



CITY of NOVI CITY COUNCIL

**Agenda Item B
February 29, 2016**

SUBJECT: Approval of a three-year contract with two one-year renewal options with KMG Prestige Inc. for the management of Meadowbrook Commons, commencing on July 1, 2016.

SUBMITTING DEPARTMENT: Parks, Recreation and Cultural Services

CITY MANAGER APPROVAL: *PK*

BACKGROUND INFORMATION:

Meadowbrook Commons is accounted for in the City's Senior Housing Fund (an Enterprise Fund). The source of funding for this project was through Building Authority bonds, which are to be paid from the rents received from the residents at the facility.

The current contract with KMG Prestige expires on June 30, 2016. In accordance with our purchasing policy, a Request for Proposals (RFP) was posted on the Michigan Intergovernmental Trade Network (MITN) website (204 firms received email notification of the RFP). The pre-bid meeting was attended by two firms.

KMG Prestige, the current management firm, was the only firm to submit a proposal. The other company that attended the pre-bid meeting didn't feel that they had the capacity to manage an operation of this size. KMG Prestige has the appropriate resources and capabilities to meet the City's quality standards in regard to overall management of the property, marketing, maintenance and daily operations. In addition to a proven track record over the past 11 years of running a high quality, customer service-oriented operation with nearly 100 percent resident occupancy rates.

The proposed fee schedule for KMG Prestige is as follows:

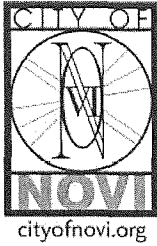
	7/1/16- 6/30/17	7/1/17- 6/30/18	7/1/18- 6/30/19	7/1/19- 6/30/20 1st renewal	7/1/20- 6/30/21 2nd renewal
Monthly Flat Fee	\$5,002	\$5,152	\$5,307	\$5,466	\$5,628
Monthly Software Fee-OneSite*	\$352	\$352	\$352	\$352	\$352

*The OneSite software program fee provides necessary day-to-day accounting and maintenance operations as well as preventive maintenance tracking.

RECOMMENDED ACTION: Approval of a three-year contract with two one-year renewal options with KMG Prestige Inc. for the management of Meadowbrook Commons, commencing on July 1, 2016.

	1	2	Y	N
Mayor Gatt				
Mayor Pro Tem Staudt				
Council Member Burke				
Council Member Casey				

	1	2	Y	N
Council Member Markham				
Council Member Mutch				
Council Member Wrobel				



CITY OF NOVI
RFQ SENIOR ADULT HOUSING
QUALIFICATIONS QUESTIONNAIRE

Failure to answer all questions could result in rejection of your proposal.

Name of Firm KMG Prestige, Inc
Address: 102 South Main Street
City, State Zip Mount Pleasant, MI 48858
Telephone (989) 772-3261 Fax (989) 772-3842
Mobile (989) 400-1826
Agent's Name (please print) Karen M. Mead
Agent's Title Vice President
Email Address: karen@kmgprestige.com
Website www.kmgprestige.com

1. Organizational structure: Corporation, Partnership, etc. Corporation
2. Firm established: 2006
3. Has your firm filed for Chapter 7 or Chapter 11 within the last ten (10) years?
No Yes _____ Reason: _____
4. Under what other or former names has your organization operated?
Keystone Management Group. KMG Prestige purchased assets in 2007.
5. How many full time employees in your organization? 599 Part time? 211
6. Are you able to provide insurance coverage as required by this bid? Yes
7. 24/7 Emergency On-Call Telephone Number (248) 755-5015
8. Provide your procedure for handling night & weekend calls
An On Call Procedure is in place at Meadowbrook Commons. A copy of the procedure is attached
as Exhibit A.
9. List the scope of services (type of work) you are able to perform.
KMG Prestige's Scope of Services are attached as Exhibit B.

13. Do you currently manage any other Independent Older Adult Housing? Please indicate name, address, contact name & phone number, contract period, and whether housing is Section 8 or Market Price.

Yes. KMG Prestige currently manages other Independent Older Adult Housing.

A list providing the requested information is attached as Exhibit E.

14. Provide a list of all other properties you currently manage. Include organization name, contact name & phone number, type of property, size of property, contract period.

A list of properties managed by KMG Prestige, Inc is attached as Exhibit F.

15. List equipment, tools and all other resources available to your firm to perform this contract. The maintenance staff are required to provide their own tools.

Resources available to KMG Prestige are outlined in the Property Management Services enclosed as Exhibit B.

16. **References:** Provide at least three (3) references for projects that are comparable in scope to this bid. Several references from municipalities would be desirable.

Company Michigan Non-Profit Housing Corporation
Address 28040 Forestbrook Drive, Farmington Hills, MI 48334
Phone (248) 444-2565 Contact name Alan Amendt

Company Ginosko Development Company
Address 1100 Corporate Office Drive, Suite 110, Milford, MI 48381
Phone (248) 676-0220 Contact name Amin Irving

Company Mallory, Cunningham, Lapka & Scott, P.C.
Address 605 S. Capital Ave
Phone (517) 482-0222 Contact name Thomas Lapka

17. Claims & Suits: Does your firm have any litigation pending or outstanding against your organization or its officers? If yes, please provide details.

