

Managing Your Manager: UHAB's Tips and Best Practices

CONTENTS

INTRODUCTION

DETERMINING THE NEED FOR A MANAGER

THINGS TO KEEP IN MIND

- Who Controls Whom?
- Quality and Cost Effectiveness
- Landlord Attitude

SELECTING A MANAGER—

THE HIRING PROCESS

- Creating a Job Description
- Finding Potential Managers
- Interviewing
- References and Selection

THE MANAGEMENT CONTRACT

- What is the Management Contract?
- Who Does What?

TERMS OF EMPLOYMENT

- Manager's Fee
- Length of Contract, Withholding Payment & Termination
- Signing the Contract

WORKING WITH YOUR MANAGER

- Evaluating your Manager's Job Performance
- When Problems Arise

RETURNING TO SELF-MANAGEMENT

APPENDIX

INTRODUCTION

This resource offers practical advice to buildings tenant that presently employ a professional manager or are thinking of hiring one. It contains information on hiring and interviewing, writing an appropriate management contract, communicating effectively with your manager, and resolving problems that may come up. It is intended to help you obtain the best possible manager. It is also intended to help you get the best possible performance out of your manager by emphasizing the manager's role as an employee. Controlling this employer-employee arrangement is the key to maintaining a good relationship with your manager and getting the best management services for your building.

DETERMINING THE NEED FOR A MANAGER

Before you hire a manager, you should ask yourself why you need one. What, specifically, do you want the manager to do? Why don't you want the board to do these tasks? Residents who manage their own buildings can often provide cheaper and better management because they have the most to gain. If you are thinking of hiring a manager, it is important to think about how you would benefit by hiring someone rather than doing the work yourself.

Of course, there are situations when you can gain by hiring a manager. Perhaps you have one or two specific problems that take too much of the officers' time and energy. A professional manager may handle these very well. Rent collection in a very large building, unusually complicated financial reports, non-payment cases, holdovers, or other problems can sometimes be handled better by someone outside the building. By delegating these time-consuming, sometimes confrontational tasks to a manager, the officers can free themselves to work on other issues while minimizing direct conflict between individual tenants and the association.

If you have intense factionalism— where two groups are struggling for power in a way that prevents effective management— you may benefit from hiring a manager on a temporary basis to provide a “cooling off” period. While the manager handles some of the management responsibilities, the building/residents/board can work out its internal problems.

A manager might also be beneficial if you have a large and complicated construction project scheduled for your building, and you feel you don't have sufficient knowledge to monitor the job properly. In this case, hiring a manager with expertise in construction might be a good idea.

All of the above are situations in which you could gain by having a manager (provided that you select a good one), but you won't gain from having a manager in every situation.

Your building will NOT fix these problems by hiring a manager:

☒ performing basic, necessary management tasks that you are too disorganized to handle yourselves. **Without an organized association, the manager will be unsupervised, and you will have no way to guarantee that you're getting the services you need.**

☒ if your residents are uninterested or uninvolved in management. **It isn't part of the manager's job to try to interest tenants. Tenants who give up management responsibilities to a manager are likely to become less involved and therefore less interested than before.**

☒ if your residents don't feel knowledgeable enough to manage the building themselves. **Uneducated residents will simply lose control of their building to a manager, who may or may not perform her tasks properly.**

While there are some good reasons why you might want to hire a manager, you should remember that the performance of your manager can only be as good as your direction and supervision. Hiring a manager to make up for **disorganized, uninvolved or uneducated** residents will not help your organization, and may often make your problems worse.

THINGS TO KEEP IN MIND

If your building is close to hiring a manager or already has one, there are some things you should keep in mind that will help you have a good, productive employer – employee relationship:

Who Controls Whom?

Make sure that you control your manager, instead of the other way around. A strong and healthy building that meets regularly, stays informed about building issues, and is able to give clear directions should be able to maintain a productive relationship with its manager. A building that gives its manager a “blank check” when it comes to important management issues will soon find itself living under less than ideal conditions. Although hiring a good manager can reduce your workload, it does not mean that you can now relax and let someone else take care of everything. Supervising and monitoring a manager will continue to require both time and effort. Again, the key to a successful relationship with your manager is for you to remain in control!

