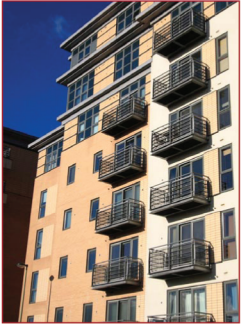




The Independent Rental  
Owner Professional Course

# The Independent Rental Owner Professional Course



## Setting the Standard

SAMPLE



## Student Guide

## **LIMITS OF LIABILITY AND DISCLAIMER OF WARRANTY**

© 2009 by the National Apartment Association, 4300 Wilson Boulevard Suite 400 Arlington, VA 22203. All rights reserved. The course materials or any part thereof may not be reproduced, stored in a retrieval system, or transmitted, in any form or by any means—graphic, electronic, or mechanical, including photocopying, recording, or otherwise, without the prior written permission of the National Apartment Association Education Institute (NAAEI).

NAA retains copyright to the original materials and to any translation to other languages and any audio or video reproduction, or other electronic means, including reproductions authorized to accommodate individual requests based on religious or medical deferments from classroom participation.

### **DISCLAIMERS**

Although NAAEI programs provide general information on apartment management practices, NAAEI does not guarantee the information offered in its programs is applicable in all jurisdictions or that programs contain a complete statement of all information essential to proper apartment management in a given area. NAAEI, therefore, encourage attendees to seek competent professional advice with respect to specific problems that may arise. NAAEI, their instructors, agents, and employees assume no responsibility or liability for the consequences of an attendee's reliance on and application of program contents or materials in specific situations. Though some of the information used in scenarios and examples may resemble true circumstances, the details are fictitious. Any similarity to real properties is purely coincidental. Forms, documents, and other exhibits in the course books are samples only; NAAEI does not necessarily endorse their use. Because of varying state and local laws and company policies, competent advice should be sought in the use of any form, document, or exhibit.

### **POLICY STATEMENT REGARDING THE USE OF RECORDING DEVICES, AUDIO VISUAL EQUIPMENT, AND OTHER MEANS OF REPRODUCTION OR RECORDING OF THE "Independent Rental Owner Professional" MATERIALS**

All program contents and materials are the property of the National Apartment Association Education Institute, which strictly prohibits reproduction of program contents or materials in any form without the prior written consent. Except as expressly authorized in writing in advance, no video or audio recording of NAAEI programs or photocopying of "The Independent Rental Owner Professional" materials is permitted. Authorized recording of programs or duplication of materials may be done only by the instructor on site.



## ACKNOWLEDGMENTS

The NAA Education Institute wishes to thank the following apartment industry professionals for contributing their time and expertise to the rewrite of the Independent Rental Owner Professional Course:

### Writer and Lead Subject Matter Expert

Barbara Whitted  
Barbara Whitted and Associates  
1900 Preston Rd Ste 267-193  
Plano, TX 75093

e-mail: [barbarawhittedconsulting@gmail.com](mailto:barbarawhittedconsulting@gmail.com)

### Subject Matter Expert

Anne Tucker  
NeoBios Consulting Group LLC  
3906 Coleridge  
Houston, TX 77005

e-mail: [tuckersa@swbell.net](mailto:tuckersa@swbell.net)

### Key Contributors

Bonnie Felts  
Campbell Properties LLC  
4405 Judith Lane  
Huntsville, AL 35805  
[bfelts2@comcast.net](mailto:bfelts2@comcast.net)

Susan E. Weston, CAM, CAPS, NAAEI Faculty  
Vice President, Learning and Development  
Pinnacle, an American Management Services Company  
5910 N. Central Expressway, 11th Floor  
Dallas, TX 75206  
[sweston@prmc.com](mailto:sweston@prmc.com)

Emily Hilton  
Vice President, Professional  
Development  
Houston Apartment Association  
10815 Fallstone Road  
Houston, TX 77099  
[ehilton@haaonline.org](mailto:ehilton@haaonline.org)

SAMPLE

# TABLE OF CONTENTS

Chapter		Page
	<b>Course Introduction</b>	
<b>1</b>	<b>Budgets &amp; Financial Management</b>	<b>1</b>
<b>2</b>	<b>Taxes</b>	<b>5</b>
<b>3</b>	<b>Risk Management &amp; Protecting the Asset</b>	<b>15</b>
<b>4</b>	<b>Employment Practices</b>	<b>28</b>
<b>5</b>	<b>Property Maintenance</b>	<b>32</b>
<b>6</b>	<b>Rental Rate Establishment &amp; Marketing</b>	<b>36</b>
<b>7</b>	<b>Lease &amp; Addenda</b>	<b>49</b>
<b>8</b>	<b>Rent Collection, Security Deposit Management, Eviction Procedures</b>	<b>57</b>
<b>9</b>	<b>Rental Unit &amp; Common Area Preparation</b>	<b>68</b>
<b>10</b>	<b>Renting to Prospects</b>	<b>77</b>
<b>11</b>	<b>Resident Retention &amp; Renewals</b>	<b>94</b>
	<b>Appendix</b>	<b>106</b>

# **COURSE INTRODUCTION**

## **Overview of Property Ownership and Management**

This course is designed to give the Independent Rental Owner Professional (IROP) an overview of the many business practices of property management. With the help of other IROPPs who devoted their time and expertise to this program, the new Independent Rental Owner Professional will receive the “insider’s view” of property ownership and management practices. In addition to serving as subject matter experts, contributors offer a common-sense approach to avoiding property management errors and oversights.

The Independent Rental Owner Professional serves several roles in property management. The IROP serves as public relations specialist, administrator, chief financial officer, marketing director, and operations manager. Many IROPs are proficient in some areas of property management, while some are more proficient in others. The key to success is to be informed in all areas of property management; knowing where to go to obtain the information that is needed to effectively run the business. This text is designed as a resource to provide an overview of the many requirements for operating rental property in an effective, efficient, compliant, and legal manner.

The Independent Rental Owner Professional course(s), hosted by local apartment association affiliates, provides additional information and insight into each topic in this guide. The classroom sessions are led by subject matter experts who provide real-life experiences, tips, techniques, forms, and advice. The National Apartment Association provides Web site resources and support to local affiliates who can provide a wealth of resources for the new rental owner’s business.