No Yes

18. Provide any additional information you would like to include which may not be included within this Questionnaire. You may attach additional sheets.

THE FOREGOING QUESTIONNAIRE IS A TRUE STATEMENT OF FACTS:

Signature of Authorized Company Representative: _____

Representative's Name (please print) Karen M. Mead

Date January 1, 2016

OPTIONAL SERVICES AND ALTERNATIVES

Please use the additional space below to provide or attach options or alternatives. Again, the provisions of options or alternatives shall not serve as an exception to the bid proposal.

Company Name: KMG Prestige, Inc

Address: 102 South Main Street

City Mount Pleasant State MI Zip 48858

Agent's Name: Karen M. Mead
(Please type)

Agent's Title: Vice President

Agent's Signature: _____

Telephone No. (989) 772-3261 Fax No. (989) 772-3842

E-mail: karen@kmgprestige.com

Date: _____

On-Call Policy

If an employee is scheduled to be "on call" in the evenings or weekends for emergency maintenance at a property they will be paid time and one-half for "on call" hours worked. "On call" hours worked less than one (1) hour will be paid as one (1) hour of "on call" (i.e. if an "on call" situation only requires ½ hour of work, one (1) hour of "on call" will be paid). If the "on call" time exceeds one hour, you will be paid for the total time worked. "On call" hours begin when the employee arrives at the property and begins the job assignment.

Emergency calls are to be responded to within 10 minutes of receiving a page and the resident should be contacted by phone immediately. The technician should arrive at the residents address within 20 minutes of that phone call. An assessment of the emergency is made, and the "on call" technician should begin his/her job assignment immediately. If it is necessary to contact an outside source (a contractor or vendor), the technician is authorized to do so. If there is a question regarding this, a supervisor can authorize the work. The technician is to remain in the apartment as the contractor or vendor performs his/her work.

Superior customer service is required at all times regardless of the hour of an emergency.

If police and/or fire-rescue require "on call" assistance, the technician should respond. In the event of a serious emergency other technicians in the area should be contacted for support.

The following is a list of emergencies requiring attention by an "on call" technician:

1. Fire
2. Flood
3. Water Leaks
4. Clogged toilet or otherwise inoperable toilet, unless there is another working toilet in the unit.
5. No heat or no air conditioning when the outside temperature is below 60 degrees, or above 80 degrees.
6. No electricity
7. No water
8. Clogged sink
9. Gas leak
10. Unsecured apartment (broken window, non-locking door, etc.)
11. "Lock-outs" Maint Technician is to report all lockout to the manager to apply and collect the \$25.00 fee. Maint Technicians will not accept a fee for lockouts. Only leaseholders 18 years or older will be allowed entrance to the apartment, after personal verification by the Maint Tech, or a review of the Resident File to confirm occupants.
12. Any situation that threatens the community or it's residents.

Maintenance personnel signature

Date

Property Management Services

KMG Prestige is committed to excellence in the delivery of comprehensive and innovative property management services.



KMG Prestige, Inc.

102 South Main Street
Mount Pleasant, Michigan 48858

Accounting Services

Our accounting services encompass the processing and reporting of transactions but do not involve the initiation of transactions. These general tasks are broken down more specifically as follows:

1. ACCOUNTING SERVICES

- a. Entering and processing of accounts payable approved by the site staff or their supervisors.
- b. Payment of accounts payable as directed by designated supervisory staff.
- c. Preparation of final month end general ledger chart of accounts from all source documents as necessary including preparation of monthly bank reconciliations.
- d. Generate and distribute to owner the month end financial report including:
 - i. Monthly and year to date actual versus budget comparison report;
 - ii. 12 month historical statement of profit and loss
 - iii. Balance sheet
 - iv. Open accounts payable
 - v. Cash disbursements report
 - vi. General ledger.

Monthly Operating Reports / Electronic Posting

In order for the Owner to maintain accurate records and proper control over the development, financial reports will be distributed via the method preferred by the owner for receipt by the 10th of the following month. These reports are prepared each month by our accounting staff and include detailed information on all activity occurring within the past 30 days, as well as a year-to-date overview.

IT & Computer Support Services

Our IT department will provide technical support for all computers located on site, including:

1. Hardware, diagnostics and repair, software installation;
2. Provide support of the Windows operating system; provide support for other software required for daily use of computer.
3. Conduct site visits, as necessary, to perform preventative maintenance on computers, printers, fax machines.
4. Ordering computer related products required by the site for continuing operation.

KMG Prestige provides one stop shopping for its clients' hardware, software and Internet connection needs. Data is backed up daily ensuring minimal interruption of service or loss of irreplaceable information in the event of internet service failures or vandalism.

KMG Prestige provides the on-site software package necessary for the day to day accounting operations. The system includes processing capabilities for resident ledgers, rent rolls, vacancy loss, receivables, and marketing tracking. The monthly cost associated includes any required system updates, as well as unlimited 24/7 technical support. Training, both initial and ongoing, is also provided for a nominal fee. The community will not incur a charge for annual maintenance fees as you may see with other software programs.

