



## Selecting an Asset Manager

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Asset management, at its core, is a specialized field of real estate management that involves the supervision of an owner's real estate assets at the investment level. Asset managers generally focus on long-term, strategic financial planning rather than day-to-day property operations. Planning and directing the performance and disposition of the real estate asset is the main goal of the asset manager and is done for the benefit of the owners and investors.

Housing providers, whether they are managing the property or contracting for property management services, may want to perform the asset management functions in-house. Before making a decision, it is important to understand the functions thoroughly and to assess the potential costs of staff and expert time needed to fully respond to the expectations of funders, lenders and other community stakeholders. Some housing providers have taken on this function, only to be surprised by its demands and the costs. For this reason, it is recommended that an asset management fee be line itemed in the operating budget. While it may be difficult to justify additional costs in the operating budget, it is an expense that will aid in establishing financial stability for your project in the long term. Funders are more accustomed to seeing this as a legitimate operating expense; some funders, however, will require that the asset management fee be placed "below the line," i.e., after payment of all other expenses and debt service, and only to the extent there is available cash flow.

If contracting for asset management services, the firm selected should have certified public accounting (CPA) credentials and should be asked to respond to questions related to their experience with:

1. Budgeting operating expenses *for supportive housing*, especially with regard to the proposed project's target population
2. Local, state and federal (including HUD) reporting requirements
3. All lenders financing the planned project, and their requirements
4. Low-Income Housing Tax Credit compliance requirements
5. Managing property management functions
6. Representing the owner's interests in short- and long-term financial planning

In addition, a prospective asset manager should be asked to address the following questions:

7. Are they committed to assigning an experienced (in supportive housing) and properly supported staff to the contract responsibilities?
8. Do they have a commitment to continue staff development as needed?
9. Will the asset management function be performed by a single staff person, or will the function be spread among several management staff? If spread among staff, how will functions be monitored for quality? How will information be shared and integrated?
10. How does asset management fit into the daily functions of property management (if performed by the same staff)? How is it prioritized?
11. How do they maintain their project/portfolio files and general record-keeping?
12. Are they willing to assume responsibility for meeting the financial benchmarks you have set for your project? If not, why? What can be done to accommodate the benchmarks?