Owning and operating small investment properties has made many people financially independent. However, owning rental property will not guarantee financial independence; even good properties may not generate cash flow. To make money, the owner needs to practice good property management skills and techniques. The owner will attract and retain good residents, collect the rent on time, maintain the physical structure of the property, and most importantly, effectively interact with residents. The goal for a successful property owner is to maintain the asset and increase its value.

## Course Objectives:

As a result of completing each module in this course, you will be able to:

- Review the key elements that result in successful independent rental unit ownership.
- Follow a recommended framework for budget preparation and completion.
- Locate resources for tax benefits and guidelines.
- Assess your property for risk exposure.
- Follow legal guidelines for hiring employees.
- Follow successful rental unit turnkey processes.
- Establish rental rates based on market conditions and supply and demand.
- Locate resources to assist you with the day to day management of your assets.
- Utilize a standard Lease Agreement and Addenda.
- Rent to prospective residents and retain current residents.
- Practice managing your property within the guidelines of Fair Housing laws.
- Locate resources that govern rental unit housing.

When you have established a good reputation in the rental business and have mastered the art of property management, including budgeting, forecasting, marketing, and maintaining the asset, you will enjoy the numerous rewards and benefits of property ownership.

# **CHAPTER 1 – BUDGETS & FINANCIAL MANAGEMENT**

## **FINANCIAL MANAGEMENT**

Keeping track of a property's financial condition is critical to the overall success of the business. Accounting methods need to be thorough and up-to-date. If there are only a few rental units, the Independent Rental Owner Professional may prefer to keep records in a journal or in a personal accounting package. More than twenty rental units may require more time and technology. There are business accounting packages and property management software accounting systems that can be purchased and tailored to meet the needs of the owner. There are specific records required by the Internal Revenue Service; the IRS requires that taxpayers substantiate rental income and expenses reported on their tax returns. For this reason, records must be complete.

### **Reduce Expenses**

Often the difference between a positive and negative cash flow is prudently monitored controllable expenses. The greatest costs are usually fixed costs: mortgage payments, real estate taxes and insurance. There aren't many methods for controlling these costs except perhaps to file a tax appeal or refinance the mortgage.

Other expenses, such as utilities and maintenance costs, can be managed and controlled. For example, if heat, air conditioning and hot water are included, installing programmed thermostats and timers to control the output can reduce costs.

The following are some additional tips for reducing expenses:

- Walk vacant properties approximately every 10 days to ensure timers and control switches are set correctly and working properly.
- Walk vacant properties after contract vendors have performed services to ensure that the thermostats are reset to conserve electricity.
- Use low wattage, energy efficient fixtures.
- Instead of spotlights, use low pressure sodium lights on exteriors.
- Use controls on gas burning heat fixtures so they don't heat at the same rate at night as they do during the day.
- Verify that the correct water and sewer rates are being charged. Verify whether those bills are to be taxed sales tax or exempt from sales taxes.



- Install cost-effective water flow restrictors.

Check all mechanical equipment to ensure each item is running at peak operating capacity. Boilers and air conditioners should be inspected and adjusted annually.

## **Maximize Income**

Be aware of neighborhood development; construction, demolitions, new business, etc. Review rental rates charged at competitive properties. Are the amenities comparable? What does your property offer that is unique and adds value? Are there additional services that you could provide for a fee, such as notary service, copies, faxes, etc? Additional sources of income may include late fees for past due rent, security deposit charges, and pet rent charges. An increase of \$50 more a month allows you to cap that extra \$600 per year and add it to the value of your property.

## **Manage Expenses through Budgeting and Planning**

Typical expenses include:

- mortgage payment
- taxes and insurance premiums
- monthly utility bills
- garbage collection, pest control, or annual furnace and/or boiler upkeep
- maintenance expenses - repairing the roof, plumbing leaks or broken-down appliances, and unit turnkey
- emergency expenses

## **Prepare an Annual Budget**

A budget should include allocations for repairs and maintenance. Include the cost of predictable expenses, some money for occasional repairs, and a financial "cushion" or escrow for emergencies. Budget resources each year, to perform preventative maintenance work.

## **Examples of preventative maintenance may include:**

- Cleaning the gutters on the roof
- Replacing heat or air-conditioner filters
- Cleaning condensing coils
- Replacing window caulking and weather stripping.

The property should be inspected regularly for areas in need of repair. Some repairs will require immediate attention, while others can be budgeted for repair at a later date.

If possible, obtain information from previous owner(s) regarding maintenance costs, and consider using the records as a guideline for budget preparation. Request utility and repair bills. Request the names of service providers who have already made repairs on the property. Obtain estimates from vendors for future repairs and services. Each Independent Rental Owner Professional operates his property differently; however IROP buyers are likely to incur the same expenses as the previous owner(s). Budget history is a useful tool, especially when working with a recently purchased asset.

It is very important to budget for real estate taxes. Establish a designated savings account or personal escrow account funded monthly from rents to be used for annual taxes.

## **Evaluate the Budget and Make Necessary Adjustments**

Once the annual budget is prepared, compare the rental income expected against the sum of all budgeted items. Obviously, expenses should not exceed income.

If rental income, combined with other financial resources, will not cover anticipated expenses, reevaluate some of the budgeted items. If when budgeting for a potential purchase and performing a feasibility study, it is apparent that every item in the budget is necessary to manage the property effectively, then this may not be the right property to purchase.

## **Budget for Vacancy Loss**

Vacant rental units lose income each and every day they remain unoccupied. For a \$900 per month home, that equates to \$30 per day! When budgeting, you must be prepared to make mortgage payments and pay maintenance costs even when units are vacant. Therefore, do not base a budget on the assumption that all units will be occupied at all times. The budget should reflect actual anticipated rental income and be sufficient to support anticipated expenses.

Contact local competitors to obtain vacancy rates for rental units in the neighborhood. When obtaining neighborhood occupancy rates, it should be clarified whether the rates represent physical or economic occupancy.

## **Budget for Return of Security Deposits**

The property's previous owner should transfer security deposits to the new owner. The deposits must eventually be returned to existing residents.

Positive cash flow is essential for the rental owner to purchase additional rental property and grow a portfolio. While a "fixer-upper" may look inviting and the upside encouraging; owners should be certain that there is enough cash flow to support the rehab, until such time as income can be produced for the improved property.