Risk Management Services

Our Risk Management services encompass the placement of insurance and administration of claims. These general tasks are broken down more specifically as follows:

1. Risk Management

- a. Negotiates placement of insurance via the KMG Prestige master policy.
- b. Administers insurance claims, assists in recovery of damages from responsible parties and investigates all incidents reported.
- c. In cooperation with our insurance agent, provides accident prevention and loss control services to help eliminate or minimize the cause of accidents or damage to managed properties.
- d. Administers and develops the loss prevention tasks and procedures.
- e. Provides safety education for both residents and staff.

Legal Services

STAFF:

The Legal Department staff has a combined 100 years of experience in Landlord Tenant Law and has a full knowledge of all KMG Prestige procedures and policies to help ensure legal matters will be handled correctly the first time.

Steven K. Gann, Attorney

In 2014 Steve was licensed as an attorney, he brings with him 24 years paralegal experience in landlord tenant legal matters and property management issues. Steve oversees all aspects of KMG Prestige Legal Department including summary proceeding matters, collections, conducts property management legal training for KMG Prestige employees. He has developed good relationships with court personnel, process servers, outside counsel and various legal and organizations..

Judith A. Lester, Attorney

30 years Property Management Legal Experience. Trusted by Judges, maintains a good working relationships with Court personnel, outside counsel and legal aid.

Jill A. Munk, Legal Assistant

20 years experience, prepares and schedules all court cases, monitors all cases, updates the case status report and communicates effectively with site, property and regional managers.

SERVICES:

- Full Service Legal Department. Once the completed Non-payment or Termination Checklist is turned over to us, you can feel assured that the case is being handled properly and efficiently. Leaving the manager free to devote time elsewhere.
- Save time and money by combining cases from multiple properties for one court date.
- Central location saves property manager and regional manager time when seeking information.
- Legal Matter status reports can be accessed by all employees through KMG Prestige public folders, under legal department, for instant access to information status regarding pending cases. This allows status information to be available 24/7.
- Effective use of technology improves filings and instant access to Statutes and Case Law for legal research and updated laws and Court rulings.
- Use of Flat Rate billing aids managers in budgeting and decision making
- Legal Department staff is fully versed in Landlord Tenant Law as well as KMG Prestige Policy which enables managers to receive accurate and effective advice which coincides with the our Company philosophy. We offer training seminars for new and current employees.
- Since subsidized properties and LIHTC properties require just cause for termination of tenancy, we prepare all legal notices to ensure full compliance with the law and pleading requirements.
- KMG Legal Department provides effective collections from former tenants by utilizing Tax, Employment, and Bank Garnishment if we have money judgments and we prepare cases for an outside collection agency in those situations where we do not have money judgments.
- In most cases that are filed we sue for both Money and Possession judgments. If a tenant pays the Judgment then the money judgment is also satisfied. However, if the tenant skips or is evicted we collect the rent for the landlord without having to re-file. No fee is taken for collection except the preparation fee. We do not take 33% to 50% of what we collect as do the collection companies or collection attorneys. Our staff monitors payments, post interests and other fees to ledgers to ensure our clients receive 100% of what is due.
- KMG Legal Department sets up and monitor voluntary payments by former residents with all proceeds going back to the property
- KMG Legal Department will pay filing fees and process server fees upfront and bill each property for reimbursement after the case is file. This allows the properties to get into court in a shorter amount of time as there is no delay for checks having to be issued before cases are filed.
- KMG Legal Department handles Discrimination Complaints and Inquires on an hourly bases. To date, there has been no findings of discrimination based in part upon knowledgeable responses to the inquires.
- KMG Legal Department assists and encourages site managers to handle their own small claims actions to reduce legal expense for the properties.

Public Safety and Social Services

Public Safety

Our most important goal is ensuring that our residents reside in well maintained, crime free communities. Our staff has been successful in obtaining Drug & Crime Elimination Grants from the U.S. Department of Housing and Urban Development. Grant funds were utilized at communities located in Detroit and Saginaw and allowed for the development and implementation of the following programs:

- Development of a crime reduction plan with the local police departments
- Installation of cameras and technology that was available to the police
- Implementation of neighborhood watch programs in concert with the police
- Reporting periodically to HUD on the effectiveness of the program

In addition, through the use of other HUD sponsored programs, some KMG Prestige communities have also enlisted the support of the Detroit Police Department by allowing an officer to reside on-site at a reduced rental rate. The officer(s) assist in the resident safety program by conducting daily patrols of the site through a community policing model.

Social Services

In 2003, KMG Prestige, Inc. acquired HUD Service Coordinator grants for three communities. Service Coordinators are employees placed at both senior and non-elderly disabled communities with the goal of linking residents to the services they need to remain independent in their own homes (aging in place). Service Coordinators offer a variety of health and wellness presentations to the properties. KMG Prestige's Service Coordinator program has grown to include quality assurance and supervision oversight for 26 properties, 34 staff, in the state of Michigan.

Service Coordinators provide residents with the following services:

Financial Assistance

- Assist residents in reading and understanding their bills.
- Place calls to companies when there is an error.
- Sign you up for benefits with companies that offer discounted services on heating, phone service, and other necessities.
- Bring in banks or other financial institutions that can help residents with balancing your checkbook or other personal finance issues.
- Advocate for the residents if they have problems paying bills or work with companies on payment plan options.
- Negotiate quantity discounts with area businesses to provide lower cost goods and services.
- Provide assistance with entitlement programs.

