
CHAPTER 3
MANAGEMENT STRATEGY: USE OF A PROJECT MANAGER,
CONTRACTING AND SUBCONTRACTING

- 3-1 Introduction. This chapter provides management policies and procedures covering MFPD contracting, PM subcontracting and the general strategy to be used in completing the management requirements in this Handbook.
- 3-2 Purpose. In order to perform on-site project management, remote monitoring of project management, repairs and contract administration responsibilities, the overall strategy of the MFPD program is to create a structure of staff and contractors who will, together, complete MFPD's requirements in a prompt, cost effective and efficient manner.
- 3-3 Contracting (Procurement).
- A. The success of the MFPD program depends to a great extent on the procurement of goods and services from outside contractors.
 - B. Compliance with the policies provided in this Handbook can help ensure economical and effective property management. Lack of planning, control, and monitoring by HUD can lead to fraud, waste and mismanagement.
 - C. Procurements for the MFPD program must comply with the Federal Acquisition Regulations (48 CFR Chapter 1), the HUD Acquisition Regulations (48 CFR Part 24), and Handbook 4320.1, to be superseded by Handbook 2210.16 REV-4.
 - D. Procurement planning is essential to a successful program. Handbook 4320.1, to be superseded by Handbook 2210.16 REV-4, provides a sample of an Annual Procurement Plan which should be used in MFPD.
- 3-4 Service Contracts.
- A. The DHM must determine the need for contracts to provide the required services to meet resident needs, as well as for maintenance and operation of the project. Such services may include pest control, termite treatments, refuse removal, fuel, elevator maintenance, security personnel and systems, heating

and air conditioning service maintenance, etc. To the greatest extent possible, these services should be subcontracted by the PM or, for Nursing Homes and/or Hospitals, the Administrator.

- B. Contracting and subcontracting for these services must be performed in strict compliance with existing statutes, regulations and policies.
- C. All service contracts involving recurring monthly expenses must contain provisions for automatic termination upon sale and conveyance of the property.

3-5 Administration of Service Contracts.

- A. The DHM must assure that the GTR/GTM performs sufficient monitoring of service contracts and inspection and acceptance of supply contracts.

Monitoring, inspection, and acceptance may be delegated to A&E, Inspection, PM, or Administrator contractors; however, the DHM retains the responsibility for proper contract administration, including oversight of subcontracting.

- B. Correspondence with Contractors. Correspondence with contractors must be signed by the Contracting Officer, GTR or GTM. Correspondence relating to PM or Administrator management fees and/or non-performance or unsatisfactory performance of a contractor must be signed by the Contracting Officer (including, as needed, appropriate notices to cure).
- C. HUD staff responsible for preparing solicitations, evaluating proposals, and administering the subsequent contracts must be fully knowledgeable of all the contract provisions and must establish procedures to administer these contracts.

3-6 Project manager and other Indefinite Quantity Contracts. Indefinite quantity purchase orders and/or contracts must be used to assure the prompt and efficient take over of projects by HUD; speed the development of repair surveys, repair plans and completion of repairs; and avoid costly limited competition, temporary contracts and numerous purchase orders.

Occupied HUD-owned and MIP projects must be managed by a contracted PM or, for Nursing Homes and/or Hospitals, an

and inspections of repairs being performed by the PM.

- D. Tax assessment appeals contractors should be awarded long term contracts, where the contractor reviews all of an Office's tax assessments, appeals those felt to be too high and, as payment, retains a portion of any tax savings that result from an appeal. The PM may subcontract for these services or may perform them, provided the DHM determines that the PM has the necessary skills to successfully accomplish the tasks.
- E. Depending on the size and/or condition of the inventory, the availability and expertise of HUD staff, and the provisions of the project management contract covering the project, the DHM may decide to use other available resources.

3-7 Technical Assistance for Contract Administration. The GTR/GTM must obtain sufficient contracted expertise to provide himself/herself with the in-depth property management knowledge and advice needed to assure that all assigned contracts, and PM subcontracts, are properly administered. As examples, such technical assistance may include specialized engineers for elevator repair, auditors to assist in review of PM income and expense reporting, or an inspector to assure that PM subcontracted supplies are necessary, have been delivered and have been properly installed.

