

**Minnesota Housing Finance Agency  
Apartment Renovation Mortgage Program  
MANAGEMENT AGREEMENT**

**THIS AGREEMENT** is effective the \_\_\_ day of \_\_\_\_\_, 20\_\_\_, and is entered into by and between \_\_\_\_\_, with its principal place of business located at \_\_\_\_\_ (hereinafter referred to as "Owner") and \_\_\_\_\_, with its principal place of business located at \_\_\_\_\_ (hereinafter referred to as "Management Agent").

**WITNESSETH:**

In consideration of the terms, conditions and covenants hereinafter set forth, the Owner and Management Agent mutually agree as follows:

**Section 101. Definitions.**

As used in this Agreement

101.1 "Act" shall mean the Minnesota Housing Finance Agency Act contained in Chapter 462A Of the Minnesota Statutes as such may be amended from time to time.

101.2 "Agreement" shall mean this Minnesota Housing Finance Agency Apartment Renovation Mortgage Program Management Agreement.

101.3 "Development" shall mean the real property and the improvements, buildings, appurtenances and equipment thereon, of the Owner known as \_\_\_\_\_, located in the City of \_\_\_\_\_ County of \_\_\_\_\_, State of Minnesota, and consisting of \_\_\_\_\_ dwelling units and \_\_\_\_\_ garage spaces to be rented, and \_\_\_\_\_ square feet of commercial or other non-dwelling space (MHFA Development No. \_\_\_\_\_).

101.4 "Lease" shall mean the form of agreement between the Owner and a Resident under the terms of which said Resident is entitled to enjoy possession of a dwelling unit.

101.5 "Management Agent" shall mean the entity identified as the Management Agent in the first paragraph of this Agreement.

101.6 "MHFA" shall mean the Minnesota Housing Finance Agency as established under the Act.

101.7 "Non-Housing Income" shall mean all amounts, other than Rent, actually collected by the Management Agent, which shall include but not be limited to; (i) vending and laundry machine income, (ii) income received from rental of parking spaces, garage spaces and commercial space.

101.8 "Owner" shall mean the entity identified as the Owner in the first paragraph of this Agreement.

101.9 "Regulatory Agreement" shall mean that the Regulatory Agreement between the Owner and MHFA, a copy of which is attached hereto as **Exhibit A** and incorporated herein by reference.

101.10 "Rent" shall mean that monthly amount which a Resident is obligated to pay the Owner pursuant to the terms of a Lease, other than Non-Housing Income.

101.11 "Resident" shall mean a person occupying a dwelling unit in the Development pursuant to a Lease.

**Section 201. Appointment of Management Agent.**

The Owner hereby appoints the Management Agent, and the Management Agent hereby accepts appointment, on the terms and conditions hereinafter provided, as exclusive management agent for the Development.

**Section 301. Regulation by MHFA.**

The Management Agent fully understands that the operation of the Development is subject to the Regulatory Agreement.

In the performance of its duties hereunder, the Management Agent agrees to comply with the provisions of the Act, the policies, procedures, rules and regulations of MHFA, and the Regulatory Agreement, as amended from time to time and receipt of which is hereby acknowledged by Management Agent.

**Section 401. Confer with Owner and the MHFA.**

The Management Agent agrees to keep itself informed on the policies of the MHFA, and, notwithstanding the authority given to the Management Agent in this Agreement, to confer fully and freely with the Owner and the MHFA in the performance of its duties hereunder.

The Management Agent agrees to cause an officer of the Management Agent to attend meetings with the Owner and/or the MHFA at any time or times requested by the Owner or MHFA.

**Section 501. Personnel of Management Agent.**

501.1 Employees of Management Agent. The Management Agent shall investigate, hire, pay, supervise, and discharge all managerial and non-managerial personnel that are listed in the most current annual operating budget that has been submitted to and approved by the Owner and the MHFA and shall pay such personnel compensation that does not exceed the amounts contained in such approved budget.

Such personnel shall in every instance be in the employment of the Management Agent. Compensation for the services of such employees (as evidenced by certified payrolls) shall be considered an operating expense of the Development.

\_\_\_\_\_ rent-free, \_\_\_\_\_ bedroom apartment(s) shall be provided for the subject personnel. The Management Agent shall hire in its own name, and have physically present at the Development, all managerial and non-managerial personnel necessary for the full and efficient performance of its duties under this Agreement, including the physical presence of responsible personnel at such times as may reasonably be requested by the Owner. In any event, no less than \_\_\_\_\_ responsible managerial or non-managerial person(s) of the Management Agent shall be physically present at the Development for not less than \_\_\_\_\_ hours per month.

