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How to Hire a Management Company

From the RFP to the Contract

Presented by:

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How to Hire a Management Company

From the RFP to the Contract

1. Evaluate your Operational System

- A. Identify what needs to be completed to operate your Cooperative.
- What functions do Board members complete?
 - What functions do Committees complete?
 - What functions do the employees complete?
 - What functions do non-management, 3rd parties complete?
 - What functions does Management complete?
- B. Determine what successes are accomplished from current operational system. Are successes the result of
- a well educated and engaged Board?
 - a comprehensive system of Committee functions?
 - a well educated and engaged membership?
 - a competent team of employees?
 - a competent set of outside contractors / vendors?
- C. Determine what shortcomings, if any, result from the current operational system. Were shortcomings based upon
- a lack of financial stability?
 - a lack of education / training of employees?
 - a lack of an educated and engaged membership?
 - a lack of talent (Board/employees/contractors)?
 - a lack of checks and balances (supervision/oversight)?
 - a lack of reported information at the Board level?
 - a lack of accurate information at the Board level?
 - a lack of a good succession plan for the Board Members?
- D. Determine who will handle the management search process; the Board or a Committee of volunteers. The Board makes the final determination!

2. Determine what, if anything, needs changing in your operating system.

- A. As you contemplate a change in management, should any system weakness be addressed?
- B. Do not overcompensate for, or over emphasize, existing weaknesses that may have lead to exploring, or needing, a change of management, or ignore / take for granted other areas that may not be of concern.
- C. Consult with your housing professionals and industry leaders to gain insight from an “outsider’s” perspective of your operating system weaknesses, or trends of weaknesses, etc., and obtain advice how to overcome such weaknesses.

3. **The Anatomy of your Request for Proposal (RFP)**

- A. Complete the self-assessment of your operational system.
- B. Identify operational system adjustments relative to:
 - The Cooperative's duties (Board, Committees, Employees)
 - The Management Company's duties
 - Third party duties (Contractors, Professionals)
- C. Complete the RFP Checklist (attached as Exhibit 1) to indicate the duties that interested companies shall be required to provide, and include it with your letter of invitation to bid.
- D. Know when and how existing management agreement may be terminated.
- E. Determine reasonable, or required, transition date for new management company to assume management if a change is being made.
- F. Establish bidding procedures:
 - The deadline for bids to be received
 - The form of bids (written v electronic)
 - The how to seal bids
 - The person/address where bids will be directed
 - The contact person for bidding questions
 - The date bids will be opened
 - Who will be present when bids are opened
 - Bid reconciliation period for scope and related costs, if any
 - Alternative suggestions to be kept separate
 - Who will reconcile incomparable bids
 - Due date for final reconciliation
 - Dates for interviews
- G. Establish submission requirements that must accompany all bid proposals:
 - Company Profile (form of corporation, date of incorporation, ownership, etc.)
 - Listing of stakeholders and their starting dates of involvement
 - Listing of Employees, their titles & areas of responsibility or expertise
 - Biographies of significant stakeholders, upper level managers, controller
 - Identification of all persons assigned to community's management
 - Listing of all properties owned or managed (regardless of type)
 - Size of each property owned or managed
 - Equity, Occupancy and vacancy/collection loss levels of all communities
 - Length of time each property has been owned or managed
 - List of properties no longer being managed for past 3 years with explanations
 - Internet addresses and related information
 - Written transition plan to effectively operate on transition date
 - Sample version of monthly financial report
 - Sample version of Housing Management Agreement
 - Listing of Community Board Member References
 - Listing of Professional References
 - Listing of potential conflicts of interest

H. Development of Management Fee basis that works for YOU!

- Per unit, per month
- Percentage of Gross collections
- Base fee plus al-a-carte expenses
- Hourly rates
- All inclusive
- Transition fees

I. Determination of Selected Bidders

- Referrals from local Cooperatives / Associations
- Referrals from other Cooperatives / Associations
- Referrals from housing professionals
- "Home away from Home" Visits