* Simultaneously with the work toward the award of a Project Management Services contract, the DHM should attempt to procure contracts for: *

- A. Cost Efficiency Review Services.
 - 1. These services include, but are not limited to, review of the PM's efforts and results in:
 - a. Determining the need for supplies and services that have been purchased;
 - b. Obtaining cost abatements, e.g., tax appeals and abatement of other Government imposed operating costs;
 - c. Checking for energy waste, e.g., dripping faucets, broken windows, broken in-unit heating elements;

- d. Comparison shopping to minimize supply and service prices obtained through subcontracting;
 - e. Checking utility rates to assure receipt of the lowest rates currently possible and the receipt of any existing overcharges;
 - f. Identifying other areas that the contractor finds inefficient, in need of cost efficiency expertise or correction.
- B. Financial Auditor Services, to review the PM's:
- a. Collections;
 - b. Disbursements, including review of invoices for duplicate billings;
 - c. Subcontracting, both the system and implementation;
 - d. PM fee charges; and
 - e. Other areas the DHM and the contractor feel should be reviewed.
- C. Some sample statements of work are available from the Director, MFPD Division.
- 1. The MFPD Division may revise clauses as needed to improve management and/or comply with new statutes, regulations, etc.
 - 2. DHMs must request the latest version of the sample statements of work from the RHD, RCD or Director, MFPD Division, prior to soliciting new contracts.
- 3-8 Small Business, Small Disadvantaged Business, and Women-Owned Business Outreach. In accordance with FAR Part 19, HUD is required to place a fair proportion of its contracts and subcontracts with small business concerns and small disadvantaged business concerns, and to encourage participation by women-owned small businesses in the award of subcontracts. Regional and Field staff, as well as PM's, shall conduct outreach activities (such as those described in FAR 19.202-1, -2 and -4) to ensure that these requirements are met. Outreach activities
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should be included in the Annual Procurement Plan.

3-9 Prompt Payment Act.

- A. The Prompt Payment Act, Public Law 97-117, as implemented in FAR Subpart 32.9, applies to payments to prime contractors paid directly by HUD or through PMS who provide supplies and services for MFPD properties. It does not apply to subcontracts paid through PMS.
- B. The PMS User Manual contains instructions for proper completion of transmittals for payment of invoices. Although the Prompt Payment Act does not apply to subcontracts, the PM and other prime contractors that refer payment invoices to PMS must submit the invoices in a timely manner, in accordance with the PMS User Manual.
- C. The PMS contractor calculates and pays Prompt Payment Act penalties, when applicable. See the PMS User Manual.
- D. A monthly report of Prompt Payment Act penalties is available in PMS. This report must be run at least monthly and reviewed to determine why the penalties were incurred. Actions must be taken to assure that they are avoided in the future.

3-10 Selection of Project Manager. RHDs and DHMs must assure, to the extent feasible, that HUD is afforded the best possible management of MIP and HUD-owned projects; therefore, PM's must have demonstrated, at a minimum, successful performance with respect to the following:

- A. Managing properties of similar type, size and complexity of that to be managed;
- B. Handling resident issues and concerns;
- C. Involving residents in day-to-day management decisions;
- D. Maintaining and preserving property;
- E. Maintaining high levels of occupancy and rental collections;
- F. Selecting residents;

- G. Developing and enforcing project policies, rules and regulations effectively;
- H. Utilizing community resources knowledgeably;
- I. Exercising sound business and administrative judgment;
- J. Demonstrating integrity, financial stability and responsibility;
- K. Complying with state and local property management licensing requirements;
- L. Planning, administration and management techniques, methods, principles, theories, operation of buildings, accounting, reporting, record keeping and prudent fiscal administration;
- M. Managing HUD insured and/or assisted/subsidized projects and resident income certification;
- N. Conducting activities without regard to race, color, creed, religion, national origin, age, familial status, or disability; and
- O. Any other management qualifications specified by HUD which are considered important to successful management.

3-11 Selection of Nursing Home and Hospital Administrators.

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3-12 GTR/GTM Instructions to the PM. Upon award of the PM contract, the DHM must assure that the PM is provided with:

- * A. A PMS User Manual which sets forth the accounting

responsibilities of the PM.

- B. A PMS endorsement stamp.

NOTE: The DHM must obtain the PMS endorsement stamp and User Manuals from the PMS contractor and control their distribution to be sure that changes to the PMS User Manual are provided to all users, to assure that Manuals are returned to the Field Office when a project is sold or the PM's contract terminates or expires and to assure controlled access to the PMS endorsement stamp. *

3-13 Management Plan for Rental Housing Projects.