501.2 Employment of Residents and Contractors. To the greatest extent, opportunities for training and employment will be given to lower-income Residents, and contracts for work in connection with the Development will be awarded to business concerns, which are located in or owned in substantial part by persons residing in the area of the Development.

Notwithstanding the above, these opportunities shall not compromise the quality of maintenance and management services or the financial condition of the Development.

501.3 Hiring of Personnel. In its hiring and investigation of managerial and non-managerial personnel, the Management Agent shall fully and completely comply with the provisions and requirements contained in Minn. Stat. §§ 299C.66 through 299C.71 as such may be amended, altered or replaced from time to time.

**Section 601. Services of Management Agent.**

601.1 Structure and Warranties. The Management Agent shall obtain from the Owner copies of all guarantees and warranties pertinent to construction, fixtures, and equipment. With the aid of this information and inspection by

competent personnel, the Management Agent shall thoroughly familiarize itself with the character, location, construction, layout, plan, and operation of the Development and especially of the electrical, heating, plumbing, air conditioning, and ventilating systems, and all other mechanical equipment.

601.2 Maintenance and Repairs. The Management Agent shall cause the buildings, appurtenances, equipment and grounds of the Development to be maintained and repaired according to standards acceptable to the Owner and the MHFA.

601.3 Preventive Maintenance. The Management Agent shall develop a preventive maintenance schedule including, but not limited to, periodic inspections of the units; residency commencement and termination check lists; inventory control; common area maintenance; equipment maintenance; exterior maintenance on a seasonal basis; and painting, decorating, and replacement timetables, as necessary.

601.4 Property Insurance. The Management Agent shall obtain recommendations for, and cause to be placed in force, all forms of insurance needed to adequately protect the Owner and the Development (or as required by law), including, where appropriate, public liability insurance, boiler insurance, fire and extended coverage insurance and burglary and theft insurance. All of the various types of insurance coverage required for the benefit of the Owner and the Development shall be placed with such companies, in such amounts, and with such beneficial interest appearing therein as shall be acceptable to the Owner and MHFA.

The Management Agent shall promptly investigate and make a full written report to the Owner and MHFA as to all accidents or claims for damage relating to the ownership, operation, and maintenance of the Development, including any damage or destruction of the Development, the estimated cost of repair, and shall cooperate and make any and all reports required by any insurance company in connection therewith.

601.5 Notice of Authority. The Management Agent shall, in accordance with Minn. Stat. § 504.22 as such may be amended, altered or replaced from time to time, place in conspicuous place on the premises a notice that the Management Agent is authorized to manage the premises and is authorized by the Owner to

accept service of process and to receive and give receipt for notices and demands.

601.6 Review of Operations. The Management Agent shall permit MHFA to conduct on-site evaluations of the performance of management services, which the Management Agent has agreed to provide as stipulated in this Agreement. An authorized representative of the Management Agent shall be available during on-site evaluations. MHFA will render to the Owner and Management Agent written reports based on such evaluations. The Management Agent shall provide MHFA with a written plan of correction, including a timetable of proposed action.

601.7 Collection and Delinquencies. The Management Agent shall collect and deposit in the account established pursuant to Section 801 hereof all Rents and other charges due from Residents and all Rents or other payments due the Owner from users of garage spaces and from users or lessees of other non-dwelling facilities in the Development. The Management Agent agrees, and the Owner hereby authorizes the Management Agent, to request, demand, collect, receive, and give receipts for any and all charges or Rents which may at any time be or become payable to the Owner. Rents and other charges shall not be accepted in cash by the Management Agent. The Management Agent agrees to take such action, including legal action, with respect to delinquencies in payments due the Owner as the Owner may from time to time authorize. The Management Agent shall furnish the Owner an itemized list of all Residents with delinquent accounts immediately following the fifteenth (15<sup>th</sup>) day of each month.

601.8 Payments and Expenses. From the funds collected and deposited in the account established pursuant to Section 801 hereinbelow, the Management Agent shall cause payments to be made and funds to be disbursed regularly and punctually in accordance with the provisions of and in the order and priority set forth in the Regulatory Agreement.

With the exception of payments provided for in the Regulatory Agreement, the Management Agent shall not make any disbursement in excess of \$\_\_\_\_\_ unless specifically authorized in writing by the Owner and approved in writing by the MHFA; provided that emergency repairs, involving manifest danger to life and property, or immediately necessary for the preservation and safety of the Development, or for the safety of the Residents, or required to avoid the suspension of any necessary services to the Development,

may be made by the Management Agent without regard to the cost limitation imposed by this Section with the understanding that the Management Agent, will, if at all possible, confer immediately with the Owner regarding every such expenditure, and will submit the request for the required the MHFA approval promptly following the emergency. The Management Agent shall not incur liabilities of the Owner (direct or contingent) which, in the aggregate will exceed at any time \$ \_\_\_\_\_, unless specifically authorized in writing by the Owner and approved in writing by the MHFA. In addition, the Management Agent shall not incur liabilities of the Owner (direct or contingent), which require payment more than one year from the creation thereof, unless specifically authorized in writing by the Owner and approved in writing by the MHFA.

