

TOP 10 MANAGEMENT CLAUSES

by Carole Davis

In January I was fortunate enough to attend the Leadership Symposium in Dallas, TX. I was inspired by Andrea Caldwell's presentation on a property sales management clause. I wondered what other clauses that I was missing out on just because I had not experienced a conflict with an owner or had not been smart enough to come up with the solution for a conflict. That is when I came up with the idea of asking others in the business to share what they know. From experience and the experience of others in my chapter, I have compiled what I feel are my top ten management clauses. Of course, we will not discuss dollar or percentage amounts. Some of these clauses have also been modified slightly to delete company or amount references. Keep in mind that these management clauses are not appropriate for all regions and may not work for your area or your company.

Management Clause #1: ACCOUNTING

Management shall receive all rents and hold all security deposits and shall provide Owner a complete monthly accounting of all funds received or paid by Management under this agreement as follows: Management shall credit to Owner's account all rents and other payments received and shall pay them from the following items in the following order: (a) commissions, charges and administrative fees of management, (b) management fees, (c) maintenance charges in the order incurred, (d) long-distance telephone charges when in excess of \$___ per month, (e) any amount necessary to restore the contingency fund, then (f) balance to Owner. (submitted by Kandy Meehan, RMP®, HRS, Overland Park, KS)

Management Clause #2: WHAT IS NOT COVERED BY THE MANAGEMENT FEE

Owner understands that monthly inspections, representation at court hearings, rent board hearings, depositions, homeowner meetings, property tax assessment appeal hearings, insurance claim related paperwork and estimates, department of building inspection director hearings and other exceptional building related events are not covered by the monthly management fee. If Agent renders these services, Owner shall reimburse Agent for their time at the rate of \$___ per hour, with a ___ hour minimum. A full accounting of billable hours will be provided to Owner. (submitted by Ray Scarabosio, MPM®, Jackson Group Property Management, San Francisco, CA)

Management Clause #3: FAIR HOUSING CLAUSE

Owner is acknowledging that they are aware of Federal and Local Fair Housing Laws and understands that agent will act according to their provisions. If owner should at any time request agent to disregard Fair Housing Laws AND/OR State or Local Landlord/Tenant Laws, this contract will be terminated immediately and the management fees for the balance of this contract or (\$___), whichever is greater will be due upon termination. (submitted by Dave Poletti, Dave Poletti & Associates, Seattle, WA)

Management Clause #4: TERMINATION CLAUSE

Agent reserves the right to terminate this agreement with Thirty days written notice to Owner at any time, or, immediately with

written or verbal notice if in the opinion of Agent's legal counsel, Owner's actions or inactions are illegal, improper, or jeopardize the safety or welfare of any tenants or other persons. Agent may at its option continue to hold Owner liable for any commissions due, fees due or monies owed Agent if the tenant(s) remain in the property after such termination by Agent.

(submitted by Fred Thompson, MPM®, RE/MAX 200 Realty, Winter Park, FL)

Another great termination clause: The Owner shall be obligated hereunder for an initial term of one year from the commencement date set forth. In the event the Owner terminates this Agreement within the initial term, the Owner agrees to pay to the Agent an administrative fee equal to _____ herein applied to the actual or projected rent for the Premises, or the monthly amount



whichever is applicable, for the remainder of the initial term, whether or not the Premises is leased or rented.
(submitted by Tony Drost, RMP®, First Rate Property Management, Inc., Boise, ID)

Management Clause #5: SALE OF PROPERTY

If property is listed with a Real Estate Broker for sale other than the property management company, the property management company will assist as requested/needed. Property Management Company fee will be based on \$_____, minimum charge of _____. Agreement to be signed at time of listing and payable at close of escrow from listing agent's commission. Normal property management charges shall not be billed to listing agent.
(submitted by Ray Scarabosio, MPM®, Jackson Group Property Management, San Francisco, CA)

Management Clause #6: PERSONAL PROPERTY

Agent assumes no responsibility or management of personal property left by OWNER at PREMISES.
(submitted by Tony Drost, RMP®, First Rate Property Management, Inc., Boise, ID)

Management Clause #7: MAINTENANCE AND REPAIRS

At AGENTS discretion, a _____ fee of gross invoices for all labor and material arranged for and contracted by AGENT for remodeling, redecoration or repair of the PREMISES may be charged.
(submitted by Tony Drost, RMP®, First Rate Property Management, Inc., Boise, ID. Also submitted by Tina Bradley, RE/MAX Alliance Sales and Property Management, Virginia Beach, VA)

Management shall not be responsible for the action of independent contractors hired on Owner's behalf. Contracts or services arranged directly by the Owner without the involvement of the Management, is the sole responsibility of the Owner.
(submitted by Carole Davis, Mountain 'n' Plains Property Management, Inc., Fort Collins, CO)

Management Clause #8: SECURITY DEPOSIT

Management shall maintain a separate accounting for all security deposits paid by Renter in an interest bearing account. Security deposit funds may only be used by Owner in the event a renter breaches a lease or causes damage. . . . Management shall have sole reasonable discretion to apply security deposit funds under any lease and to refund security deposit funds to any Renter and Owner shall be bound by any such decision.

Final Month of Rent. Management shall have the right to retain, for a reasonable time, the last calendar month of rent under any lease to be applied by Management to the payment of Owner's obligations under this agreement or any lease or to bring the property back into rent-able condition. Management shall have sole reasonable discretion to apply security deposit funds under any lease and to refund security deposit funds to any Renter and Owner shall be bound by such decision.
(submitted by Kandy Meehan, RMP®, HRS, Overland Park, KS)

Management Clause #9: OWNERSHIP

Owner warrants that Owner is the sole owner of the premises, or has unconditional authority to execute this Agreement on behalf of any Co-owner and that the premises are not subject to current legal action or foreclosure. Any individual Owner shall have authority to hereafter take action and enter into further agreements with Agent on behalf of all co-owners.
(submitted by Tony Drost, RMP®, First Rate Property Management, Inc., Boise, ID)

Management Clause #10: LIABILITY

Except for the willful misconduct of Management, Owner agrees to indemnify Management against all costs, expenses, attorney's fees, suits, liabilities, and damages from or connected with the management of the property including any liability for error of judgment, a mistake of fact of law, or for anything which Management may do or refrain from doing hereinafter.
(submitted by Carole Davis, Mountain 'n' Plains Property Management, Inc., Fort Collins, CO)

Owner agrees to indemnify, defend and hold Management harmless from all claims, investigation, and lawsuits by third parties related to the premises, and the management and leasing, whether occurring during the term of this agreement or after its termination, and from any claim or liability for damage to property, or injuries or death of any person.

Agent shall not be liable for any willful neglect, abuse or damage to the premises by tenants, vandals, or others nor loss or damage to any personal property of Owner.
(submitted by Tony Drost, RMP®, First Rate Property Management, Inc., Boise, ID)

Some of these clauses may assist you in a stronger and happier relationship with your clients. However, always check with your attorney before adopting any new clauses in your management agreement.



Carole Davis is the Leasing Broker with Mountain 'n' Plains Property Management, Inc. in Fort Collins, CO. Carole presently serves as the President and previously served as Vice President and Newsletter Coordinator of the Northern Colorado NARPM Chapter. Carole has worked in the property management field for 30 years.



National Association of Residential Property Managers