Quality and Cost Effectiveness

No one knows your building better than you—the people who live in it. And no one has more of an interest in seeing that your building is run as well and as efficiently as possible. The quality of management impacts upon you directly because you live there and you pay monthly fees which pay for everything else. For example, it is important to you to obtain the best possible boiler service contract not only because you suffer directly if there is inadequate heat, but also because you want to keep the rents to the absolute minimum necessary for running your building. Lack of proper boiler maintenance can lead to excessive fuel consumption, and thousands of dollars wasted in fuel costs. You are therefore likely to be extremely careful when entering into maintenance contracts because it is *your* money that you are spending.

While a good manager will try to save you money, the manager usually doesn't live in the building or pay rent, and has no built-in interest in keeping costs (and therefore monthly fees) to a minimum. As a matter of fact, most managers' salaries are based on a percentage of monthly fees collected, so that the higher the rent roll, the higher their salary (assuming that rent collection is consistent).

Landlord Attitude

Avoid letting the residents think of the manager as a landlord. Rather than having to ask a landlord for services, residents have the power to improve their building by being actively involved in the decision-making processes. Generally it takes some time and effort on the part of the officers to get residents to accept this responsibility, and to get them out of the habit of “landlord – tenant” thinking. Without a visibly strong and active association, it is very easy for residents to regard the manager as simply another landlord, and to forget that the final responsibility for their building still rests with them.

SELECTING A MANAGER— THE HIRING PROCESS

Creating a Job Description

Be careful when selecting a manager. Make sure the person you hire is qualified to do the job. Even before you look for a manager, make sure you know exactly what you need her to do. Write out those tasks in a job description that specifically states what the manager's responsibilities will be. For example:

700 Angel Avenue, a tenant-managed building of 30 units, seeks experienced, professional manager to collect rent and issue receipts, to produce monthly financial accounting reports, and to initiate legal actions against non-paying residents at the direction of the board. Manager will be required to meet monthly with the board, and with the entire resident body as necessary.

Finding Potential Managers

Once you have a written job description, you can start looking for a manager by asking other tenant associations, co-ops, or community groups for recommendations. It is a good idea to look for someone who has already worked well with other buildings like yours.

What about residents in your building who apply for the position of manager? Hiring an “insider” can be advantageous because you already know her, and as a resident, she already knows the building and its needs. However, there are some issues which the board should think seriously about before you make this decision:

☒ Having an inside manager can sometimes create conflicts or confusion. Being a resident brings with it one set of responsibilities: to create policies, and ensure that day to day management tasks are being properly carried out. Being a manager brings another set of responsibilities: implementing policies and carrying out day to day management tasks. It is important to keep these two roles distinct; if one person is both shareholder/tenant *and* manager, then your organization must take care to avoid possible conflicts of interest. The residential manager must be excluded from any votes or decisions made about her employment (hiring, firing, and supervising). You might not want the manager to attend all resident or board meetings. You can and should take advantage of her opinion, knowledge and experience on important issues that affect your building, but your manager really should not be involved in making policy decisions.

☒ Having an officer or board member as manager poses the danger of concentrating too much power in the hands of one person— reducing participation and leading a building away from active democracy and into a tenant-landlord mentality. The well-being of your association or co-op depends on the active involvement and participation of a significant number of members. If your manager is an officer or member of the board, it is especially important to keep the role of the manager clearly separate from the role of association or co-op member. Special care must be taken in this case to make sure that there are designated members of your organization whose job it is to monitor and supervise the work of the manager, and that the manager is not given powers and responsibilities that properly belong to the residents or board.

☒ Finally, keep in mind that, from a personal perspective, it can be much harder to fire a fellow resident than to fire an outside professional. A resident would remain in the building after being fired as manager; she would retain all her rights as a member of your organization, and you would continue to have her as a neighbor.