601.9 Governmental Orders. The Management Agent shall take such action as may be necessary to comply promptly with any and all orders or requirements affecting the Development placed thereon by any federal, state, county, or municipal authority having jurisdiction here over, and orders of the Board of Fire Underwriters or other similar bodies. The Management Agent shall not take any action under this Section unless the MHFA so directs in writing so long as the Owner is contesting or has affirmed its intention to contest any such order or requirement and promptly institutes proceedings contesting any such order or requirement. The Management Agent shall promptly, and in no event later than forty-eight (48) hours from the time of their receipt, notify the Owner and the MHFA in writing of all such orders and notices of requirements.

601.10 Utility Service and Purchases. Subject to the approval of the Owner and in accordance with the rules and regulations of the MHFA, the Management Agent shall make contracts for garbage and trash removal, fuel, oil, extermination, snow removal, elevator maintenance, and other necessary services. Further, the Management Agent shall place orders for such equipment, tools, appliances, materials, and supplies as are necessary to properly maintain and repair the Development. When taking bids or issuing purchase orders, the Management Agent shall act at all times in the best interests of the Owner and shall be under a duty to secure for and credit to the Owner any discounts, commissions or rebates obtainable as a result of such purchases.

601.11 Records and Reports

(1). The Management Agent shall establish and maintain a comprehensive system of records, books, and accounts in a manner satisfactory to the Owner and the MHFA. All records, books, and accounts will be subject to examination at reasonable hours by any authorized representative of the Owner or the MHFA.

(2). The Management Agent will prepare monthly operating and occupancy reports which compare actual and budgeted income and expenses for the month and for the "year-to-date" and occupancy as of the end of the month and will submit each statement to the Owner and the Housing Management Division of the MHFA within fifteen (15) days after the end of the month covered.

(3). The Management Agent will furnish such information as may be requested by the Owner or the MHFA from time to time with respect to the financial, physical, or operational condition of the Development.

(4). By the fifteenth (15th) day of each month, the Management Agent will furnish the Owner with an itemized list of all Rent delinquencies as of the tenth (10th) day of the same month.

(5). The Management Agent shall prepare, execute, and file for the Owner all forms, reports, and returns required by law in connection with the employment of personnel, including unemployment insurance, workmen's compensation insurance, disability benefits, social security, and other similar insurance benefits or taxes now in effect or hereafter imposed.

601.12 Operating Budget. At least sixty (60) days before the beginning of each new fiscal year for the Development, the Management Agent shall prepare and submit to the Owner and the MHFA an annual operating budget, in such form as may be prescribed by the MHFA, setting forth an itemized statement of the anticipated receipts and disbursements for the Development for the next fiscal year.

601.13 Compliance of Residents.

(1). The Management Agent shall at all times during the term of this Agreement operate and maintain the Development according to the highest standards achievable. The Management Agent shall secure full compliance by the Residents with the terms and conditions of their respective Leases.

(2). Voluntary compliance shall be emphasized, and the Management Agent shall counsel Residents and make referrals to social service agencies in cases of financial hardship or under other circumstances deemed appropriate by the Management Agent, so that involuntary termination of tenancies may be avoided to the maximum extent consistent with sound management of the Development. The Management Agent will not, however, tolerate willful evasion of payment of Rent.

(3). The Management Agent may lawfully terminate any tenancy when, in the Management Agent's judgment, sufficient cause occurs under the terms of the Resident's Lease. Documentation of eviction for reasons other than non-payment of Rent must be prepared by the Management Agent and transmitted to the Owner.

(4). The Management Agent is authorized to consult with legal counsel designated by the Owner to bring actions for eviction and to execute notices to vacate and to commence appropriate judicial proceedings; provided, however, that the Management Agent shall keep the Owner informed of such actions and shall follow such instructions as the Owner and the MHFA prescribe.

(5). Subject to the Owner's approval, costs incurred in connection with such actions shall be considered as operating expenses.

601.14 Inspection Prior to Occupancy. Prior to occupancy of any unit by a family, the Owner or Management Agent and the family shall inspect the unit and both shall certify on forms acceptable to MHFA, that they have inspected the unit and have determined it to be decent, safe, and sanitary.