There are three ways to profit from real estate: generate cash, generate cash flow or generate equity (wealth building). Cash is money in-hand today, cash flow is money gained over time, and equity is the future income potential at sale. Depending on goals as an investor, any or all three ways can be profitable and represent a diversified portfolio with available cash for future deals and future income based on sales.

## **CHAPTER 2 - TAXES**

### **Making Money in Rental Real Estate**

There are four methods for making money in rental real estate; appreciation, equity build-up, cash flow, and tax shelter benefits. The following offers an explanation for each:

First, is **appreciation**, sometimes called **Capital Gain**. Capital Gain results from natural inflation, or property improvements, or both. So long as inflation remains healthy and the economy is growing, property should be worth more when you sell it, than when you bought it.

Second, is **equity build-up**. When a property is purchased, equity is the cash investment, or down payment. As the loan is paid down, the loan principal increases.

Third, is **cash flow**. This is the money that is netted each month on income-producing properties. Positive cash flow is the money left over after all rents are collected and all expenses are paid.

Fourth is **tax shelter benefits**. Tax shelters include depreciation and other tax benefits.

### **The "Tax Climate" for Real Estate**

Strategic tax planning has become a necessity for the Independent Rental Owner Professional. It was not too long ago when just purchasing real estate automatically gave the IROP tax advantages. Annual losses that were "paper" losses could be written off against any income. Rental property was one of the true "tax shelters". Depreciation terms were shorter, allowing for a quick write-off of the investment. Even when property was sold, capital gains tax codes allowed the owner to keep more profit.

Laws have changed. More recent "passive/active" rules have gone into effect, so that writing off annual losses against an owner's regular income has become difficult, except in certain instances, outlined later in this chapter. Many tax benefits remain in effect.

The savvy IROP will carefully plan the tax benefits, and/or consequences of purchasing and selling the asset at the appropriate time.

## Depreciation

In the case of rental property, improvements to the land are subject to "wear and tear" by the tenants. For this wear-and-tear, a depreciation deduction against the rental income is allowed. This deduction is a significant tax advantage for owners of rental real estate. It is possible to increase net worth, year after year, every time depreciation is taken for tax purposes, while at the same time the property itself may appreciate in market value. Property owners are not liable for income taxes on the resulting increase in total net worth.

For tax purposes, the definition of depreciation is the "allowed/allowable" wear- and-tear deduction against the rental income of rental realty, other than the land itself. Generally, residential rental property must use straight-line depreciation over a 27.5-year period. Each property owner must set up and maintain his own depreciation schedule for continuous "tax basis" accounting.

Tax depreciation bears no relationship to decline in market value. Depreciation is not the opposite of appreciation. It is an "element of physical exhaustion and obsolescence due to the use and passage of time." In reality the overall value of the property may go up with time. The increase can occur because of inflation or the area may become more desirable. However, the buildings and structures themselves may "wear out."

Depreciation is spreading out the cost of the asset over its useful life, thus reducing the effect of its "wearing out" on the overall income. To get the most out of depreciation, determine the classification of the asset. There is a definable difference in real property and personal property. There is also a difference in the ability to depreciate the real estate and associated tax strategies in depreciating the two types of property.

The IRS defines tangible personal property as any personal property, except for land and improvements to the land, such as buildings or other inherently permanent structures. Courts have ruled that "permanency" is the most pertinent test in the determination of whether an asset is a structural component or personal property. Differentiating between the two types of properties is important because the allowable depreciation percentage and timelines for depreciation vary for each.

**There are six tests to assist in determining whether property is real or personal, which include:**

1. Is the property capable of being moved, and has it in fact been moved?
2. Is the property designed or constructed to remain permanently in place?
3. Are there circumstances that tend to show the expected or intended length of affixation?
4. How substantial a job is the removal of the property, and how time consuming is it?
5. How much damage will the property sustain upon removal?
6. What is the manner of affixation of the property to the land?

**The following is a checklist of common assets found in rental units that would typically qualify as personal property:**

- Furniture; beds, tables, chairs, lamps, and sofas.
- Carpets, drapes, and blinds.
- Security and decorative lighting.
- Appliances, such as refrigerators, trash compactors, washers, and dryers.
- Pool equipment and furnishings; pumps and filtering apparatus.
- Recreational equipment; ping pong or pool tables, weights, and other exercise equipment.

Expense an item if at all possible. The largest write-off that can be claimed is listing the entire cost as an expense in the current year. If you qualify for a write-off against ordinary income (this refers also to the \$25,000 passive income exclusion), the expense directly reduces the income on which you pay taxes.

Some items, such as interest and taxes, are always deductible in the current year. Other recurring expenses, such as insurance premiums, can also be expensed. Include in expenses those items that are incurred expenses as a result of managing the property. You can include mileage to and from the property, telephone costs, and advertising costs. Usually, these can be expensed in the current year.

There are many items that may not be expensed. The ability to expense depends on whether the cost is a repair or an improvement. The general rule is that a repair can be expensed in the current year. An improvement must be depreciated. More in-depth information about allowable expenses follows later in the chapter. Check with your tax professional if you have questions about the expenses and/or deductions.

If a cost cannot be expensed in the current year, the next best thing is to depreciate it. Evaluate the cost and use the shortest permitted depreciation period. The depreciable period for most items found in rental property, such as carpets, refrigerators, and appliances, etc., is seven years. The shorter the term used for depreciation, the higher the annual depreciation deduction. By depreciating the item, the IROP can at least portion its cost to offset rental income in the current year.

If an item cannot be expensed or depreciate, amortize it. Any actual cost that can't be expensed in the current year, or depreciated over its life, or amortized over the loan period, but is not specifically disallowed, can usually be added to the basis. Adding to the basis will often result in reducing the gain realized on the sale. However, adding to the basis is the last resort because there are no benefits in the current year. The only tax benefit occurs when the property is sold.

## **Relief from Social Security Tax**

In rental real estate income, there is no imposed Social Security tax. Rental real estate is distinguished from other forms of real estate, because there is no Social Security/Medicare tax on the produced income. The classification of a "second tax" is a tax that occurs in addition to one's regular tax on income. It is a combined flat rate of approximately 15 percent on the first dollar of income, sometimes more. Rental income is excluded from this income because the income is generated primarily by the property itself, not the services of the owner. The Social Security/Medicare tax applies to all personal service income and therefore does not apply to rental income.

Because of the absence of this second tax, it is important to distinguish true rental real estate from real estate that is brokered or purchased, only to be sold for profit. Rental real estate, for the practical purposes of this definition, is that which is held primarily for the production on rental income on an annual basis.