Interviewing

You will want to interview several candidates before making a selection. Who conducts the interviews will depend on your organization. You might want the officers or board of directors to conduct the interviews, or you might want to form a special committee for this purpose. Whoever conducts the interviews should prepare a list of questions ahead of time which will help determine the following:

1. *The manager’s “track record”*: Is she well-established and experienced?
2. *Knowledge and experience*: Does she know the specific needs of your type of building? You might interview someone with a very good reputation and lots of experience in managing large (over

200 units) middle-income co-ops, but this is not necessarily the best person to manage your small 30-unit, low-income building. Try to find someone who has managed buildings like your own in the past.

3. *Compatibility with your organization:* Is this someone you will feel comfortable working with? Does she seem to really listen to your needs and concerns?

4. *Accessibility to officers/Time for you:* Is she going to be available when you need to talk to her? What is her current workload like? If she is already managing too many other buildings, your building may receive little time and attention.

5. *Cost:* Can your organization afford her?

References and Selection

In addition to conducting thorough interviews, it is *very* important to get several references for each candidate and to check these references carefully. Ask for at least five or six references, and specify that you want them to be from buildings similar to your own. Then call the references and question them carefully about how the manager performed for them. Find out if they have any of the same problems or needs as your building. If they do, and if their manager was able to help *them*, chances are that she will be able to help your organization as well.

After checking references, gather your information from the interviews and phone calls, and meet with your committee, officers, or Board. After discussing each candidate's strengths and weaknesses, make a selection, by voting if necessary. Don't be afraid to ask for a second interview with any of the candidates if it would help you decide.

Once you have made a decision, incorporate your existing job description into a management contract that states exactly what the manager will be expected to do for your building.

THE MANAGEMENT CONTRACT

What is the Management Contract?

The management contract is the legal document that determines the relationship between you and your manager. It specifies exactly what you are hiring a manager to do, and the limits of her authority. It contains the manager's job description, which should be as detailed as possible, since you will use this to monitor her job performance. The contract also contains the "terms of employment" — what the manager's salary will be, the length of the contract, and the procedure for termination or resignation.

Who Does What?

The amount of responsibility you delegate to your manager will depend on the needs of your organization. Think about which tasks you want the manager to do. What tasks will the association do itself? What tasks will be shared by the manager and the association? Remember, the manager should be helping you, not doing everything for you. It is the responsibility of the association or board to create policies and monitor the manager. The manager, in turn, is responsible for implementing these policies in a fair and efficient way, and reporting back to the association or board on a regular basis.

There are some things a manager should never be allowed to do for you. The manager should NEVER have sole control over your checkbook or bank account. Every check should be signed by two officers, and your manager should never be the sole signatory on the account. The manager can monitor unpaid bills, but you should continue to write and co-sign all checks.

The manager shouldn't make final decisions about new residents. The manager can conduct interviews and check references for vacant residential and commercial spaces, but the association officers or Board of Directors should make all final decisions by voting.

In general, tasks that you can safely delegate to a manager are those time-consuming but fairly straightforward tasks that do not involve making policy decisions. By giving some of them to a manager, your association can relieve itself of much bureaucratic work without giving up control of the building. These types of tasks include:

- ☒ collecting rent
- ☒ issuing receipts
- ☒ producing monthly financial reports (the officers or board should get a copy by the 10th of the month)
- ☒ maintaining payroll records for employees (like the super) and filing taxes every quarter

Other types of tasks that involve more discussion and decisions should be done by the association, or shared by both the association and the manager. These tasks include:

- ☒ *Advertising vacancies and maintaining a waiting list.* Either the manager or the association could do this, but the Association should *always* retain the responsibility to make the final selection.
- ☒ *Arranging and monitoring service contracts* (for electricity, gas, extermination, etc.) If the manager does this, then the association should retain final approval of the contract.
- ☒ *Taking legal action.* The manager should not take any legal action without prior approval of officers or board, and the officers or board should make the final selection of the lawyer.
- ☒ *Purchasing supplies and making repairs.* The association sets guidelines for prioritizing repairs through a repair and maintenance committee. The manager can then make repairs, following the priorities set up by the association. The manager is usually given the power to hire contractors and repairpersons, but should be obliged to get approval from the officers or board before proceeding with any large (over \$500) repair job.
- ☒ *Supervising employees* (such as the super). The manager can assist the association with this, but it should be the officers or board members, not the manager, who actually sign the super's contract.

