

The Anatomy of a Management Fee

Listed below are some of the duties and responsibilities performed by a management company that must be considered when determining the management fee:

- Qualifications of on site staffing (is there someone with bookkeeping or accounting knowledge?)
- Size of the property (number and special handling of account payable and accounts receivable)
- Timing of the monthly financial reports (special client cutoffs)
- Special banking and cash handling requests (i.e. are there required banking relationships to be dealt with?)
- How is the property financed? (Specific bond certifications, HUD forms, etc.)
- The involvement of client and client's agents (daily, weekly, monthly)
- Qualifications and status of previous management (past A/R and A/P reconciliations, quality of the balance sheet accounts)
- Special Start up and Set up issues (timing, receivership, bonding, hostile or friendly takeover, etc.)

This portion of the fee normally ranges from \$1,500 to \$4,000 minimum a month. It represents a 25-30% of the total monthly minimum fee.

Payroll and Benefits Administration:

- Who is the employer of record? (Who has responsibility and liability exposure?)
- What types and availability of benefit programs, are there multiple options for benefits? (Two plans take twice as much to administer)
- Handling work comp claims during and after termination of contract.
- Handling the work comp policy annual audit.
- Processing garnishments, tax levies, child support orders, etc.
- Federal reporting of agency requests or notification laws, i.e. Dept. of Health and Human Services reports, Social Security Administration reports, annual EEOC reports, etc.
- State reporting/compliance requirements, i.e. criminal background checks, state labor statistical reporting, unemployment claims, etc.
- Location of property (are there state withholding numbers or do they need to be set up, are there additional tax liability or reporting jurisdictions?)
- Size of property affects number of employees and exposure to liability.
- Qualifications of on site staff, if available
- Timing and distribution of payroll checks (direct deposit, Fed Ex charges)
- Processing of federal and state quarterly and annual tax filing
- Processing and issuing W-2's.
- Turnover history and availability of qualified personnel in market area

The portion of the fee normally ranges from \$1,500 to \$5,000 minimum a month. It represents about 25-30% of the total monthly minimum fee.

Operational Oversight

- Where is the property located and its convenience to a major airport?
- Who pays for travel expenses?
- Are there any special requirements for regular on site visits?

- Reporting relationships? (Extent of client involvement, normally, the more client is involved the higher the fee, etc.)
- Necessity of and type of corporate staff involvement, i.e. licensing compliance specialists, food services, healthcare etc.)
- Status of the operational license (if any) of the property
- Conditions of management assumption (receivership, change in management, bankruptcy, foreclosure)
- Start up/Transition fee, incentive fee options, brokerage and purchase options, and termination conditions.
- Are multiple properties involved?
- Is the development of a formal written business plan a necessity?
- The extent of deferred maintenance issues.

This portion of the fee normally ranges from \$2,500 to 6,000 minimum a month. It represents 25-35% of the total monthly minimum fee.

Marketing Oversight

- Size, licensing, location and type of property responsibility
- Special client requirements (number of trips, etc.)
- Web site development and maintenance, who takes responsibility?
- Responsibility and coordination of collateral development
- Placement and tracking of advertising (yellow page, print, etc.)
- Availability or lack thereof of on site marketing director
- Training and oversight reporting responsibilities
- Development of a marketing study and plan
- How distressed is the property, i.e. does it need to be completely repositioned, is a name change necessary, etc.?

This portion of the fee normally ranges from \$2,000 to 3,000 minimum a month. It represents 25-35% of the total monthly minimum fee.