A property can eventually be sold for a profit. However, the primary purpose is to produce rental income for the Independent Rental Owner Professionals without taking an active daily role in generating that income. The absence of this daily participation allows this property to be taxed as passive activity property under Section 469 (c).

Section 469 (c) is important for rental property owners. Since Social Security tax is not paid on this income, there are limits as to the amount of expenses that can be used to offset rental income. For passive activities, expense offsets are limited to the amount of income generated from each activity. For overall tax purposes, you cannot produce a net rental loss for the year.

Section 469 (a) is the general disallowance rule. It basically states that since you do not pay the "second tax" on rental income, you cannot use rental real estate losses to "shelter" or offset other positive sources of income (most of which are subject to the second tax). An important point however, is that losses are not actually lost. They are "suspended", and carried over to the next taxable year.

### **There are three important exceptions to this rule.**

The **first exception** to the disallowance rule pertains to real estate professionals. These are owners who do "materially participate" in their rental real estate activities, as well as in other activities also associated with real estate. To qualify as a real estate professional, a person must devote:

1. More than 50% of his or her personal service time during the year to rental property trades or businesses, which constitutes;
2. more than 750 minimum hours.

This special exception applies to tax years beginning with 1994. There are other tax implications in being classified as a real estate professional; speak with a tax advisor regarding your status.

The **second exception** to the general disallowance rule is the "small taxpayer" exception. This is also called the \$25,000 offset. This is the amount of passive losses that can be used to offset other sources of income, provided such income is within the set limits.



Section 469 (a) outlines the small taxpayer as one (together with spouse) whose adjusted gross income for a given taxable year is less than \$150,000. (This is without the previously mentioned \$25,000 exception.) The full exception is allowed for those with incomes of \$100,000 or less. (Between \$100,000 and \$150,000 a "phase-out" portion is allowed.)

The small taxpayer exception amount is \$25,000 of net rental losses each year. There are certain conditions outlined by tax code regarding the offset.

First, **only natural persons are eligible.** Entities such as partnerships, corporations, or trusts are not eligible. The person seeking the write-off must be an individual taxpayer. The IRS considers a married couple filing jointly to be an "individual" so a husband and wife can share the write-off. The natural persons must own a minimum of 10 percent of the rental property at all times. (A husband and wife may own the 10% combined.)

Second, the **natural persons must actively participate in the rental activities.** For the purposes of this part of the code, active participation is that which an individual owner would customarily do in overseeing the collection of rents and general maintenance of the property. True absentee owners who do not visit their properties are intentionally excluded from the \$25,000 offset exception. In a broad definition, even those owners who use management companies to do the day-to-day operations can qualify if the individual owner makes the major decisions such as; setting rental rates and terms, approving capital and repair expenditures.

Third, **the aggregate loss for all rental properties of the owner must proportionately share the loss.**

The **third exception** to the general disallowance rule occurs when an owner disposes of his entire interest in the rental property. When this happens, all gain or loss is recognized, including all cumulative suspended losses. The actual code wording is rather ambiguous, however, in the emphasized last clause a key tax point comes through. All prior and disallowed losses (for the property being disposed of) are re-characterized as non-passive losses and allowed in full. The only precondition is that the allowable current year loss be computed (in relationship to ALL your properties), before adding it to the cumulative prior years' carryovers, for computing a loss or a gain.

The subsections of 469 (specifically subsection 469 (b) carryover of disallowed interest and subsection 469 (g) disposition of entire interest) are particularly advantageous for the serious property owner with long-term profit goals. For these individuals the loss carryovers become a strategic tax planning opportunity. For this reason, it is important that you have a long-range strategy when you begin investing. By establishing some long-term goals and a vision for your business, you can begin your ventures with the end results (maximizing profit) in mind in terms of tax strategy.

## **The 1031 Tax Exchange**

Exchanging may be the best way to avoid capital gains altogether when you are ready to dispose of one property and acquire another. Three-way exchanges were made easier by Section 1031. Changes do not need to be made simultaneously. If exchanges are structured properly, in most cases, there will be no income taxes on capital gains at all. You may defer the payment of taxes until properties are sold, or you may keep exchanging properties and continue to avoid the payment of taxes on capital gains. When heirs assume the ownership of property, they do so at its then current value, not at its old basis or depreciable balance. By exchanging, owners avoid paying capital gains taxes while they are alive and so do heirs when they acquire the property upon the death of the owner.

## **Know the Tax Deductions**

Official detailed information about tax deductions for owners is available through the Internal Revenue Service (IRS). At tax time, consult with an experienced tax professional. The following is a list of generally allowable deductions.

### **Repairs and Routine Maintenance Costs**

Repairs made to keep the property in good condition - for example, gutter replacement on the roof, repaired leaks, plastered ceilings, or replaced broken windows, can often be deducted from rental income. The costs of supplies such as paint, light bulbs, or small household tools may also be deductible:

### **Maintenance for Vacant Units**

The IRS does not offer a deduction based on income lost during periods when units are vacant. Routine expenses of managing and maintaining those units during such periods are deductible.

## **Advertising**

Advertisements to locate electricians, gardeners, plumbers, or others to assist in maintaining a property, may be deductible expenses. Advertisements designed to find residents to occupy vacant units may be deductible.

## **Wages and Fees**

The IRS allows owners to deduct "reasonable" wages paid to people hired to help maintain the property. Fees paid to professionals like lawyers, architects, energy-efficiency consultants, or accountants are also deductible.

## **Property Taxes and Costs for Local Services**

As an owner, besides deducting property tax each year, you can also deduct any local taxes paid for the maintenance of streets, sidewalks, sewage systems, or other community benefits. Charges paid for services such as running water and trash collection are deductible. Always protest property taxes.

## **Expenses for Rental Items**

Deduct the cost of renting furniture, appliances, or other items for residents' use. Deduct the cost of renting equipment; lawn mowers or cleaning machines, used to maintain the property.

## **INSURANCE PREMIUMS:**

### **Travel and Transportation**

The cost of travel outside the area to collect rent or manage property is deductible. The cost of local transportation is also deductible.

### **Utilities**

Providing heat, water, gas, and/or electricity for residents is deductible.

