk-through -- including individual rooms -- to ascertain the condition of the house and occupants' conformance to the Lease Agreements. Your House Corporation should never rely solely on a third-party property manager to fulfill this most important responsibility.

Once a firm meeting these basic criteria is identified, the next step is getting specific, detailed answers to some essential questions that will define your working relationship. Whether face-to-face, or through a written scope of work RFP (Request for Proposal), there are several areas which can be reviewed to see how the firm stacks up against industry standards.

Ask the firm to provide Business Details:

- What is the full business name and address, phone number, email address, website address, and list of ownership/officers?
- What is the company history, experience in managing Greek Housing and/or Student Housing, or Facilities Management?
- Who will be assigned to manage the house on a day-to-day basis, and what is their experience in property management? Will they be a primary contact for your house corporation? How many properties will this individual be responsible for? What is their drive time from Office to Property (home to property)?
- Is there a 24/7 emergency/after-hours maintenance hotline? If not, what “calling tree” is established if the primary contact cannot be reached?
- If collecting rents, what is their procedure for processing delinquent receivables? What authority will they have to file suit or accelerate contracts for non-performance? Who do they use for collections?

Ask about the firm's Operations -- can the firm:

- Prepare and monitor an annual operating budget?
- Assess, develop, and implement plans for preventative and routine maintenance?
- Provide 24-hour Maintenance/Emergency Service?
- Establish and enforce written policies and procedures, or provide a Standard Operating Procedures (SOP) manual?
- Recommend and assist in implementing capital improvements?
- Establish or provide procedures for reporting loss claims and potential loss claims?
- Develop and execute an emergency preparedness and response plan?
- Establish and maintain environmental and health safety management programs, and maintain emergency and life safety equipment?
- Develop, maintain, and enforce general safety guidelines and awareness to protect resident safety?
- Monitor compliance with lease terms, including rent collections?
- Require contactors providing good or services to meet minimum insurance requirements?
- Receive, deposit, and account for all incoming funds accurately and protect the client funds against all reasonably foreseeable contingencies?
- Deposit such funds in an escrow, trust or agency account with a federally insured institution? (See above)
- Disburse and account for outgoing funds and payables accurately, with checks and balances in place to separate receivables and payables?

Ask about Insurance Coverage:

A Property Management Firm should verify a valid Certificate of Insurance (COI) for any service provider it engages on behalf of your House Corporation; this COI confirms a vendor has suitable liability, workman's compensation, and property damage insurance prior to performing work on your chapter house. The firm should also secure the appropriate lien waivers before issuing final payment for any capital improvement work.

Your Property Management Firm should also have its own COI, with two important additions to their liability and property damage insurance:

- Crime Insurance and/or a fidelity bond, to cover all employees of the firm that will handle the House Corporation's money.
- Error and Omissions (E&O) insurance, appropriate for the size of the firm and the value of your chapter house.

(This is separate from the property and casualty coverage that you have in place through RMF (Risk Management Foundation) or another insurance provider. You may be asked to name the Property Management Firm as an additional insured on these policies, which is a standard request.)

Ask your Property Management Firm to provide their own, current Certificate of Insurance, showing proof of their corporate coverages and the amounts of coverage. **RMF recommends the following minimum limits of coverage for any firm being considered:**

- Commercial General Liability: \$1,000,000 per occurrence/\$2,000,000 aggregate, all occurrences.
- Auto Liability: \$1,000,000 each occurrence; combined single limit.
- Workman's Compensation/EPLI: \$1,000,000 preferred; no less than \$500,000. Or, as required by law or statute.
- Crime Insurance/Fidelity Bond – limits of \$1,000,000.
- Errors and Omissions (aka Professional Liability): \$1,000,000 with maximum deductible of \$25,000; claims coverage no less than two years.
- If present, an Umbrella Policy (aka Excess Liability); look for a minimum of \$4,000,000 if they carry that additional coverage.

In addition:

- The insurance firm should be rated by AM Best or Standard and Poor's, at least a B+.
- The policy utilized should be written on a loss standard form or discovery form, which allows for discovery a minimum of 60 days / maximum of 12 months after termination of the policy.
- The policy should not include endorsements requiring prosecution and conviction proceedings against perpetrators.

Deductibles should not exceed \$5,000 (or 5 percent of coverage).

That about covers it!

We hope these guidelines encourage your House Corporation, and help you to explore using a Property Management Firm to handle day-to-day operations of your chapter house.

At CHI we've seen first-hand that, when it's appropriate, professional management benefits every stakeholder in the house's operation – the active Brothers, alumni Brothers, the House Corporation, the school administration, and -- perhaps most importantly -- the parents and family members who entrust us with the health, safety, and personal development of their undergraduate sons.

And remember, you are not alone in making this decision: the entire CHI staff is ready to assist you, answer your questions and offer insight into this process...

It's YOUR house, and OUR future... Guard Well!



It all starts with a base, planted in the common clay of Earth...