



MANAGEMENT BULLETIN #595

DATE: 2/3/2025
TO: Owners and Agents of IHDA Assisted and Financed Properties
CC: IHDA Asset Management Staff
FROM: IHDA Asset Management Department
RE: Guidance on Changes to Management Fees

SUMMARY:

IHDA's Asset Management Department is responsible for ongoing compliance activities, including reviewing and approving management agreement extensions and management agreements for new agents of IHDA-supported developments. For management agreements that increase the management fee charged by the management agent, IHDA will use the following standards:

Will Not Process: IHDA staff will not process management agreements until developments have submitted their most recent financial audit.

Will Result in Rejection: The following conditions automatically result in rejection of a proposed increase to the management fee:

- Debt coverage ratio (cash flow divided by debt service payment) under 1.0
- Active delinquency on debt service payments

May Result in Rejection: The following conditions are considered by IHDA staff in the evaluation of management agreements with proposed increases to the management fee and may result in rejection:

- Negative net operating income (NOI)
- Open compliance findings
- Active delinquency on compliance fees
- Proposed management fee exceeds 7% of gross operating income for permanent supportive housing (PSH) developments or 6% for all other developments, per IHDA's Underwriting Standards
- Most recent physical inspection closed with a "Failed" status

At their discretion, IHDA staff may consider exceptions to these standards on a case-by-case basis.

Finally, in rare cases, IHDA may require a decrease to the management fee, as allowed by the terms of the Management Agreement, if the development has a debt coverage ratio under 1.0 and negative net operating income. If you have any questions, please contact your Compliance Analyst.





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