## **EXTERIOR PAINTING:**

### **Loss from Casualty Losses or Thefts**

IRS regulations allow the deduction of losses resulting from theft or from damage, destruction, or loss of property caused by a "sudden, unexpected, or unusual event." However, the deduction is limited to non-reimbursed expenses, such as those paid by an insurance company or former resident.

## How to Receive Special Tax Treatment

Properly report income and expenses on annual tax returns; document all expenses and keep receipts and records organized and accessible. Document each tax-deductible expense as it occurs. Keep track of:

- The amount of each expense;
- what the expense covers, preferably in terms of the categories for which the IRS allows deductions;
- who receives payment;
- the date on which you incur the expense, and
- the date on which the expense is paid.

Keep copies of leases and advertisements for residents. An "owner" who is temporarily renting his or her home while trying to sell it is not eligible for all the tax deductions and deferments. Proof of intention to rent units over a long-term period is the basis for many of the tax deductions taken.

One way you can demonstrate your intention to rent units for the long term is to have residents sign long-term leases. Place newspaper ads that state explicitly that you're looking for long-term renters. Maintain leases and advertisements that support your intention to be a long-term owner. You may need these records if you are audited.

## Resident Files

Maintain an active file, using legal-size manila folders, containing vital information on each resident. Keep copies of the following items in the file for each resident: lease, application, lease riders, credit information, and repair bills for the rental unit, letters or other correspondence, rent receipts and other receipts. Even after move-out, retain these files for another five years. Also maintain files of all rejected applicants for a period of five years. In addition to tax records, these files should also be maintained in the event that a Fair Housing allegation is made against you by a past resident or applicant.

## **Keep Organized Receipts**

Maintain documentation of the information reported on tax returns. Issue each resident a receipt when rent is collected and maintain a copy for your files.

Maintain receipts and/or cancelled checks. Maintain receipts for paid property taxes, insurance premiums. Retain invoices from carpenters, electricians, plumbers, gardeners, accountants, and lawyers. When paying for supplies maintain receipts even for small items such as brooms and light bulbs.

## **Document Depreciable Deductions**

Maintain records for the amounts of depreciation claimed in previous years - and the total depreciation claimed since purchasing the property. When you sell the property, the IRS will require you to factor the depreciation previously deducted into the calculation of the profit from the sale.

## **Preparing the Tax Statement**

Keep accurate and complete records. Create expense records with receipts and complete depreciation worksheets. Use one depreciation worksheet per building. Check a current tax reference guide or check with your accountant when determining the appropriate "useful life" and how much depreciation can be taken per year of ownership. Use the same form for all buildings.

## **Hire an Accountant**

The benefits of hiring a reliable accountant generally outweigh the costs. Accountants' fees are tax deductible. An experienced tax professional can help you create a basic list of categories for deductions to take from year to year. A professional can provide guidance on limits that the IRS places on allowable deductions, and identify which IRS forms are needed.

## **CHAPTER 3**

# **RISK MANAGEMENT & PROTECTING THE ASSET**

## **CODE ENFORCEMENT DEPARTMENTS**

### **Building and Zoning Department**

Building and zoning departments issue building permits, are responsible for inspections during building processes, and are responsible for ensuring that properties meet the requirements of the laws of the community. Information regarding how a property can be used and how to obtain a change in the zoning that governs property use is also managed through this arm of the government.

Building and zoning departments differ by location and may operate under different names. Planning and zoning departments may be a division of the health department or some other department. Generally, personnel from these offices administer the rules and regulations contained in the city ordinances that regulate real estate within a community. Most regulations regarding property will fall under the jurisdiction of the code enforcement department at one time or another. The people who work in the departments are often excellent sources for information about property regulations.

### **"Habitable" Housing**

The foundation of almost all landlord/resident laws, building codes, and other regulations concerning rental housing begins with the premise that residents deserve a decent, safe, and sanitary place to live. This is expanded in a legal doctrine called the "implied warranty of habitability." Implied warranty of habitability says that it is the landlord's responsibility to maintain the rental premises. Landlords who are subject to the implied warranty are legally required to offer livable premises when they originally rent a rental property and to maintain it in that condition throughout the rental term. Most states have, by judicial decision or statute, adopted the implied warranty of habitability. All require landlords to assume some repair and maintenance responsibilities, largely due to a common law requirement, known as the covenant of quiet enjoyment. In addition, local laws in these states, particularly in urban areas, may specify health and safety requirements that essentially amount to a requirement that rental housing be habitable.

What constitutes decent housing includes prohibiting a nuisance (such as rodents from the accumulation of garbage), requiring basic services (such as adequate plumbing or working electrical outlets), and maintaining the building in good structural repair (such as repair of a leaky roof). Independent Rental Owner Professionals must ensure that they will not act (or fail to act) in a way that interferes with or destroys the ability of the resident to use the rented premises. The following is a list of sample issues that may be considered under the definition of "habitable housing":

- Effective weather protection is provided, including unbroken windows and doors.
- Plumbing facilities are in good working order.
- The unit has a water supply connected to a sewage system. If the water supply is under the control of the resident, it must be capable of producing hot and cold running water; if under the control of the owner, it must produce hot and cold running water furnished to appropriate fixtures.
- Heating units and, if provided, air-conditioning and ventilation facilities, are in good working order. If these are under the control of the resident, they are capable of producing heat (or cooling and ventilation); if under the control of the owner, they produce heat (or cooling and ventilation) in fixtures provided. Minimum temperatures for heat are usually established by municipal code.
- Gas or electrical appliances supplied by the owner must be in good working order and properly installed with appropriate gas piping and electrical wiring systems according to building codes, and they must be maintained in good working order and safe condition.
- Buildings, grounds and areas under the control of the owner must be in a clean, sanitary and safe condition, free from all accumulation of debris, filth, rubbish, garbage, rodents, and vermin.
- Adequate and appropriate receptacles for garbage and rubbish are provided. If these are under control of the owner, they must be kept in clean condition and good repair.
- Floors, stairways, railings, and common areas are in good repair.
- Rental property floors, walls, and ceilings are in good repair and safe condition.
- Elevators, if existing, are maintained in good repair and safe condition.



## Establish Relationships with Code Department Representatives

Ignorance is not a justifiable excuse for non-compliance with building codes. It is the Independent Rental Owner Professionals' responsibility to know the law. Local buildings officials report that well-informed owners usually have a healthier bottom line, are less likely to attract bad residents, and are less likely to be taken in by unscrupulous contractors.

