CARH’s Broadcast Email – Regulatory Alert

April 23, 2014

Management Fee Update

As CARH members know from previous Broadcast Emails dated September 23, 2013 and November 1, 2013, the national Rural Development (RD) office did not recommend a management fee increase for 2014. In fact, there has not been an increase in management fees paid to management agents of RD properties in three years. The justification for not increasing fees has been, in part, due to the Improper Payments Elimination and Recovery Improvement Act (IMPERIA) error rate, which decreased from 3.44% to 1.79%, and funding for the Section 521 Rental Assistance (RA) program, particularly last year as RD was dealing with the RA shortfall caused by sequestration. However, for the past three years, CARH has voiced our objection to this freeze in fees and has authored industry-wide letters to the Administrator and Undersecretary for RD on behalf of management agents. At the March Board of Directors meeting with the RD National Office, we suggested a face-to-face meeting with the industry groups representing management companies to discuss the issue.

On Wednesday, April 16, a meeting was held where in addition to CARH’s current and past presidents Kevin Flynn and Bill Shumaker, Richard Price, CARH’s General Counsel, Colleen Fisher, CARH’s Executive Director, representatives from the Institute of Real Estate Management (IREM) and the National Affordable Housing Management Association (NAHMA) were also in attendance. The two hour meeting with the national Multifamily Portfolio Management Division at RD, centered on an industry proposal developed by Kevin Flynn and Bill Shumaker with input and concurrence from CARH’s management committee, as well as IREM and NAHMA.

Essentially, as CARH members can see from the accompanying letter and supporting material (April 11 cover letter; Management Fee Worksheet; Management Fee Analysis), the industry is urging the national office to use HUD’s Operating Cost Adjustment Factor (OCAF) as the basis for determining initial fees, rather than a survey format that the agency has been using for the last several years. Base Fee Boosts as well as Add-on Fees would also be permissible under the proposal. A survey could be conducted every five years to determine if the OCAF needed some further adjustment.
The meeting was a very good starting point for the discussion of management fees going forward. The staff indicated that they would further review the proposal in a serious and meaningful manner, with the intent of creating an update fee process. CARH and the other industry groups would then review what is received from RD to ascertain if this is a procedure that can be put in place and move forward. Our proposed procedure we believe is very straightforward and provides a meaningful measure for management agents and RD. CARH will update members as soon as RD responds to the industry’s recommendations.

Please contact the CARH national office at carh@carh.org or 703-837-9001 should you have any questions.

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Don’t miss CARH’s 2014 Annual Meeting & Legislative Conference
June 8-10, 2014, at the Ritz Carlton Pentagon City in Arlington, Virginia!

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