Staffing Plan

The following staff will be assigned to the community:

Support Center Employees

<u>Name</u>	<u>Position</u>	<u>Years of Experience</u>
David Soule	Regional Vice President	29

David has over twenty-nine (29) years' experience owning, managing, building, renovating, expanding and maintaining residential and commercial investment real estate. He currently manages five (5) Regional Property managers overseeing 55 sites, consisting of over 3,500 apartments. He professionally trains the National Apartment Leasing Professional course, the Certified Apartment Manager course, the Certified Apartment Maintenance Technician course and the Certified Apartment Portfolio Specialist for affiliates of the National Apartment Association. In addition David authored the Continuing Education Book and instructs on behalf of the Property Management Association of Michigan for Real Estate Sales Persons annual continuing education curriculum.

Certifications and Designations:

- Fair Housing Certification
- General Contractors License for the State of Michigan
- Real Estate Sales Person License for the State of Michigan
- C3P Designation
- LEAD Certified in renovations

Cheryl Zagorski	Regional Property Manager	17
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Cheryl has 13 years seniority with KMG Prestige. Three (3) years as a Leasing Consultant, seven (7) years as a Community Manager (three of which at Meadowbrook Commons), and three (7) years as a Regional Property Manager. In addition Cheryl also is a member of the Board of Directors for the Property Management Association for Mid Michigan.

Certifications and Designations:

- Real Estate Sales Person License for the State of Michigan
- Accredited Residential Manager
- Certified Occupancy Specialist
- Notary Public

Community Based Employees

<u>Name</u>	<u>Position</u>	<u>Years of Experience</u>	<u>Status/On-call Availability</u>
Thomas Gordon	On Site Manager	24 years	Full-Time/On Call
Certifications and Designations:			
<ul style="list-style-type: none">• Certified Occupancy Specialist• TCS			
Casey Carr	Assistant Manager	4 years	Full-Time
Certifications and Designations:			
<ul style="list-style-type: none">• Real Estate Sales Person License for the State of Michigan• Associate Degree in Business• Committee member on IREM Education and Knowledge Committee			
Ann Troutman	Office Manager	10 years	Full-Time
John Alley	Maintenance Supervisor	15 years	Full-Time/On Call
Certifications and Designations:			
<ul style="list-style-type: none">• HVAC• EPA			
Greg Nara	Maintenance Technician	25 years	Full Time
Russell Rockentine	Grounds	7 years	Full-Time
Donna Phillips	Janitorial	8 1/2 years	Full-Time

Staff Responsibilities

Regional Vice President

This position directs and coordinates activities of Regional Property Managers. This person oversees servicing property management accounts and is responsible for all actions that involve or influence the properties the company manages. The Regional Vice President is accountable to both the Owner and the Company.

Regional Property Manager

The Regional Property Manager directs and coordinates activities of Residential Property Management and Leasing. This person oversees servicing property management accounts and is responsible for all actions that involve or influence the properties the company manages. He/she is accountable to both the Owner and the Company. It is the duty of the Regional Property Manager (RPM) to see that the properties within the assigned portfolio operate in a manner that will produce the Owners' desired results and objectives. The Regional Property Manager is responsible for the oversight of the physical and financial administration of all of the properties to ensure that they are operated in a manner consistent with the policies and procedures of KMG Prestige and to recommend changes as required in order to improve the efficiency of the properties' operations.

Site Manager

It is the Manager's responsibility to see that the property operates in a manner that will produce the Owner's desired results and objectives. The manager is responsible within the limits of his/her authority and control to see that the property is operated physically and financially in the most efficient and effective manner possible. The two most important functions the manager performs are to maintain sustaining occupancy and to ensure that a viable income stream is maintained via collection of rents.

Leasing Agent and Office Manager

The Leasing Agent and Office Manager will be responsible for the day-to-day operations of the rental office including monitoring presentation preparedness (i.e., leasing area, office, model, etc.); perform professional telephone reception duties; schedule appointments and serve as a contact person for anyone interested in receiving rental information. Leasing Agent and Office Manager will be knowledgeable about all facets of the project, including physical amenities it offers, as well as assisting the manager in the overall successful operation of the property

Maintenance Supervisor

The maintenance supervisor is responsible for scheduling staff, purchasing, stock control, materials utilization, refinishing apartments prior to resident occupancy, monitoring the physical security of the property, adequate lighting always maintained, coordination of the upkeep of the grounds. In addition, the maintenance supervisor is responsible for snow removal (sidewalks, common areas, parking lots), coordination of trash removal, lawn maintenance and landscaping. The maintenance supervisor will be responsible for scheduling, supervising and/or monitoring all necessary repairs to the property. The maintenance supervisor will assist with interviewing, hiring and training other employees and adhere to all safety procedures and regulations at all times

Maintenance Technician

The maintenance technician will be required to participate in maintenance projects as needed and is expected to have a working knowledge of light electrical repairs; light plumbing work; carpentry; appliance repair; HVAC; boilers; maintenance equipment, etc. Maintenance technicians are expected to perform light maintenance and repairs on the physical plant and all equipment; assist with custodial and grounds duties when necessary; perform limited exterminator services.