The building department can be a valuable resource to Independent Rental Owner Professionals. Older building plans can often be obtained through the building department. From these records an investor can ascertain if any work or construction was performed without a permit. Construction occurs without permits all the time, so investors should be aware that sometimes unlicensed contractors or part-time carpenters do work that may violate building codes. The building department has the authority to impose very expensive fines for such work. The property owner may be required to remove the construction made without permits.

Building department records can be used to research information on past improvements made with permits. Because a permit may indicate the estimated cost of the improvement or construction, it is possible for investors to double-check statements given about the cost of such improvements.

## Education is Key

City building departments around the country are becoming more customer-friendly and are often willing to provide the information needed to operate businesses effectively and within the law. Many building departments, especially in larger cities, offer classes or information and resources on property maintenance schedules and repairs at the most basic levels. Some have publications on the most important things you need to know in general. Check with the local Apartment Association for information regarding frequency of inspections, fees, and levels of enforcement for your locality.

At a minimum, research these items:

- **Code requirements:**
- **Building** - codes that apply to you
- **Zoning** - permitted uses of the property
- **Property maintenance** - minimum requirements





SAMPLE

- **Permit requirements:**

When they are necessary

Repairs or improvements that can be made without permits

- **Planning Improvements**

## **Building Codes**


Building codes are the regulations that govern maintenance, repair, alteration, and construction requirements for structures. Codes govern the methods, materials, and designs used in construction. If construction does not meet the required codes there may be fines and other costs associated with making the repair or alteration. Every community in the United States has a basic building code and minimum property maintenance requirement. Local authorities may add more requirements to the state or building codes designed for that part of the state.

Cities, counties, and sometimes states, adopt building or housing codes to protect the health, safety, and value of real property. These codes regulate structural aspects of buildings and usually set specific space and occupancy standards, such as the minimum size of sleeping rooms and maximum number of occupants. They also establish minimum requirements for light and ventilation, sanitation and sewage disposal, heating, water supply (such as how hot the water must be piped), fire protection and wiring (such as the number of electrical outlets allowed per room). Contact the local building department, and the health or fire departments for additional code requirements.

Research all ordinances affecting repair and maintenance responsibilities - for example, many cities require the installation of smoke detectors in residential units, or security items, such as viewing devices in doors that open onto a hallway. Some cities also make owners responsible for the prevention of infestation and, if necessary, the extermination of insects, rodents and other pests.

## **Exemptions and "Grandfathering"**

When a housing code changes, it doesn't necessarily mean that all existing buildings are out of compliance. Lawmakers will often allow for certain exemptions for older buildings, especially those items that would require major structural changes. A "grandfather clause" is written into the code, exempting all buildings constructed before a certain date (sometimes the same date as when the new code takes effect). Such exemptions will not apply to renovations or remodeling, meaning that, over the years, you may eventually have to comply with new rules. Contact the local building department for information on



any "grandfather clauses" that may apply to your rental property. A general rule is "new work - new code, but repairs can be done in like kind." Another general rule is that you cannot make a building less safe.

There are many types of alterations, those involving locks, peepholes and smoke detector, that must be made regardless of the age of the building and irrespective of the fact that the owner wasn't planning to remodel or renovate. Investigate, ask other IROPs, and contact the local Apartment Association for additional resources.

## **Repair and Maintenance Requirements**

Legislators in most states have enacted laws governing landlords' repair and maintenance responsibilities. In many instances these laws require the landlord to make all repairs and do whatever is necessary to keep the premises in a "decent, safe, and sanitary" condition. Frequently, these laws describe the statutory method for the resident to notify the landlord of items needing repair, timeframes for correction, and rights of entry into the rental property to make the repair.

Checking state housing laws is particularly important to landlords who operate in rural communities where there may be no local ordinance (or limited ordinances).

In these areas, state law, and court cases decided under state law, will be the only guide to the implied warranty of habitability.

## **Inspections and Violations**

Local code enforcement authorities, such as a building, health or fire departments, may discover code violations through routine inspections or in response to resident complaints. If title to a property changes hands, an inspection will often accompany the sale; and if the property is used as collateral for a loan, the lender will usually require an inspection. Local authorities may cite rental properties that are unsafe, dangerous or hazardous - for example, lack of adequate heating facilities, trash in the hallways, hazardous electrical wiring, leaking roof, broken toilet, or other defective conditions.

The local enforcement agency will typically require the property owner to remedy (within a certain amount of time, such as five business days) all violations found. If you fail to make repairs within the time allowed, the city or county may bring a civil lawsuit against you. Moreover, in many cities, failure to comply with cited violations of local housing laws is a criminal misdemeanor punishable by expensive fines and in some cases, imprisonment. In some cases, local officials may require that the building be vacated,

---

with the landlord providing residents with temporary housing, until the violation is corrected.

Residents may report a violation of a local code if they do not pay the rent, or attempt to pay less rent, on the grounds that the premises are substandard. If an owner sues a resident for eviction on the basis of nonpayment of rent, the resident may use code violations as the justification for non-payment of rent.

Who pays for keeping the unit up to habitability standards? Is the Independent Rental Owner Professional always responsible for everything? There is a difference between being legally obligated for the habitability of the property and financially responsible for keeping it fit. In most cases, at the outset of the lease, the IROP is responsible for all repairs to bring the unit up to standards. However, if the resident negligently damages something after taking possession, the financial burden of repairing it properly falls on the resident. This applies to any damage beyond normal wear and tear caused by residents or their guests. The IROP, however, remains responsible for seeing that the repair is completed and the property is returned to a habitable state. The IROP under these circumstances could charge the resident for the repair. The bill should be reasonable and specific to the cost for bringing the item up to required code standards. If a third party such as a vandal or a burglar causes the damage, or the violation is the result of normal wear and tear, the landlord bears the burden of repairing or replacing the item and paying for the damage, which is generally covered under a multi-peril insurance policy.