4. **Selecting a Management Company**

A. Opening and Comparing Bid Proposals

- Bid Opening date was pre-established
- Who will open bids?
- Were all instructions followed?
- Were all submissions received?
- Can each bidding company perform all checklist duties?
- Are management fees clearly identified?
- Call upon Cooperative / Association and Professional References

B. Interviews, Presentations and Questions

- After opening bids and calling references, select companies to interview
- Establish realistic time frames for interviews (i.e. one hour each)
- Length of presentation time (i.e. 20 minutes)
- Length of questioning time (i.e. 30 minutes)
- Closing remarks and reflection time before next interview (i.e. 10 minutes)
- Determine if all bid information is clear, concise and unambiguous
- Develop questions for each bidding company on unclear bid information
- Second interviews and follow-up

C. Decision Time

- Duly Called Meeting of the Board (required)
- Selection of Company of Choice
- Notification of Selected Company of Choice
- Presentation of Housing Management Agreement (Co-op lawyer to provide)
- Negotiations of H.M.A. terms and conditions (Co-op lawyer to provide)

D. Official Notices

- To current Agent terminating H.M.A. (both Certified & Regular mail)
- To Successor Company of Choice
- To all other bidders (once Company of Choice has accepted)

5. The Housing Management Agreement

- A. Provide copy of sample H.M.A. to Cooperative lawyer for review
 - Indemnification (hold harmless) provisions
 - Dispute resolution
 - Methods of termination
 - Retain local jurisdiction
 - Liquidated damages during termination
 - Fidelity Insurance of both parties
 - Initial term of H.M.A.
 - Renewing clauses
 - Incorporation of Organizational Documents
 - Capital Improvement Management
 - Manager and 3rd party expertise
 - Clearly establish cost responsibilities (personnel, admin., software)
 - Ownership of computers, software, electronic files, work product
 - Intellectual property
- B. Board concentrate on both areas of current weakness as well as strengths
- C. Management Plan and Exhibits
 - In depth descriptions of management duties
 - Clearly established lines of authority
 - Whose employees are they anyway?
 - Supervision of employees
 - Authority to hire / fire employees
 - Incorporation of operational documents

6. Transition Day Planning

- A. Board/Management meeting with employee staff (ahead of T.D.)
- B. Membership meeting with new management team (social function)
- C. Monitor activities very closely, but don't interfere

7. Separation from prior Management Agent

- A. Are all funds accounted for during transition?
- B. Does the Board want a mid-year audit by CPA?
- C. Were all books/records received from prior Agent? (how do you know?)
- D. Were all contract duties under contract termination completed?
- E. Use Cooperative lawyer for close out / exit interview with prior Agent

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Financial Services		Management	Board	3rd Party
1	Post Monthly Carrying Charges to Computer System			
2	Post Miscellaneous Income Receipts to Computer System			
3	Make Bank Deposits			
4	Operate ACH (EFT) Electronic Fund Payments			
5	Issue Notice to Quits on Delinquent Accounts			
6	File Non-payment Collection Suit on Delinquent Accounts			
7	Appear in Court on Collection Suits			
8	Initiate Requests for Writs of Eviction			
9	Approve Invoices for Payment			
10	Apply Account Codes and Due Dates to Invoices			
11	Produce Accounts Payable Checks			
12	Sign Accounts Payable Checks			
13	Create Employee Payroll Time Sheet			
14	Authorize Payment of Employee Payments			
15	Produce Employee Payroll Checks			
16	Calculate Employee Tax Deposits			
17	Prepare Employee Payroll Tax Forms and Make Tax Deposits			
18	Maintain Reserve Accounts			
19	Transfer Funds to / from Reserve Accounts as Needed			
20	Monitor Reserve Investment Interest Income			
21	Comparative Testing of Market Rates for Interest			
22	Prepare Long Range Plan			
23	Prepare Reserve Study or Solicit Bids for 3rd Party Preparation			
24	Recommend Investment Policies			
25	Produce Monthly Receipts Ledger			
26	Produce Check Monthly Disbursement Ledger			