Grounds

The grounds staff will be responsible for the pristine appearance of the community. They will keep the grounds free of debris and monitor and report all safety hazards immediately to management. They will assist with snow removal and salting and maintaining flower beds and lawns.

Janitor

The janitor will be responsible for the cleanliness and upkeep of the property including all common areas and hallways. They will assist with unit turnover and preparing homes for new residents.

MANAGEMENT AGREEMENT

This Agreement shall be considered as made and entered into as of the date of the last signature ("Effective Date"), and is between the City of Novi, a Michigan municipal corporation, with address of 45175 Ten Mile Road, Novi, Michigan 48375 (the "Owner") and KMG Prestige, Inc (the "Agent"), with address 102 South Main Street, Mt. Pleasant, MI 48858.

1. Appointment and Acceptance. The Owner appoints the Agent as exclusive agent for the management of the property described in Section 2 of this Agreement, and the Agent accepts the appointment, subject to the terms and conditions set forth in this Agreement.

2. Description of Project. The property (the "Project") to be managed by the Agent under this Agreement is an older adult housing development consisting of the land, buildings, and other improvements described as follows:

Name: Meadowbrook Commons

Location: City: Novi County: Oakland

State: Michigan No. of Dwelling Units: 175

3. Basic Information. The Owner will furnish the Agent, when possible, with a complete set of plans for specifications and copies of all guaranties and warranties pertinent to construction, fixtures, and equipment. With the aid of this information and through inspection by competent personnel, the Agent will thoroughly familiarize itself with the character, location, construction, layout, plan and operation of the Project, and especially the electrical, heating, plumbing, air conditioning and ventilating systems, the elevators, and all other mechanical equipment. The Agent has furnished a proposal in response to the Owner's request for proposals, and the terms of that proposal are hereby incorporated unless they conflict with the express terms herein.

4. Marketing. The Agent exercise its best effort to carry out marketing activities subject to the Owner's approval Advertising and other marketing expenses will be considered Project expenses.

5. Rentals. The Agent will offer for rent and will rent the dwelling units, parking spaces, commercial space and other rental facilities and concessions in the Project in a form approved by Owner. Incident thereto, the following provisions will apply:

a. The Agent will show the premises to the prospective tenants.

b. The Agent will take and process applications for rentals. If an application is rejected, the applicant will be told the reason for rejection, and the rejected

application, with reason for rejection noted thereon, will be kept on file for one year. A current list of prospective tenants will be maintained.

- c. The Agent will prepare all dwelling leases and parking permits, and will execute the same in its name, identified thereon as Agent for the Owner. The dwelling leases will be in a form approved by the Owner, but individual dwelling leases and parking permits need not be submitted for the approval of the Owner.
 - d. The Agent, with Owner approval, will prepare rent schedules showing approved rents for dwelling units, and other charges for facilities and services. In no event will such rents and other charges be reduced without Owner approval.
 - e. The Agent will negotiate commercial leases and concession agreements, and will execute the same in its name, identified thereon as Agent for the Owner, subject to the Owner's prior approval of all items and conditions.
 - f. The Agent will collect, deposit, and disburse security deposits, if required, in accordance with the terms of each tenant's lease, and in accordance with all Michigan law pertaining to the collection, retention and disbursement of security deposits. The amount of each security deposit will be set by the Agent, with Owner approval. Security deposits will be deposited by the Agent in an interest bearing account, separate from all other accounts and funds, with a bank or other financial institution whose deposits are insured by an agency of the United States Government. This account will be carried in the Agent's name and designated as "Meadowbrook Commons Security Deposit Account." The City of Novi shall be added as an additional signatory to the security deposit account and the Bank shall be notified that the City of Novi shall not, under any circumstance be removed as a signatory. Additionally, all interest accrued in the account shall inure to the benefit of the project and/or shall be distributed as required by, and in accordance with, State of Michigan law pertaining to the collection, retention and disbursement of the security deposits. The Agent will notify the Owner if the Security Deposit Account cannot be maintained at a level required by law, and the Owner will be responsible for obtaining a Security Deposit Bond or remitting to the account sufficient funds to cover the deficiency.
6. Collection of Rents and Other Receipts. The Agent will collect, when due, all rents, charges and other accounts receivable on the Owner's account in connection with the management and operation of the Project. Such receipts (except for tenants' security deposits, which will be handled as specified in Subsection 5f above) will be deposited in an account, separate from all other accounts and funds, with a bank whose deposits are insured by the Federal Deposit Insurance Corporation. This account will be carried in the Agent's name and designated as "Meadowbrook Commons Operating Account." The City of

Novi shall be added as an additional signatory to the accounts and the Bank shall be notified that the City of Novi shall not, under any circumstance, be removed as a signatory.