TERMS OF EMPLOYMENT

Manager's Fee

Once you know what you want your manager to do, how do you decide how much to pay her, and for how long? Manager's salaries are almost always based on a percentage of rent collected, rather than a flat rate. This way, the manager is given a greater incentive to collect as much rent as possible. A full-time manager who collects rents, issues receipts, does financial reports, takes legal actions, and makes repairs usually demands seven or eight percent of rent collected every month. If she is doing less than a full workload, you should reduce this percentage. For example, four percent of rent collected is considered standard for a manager whose only responsibilities are bookkeeping and producing financial reports. You will have to negotiate with your manager to arrive at a firm figure. Pay what you think is fair, but stay within what your building can afford.

Length of Contract, Withholding Payment & Termination

Every management contract should include a phrase indicating how long you expect the manager to provide services to your building, and a provision discussing what happens if the manager fails to provide required services. In particular, the contract should state that if the manager fails to deliver the

monthly financial report or any other required reports to the Association on time, the Association may reduce the manager's fee that month by 5% for every day any report is late. The contract should state the conditions under which the manager may terminate the contract, as well as your association's right to terminate the contract if you are not happy with the manager's services.

Signing the Contract

Not everything in a management contract will be appropriate for your building, but you can make changes to suit your particular needs. Remember, your management contract should be detailed and specific to the needs of your building. When negotiating your final contract, always remember that the building's interest must be protected at all times. You should have your attorney review the contract before you sign.

WORKING WITH YOUR MANAGER

The key to a good working relationship with your manager is to be organized, know what you want, and be able to communicate it in a clear and effective way. You should be having monthly meetings at which financial reports are given to the residents, decisions about building business are made, and these decisions are recorded in the minutes. Your officers and committees should also be meeting on a regular basis, and minutes should be taken at each of these meetings. It is **impossible** to supervise your manager effectively unless you well organized.

You also need to set up a communication system with your manager. Think about what kinds of information the manager will need from you on a regular basis. If your manager completes the monthly financial reports, she will need copies of all the check stubs for checks written during the month. You should assign one person in your association the task of making the copies and getting them to the manager within the first few days of every month. If your manager receives and keeps track of bills, you need to establish a system whereby she informs the officers when she needs them to write a check.

If your maintenance and repair committee prioritizes repairs for the manager, someone will have to communicate its decisions to her. A possible system could be: tenants submit repair requests in writing to the maintenance and repair committee. The committee meets twice a month, prioritizes the repairs, then submits the list of needed repairs in order of priority to the manager. You will need to decide who will be responsible for getting this list to the manager. Whom will the manager call to get approval for repair jobs costing over \$500, or to alert when contractors are coming to the building to work on a job?

Your manager will need a contact person so information can flow back and forth between her and the association. This should be an officer, but whoever the contact person is should be easily reachable—if she is not in the building all day, then she should be available by telephone at work. You can designate a second contact person, but you should not have too many people working directly with the manager, since this will very likely result in confusion.

In addition to frequent phone contact, the officers might also want to meet periodically with the manager to exchange information, and discuss any problems that may arise. Important instructions to the manager should always be put in writing, and copies of all correspondence should be kept. Phone calls and meetings should be followed up by a letter summarizing what was discussed, and what actions are to be taken by the manager, the association, or both. Putting things in writing minimizes the risk of confusion or misunderstanding and protects your association if there is ever a problem with the manager's job performance.

Evaluating Your Manager's Job Performance

If your association is well-organized, accessible, and able to give clear directions about how you want your building to be run, then you have the right to expect the same level of organization and efficiency from your manager. She should respond promptly to telephone calls, letters, and requests for meetings. She should maintain the records of the building (financial, payroll, legal and repair records) in an orderly filing system which is accessible to the officers of your association. She should report back to the officers on a regular basis in the different areas of management for which she is responsible. This means getting the monthly financial report to the officers no later than the 10th of every month, keeping the officers up to date on pending legal cases, and reporting on the status of repairs in progress. See the Appendix for a sample “manager’s checklist” you can use to measure how well your manager is performing. You can draw up your own checklist by referring back to your management contract.