Section 701. **Other Acts.**

Everything done by the Management Agent under the provisions of this Agreement shall be done in the same manner as would be done by an ordinary and prudent property management agent, and all obligations or expenses incurred thereunder shall be for the account of and on behalf of the Owner. Any payments to be made by the Management Agent hereunder shall be made out of such sums as are available in the operating receipts and expense account established pursuant to Section 801.1 hereinbelow. The Management Agent shall not be obliged to make any advance to, or for the account of, the Owner or to pay any sum, except out of funds held or provided as aforesaid, nor shall the Management Agent be obliged to incur any



liability or obligation for the account of the Owner without assurance that the necessary funds for the discharge thereof will be provided.

**Section 801. Bank Accounts.**

801.1 Operating Receipts and Expense Account. The Management Agent shall establish and maintain, in a bank whose deposits are insured by the Federal Deposit Insurance Corporation in accordance with the provisions of the Regulatory Agreement, a separate bank account as Management Agent of the Owner for the deposit of the moneys of the Owner, with authority to draw thereon for any payments to be made by the Management Agent to discharge any liabilities or obligations of the Owner incurred in accordance with this Agreement. This account shall be carried in the Management Agent's name and shall be designated of record "(Name of Development) Operating Receipts and Expense Account". The Management Agent shall also establish such other special bank accounts as may be required by the Owner or the MHFA. Signatories entitled to make withdrawals from any and all of these accounts shall be persons covered by the fidelity bond required under Section 1201 hereinbelow.

801.2 Security Deposit Account. The Management Agent shall collect, deposit, and disburse Residents' security deposits in accordance with the terms of their respective Leases. Residents' security deposits shall be deposited by the Management Agent in an interest bearing account, separate from all other accounts and funds, with a bank or other financial institution whose deposits are insured by the Federal Deposit Insurance Corporation. The Management Agent shall be responsible for any loss incurred by the Development for its failure to comply with refunding of security deposits with accrued interest to Residents as required by Minn. Stat. § 504A.241, as amended, altered or replaced from time to time. This account shall be carried in the Management Agent's name and shall be designated of record "(Name of Development) Security Deposit Account". The Management Agent shall cause the amount of such security deposit account to equal or exceed at all times the aggregate of all outstanding obligations by the Owner with respect to security deposits.

**Section 901. Office in Development.**

The Management Agent shall be responsible for all other on-going on-site office expenses out of its management fees. These expenses include, but are not limited to postage, stationery, photo copying, office supplies and staff refreshments.

**Section 1001. Compensation of Management Agent.**

The Management Agent will be compensated for its services under this Agreement by monthly fees, to be paid out of the operating account authorized and created under the provisions contained in Section 801.1 hereinabove, and such fees shall be treated as Development expenses. Each monthly fee will be in an amount specified in the most current annual operating budget that has been submitted to and approved by both the Owner and the MHFA, and shall be payable on the first day of each month.

Management Agent's overhead expenses (including but not limited to costs of office supplies, photo copying, the fidelity bond, staff training, postage, stationery, transportation, and telephone expenses, other than management-related long distance calls), will be borne by the Management Agent out of its own funds and will not be treated as an operating expense of the Development.

**Section 1101. Non-Discrimination.**

1101.1 Federal and State Law. In the performance of its obligations under this Agreement, the Management Agent will comply with the provisions of any federal, state, or local law prohibiting discrimination in housing on the grounds of race, color, sex, creed, religion marital status, physical or mental disability, economic status, or national origin, including Title VI of the Civil Rights Act of 1964 (Public Law 88-352, 78 Stat. 241), all requirements imposed by or pursuant to the regulations issued pursuant to the regulations issued pursuant to Executive Order 11063, and Title VII of the 1968 Civil Rights Act.

This Agreement may be terminated or suspended in whole or in part, by the Owner or the MHFA upon the basis of a finding by Owner or the MHFA that the Management Agent has not complied with non-discrimination provisions.

1101.2 Affirmative Fair Housing Marketing Plan. The Management Agent shall comply with the MHFA approved "Affirmative Fair Housing Marketing Plan" if applicable, that has been approved by the MHFA for use with the Development, and shall utilize such measures as may be required by the Owner or MHFA to encourage affirmatively the occupancy of residential units by members of minority groups.

**Section 1201. Fidelity Bond.**

The Management Agent shall furnish, at its own expense, a fidelity bond to protect the Owner and the MHFA against misapplication of funds of the Development by the Management Agent and its employees. The terms and conditions of the bond, and the

surety thereon, shall also be subject to the approval of the Owner and MHFA, and shall be in an amount not less than two times the total sum of the following:

- (1). The maximum possible monthly Rent collections based on one hundred percent (100%) occupancy of the Development;
- (2). Non-Housing Income; and
- (3). The maximum possible funds being held as security deposits based on one hundred percent (100%) occupancy of the Development.

