

Sample Regional Manager Policy

Monitoring and Improving Net Operating Income

Statement

Net Operating Income (NOI) is a widely used valuation tool in multifamily because it determines the exact income that is generated by the community. NOI is calculated by taking the total revenue less the total operating expenses. NOI is important because it is used when determining the market value of a community as well as financing options when obtaining or refinancing a loan.

Standard

- The Regional Manager is responsible for the ongoing review of each community's income and expenses to maximize NOI performance.

Procedure Steps

1. Review the daily deposits for each community.
 - a. Ensure that rent is being collected primarily on the first of each month through the grace period.
 - b. Review the previous month's deposits to understand trends in rent collection.
2. Review the Delinquency Report weekly (or more depending on the collections status for the community) and ensure that the on-site teams are updating comments on the report.
 - a. Ensure the teams are aggressively pursuing past-due accounts, and ask them to provide details about the various types of communication to the residents and the results of the efforts.
3. Review the purchase order (PO) system to ensure there are measures to prevent going over budget.
 - a. Consider setting a goal (or requirement) to have at least 85% of all invoices processed with an active PO obtained before making the purchase.
 - b. Ensure that unit numbers are included on the POs for appliance replacement, flooring replacement, etc.
 - This will help with inventory accuracy and also prevent unnecessary replacements.
 - c. If your company does not use a PO system, consider the following:
 - Requiring on-site teams to use a PO book
 - Requiring Regional Manager approval for the replacement of flooring, appliances, HVAC units, and any other large expense items
4. Monitor all community utilities.
 - a. Ensure that vacant units comply with company standards regarding thermostat settings.
 - b. Ensure that the property is not paying for utilities at occupied units.
 - c. Verify that maintenance teams are checking sprinkler systems regularly for defects
 - d. Confirm that water meters are being monitored against water bills to ensure proper working meters.
5. Ensure that invoices are being paid on time.
6. Confirm that on-site teams are reviewing contracts annually and obtaining at least three bids to ensure competitive pricing.
7. Review the P&L weekly, either by the main category or GL number, and follow up with the Community Manager on anything not in alignment with the budget.
8. Review the Other Income Report to find areas to increase other income.
 - a. Do not waive the application fee.
 - b. Make sure all residents with a pet are paying pet rent.
 - c. Charge the appropriate amount for resident violations.
 - d. Ensure all late fees are assessed.
 - e. Charge back the resident for the eviction fee when filing an eviction.

Notes and Materials

- First Note
- Second Note
- Third Note