7. Enforcement of Leases. The Agent will utilize its best efforts to secure full compliance by each tenant with the terms of their lease. Voluntary compliance will be emphasized, and the Agent, utilizing the services of the Social Services Director when available, will counsel tenants and make referrals to community agencies in cases of financial hardship or under other circumstances deemed appropriate by the Agent, to the end that involuntary termination of tenancies may be avoided to a reasonable extent consistent with sound management of the Project. Nevertheless, the Agent may lawfully terminate any tenancy when, in the Agent's judgment, sufficient cause (including but not limited to nonpayment of rent) for such termination occurs under the terms of the tenant's lease. For those purposes, the Agent is authorized to consult with legal counsel to be designated by Owner, to bring actions for eviction and to execute notices to vacate and judicial pleadings incident to such actions and follow such instructions as the Owner may prescribe for the conduct of any such action. Subject to the Owner's approval, attorney fees and other necessary costs incurred in connection with such actions will be paid out of the Operating Account as Project expenses. If it is found that the Agent, its representatives, agents or employees, or any person for whose acts Agent may be liable, has committed any negligent or tortuous act, error or omission, or has engaged in a retaliatory eviction or discriminatory practice, violation of the State of Michigan Consumer Protection Act, and/or any other State or Federal law, the Agent shall be responsible for paying its own legal costs and fees, any damages awarded to the Complainant, and shall reimburse to the Owner any attorney fees and costs paid on behalf of the Owner or the Agent in defense of the matter.
8. Maintenance and Repair. The Agent will maintain the Project in good repair in accordance with state and local codes, and in conformity with "Section V Maintenance and Facilities" of the Agent's proposal, and in a condition at all times acceptable to the Owner including but not limited to cleaning, painting, decorating, plumbing, carpentry, ground care, and such other maintenance and repair work as may be necessary, subject to any limitations imposed by the Owner in addition to those contained herein.

Incident thereto, the following provisions will apply:

- a. Special attention will be given to preventive maintenance and, to the greatest extent feasible; the services of regular maintenance employees will be used.
- b. Subject to the Owner's prior approval, the Agent will contract with qualified independent contractors for the maintenance and repair of air conditioning systems, electrical systems, elevators, and for the extraordinary repairs beyond the capability of regular maintenance employees. The Owner will

be notified if the Agent wishes to use a contractor owned or affiliated with the Agent.

- c. The Agent will systematically and promptly receive and investigate all service requests from tenants, take such action thereon as may be justified, and will keep records of the same.
 - d. The Agent is authorized to purchase all materials, equipment, tools, appliances, supplies and services necessary to properly maintain and repair the Project.
 - e. Notwithstanding any of the foregoing provisions, the prior approval of the Owner will be required for any expenditure which exceeds Two Thousand Dollars (\$2,000.00) in any one instance for labor, materials, or otherwise in connection with the maintenance and repair of the Project, except for recurring expenses within the limits of the operating budget or emergency repairs involving manifest danger to persons or property, or required to avoid suspension of any necessary service to the Project. In the latter event, the Agent will inform the Owner of the facts as promptly as possible.
9. Utilities and Services. The Agent will make arrangements for water, electricity, gas fuel, oil, sewage and trash disposal, vermin extermination, decorating, laundry facilities and telephone services. Subject to the Owner's prior approval, the Agent will make such contracts as may be necessary to secure such utilities and services.
10. Employees. Subject to the Owner's approval, the Agent will designate the number, qualifications and duties of the personnel to be regularly employed in the management of the Project, including a Resident Manager, maintenance, bookkeeping, clerical and other managerial employees. All such on-site personnel will be employees of the Agent and not the Owner. Employees will be hired, paid, supervised, and discharged through the Agent, subject to the following conditions:
- a. The Agent will prepare and maintain job descriptions which set forth the services to be provided by each employee of the Agent who will be working at the Project, or who will be providing off-site services in connection with the management of the Project.
 - b. Compensation, including fringe benefits, of on-site employees will be set by the Agent, subject to the Owner's approval. The Project will reimburse the Agent for compensation, including fringe benefits, payable to personnel considered on-site employees, and for all local, state and federal taxes and assessments (including but not limited to FICA, MESC, FUTA, Workman's Compensation, and payroll/benefit processing). The rental value of any dwelling unit furnished rent-free to on-site employees will be treated as a cost to the Project.

- c. Compensation of personnel classified as off-site employees will be set by the Agent, and will be treated as a cost to the Agent.
- d. Liability Insurance in an amount of not less than \$2,000,000.00 per incident shall be carried at all times by the Agent to cover any negligent or tortuous act, error or omission of the Agent, its representatives, agents, or employees or any person whose acts Agent may be liable, regardless of whether or not the damages or losses are caused by Owner.

11. Disbursements From Rental Agency Account.

- a. From the funds collected and deposited by the Agent in the Operating Account pursuant to Section 6 above, the Agent will make the following disbursements promptly when payable.
 - (1) Reimbursement to the Agent for compensation payable to the employees specified in Subsection 10b above, and for the taxes and assessments payable to local, state, and federal governments in connection with the employment of such personnel.
 - (2) The amount required to be paid on a semi-annual basis to retire the City of Novi Building Authority Bonds (including the 1999, 2005 and 2010 issues), including all interest thereon.
 - (3) All sums otherwise due and payable by the Owner as expenses of the Project authorized to be incurred by the Agent under the terms of the Agreement, including compensation payable to the Agent, pursuant to Section 21 below, for its service hereunder.
- b. Except for the disbursements mentioned in Subsection 11a above, funds will be disbursed or transferred from the Operating Account only as the Owner may from time to time direct in writing.
- c. In the event the balance in the Operating Account is at any time insufficient to pay disbursements due and payable under Subsection 11a above, the Agent will inform the Owner of the fact and Owner will then remit to the Agent sufficient funds to cover the deficiency. In no event will the Agent be required to use its own funds to pay such disbursements.