**Section 1301. Effective Date and Termination.**

1301.1 Effective Date. This Agreement shall not be effective until it has been executed by both the Management Agent and the Owner and approved in writing by the MHFA.

1301.2. Termination by Mutual Consent. This Agreement may be terminated, at any time, by the mutual written consent of the Owner and the Management Agent only upon the prior written consent of the MHFA.

1301.3 Termination by Owner for Cause. In the event that the Management Agent shall fail to perform any of its duties hereunder or comply with any of the provisions hereof, the Owner may terminate this Agreement for cause upon Owner providing thirty (30) days written notice to the Management Agent. Termination of this Agreement by Owner for cause must have the prior written approval of the MHFA.

1301.4 Termination Because of Bankruptcy. In the event that a petition in bankruptcy is filed by or against either the Owner or the Management Agent, or in the event that either shall make an assignment for the benefit of creditors to take advantage of any insolvency act, either party hereto may immediately terminate this Agreement without notice, but prompt advice of such action shall be given to the other party and to the MHFA.

1301.5. Termination by MHFA. It is expressly understood and agreed by and between the Owner and the Management Agent that the MHFA shall have the right to demand and require the Owner to terminate this Agreement, with or without cause, within ten (10) days of receipt of such demand; provided, however, in the event of a default by the Owner under its mortgage to the MHFA or the Regulatory Agreement, then the MHFA may demand and require that the Owner immediately terminate this Agreement. Upon receipt of a request by the MHFA to terminate this Agreement the Owner and the Management Agent shall consider

this Agreement terminated in accordance with the conditions contained in such demand. It is further understood and agreed that no liability shall attach to the MHFA in the event of termination of this Agreement pursuant to this Section.

1301.6. Accounting Upon Termination. Within ten (10) days after the termination of this Agreement, the Owner and Management Agent shall account to each other with respect to all matters outstanding as of the date of termination. The Owner shall furnish the Management Agent security against any outstanding obligations or liabilities which the Management Agent may have incurred hereunder, and the Management Agent shall turn over to the Owner all records, documents or other instruments, waiting lists, and any and all other files and papers in its possession pertaining to the Management Agent's performance under this Agreement.

**Section 1401. Assignments.**

This Agreement shall inure to the benefit of and constitute a binding obligation upon the Owner and Management Agent, and their respective successors and assigns, provided that the Management Agent cannot assign this Agreement or any of its duties hereunder without the prior written consent of the Owner and the MHFA.

**Section 1501. Amendment.**

This Agreement constitutes the entire Agreement between the Owner and the Management Agent, and no amendment or modification thereof shall be valid and enforceable except by supplemental agreement in writing, executed, and approved in the same manner as this Agreement.

**Section 1601. Execution of Counterparts.**

For the convenience of the parties, this Agreement may be executed in counterpart copies, which are in all respects similar and each of which shall be deemed to be complete in itself so that any one may be introduced in evidence or used for any other purpose without the production of the other counterparts.

**Section 1701. Termination of MHFA Involvement.**

The MHFA's involvement with and overview of the operation and management of the Development shall cease and desist when the MHFA no longer has any outstanding loans for the Development. Upon such occurrence any and all references to the MHFA contained in this Agreement shall be deleted and any provisions relating to the MHFA's involvement with and overview of the operation and management of the Development shall become null and void as if they did not exist herein.

(THE REMAINING PORTION OF THIS PAGE WAS INTENTIONALLY LEFT BLANK.)

**IN WITNESS WHEREOF**, the parties hereto have executed this Agreement on the day and year indicated immediately below their respective signatures.

\_\_\_\_\_  
(Owner)

By: \_\_\_\_\_

Title: \_\_\_\_\_

Executed on the \_\_\_ day of \_\_\_\_\_, \_\_\_\_\_

\_\_\_\_\_  
(Management Agent)

By: \_\_\_\_\_

Title: \_\_\_\_\_

Executed on the \_\_\_ day of \_\_\_\_\_, \_\_\_\_\_

\*\*\*\*\*

The Minnesota Housing Finance Agency hereby approves and consents to the foregoing Management Agreement and the Management Agent appointed therein.

By: \_\_\_\_\_

Title: \_\_\_\_\_

Approved on the \_\_\_ day of \_\_\_\_\_, 20\_\_

## Exhibit A

(Regulatory Agreement)