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Financial Services (cont.)		Management	Board	3rd Party
27	Produce Monthly Payroll Ledger			
28	Produce Monthly Balance Sheet			
29	Produce Monthly General Ledger Trial Balance			
30	Produce Monthly Budget and YTD Variance Reports			
31	Produce Monthly Status of Reserve Report			
32	Prepare Preliminary Annual Operating Budget			
33	Participate in Budget Meeting(s)			
34	Oversee Budget Compliance			

Administrative Services		Management	Board	3rd Party
35	Review / Obtain Competitive Bids for All Insurance Policies			
36	Review / Obtain Board and Employee Bonding Requirements			
37	Process all Insurance Claims			
38	Maintain all Workers' Compensation Files and prepare for Audit			
39	Coordinate all CPA Audit / Review Activities			
40	Arrange for Preparation of Annual IRS Tax Return			
41	Preparation of Year End Form 1099-MISC			
42	Preparation of Year End Form 1099-S			
43	Preparation of Year End W-2's			
44	Preparation of Year End Member Interest/Tax Deduction Stmt.			

45	Prepare Notices for Board of Director's Meetings			
46	Distribute Notices for Board of Director's Meetings			
47	Attend Meetings of the Board of Directors No. per Year _____			
48	Prepare Notices for Annual Shareholder's Meetings			
49	Distribute Notices for Annual Shareholder's Meetings			
50	Attend Annual Shareholder's Meeting			
51	Provide Recording Secretary for all Meetings (3rd Party if Mgmt)			
52	Distribute Meeting Minutes to Members			

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Administrative Services (cont.)		Management	Board	3rd Party
53	Contribute to and/or Publish Newsletters			
54	Recruit / Solicit Newsletter Advertisers			
55	Distribute Newsletters			
56	Maintain Cooperative's Official Records			
57	Produce Correspondence to Members / Vendors / 3rd Parties			
58	Produce Violation Notices to Members			
59	Copy and Mail all Correspondence including Copy / Postage			
60	Conduct Annual Property Inspection			
61	Conduct Annual Unit Inspections			
62	Notify Members of Inspection Deficiencies			
63	Conduct Follow-up Inspections			
64	Process Alteration Permit Requests			
65	Act as one of Community's Municipal Liaisons			
66	Coordinate Complaint for Possession Actions with Co-op Lawyer			
67	Review All Bylaws for Recommended Amendments			
68	Review All Rules and Regulations for Amendments			
69	Create Electronic Versions of all Forms / Documents			
70	Coordinate Share Transfer and Marketing Activities			

Maintenance and H.R. Services		Management	Board	3rd Party
71	Provide Scope of Work and RFP Documents for Contract Work			
72	Solicit Bid Proposals for Contract Work			
73	Provide Contracts for Contract Work - with Cooperative Lawyer			
74	Monitor Performance of Contract Work			
75	Close out Contract Work - Sworn Statement and Waivers of Lien			
76	Secure Warranty Documents			
77	Maintain Capital Improvement History Files			

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Maintenance and H.R. Services (cont.)		Management	Board	3rd Party
78	Review / Create Employee Handbook			
79	Review / Create Employee Job Descriptions			
80	Maintain Work Order System			
81	Provide Work Order Production Reports			
82	Monitor Outstanding Work Order for Completion			
83	Maintain Inventory of Tools and Equipment			
84	Maintain Inventory of Parts and Supplies			
85	Maintain After Hour Emergency Service for Community Needs			
86	Process Emergency Work Orders to Staff / Contractors			
87	Provide Direction to All Cooperative Employees			
88	Monitor Work Schedules and Vacations of All Employees			
89	Process all Employee Disciplinary Processes			
90	Process / Defend Claims for Unemployment Benefits			
91	Participate in Collective Bargaining Agreement Negotiations			
92	Review / Solicit Employee Benefits and Insurance Coverage			

Other Items		Management	Board	3rd Party
93				
94				
95				
96				
97				
98				
99				
100				

For each item above, responsibilities may be shared between the Cooperative Board/Staff, the Management Company and/or any respective 3rd Party. Please check all that apply.