



Council for Affordable and Rural Housing

Serving the Affordable Housing Needs of Rural America

July 10, 2023

VIA E-MAIL: (Karissa.Stiers@usda.gov)

Ms. Karissa Stiers
Deputy Administrator
Multifamily Housing, Rural Development
United States Department of Agriculture
1400 Independence Avenue, SW
Room 5014, STOP 0701
Washington, DC 20250-0701

Re: Extraordinary Management Costs in this Historic Inflationary Environment

Dear Karissa:

Thank you to you and your colleagues for attending CARH's Annual Meeting and Legislative Conference at the end of last month. We very much appreciate you taking the time to participate in the various panels and provide an open discussion with our members. We're equally grateful for the sensitivity that the Multifamily staff has shown regarding the increased management costs in this current, historic, inflationary environment. As you well know, CARH members are struggling to address the increased operational costs of their properties due to unprecedented insurance premium increases, historical utility, and supply costs as well as staffing costs that continue to skyrocket due to minimum wage hikes and other inflationary pressures. Owners and managers are left with little option but to request large rent increases to mitigate these rising costs and we expect such rent increase requests to continue through 2024. We're hopeful that the Multifamily staff will continue to be sensitive to these rent increase requests that are vital to meet the operational costs necessary to serve the needs of each rural community.

As outlined in our July 27, 2022 letter to the agency, companies that manage RD properties are continuing to find it difficult to hire and retain talent due in large part because RD management fees are on a per unit basis and are not indexed to inflation. This practice has caused management companies of RD properties to lose top-tier talent to conventional management companies who do not face similar salary restraints. This applies to several roles at each management company including accounting, regional managers, training, and compliance staff. The salary gap has been further exacerbated since conventional management companies have their management fees tied to rents, which as you are aware, have increased with inflation. This exodus of talent has severely impacted the ability of management agents to efficiently operate RD assisted multifamily properties since we are spending a large amount of time recruiting/onboarding new employees when this time should be spent managing the properties.

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We believe it is helpful to look to the CPI index to capture additional inflationary costs that if applied to the existing management fees could help reverse this loss of staff. The loss of long-term staff is not only hurting the companies but also the properties and residents. For these reasons, we are asking the Agency to consider a significant increase in management fees so management companies can have the resources needed to best serve their residents.

Please let us know your thoughts on these issues and we are happy to schedule a time to discuss further at your convenience.

Sincerely,

A handwritten signature in blue ink that reads "Colleen M. Fisher". The signature is written in a cursive style.

Colleen M. Fisher
Executive Director

cc: Mike Resnick, Director, Asset Management Division