

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF FINANCIAL ASSISTANCE**

Asset Management and Compliance Branch
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**ASSET MANAGEMENT AND COMPLIANCE (AMC)****ADMINISTRATIVE NOTICE****Notice Number: 14-02****DATE:** February 14, 2014**TO:** HOME-CHDO Rental Project Borrowers and Management Agents**FROM:** 
Moira Monahan, Section Chief
Asset Management and Compliance Branch**SUBJECT:** Updated Asset Management and Partnership Management Fee Policy for HOME-CHDO Rental Projects

Administrative Note: This Administrative Notice establishes a formal written notification of administrative guidelines that affect the operation of Department programs. This format is used to identify, clarify and record administrative guidelines and interpretations of public interest.

This Administrative Notice updates our previous guidance on this topic to recognize asset and partnership management costs incurred by HOME-CHDO borrowers and sponsors whose loans were issued before the Uniform Multifamily Regulations (UMRs) were in effect. In the HOME-CHDO Pre-UMR portfolio, project borrowers and sponsors have been able to receive compensation for asset or partnership management costs at a lower level under Administrative Notice # Monitoring & Management 99-01, issued November 5, 1999.

In recognition of borrowers' and sponsors' asset management and, in certain cases, partnership management responsibilities, the Department is now willing to forgo its priority for interest payments to permit payment of limited asset and partnership management fees prior to paying HOME-CHDO current interest in accordance with the guidance below. The Department is limiting these fees since it is still necessary for the Department to collect interest payments, where possible, to support the Department's asset management function.

For HOME-CHDO, the Department will allow asset and partnership management fees in an amount not to exceed \$12,000 per year. Approved asset and partnership management fees may be taken only after paying operating expenses, mandatory debt service, and required reserve deposits.

In order to be eligible to receive asset and partnership management fees, an audit prepared in accordance with the Department's audit requirements must be submitted with the project's required Annual Report and the borrower/sponsor must not have significant outstanding compliance issues. The Department will determine whether a borrower/sponsor is eligible to receive asset and

partnership management fees in any given year based on our review of the audit and Annual Report and will authorize the payment of these fees in its approval or the report.

Please note that the asset and partnership management fees may not accumulate from year to year. Also, borrowers/sponsors are prohibited from using required operating reserves to pay for asset and partnership management fees.

The provisions of this administrative notice are in effect for projects' fiscal years ending in 2014 and subsequent fiscal years.

When submitting your Annual Reports, please use the forms on the Department's website at: <http://www.hcd.ca.gov/fa/amc>

If you have any questions regarding this Administrative Notice, please contact your Asset Management Representative. If you need assistance in identifying your Asset Management Representative, please call (916) 263-2771.