

NYARM Code of Ethics

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Preamble

The relationship between a managing agent and the Owner of a building is in the nature of a principal and agent. To that extent, the NYARM Code of Ethics closely parallels the rights, duties and liabilities between a principal and agent. However there exists a closer relationship between an Owner and his manager, and, in most cases, a relationship in which one party is totally dependent on the other. Therefore, not only must the professional real estate manager diligently prepare himself/herself for the task at hand, but the manager must zealously maintain the integrity of the industry and its members. Further, the manager must deal with tenants, the public, governmental authorities on a daily basis, and as such, the simple principal/agent rules are too simple to cover all of the complicated issues confronting the manager. The NYARM Code of Ethics attempts to create for managers a code of moral behavior in order not to only create a guide for proper behavior, but to maintain the honor and standards of the industry.

Definitions

Owner shall refer to any individual or entity that owns a building (i.e. landlord), or any board of directors of a cooperative housing corporation, any board of managers for a condominium, or any individual or entity that has been granted control of real estate by court order or decree. *Manager* shall refer to an individual manager who is in control and is responsible for the day-to-day operations of a property. *Management Company* shall refer to an independent management company of which the manager is an employee, officer or director. *Tenant* shall refer to rental tenants, cooperative shareholders, and condominium unit owners, as their interest appear.

Article I

Manager has a duty of Good Faith & Loyalty to the Owner of the Building

Ethical Guidelines: 1-1

Manager owes his/her allegiance to the Owner of the building which he/she is managing, and must act in the best interests of the Owner.

Ethical Guidelines: 1-2

Manager must put no interest ahead of Owner's interest, within the bounds of the law.

Example: *Manager* should not accept any job, nor adopt any position, which would create a conflict with his position as the manager of Owner's building.

Example: *Manager* must not advance his personal interests at the expense of Owner.

Example: *Manager* shall not disclose sensitive or confidential information which *Manager* has learned in his role as manager to any third parties, neither shall *Manager* use such information for his own benefit.

Ethical Guidelines : 1-3

Manager, when called upon to be an advocate for Owner, shall use his best efforts and vigorously present Owner's point of view.

Article II

Manager has a duty to use Care, Skill & Diligence

Ethical Guidelines: 2-1

Manager must use that degree of care in acting for the Owner which a careful real estate owner would use in managing his/her own building.

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Ethical Guidelines: 2-1 (cont'd)

Example: *Manager* should use his best efforts to keep apprised of all new legislation or regulations effecting the Owner.

Example: *Manager* should make regular inspections of each of the buildings he manages.

Example: *Manager* shall establish bidding procedures to assure that competitive bidding will result in the best pricing for Owner; and all contracts for goods and services shall be put out to bid using such procedures unless Owner specifically, and in writing, requests otherwise.

Ethical Guidelines: 2-2

Manager shall recommend that Owner hire an expert (e.g. engineer, attorney, etc.) when the task is beyond the manager's expertise and training.

Example: *Manager* should not take on responsibilities, even at the Request of the Owner, if he has not been trained in those areas of expertise.

Ethical Guidelines : 2-3

Manager must follow-up and follow through on all actions which he has taken or which he should take on behalf of the Owner.

Example: *Manager* must personally inspect completed work by contractor (or, if beyond his expertise, recommend to Owner that an expert be hired to do so).

Example: *Manager* must calendar and inform Owner of all important dates and renewal which, if not done, would adversely impact on Owner (e.g. insurance renewals).

Example: *Manager* must make sure that all claims or potential claims by third parties are reported to the Owner's insurance broker, and in turn to the insurance carrier.

Ethical Guidelines : 2-4

Manager must serve all tenants impartially and without bias of any kind.

Manager shall have the Duty to Act in accordance with his authority, and the Manager shall obey instructions from the Owner

Ethical Guidelines: 3-1

The precise relationship between the Owner and manager should be set forth in a written document, which should clearly set forth the authority granted to the manager. If, during the management of the building, there is a need by the manager to take on additional responsibilities or duties, a written document signed by the Owner should be prepared.

Example: to the extent the *Manager* is granted any discretionary power, this should be clearly stated in the written agreement between manager and Owner.

Ethical Guidelines: 3-2

Owner shall at all times have the right to limit, by specific instruction to manager, the general authority granted to the Manager.

Example: As an illustration, if *Manager* has been given the authority to replace the roof of Owner's building in the management agreement between them, Owner shall have the right to later instruct manager to send out a specific number of bids, and to use only a contractor from a list he has prepared.

Ethical Guidelines : 3-3

In the event there is a situation which is considered an emergency (defined as a situation in which immediate action is necessary or there will be serious damage to property or injury to person or persons), the *Manager* may take action(s) which are beyond those delegated to him. However, such actions must be taken in good faith, must be reasonable in nature and, should not go beyond remedying the immediate situation. *Manager* should notify the Owner as soon as practical as to the situation and the steps taken by the Manager.

