SOP: Property Acquisition & Onboarding

Effective Date: [Date]
Last Updated: [Date]
Department Responsible: Property Management / Acquisition Team

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1. Purpose

This Standard Operating Procedure (SOP) outlines the steps required to identify, evaluate, acquire, and onboard new properties into our management portfolio. By following these guidelines, we aim to:

- Ensure thorough due diligence and compliance

- Establish consistent onboarding processes

- Minimize risks and liabilities

- Facilitate smooth handover to the operational management team

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2. Scope

This SOP applies to:

- All new properties being considered for acquisition or third-party management

- Any staff or contractors involved in acquisition, due diligence, and onboarding activities

- All relevant documentation and stakeholder communications during the acquisition process

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3. Definitions

- **Due Diligence:** A comprehensive assessment of a property's physical, financial, and legal condition prior to final acquisition or onboarding.

- **Onboarding:** The process of integrating a newly acquired or contracted property into our portfolio, including data entry, tenant communication, and setting up management systems.

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4. Roles and Responsibilities

Role	Responsibility
Chief Operating Officer (COO)	- Provides final approval on property acquisition and onboarding processes. - Oversees adherence to company standards and strategic goals.
Acquisition Manager	Leads the property acquisition process, including negotiations and overseeing due diligence. - Coordinates with legal and finance teams.
Legal Counsel	- Reviews contracts, lease agreements, and regulatory requirements. - Ensures compliance with local, state, and federal real estate laws.
Finance Department	- Conducts financial analysis and budgeting for potential acquisitions. - Assesses ROI, performs cost-benefit analysis, and verifies funding sources.
Property Manager	- Receives the post-acquisition handoff and finalizes onboarding into property management systems. - Coordinates with Maintenance and Leasing teams for smooth transition post-onboarding.
Maintenance Team	Assists in conducting or reviewing property inspections. - Prepares maintenance schedules and identifies immediate repair needs.
IT / Data Entry	- Sets up property information in the property management software. - Maintains data accuracy and access permissions for relevant staff.

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5. Procedure

5.1 Phase 1: Property Identification and Initial Assessment

1. **Property Sourcing**
   - Identify potential properties through market research, broker contacts, or referrals.

   - Verify the type of property (commercial, residential, mixed-use) and any specific objectives (value-add, stable cash flow, etc.).
2. **Initial Screening**
   - Request basic information from the seller or current owner (rent roll, occupancy rate, existing lease terms, operating expenses).

- Compare initial financial metrics (cap rate, cash-on-cash return, ROI) against company acquisition criteria.
3. **Project Feasibility**
   - Prepare a high-level feasibility summary (e.g., property size, location, estimated budget).

   - Present findings to COO or Acquisition Committee for preliminary approval to proceed.

5.2 Phase 2: Due Diligence

1. **Physical Inspection**
   - Conduct site visit(s) with Maintenance or third-party inspectors.

   - Document property condition using checklists, photos, and inspection reports.

   - Identify immediate repair needs, major system replacements, and estimate associated costs.
2. **Legal & Compliance Review**
   - Obtain current lease agreements, service contracts, permits, and zoning documents.

   - Confirm that the property complies with local building codes, environmental regulations, and safety standards.

   - Engage Legal Counsel to review any potential litigation, lien, or title issues.
3. **Financial Analysis**
   - Review operating statements, rent rolls, utility bills, tax statements, and insurance policies.

   - Validate income and expenses for accuracy and consistency.

   - Assess outstanding debts, mortgages, and any hidden liabilities.
4. **Risk Assessment**
   - Summarize high-risk areas (e.g., structural issues, deferred maintenance, significant vacancies).

   - Suggest mitigation strategies (e.g., price adjustments, escrow for repairs, renegotiation of terms).
5. **Final Due Diligence Summary**
   - Compile all findings into a comprehensive report for the Acquisition Committee or COO.

- Include recommended purchase price, projected ROI, and proposed timeline.

- Obtain final sign-off before proceeding to the contract or formal agreement phase.

5.3 Phase 3: Acquisition Negotiation and Contracting

1. **Negotiation Strategy**
   - Align with the Acquisition Manager and COO on target purchase price or contract terms based on due diligence.