When Problems Arise

What if your manager is not performing to your satisfaction? Problems with your manager should be treated like problems with your super or any other employee.

First you must identify where the manager is falling short. Next, you must make sure that she understands her job description and her duties completely. Probably the best way to do this is for the officers to arrange a special meeting with the manager to discuss the problem and go over the management contract again. If the problem is a result of a misunderstanding on the manager’s part, then this meeting may be enough to remedy the situation. You should make it clear to the manager exactly where she has been falling short of her job description. If the problem stems from inadequate communication between the manager and your association, then together you should work out a strategy for resolving the problem and making sure that it does not re-occur. Follow up this meeting with a letter in which you summarize your concerns and your expectations of the manager’s future performance. (Make sure you keep a copy of this letter, and of *all* correspondence with your manager!)

If the situation does not improve, a formal warning letter should be sent to the manager. The letter should clearly state the problem and the remedy. Include a date by which you expect the problem to be remedied, and warn that failure to do so could result in penalty or termination of the management contract. Remember, provisions in the contract for reducing payment and terminating the contract are designed to protect your organization— use them! Nothing speaks as loudly as money; if the manager sees her salary slipping away day by day because of her lateness or negligence, she will quickly get the message that you are serious about good management for your building.

If your manager’s performance does not improve after repeated meetings and warning letters, you can terminate the management contract by notifying the manager in writing. Your association has the absolute right to terminate a manager whenever you feel it is appropriate, BUT you should certainly not terminate your current manager until: a) you have selected a qualified manager to replace her or, b) your organization has the necessary knowledge and is sufficiently well-organized to manage your building on your own.

RETURNING TO SELF-MANAGEMENT

If you have a manager and you decide that you want to try self-management again (either because you are not satisfied with your current manager, or because you want to be more involved in the running of your building), a good strategy is to gradually take back responsibility for some of the manager’s tasks. This way, you will not be overwhelmed by suddenly having responsibility for all the management tasks at once. As your association gains knowledge and skills, you will be able to take on more tasks until you are completely self-managing. While you do this, renegotiate the management contract to reflect the shift in responsibility from the manager to your organization.

Training and assistance are available from UHAB to help your organization become self-sufficient and self-managing. Training is also available to help you manage your manager better. Remember that the success or failure of your organization does *not* depend on whether or not you have a manager, but rather on your knowledge, organization, and cooperative spirit!

APPENDIX

Manager's Checklist

General Management

- Attends general or board meetings when requested
- Available at specific weekly hours
- Provides emergency number
- Maintains an orderly filing system
- Is up to date on all government agency requirements (i.e.: window guards, lead paint, smoke detectors, insurance, resales)

Resident/Shareholder Issues

- Refers conflicts to the officers and discusses appropriate action
- Refers all households in arrears to the officers
- Follows through on legal actions when given permission by the officers or board
- Assists association/HDFC in renting vacancies or with resales by advertising vacant apartments, accepting applications, and maintaining a waiting list.

Financial Issues

- Keeps financial records (cash disbursements, rent roll, etc.) up to date
- Sends monthly financial reports to the officers no later than the 15th of every month
- Issues receipts to tenants immediately upon receipt of rent
- Maintains payroll records for employees and files quarterly and annual tax forms
- Assists with preparation and presentation of annual budget
- Makes sure accountant prepares annual financial statement (if you are an HDFC)

Maintenance and Repairs

- Conduct annual apartment/building survey
- Assists association in preparing 6-month and 1-year repair plan
- Gets permission of officers before proceeding with repair jobs costing more than \$500 (except in cases of emergency)
- Gives regular reports on status of large repair jobs in progress
- Gets 3 bids and checks references for large repairs
- Prepares weekly work schedule for super
- Uses repair request forms which tenants sign upon completion of job.