## **Building Permits**

A building permit is the official authorization and license needed for construction within most communities. It is issued by the appropriate governing authority (usually the building department), which generally requires plans and drawings showing that the proposed construction meets all the rules and regulations that apply. In most cases, the property owner pays a fee for the permit(s) to one or more governing authorities. A building permit to construct a rental unit building can be very involved and require separate approvals and inspections from several different departments and agencies such as the fire department, water department, environmental agencies, U.S. Army Corps of Engineers, and state and county urban planning agencies

In most areas of the country a building permit is required for any work that involves repairs, (other than normal maintenance), replacements, alterations and new construction. Frequently, the code provides a scope limitation - the larger or more extensive the job, the more likely the need to obtain a permit to complete the job. Always

check with your local jurisdiction before proceeding with any improvements. Permit fees can be as low as \$1.00 and cover virtually anything from minor repairs to major construction.

If several contractors or subcontractors are involved, it is possible that each entity will need to apply for, and obtain separate permits. The purpose for these permits is to ensure that work performed meets code requirements. These permits generally require contractors to have inspections made during various stages of work. These periodic inspections ensure that work is being performed according to the building codes. This provides another level of protection for the property owner.


Renovations and upgrades to rental units should be carefully considered before beginning such repairs and replacements. In most cases, renovations that are made as a result of "life/safety" issues, (such as balcony and stairwell repairs) will not add value to the bottom line, but are necessary in order to provide a safe and code compliant rental unit. Items such as kitchen renovations, installation of landscape and so on, may or may not add value to the bottom line. Careful market research should be undertaken prior to making such renovations.

## **PROTECTING THE INVESTMENT**

### **Prepare for Emergencies**

Regardless of financial resources, it is essential to have a realistic strategy for responding to emergency situations. In some areas, government and nonprofit agencies offer grants or low-interest loans to owners who are faced with large repair bills as the result of natural disasters or emergencies. Don't wait until faced with an emergency to research available resources.

Check safety features of the property, such as smoke alarms, utility shut-offs, fire equipment and circuit breakers. Ensure, on a regular basis, that equipment is in proper working condition. Keep phone numbers for local emergency services such as the fire department, police precinct, and hospital emergency room where they can be easily accessed and distribute these numbers to your residents. Take preventive measures. For example, keep storage areas near the furnace free of flammable materials. Steps taken now may prevent an emergency and save money later.



For additional resources and information regarding emergency preparedness, check with the local Apartment Association or Federal Emergency Management Agency (FEMA).

## **Inspect the Property**

Properties should be inspected regularly for low lying or poor drainage areas, or areas close to overhead wires or large trees - all of which can affect a property in the event of serious weather situations.

If the property was built before 1978, it will be presumed to contain lead based paint. Asbestos is another environmental danger that can be present in properties built prior to 1981. Unless an extensive environmental test is performed, the property will be presumed to have asbestos. Radon and carbon monoxide presence can also result in compliance issues and additional costs for the IROP.

## **Identify Power Sources**

Independent Rental Owner Professionals should be familiar with the property's safety features and danger areas. IROPs should identify the locations of the main cut-off valves for the water and gas supply and label each.

The fuse or circuit breaker box and make labels or charts should be located and studied to identify particular power sources. IROPs should locate the main electrical switch and the thermostat for the hot water heater.

## **Emergency Services Providers**

Phone numbers of repair professionals should be located where they can be easily and quickly found. IROPs should obtain the names of electricians, plumbers, roofers and others who have worked on the rental property for previous owners. All warranties, owner's manuals, or other documents relating to appliances or utilities should be kept in a safe place that can be easily accessed.

## **Take Extra Safety Precautions**

The old saying, "an ounce of prevention is worth a pound of cure" is particularly true for rental owners. Independent Rental Owner Professionals can lose property, and also months of rental income in the event of a fire or other potentially avoidable catastrophe.

Whether required or not by state and local health and safety codes, Independent Rental Owner Professionals should seek to protect the property with fire prevention equipment; install smoke detectors outside every bedroom door and in or near the living room - and check periodically to make sure they are in working order. IROPs should purchase fire extinguishers and install them in easily accessible locations. IROPs should identify potential hazards such as frayed electrical cords, loose wires, or poorly-placed flammable materials, and replace them immediately. Exits to the rental units should be accessible. IROPs should inform residents on basic procedures to follow in the event of a fire or other emergency.

To minimize third-party crimes, inspect all windows and doors for secure locks. Change the cylinders in door locks when residents move out. The area around the property should be well lit at night and overgrown landscaping trimmed.

For example, many Independent Rental Owner Professionals participate in local anti-crime/crime prevention programs such as Blue Star, National Night Out, Neighborhood Watch, etc.

## **Communicate Safety Procedures to Residents**

Expectations for safety compliance should be clearly communicated to residents. Such requirements may include: restrictions for using grills, burning candles, storage of gasoline and other accelerants, disposal of Christmas trees and so on. In addition, instructions for dealing with fires and other emergencies should be provided. Residents should be directed to contact the appropriate local authorities such as fire and/or police departments first and the IROP second.

## **Develop a Disaster Plan**

A disaster development plan provides the IROP with emergency resources to access in the event of a disaster. The plan may include such items as:

- Chain of command
- Telephone numbers for employees and contractors, including after hours numbers
- Insurance information and Risk Management forms
- Locations of utility cut-offs
- Duplicate keys

- Instructions for obtaining computer back-ups and other critical information
- Current resident information
- Evacuation plans
- Plan for working with the media

Keep two sets of the binder, one in an office and a second binder in an accessible location such as your home or car.

## **Media Relations**

The media often appears at locations where serious incidences occur, such as fires, floods, assaults, and so forth. When the media is present, it is important to have a brief statement prepared in advance. Since the media is often present during or immediately following an incident, an owner or owner's representative is often unprepared to handle questions. Prepare a statement such as the one below and do not deviate from the statement. Always check with your attorney before designing a media statement. The following is one example:

"We are cooperating with the authorities, now our primary concern is for our residents. Thank you."

Independent Rental Owner Professionals may request that the media leave the property. When doing so, it's best to do so in a polite and firm manner and seek assistance from the authorities if necessary.

## **Buy Adequate Insurance**


Insurance premiums can be expensive; however, the amount of money saved following an emergency can be significant. There are various types of insurance available, and several that an IROP should particularly consider purchasing.

At the very least, obtain general liability insurance that protects the IROP in the event that someone is hurt while on the property. A basic property insurance plan usually covers losses caused by fire or theft.

## **Basic Property Damage Insurance**

This kind of insurance is so important that lenders require property owners to buy it. They may also stipulate the level of coverage including replacement value coverage. These





policies generally cover losses from damage caused by fires, storms, or motor vehicles and sometimes also protect property owners from theft and vandalism.

