



Complying With the PM Agreement

This case study highlights why Property Managers should carefully read all parts of their Property Management agreement. It also provides a cautionary tale about using your own forms.

The Situation

Mike Cooley was issued a real estate salesperson license in 2019 and affiliated with Space City Property Management (“Space City”) in Haysi, Virginia. On June 15, 2023, Patterson Hood (“Hood”) entered into a 12-month agreement with Space City (“Agreement”), by Cooley as Leasing Agent, to manage a property in town. Less than 12 months later, Hood and Space City entered into a Termination Agreement that dissolved the Agreement.

The Investigation

The Agreement stated, in part, that Cooley would assess the condition of the property and identify repairs that are required to lease it. Hood would be solely responsible for all repair costs, but Cooley had to obtain prior approval from Hood before making any repairs that exceeded \$250. The Agreement also stated that Cooley would be the exclusive provider of maintenance services for the property, and again would need to receive prior approval from Hood for any services in excess of \$250.

On July 29, 2023, a Space City employee inspected the property and prepared a Move In Condition report. This report indicated that the carpet on the steps needed to be cleaned. Shortly thereafter, Bulldozers and Dirt Cleaning submitted an invoice for \$450 to Space City for cleaning service at the property. Four days later a tenant moved in to the property, which had been vacant for the previous nine months. In August 2023, Space City billed Hood \$525 for the cleaning; this included the \$450

invoice amount and a \$75 maintenance coordination fee from Space City. Hood was not provided with an invoice or estimate to approve prior to the cleaning being performed.

Cooley testified that Bulldozers and Dirt charges \$35 per person per hour for cleaning services, and neither party knew ahead of time how long it would take to complete the job. Cooley testified that he used Bulldozers and Dirt for the majority of his cleaning services and believed that the amount charged was reasonable based on his experience. Cooley stated that he believed that the Agreement gave him the right to take all reasonable actions to prepare the property for leasing, and that cleaning was not a “service” that fell under the \$250 cap. The Agreement was one created by Space City and not one drafted by a state or local association.

The Result

The board found that by failing to inform Hood of the price of the carpet cleaning prior to the service, Cooley had violated § 54.1-2135.A.1 of the Code of Virginia, which states that licensees engaged to manage real estate shall “perform in accordance with the terms of the property management agreement.” The Board issued Cooley an \$800 fine and placed him on probation for six months. In addition, the Board required Cooley to complete six hours of post-license education pertaining to Contract Writing.

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