12. Budgets. Annual operating budgets for the Property will be approved by the Owner, except as permitted under Subsection 8e above, annual disbursements for each type of operating expenses itemized in the budget will not exceed the amount authorized by the approved budget. In addition to preparation and submission of a recommended operating budget for the initial fiscal year, the Agent will prepare a recommended operating budget for each subsequent fiscal year beginning during the term of this Agreement, and will submit the same to the Owner at least 30 days before the beginning of the fiscal year. The Owner will promptly inform the Agent

of any changes incorporated in the approved budget, and the Agent will keep the Owner informed of any anticipated deviation from the receipt or disbursements stated in the approved budget.

13. Records and Reports.

- a. The Agent will establish and maintain a comprehensive system of records, books, and accounts in a manner satisfactory to the Owner. All records, books, and accounts will be subject to explanation at reasonable hours by the authorized representative of the Owner. Agent shall, during regular business hours, make the books, accounts and records required to be maintained hereunder available to the Owner or the representatives of the Owner for examination and audit by appointment of no less than one (1) days' prior notice. All such audits shall be at the expense of the Owner.
- b. With respect to each fiscal year end during the term of this Agreement, the Agent will arrange for the preparation of those annual financial reports and/or tax returns as required by the Owner, Mortgagee, and/or Regulatory Agencies by a Certified Public Accountant or other person(s) acceptable to the Owner, based upon the preparer's examination of the books and records of the Owner and the Project. Procedures and directives for the preparation of the report and/or tax return will be provided to the preparer, including the format and due dates required by the Owner, Mortgagee, and/or Regulatory Agencies. Compensation for the preparer's services will be paid out of the Operating Account as an expense of the Project.
- c. The Agent will prepare a monthly report comparing actual and budgeted figures for receipts and disbursements, and will submit each such report to the Owner within 15 days after the end of the month covered. In addition, Agent shall furnish the original copy of all invoices, statements, purchase orders and billings received and paid as well as such other information upon request by the Owner.
- d. The Agent will furnish such information (including occupancy reports) as may be requested by the Owner from time to time with respect to the financial, physical, or operational condition of the Project.
- e. By the 15th day of each month, the Agent will furnish the Owner a statement of receipts and disbursements during the previous month, and with a schedule of accounts receivable, payable and general ledger activity. The Agent will reconcile bank statements for the Operating Account and Deposit Account as of the end of the previous month.
- f. The responsibilities of the Agent will include meeting with the Novi City Council, the Novi Building Authority and the City of Novi officers, administrators and staff members as is appropriate to effectively manage

the Project, to prepare necessary budgets, and to otherwise keep the Owner informed as to the continued status of the Project.

14. Fidelity Bond. The Agent will furnish, at the Agent's expenses, a fidelity bond which is at least equal to the gross potential income for two months and is conditioned to protect the Owner against misappropriation of Project funds by the Agent and its off-site employees. The Agent shall provide a bond of a like kind to cover the on-site personnel expressed in Section 10 and it shall be paid for from Project income.
15. Bids, Discounts, Rebates, Etc. The Agent will obtain contracts, materials, supplies, utilities, and services on the most advantageous terms of the Project, and is authorized to solicit bids, either formal or informal, for items that can be obtained from more than one source. The Agent will secure and credit to the Owner all discounts, rebates, or commissions obtainable with respect to purchases, service contracts, and all other transactions on the Owner's behalf.
16. Tenant-Management Relations. The Agent will encourage and assist residents of the Project in forming and maintaining such interests, and will maintain good faith communication with such organizations to the end that problems affecting the Project and its residents may be avoided or solved on the basis of mutual self-interest.
17. On-Site Management Facilities. Subject to the further agreement of the Owner and Agent as to more specific terms, the Agent will maintain a management office within the Project.
18. Insurance. The Owner will inform the Agent of insurance to be carried with respect to the Project and its operations, and the Agent, will cause such insurance to be placed and kept in effect at all times. The Agent will pay premiums out of the Operating Account, and premiums will be treated as operating expenses. All insurance will be placed with such companies, on such conditions, in such amounts, and with such beneficial interest appearing thereon as shall be acceptable to the Owner and shall be otherwise in conformity with the mortgage; provided that the same will include public liability coverage. The Agent will provide reports to the Owner as to all accidents, claims, or potential claims for damage relating to the Project, and will cooperate with the Owner's insurers in connection therewith.
19. Compliance with Governmental Orders. The Agent will take such actions as may be necessary to comply promptly with any and all statutes, laws, ordinances, codes, regulations, and any and all governmental orders or other requirements affecting the Project, whether imposed by federal, state, county or municipal authority, subject, however, to the limitation stated in Subsection 8e with respect to repairs. Nevertheless, the Agent shall take no such action as long as the Owner is contesting, or has affirmed its intention to contest, any such order or requirement.

The Agent will notify the Owner in writing of all notices of such orders or other requirements within 72 hours from the time of their receipt.

