

MEMORANDUM

Date: August 20, 2020

To: Alaska Real Estate Commission

From: Cassandra Taggart, Chair, Property Management Committee

RE: Best Practice – Property Management Reporting

The Property Management Committee is requesting the Alaska Real Estate Commission to review and approve the Best Practice – Property Management Reporting listed below. Once approved, the Property Management Committee is requesting submitting this best practice document to the list serve and add this to the Best Practices list on the AREC – Property Management Resources section of the public website.

This best practice document is regarding generally accepted practices in the property management industry around the topic of Property Management Reporting for any or all parties involved in property management contracts.

The Property Management Committee completed a brainstorming activity to work on the AREC approved Goal # 1 – Clarity and best practices on security deposits and management of client accounts.

It was determined that there are several different types of management of properties causing a wide variety of different reports and a disconnect between parties on what is expected in the transaction. As a result, it is recommended to document some generally accepted practices to strengthen the defined duties and relationships between licensees and the public.

BEST PRACTICE

Date: August 20, 2020

Adopted: September 23, 2020; All in Favor

Title: Best Practice - Property Management - Reporting Information

To: Alaska Real Estate License Practicing Property Management for Commercial, Residential, or Association Management, and Alaska Real Estate Trainers

From: Alaska Real Estate Commission & Property Management Committee

Regulation Reference:

12 AAC 64.117 – Broker’s Written Policy

12 AAC 64.125 – Supervision

12 AAC 64.220 – Record of Trust Account Transactions

12 AAC 64.250 – Prohibited Trust Account Activity

12 AAC 64.570 – Property Management of Real Property

Statute Reference:

Sec. 08.88.341 – Listings or management contracts

Sec. 08.88.351 – Accounts; records of transactions

Sec. 08.88.361 – When commission is earned

Sec. 08.88.405 – Preparation of documents

Sec. 08.88.615(a)(3) – Duties owed by licensee in all licensee relationships - presentation

Sec. 08.88.900 – Exceptions

Purpose: To provide guidance to assist any and all parties in property management transactions regarding what is generally accepted practices for reporting information.

Disclosure: All parties in a property management transaction should familiarize themselves with the latest Alaska Real Estate Commission Statutes and Regulations prior to taking on any action affecting your or another person's rights or understanding of these best practices documents. This publication is not the law.

Statement

1. Broker Policy Handbook:

- a. In addition to 12 AAC 64.220, Broker should define what reports are required to be maintained, available for the Broker, and when it should be provided to the Broker.
 - i. *This should include during different stages of a transaction or licensee relationship with the Brokers, such as when the licensee is actively managing a transaction, has separated from the brokerage, and/or when licensee is terminating a management transaction.*
- b. Should define what specific reports are needed/required for the different types of property management services.
 - i. *Examples: Furnished Short-Term, Multi-Family, Residential, Commercial, Homeowner Association, Limited Agreements, and/or various other contracts for management transactions.*
- c. Encourages a policy and review process for reporting of trust account reconciliations and bank accounts.
- d. Encourages a policy on what, how, and when, a licensee will provide property and financial data to the client for review and record keeping.
 - i. *Example: Whether it is a physical handout, via electronic means, or a website to log in and view there should be something provided to the client on what reports the client should be expecting, the frequency of when they will be receiving the reports and how they will be receiving said reports.*
- e. Recommend a policy on how a party that is not on the contract can make a request for property management reporting information and what information should be provided by a reasonable deadline.
 - i. *Example: Certified Public Accountant, child of a client, board member of the corporation, lawyer of a client, another real estate licensee working for the client, a homeowner that is a member of the association.*
- f. Define how and what insurances coverage are reported to the brokerage.
 - i. *Examples: How often the Broker/licensee will provide proof of coverage. Or how landlords/tenants report coverage and what type of coverages.*

- g. Encourages a policy and review process for licensees that utilize third-parties' vendors to ensure compliance with brokerages requirements.
 - i. *Example: The vendor, such as a third-party bookkeeper or maintenance technician, still has proper insurance, bond, tax documents, and license to handle the financials and this is reviewed yearly by January 30.*

2. Management & Leasing Contract:

- a. Encourages a clarification on how often to report property and financial data. It is considered best practice for a Broker and/or Property Manager to provide financial data to the customer no less than every thirty (30) days.
- b. Encourages a clarification on how the parties intend to deliver the designated property and financial data to the customer(s).
- c. Encourages a clarification on what the Broker and/or Property Manager intends to report to the customer(s).
 - i. *See list of financial reports below as a guide.*
- d. Encourages a clarification on what financial data will or will not be provided by the Broker and/or Property Manager regarding income and/or expenses related to the real property.
 - i. *Including but not limited to utility bills, HOA costs, third party billings, customer provided invoices, rental income, marketing, leasing, reserve management, investment accounts, commissions to Broker/Property Manager, storage, parking, fines, and coin machines.*
- e. Clarity around what type of insurance is needed and how it is reported.
- f. Data to be provided at termination of a management contract.
 - i. *A "no later than" date on when the customer will be receiving any of the following but not limited to:*
 - 1. *Final financial documents and funds, tenant information/documents (if applicable), contracts, property records, physical access materials, paid/unpaid invoices, passwords/login Information.*
- g. Data that is considered "private information" in relation to Federal Privacy Act and Federal Credit Reporting should have a policy on the how information will be transferred, and if information will or will not be transferred to the landlord, the next landlord, management companies, or any other third-party.
- h. Data to be released/provided at termination of a lease contract.
 - i. *A "no later than" date on when the customer will be receiving any of the following but not limited to:*
 - 1. *Security Deposit Transmittal*
 - 2. *Financial Supporting Documents*

3. Types of Reports/Data:

- a. The intent is to define the information to be shared, not necessarily the name of the report.
- b. Balance Sheet – Ledgers, trust accounts, and other related accounts where the Broker and/or Property Manager is reconciling the financials on behalf of the customer, a report should be provided that discloses the amount in the account(s) and time frame associated for when the report is generated.
- c. Income/Expense Sheet – Ledgers, trust accounts, and other related accounts where the Broker and/or Property Manager is reconciling the financials on behalf of the customer, a report should be provided that discloses any income and/or expenses in those account(s) during the reported period and any income and/or expenses posted in the future of the reported period.
- d. Unoccupied/Occupied Data – Commonly known as Rent Roll or Homeowner Directory, real estate that the Broker and/or Property Manager has under a management contract(s), a reporting sheet that discloses total occupancy, status of occupancy, potential/actual revenue, and/or uncollected balances; whichever is relevant.

4. Definitions

- a. Customer/Client – Including but not limited to the following: a landlord, tenant, entity, vendor, homeowner, government, HOA association/board
- b. Data – Any information that is relevant to that party with the contract.