- A. Each project must have a Management Plan. GTR/GTM requirements. Within 60 calendar days of the assignment of a project to the PM, the GTR/GTM and the Contracting Officer must obtain from the PM two copies of a proposed Management Plan (Plan), except where the DHM determines that the complexity of proposed project management demands an extraordinary Management Plan. The DHM may approve a 30 day extension to the plan. In all cases, however, the GTR/GTM must obtain a preliminary budget from the PM within 60 days of assignment.

1. Within 5 (five) business days of receipt, the GTR/GTM must review the Plan and discuss any comments or changes with the PM.
2. The Plan must be approved by the GTM/GTR in writing.
3. Once approved, the Plan must be used as a guide for operation of the project(s).
4. The Plan must be reviewed by the GTR/GTM and the PM and updated concurrently with the preparation of the annual budget, or more often as determined by the GTR/GTM.

- B. The Management Plan for rental housing projects must

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include, but need not be limited to:

1. Recommended current and projected rental rates for each dwelling unit and commercial space in

accordance with procedures under the Section of the Act under which the project's mortgage was insured, taking into consideration adjustments for the condition of each unit or space.

- * For operating Retirement Service Centers, (refer to the determination procedures in Chapter 8 before establishing plans) plans for the continuation of special services such as meals, maid service, transportation services for residents, etc. *
- 2. Rental policies, with specific emphasis on marketing vacancies, resident selection, including methods of investigation, certification and recertification of income, policy to minimize overhoused and underhoused residents, move- in/move-out procedures, collections, delinquencies, workout plans and evictions, including an estimated schedule of fees and costs involved in collections of delinquencies.
- 3. Plans for the most effective metering of utilities, i.e., individually metered vs. master metered.
- * 4. Procedure to be used for making real estate tax appeals. *
- 5. Arrangements and procedures to be used to secure and forward to PMS all real estate tax bills for payment in time to take advantage of any discounts, and avoid penalties.
- 6. Actions to assure proper discounts are taken on all subcontracts and billings.
- 7. Plans to minimize expenses for telephone equipment and local and long distance telephone service.
- 8. Methods to be used to assure accurate and up-to-date resident income certifications for residents who may be eligible for subsidy which

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conform with the procedures in HUD Handbook 4350.3.

9. A complete physical description of the condition of the property, including a listing of all code violations, if any.
10. A full inventory of chattels and personalty, showing the number, location and condition of each item.
11. Planned services, facilities, material and labor for effective and efficient operation and maintenance of project systems and grounds.
12. Planned work order system for repairs.
13. Identification of repair needs, including actions needed to reduce short and long-term operating costs.
14. Plan to complete repairs when such repairs are necessary to maintain decent, safe and sanitary living environment.
15. Identification and description of problems and recommend cures.
16. Maintenance of an inventory log to keep track of supplies, equipment, keys, etc.
17. Procedures to be used to assure periodic inspection of all dwelling units, commercial units, and common areas.
18. Pest and rodent control.
19. Energy conservation procedures.
20. A detailed description of the process for handling emergency subcontracts to eliminate hazardous or unsanitary conditions, during and after normal working hours. This process must provide, at a minimum, for the maintenance of a vendor source list and bidding documents covering projected types of emergency repairs.
21. Resident Initiatives. Unless the project is vacant or the PM is otherwise directed by the

GTR/GTM, the Management Plan must include services and initiatives to encourage existing and innovative strategies intended to facilitate activities that involve residents in management issues that impact their lives and community.

Policy and procedures for resident initiatives are provided in Chapter 9.

22. Advertising for subcontractors, project(s) personnel, and applicants.
23. Any continuing, projected or anticipated use of one or more living units for:
 - a. An on-site project office, including furniture and equipment needed to establish and maintain its operations.
 - b. Storage or display purposes.
 - c. Model apartment(s).
24. A detailed explanation of the PM's subcontracting system.
25. Project Security. A detailed plan of the proposed security measures to be taken at the project, including a summary of hardware, electronics and staff to used in implementation of the security plan. See Chapter 5. *
- * 26. Pre-Fire Plan. A specific plan for fire fighting activities at the project, including a system to evacuate persons with disabilities. The PM shall invite the local agency or voluntary organization having responsibility for fire protection in the jurisdiction where the project is located to prepare, and biennially review a Pre-Fire Plan for the project. *
- * 27. Develop a plan to provide reasonable accommodation for persons with disabilities. *

3-14 Management Plan for Nursing Homes and Hospitals.

Reserved.