Article IV

Manager shall have the Duty to disclose information to the Owner

Ethical Guidelines : 4-1

Manager shall prepare prompt, timely and complete information reports for Owner.

Ethical Guidelines : 4-2

Manager shall promptly report to Owner any physical damage to the building, the need for repairs, and any incident which may adversely affect the Owner.

Ethical guidelines 4-3

Manager shall promptly inform Owner of any events which, even though remedied, may have affected Owner and of which the Owner should be aware.

Ethical guidelines 4-4

In the event *Manager* learns of any fact which may affect the Owner, whether adversely or not, Manager should disclose such information to the Owner.

Example: *Manager* learns that an engineer, who is about to be hired by the Owner, has recently been fired from a handful of similar jobs due to his ineffectiveness on the job. Manager should immediately inform the Owner.

Article V

Manager shall not Act adversely to the interest of the Owner, or for his benefit

Ethical Guidelines : 5-1

Manager must not accept any personal gift from any one or any company servicing (or selling goods) to any building which he/she is managing, or from any one or any company which seeks in the future to render services or sell goods to the Owner.

Example: To the extent the *Manager* is granted any discretionary power, this should be clearly stated in the written agreement between Manager and Owner.

Ethical Guidelines : 5-2

Manager must not have any interest (either direct or indirect) in any party with which the Owner will do business, unless full disclosure of such potential conflict of interest is outlined in detail to the Owner, and Owner agree in writing to such arrangement.

Example: An indirect interest in a business means that a relative, either by blood or marriage or relationship, has an interest in the Company which is supplying goods or services to the Owner.

Ethical Guidelines : 5-3

Even if approved by writing by Owner, *Manager* must not influence Owner in his/her decision to use a business in which Manager has any interest (whether direct to indirect).

Article VI

Manager shall not co-mingle Owners Funds with this any Funds, and shall use the utmost responsibility in handling Owner's Funds

Ethical Guidelines : 6-1

Manager must keep all Owner's funds in accounts which are clearly unrelated and segregated from his funds or the funds of any other party. Any account should be clearly titled so that the Ownership of the funds are without doubt.

Example: Accounts in which *Manager* has deposited Owner's funds should be entitled:



1. Real Estate Owner, Inc.
Joe Smith Mgmt., Inc.
- OR -
2. Joe Smith Mgmt
for the benefit of
Real Estate Owner
- OR -
3. Joe Smith Mgmt.
as agent for (or a/a/f)
Real Estate Owner Inc.

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Ethical Guidelines : 6-2

Manager must place Owner's funds in the safest places possible unless otherwise specifically instructed, in writing, by the Owner.

Example: *Manager* must make sure any bank account is fully insured by the FDIC.

Ethical Guidelines : 6-3

Manager should not, without prior written instruction by the Owner, place Owner's funds in any investment vehicle which may decrease in value.

Ethical Guidelines : 6-4

Manager should not lend money to any parties without first receiving written instruction from the Owner to do so.

Ethical Guidelines : 6-5

Manager must be at all times hold Owner's funds as fiduciary, and as such must keep careful, accurate and detailed books for such funds.

Article VII

Manager has a duty to tenants and to the public to protect safety and obey the law

Ethical Guidelines : 7-1

Notwithstanding his duty of loyalty to the Owner, *Manager* should always consider the safety and welfare of tenants and the public, even beyond the concerns of the Owner's.

Example: As an illustration, if the Owner tells the *Manager* that the back exit fire door of a commercial building should be locked regardless of the law or common sense safety concerns, Manager should refuse to take action which would endanger the public.

Ethical Guidelines : 7-1 (cont'd)

Example: *Manager* must repair or otherwise remedy any seriously dangerous condition in Owner's building, and if instructed not to do so by the Owner, Manager should resign rather than risk the lives of the tenants or public.

Example: Owner insists upon using unlicensed contractors for work which has a potential serious safety impact on the tenants or the public (e.g. electrical rewiring). *Manager* shall notify Owner in writing of his concern of risk(s) to the public, and should refuse to assist with dangerous work in any way.

Ethical Guidelines : 7-2

Manager shall not knowingly act in violation of any applicable law or regulation, or assist Owner to evade any applicable law or regulation.

Ethical Guidelines : 7-3

Manager shall not make false or misleading statements to any governmental agency.

Ethical Guidelines : 7-4

Manager shall not deny repair or service to any tenant in an effort to compel him/her to move, or to extract extra compensation or rent.

Ethical Guidelines : 7-5

Manager shall at all times be committed to the letter and spirit of equal opportunity housing. **MANAGER** shall provide housing without regard to race, creed, color, sex, national origin, marital status, sexual preference, family status (e.g. children), veteran status, age, handicap, or disability, as provided by law.