20. Nondiscrimination. In the performance of its obligations under this Agreement, the Agent will comply with the provisions of any federal, state or local law prohibiting discrimination in housing on the grounds of race, color, sex, creed, disability, national origin, religion, marital status, height, weight, and age (including Title VI of the Civil Rights Act of 1964 (Public Law 88-352, 78 Stat. 241), all requirements imposed by or pursuant to the Regulations of the Secretary (24 CFR, Subtitle A, Part 1) issued pursuant to that Title, regulations issued pursuant to Executive Order 11063, and Title VIII of the 1968 Civil Rights Act.

21. Agent's Compensation. The Agent will be compensated for its services under this Agreement by monthly fees to be paid out of the Operating Account and treated as Project expenses. Such fees will be accrued and credited to Agent in the following month. Each such monthly fee will be an amount as follows:

July 1, 2016 – June 30, 2017:	\$ 5,002 per month (\$60,024 per year)
July 1, 2017 – June 30, 2018:	\$ 5,152 per month (\$61,824 per year)
July 1, 2018 – June 30, 2019:	\$ 5,307 per month (\$63,684 per year)

City Option for 4th, and 5th Year Renewals

July 1, 2019 – June 30, 2020:	\$ 5,466 per month (\$65,592 per year)
July 1, 2020 – June 30, 2021:	\$ 5,628 per month (\$67,536 per year)

22. Term of Agreement. **This Agreement shall be in effect for a period of three (3) years beginning on July 1, 2016, and ending on June 30, 2019. Optional fourth and fifth year renewal options at the above noted rates are also available.** In the event of no other written modification to this contract at the expiration, the term will continue month to month, thereafter, subject, however, to the following conditions:

a. This Agreement may be terminated by either Party with cause and/or due to the breach of any of the provisions contained in this Agreement. Terminations of the Agreement under this Subsection will be immediate. Agent shall turn over all records, keys or other property belonging to Owner or the Project and vacate the Project upon termination under this Subsection.

b. In the event a petition in bankruptcy is filed by or against either of the Parties, or in the event either makes an assignment for the benefit of creditors or takes advantage of any insolvency act, the other Party may terminate this Agreement without notice to the other, provided prompt written notice of such termination is given.

c. Upon termination, the Agent will submit to the Owner any financial statements, records, and funds required within thirty (30) days, and after the Parties have

accounted to each other with respect to all matters outstanding as of the date of termination.

This agreement may be terminated at any time by either Party without cause, provided at least sixty (60) days advance written notice there is given.

Upon termination or receipt of notice of the termination of this Agreement, whichever occurs first, the Agent shall immediately provide to the Owner the check register and all checks for all accounts. If the records are being stored electronically, a paper copy and a disk copy shall be given to the Owner. The Owner shall also be given a copy of the program necessary to open and run the electronic disk copy, and if copyright laws prohibit the copying of the program, the Owner will be given the name and manufacture/creator of the program. It is agreed between the parties that upon termination of this Agreement or notice of termination, whichever occurs first, that Agent shall immediately cease, desist and otherwise refrain from making payment to any party and /or causing any withdrawals to be made from any of the bank accounts which are opened pursuant to this Agreement. At the time of termination, and any time before, it is agreed that all records being kept by the Agent, for or in relation to the project, are the property of the Owner and shall be provided to the Owner upon the Owner's request at any time.

23. Indemnification. To the fullest extent permitted by law, the Agent shall indemnify and hold harmless the Owner and all of its officials, employees, agents, or officers, from and against all claims, damages, losses, and expenses, including but not limited to attorney's fees, arising out of or resulting from the performance or nonperformance of the Agent's duties, obligations, and responsibilities under this agreement.

The Agent's indemnity obligation shall include:

- (1) Indemnify if the damages sought were caused in part by the negligence or fault of the Agent or any of its employees, agents, or officers;
- (2) Indemnity for all damages and judgment interest, all costs and fees, including all defense costs, expenses and actual attorney's fees, relating to or arising out of, resulting from or in any way connected with any claim, cause of action or lawsuit requiring indemnity by the Owner;
- (3) Indemnity for all expenses, including costs, expenses and actual attorney fees, incurred in securing indemnity from the Agent if the Agent fails to wrongfully refuses to fulfill any of the indemnity obligations specified and assumed under this Agreement;
- (4) The right of the Owner, at its option, to select counsel to defend any claim, cause of action or lawsuit brought against it without impairing any obligation to indemnify imposed upon the Agent hereunder.

24. The parties recognize that at all times the Agent is an independent contractor in regard to the day-to-day operation of the project and as such has the responsibility and liabilities of an independent contractor.

25. Interpretative Provisions.

- a. This Agreement constitutes the entire agreement between the Owner and Agent with respect to the management and operation of the Project, and no change will be valid unless made by supplemental written agreement, executed and approved by the Principal Parties.
- b. This Agreement has been executed in several counterparts, each of which shall constitute and complete original Agreement, which may be introduced in evidence or use for any other purpose without production of any of the other counterparts.

IN WITNESS WHEREOF, the Parties set their hand as of the day and year first above written.

WITNESS AND DATES
OF SIGNATURES:

CITY OF NOVI

Date: _____

By: Robert J. Gatt
Its: Mayor

Date: _____

By: Maryanne Cornelius
Its: Clerk

WITNESS AND DATES
OF SIGNATURES:

CONTRACTOR
KMG Prestige, Inc.

Date: _____

By: Karen Mead
Its: Vice President