   - Present any findings that warrant price adjustments or special provisions.
2. **Purchase & Sale Agreement (PSA)**
   - Legal Counsel drafts or reviews the PSA, ensuring inclusion of agreed-upon terms, contingencies, and timelines.

   - Ensure all necessary exhibits (inspection reports, rent rolls, warranties) are attached.
3. **Escrow & Closing**
   - Engage an escrow or title company to handle funds and transfer of title.

   - Coordinate with the Finance Department to confirm funding sources and disbursement schedule.

   - Obtain title insurance if required.
4. **Final Closing**
   - Confirm all closing documents are signed, notarized, and recorded.

   - Distribute final executed copies to all parties (Legal, Finance, Property Manager).

5.4 Phase 4: Onboarding and Handover

1. **Data Entry & Systems Setup**
   - IT / Data Entry team inputs property details into the Property Management Software (PMS):
     - Address, unit mix, current tenants, lease terms, vendor contracts.

   - Assign roles and access permissions to relevant staff.

2. **Operational Handoff**
   - Acquisition Manager briefs the Property Manager on critical details:
     – Maintenance issues, tenant concerns, local vendor relationships, etc.

   - Transfer all relevant documents (inspection reports, warranties, service contracts) into shared drives or file systems.
3. **Tenant Communication**
   - Distribute "Welcome" notices to existing tenants, introducing the new management team and providing contact details.

   - Address any immediate tenant concerns or pending maintenance requests.
4. **Vendor & Contractor Alignment**
   - Review existing vendor contracts (landscaping, security, cleaning, etc.) and determine if they should be continued or renegotiated.

   - Update vendor contact information in the PMS.
5. **Kickoff Maintenance Review**
   - Schedule an initial walk-through with the Property Manager and Maintenance Team for each unit/common area.

   - Create or update a preventive maintenance schedule for the property's major systems.
6. **Budget Integration**
   - Finance Department finalizes the operating budget and expense categories in the accounting system.

   - Set up or verify property-level bank accounts, if applicable (for rent collection, reserves, etc.).

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6. Safety and Compliance

1. **Regulatory Filings**
   - If local laws require registration of property managers or new ownership, file the necessary paperwork.

2. **Insurance Updates**
   - Ensure new properties are added to the company's insurance policies or secure separate coverage.

3. **Emergency Procedures**
   - Update emergency contact lists and evacuation plans for the new property, as needed.

7. Documentation and Record-Keeping

1. **Central Repository**
   - Store all acquisition-related documents (contracts, inspection reports, financial statements) in a dedicated folder or digital document management system.

2. **Retention Policy**
   - Retain final acquisition and onboarding documents for [X years], in accordance with company policy and legal requirements.

3. **Access Controls**
   - Grant authorized personnel (Property Manager, COO, Finance) appropriate access to the property files.

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8. KPIs and Continuous Improvement

- **Acquisition Timeline:** Track average time from identification to closing.

- **Due Diligence Cost vs. Budget:** Compare actual vs. estimated costs of property assessments.

- **Onboarding Time:** Measure duration from closing to full integration into the property management system.

- **Tenant Satisfaction Post-Onboarding:** Gather feedback from tenants about the transition process.

Regularly review these KPIs and update the SOP to reflect evolving market conditions, regulatory changes, and internal business goals.

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9. Training Requirements

- **Acquisition Team:** Annual refresher on market research techniques, negotiation strategies, and compliance updates.

- **Property Managers:** Ongoing training on updated onboarding procedures, PMS usage, and tenant communication best practices.

- **Legal and Finance Teams:** Stay informed on local real estate laws, tax regulations, and financial reporting requirements.

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10. Approval and Revision

Name/Title	Signature	Date
COO	[Signature/Initials]	[Date Signed]
Acquisition Manager	[Signature/Initials]	[Date Signed]
Legal Counsel	[Signature/Initials]	[Date Signed]
Finance Director	[Signature/Initials]	[Date Signed]
Property Management Director	[Signature/Initials]	[Date Signed]

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End of SOP