SAMPLE

## **Resident Relocation Insurance**

This type of insurance will provide residents with relocation reimbursements if the property becomes uninhabitable due to damage from a fire or other type of disaster. In some areas, an owner must purchase this type of insurance in conjunction with a policy covering fire damage.

## **Flood Insurance**

An owner must buy this type of insurance policy if the property is in a location designated as a "flood area" by the Federal Emergency Management Agency (FEMA). Generally, it is a separate policy from a standard property insurance policy.

## **"Rent Loss" or Loss of Earnings Insurance**

This type of insurance would protect the IROP from the loss of rental income, in the event that fire or certain other types of disasters were to render the property unfit for residents to live in. Policies of this kind may have limits; when purchasing this type of insurance plan, ask the agent to explain the extent of the coverage.

## **General Liability Insurance**

General liability protects the insured from the damages resulting from claims made by people who assert that they were injured on your property due to negligence on your part. It protects you from liability for such injuries up to an amount you choose when you purchase the policy. Research the policy's limitations on coverage.

## **Bonding**

Bonding, the process by which an employer can be indemnified for the loss of money or other property sustained through dishonest acts of a "bonded" employee, can cover many types of acts including larceny, theft, embezzlement, forgery, misappropriation, wrongful abstraction, willful misapplication, or other fraudulent or dishonest acts committed by an employee, alone or in collusion with others. There are several types of bonds, discuss each with your insurance agent for the appropriate coverage for your business.

## Tips for Reducing Insurance Costs

1. Maximize the deductible. Keeping this out-of-pocket cost high can significantly reduce premiums.
2. Consider a blanket policy if there are multiple property locations in the same general area. Amend the aggregate limit to cover all of the locations - this provides a separate liability limit for each building.
3. Do not try to settle bodily injury claims. Even if it appears to be a small medical bill, it may not end there. Use the insurance company to process the claim.
4. Keep the names of reputable disaster cleanup firms. If there is an emergency, the IROP can begin to take care of issues and in some cases reduce the risk of additional damage.
5. Provide emergency phone numbers and instructions to residents so they can respond quickly to an incident.
6. Review coverage annually.
7. Investigate every incident, even if it appears it will not rise to the level of a claim. Your regular and attentive follow-up will provide a track record and assist in the event that the incident becomes a claim.

## Resident Renters' Insurance

Some residents believe that the property owner is responsible for the residents' personal belongings. Independent Rental Owner Professionals should obtain suitable insurance to cover their assets, but residents' belongings are the responsibility of the residents.

Owners often recommend that residents obtain renters' insurance. Costs are often modest.

In strong markets where demand for rental units is high, owners may require residents to obtain renters' insurance before moving into the property. If this is a requirement, it must be required of all residents.

## Energy Efficiency to Protect the Investment

Properties that are energy efficient have a higher market value. Many IROPs include money in their annual budgets to make energy-efficiency upgrades. Such upgrades make a property less expensive to maintain; and will contribute to its increased market value when sold.

Many municipalities offer reimbursement programs for the installation of water and power-saving features such as low-flow flush commodes, high-pressure shower heads, sink aerators and power regulators for HVAC equipment. Improving technology has made these items much easier to obtain and install, and residents will appreciate the lower utility bills. Xeriscaping is another method for reducing water consumption. Xeriscaping is the process of landscaping using native plants; thereby reducing the need to over-water.

Check to ensure that the property is well insulated and equipped with heating and cooling systems that work properly. If the IROP installs more energy-efficient appliances or revamps heating and cooling systems to save energy, the investment will pay off. But even less expensive steps, like insulating doors and windows, will save IROPs money and help conserve energy.

In many locations, utility companies, nonprofit organizations, or government agencies provide advice, information, and sometimes subsidies, to help owners make their properties more energy efficient. In some places, owners who rent to low and moderate income residents may participate in a site assistance program that includes an energy-efficiency audit and financial help for making a property weather-tight.

Local electric companies can often assist in locating energy efficient resources. Some utility companies distribute publications that describe energy conservation products and energy-saving ideas that can save property owners money.

A state or local energy office may also offer other helpful publications on buying energy-efficient appliances, improving the efficiency of oil and gas heating systems, or insulating properties against cold air. The U.S. Department of Energy (DOE) offers publications with tips on saving fuel, insulating water heaters, and reading utility bills.

Independent Rental Owner Professionals may consider hiring an energy-efficiency consultant to inspect the property and to suggest long-term energy-saving measures. The fees for such professional consulting may be tax deductible.

## **CHAPTER 4 - EMPLOYMENT PRACTICES**

### **EMPLOYEES**

Employment decisions are often the most important financial decisions made by a new Independent Rental Owner Professional. There may be situations in which IROPs are unprepared to manage a property in a hands-on manner. In those cases, IROPs often consider hiring part or full-time property management assistants. In addition, if the Independent Rental Owner Professional lacks the time and/or experience to perform general maintenance work and has several properties to oversee; he may hire a part or full-time maintenance associate.

### **Where to Find Potential Employees**

Contact the local Apartment Association for resources to locate potential employees. Often times, the association will provide a list of candidates and/or allow IROPs to advertise for open positions. Other resources include retail stores, hospitality, or restaurants for leasing and/or sales positions, and trade schools for maintenance positions. Apartment personnel agencies are another good resource.

### **The Hiring Process**

The interview is the most important step in the hiring process. To thoroughly prepare for an interview, the Independent Rental Owner Professional should develop a detailed job description that accurately reflects responsibilities of the position. Applicant resumes are then screened for specific qualifications that apply directly to the position requirements. Interview questions that relate to specific job requirements are then developed. Often an Employment Application is provided.

Refer to Equal Employment Opportunity (EEO) laws and federal requirements. ([www.eeoc.gov](http://www.eeoc.gov).) Applications and interviews should NOT contain questions about:

- Sex or sexual orientation.
- Physical details, unless they are part of a bona fide occupational qualification.
- Age, except for meeting minimum state requirements.
- Marital status.
- Graduation dates or dates of school attendance.

- Pregnancies, children or childcare arrangements.
- Military obligations.

Be aware that Equal Employment Opportunity (EEO) laws and regulations, as well as many individual state and local laws, prohibit discrimination against applicants on the basis of age, race, color, religion, sex, familial status, disability or national origin.

## Background Screening

Conviction records can be used as the basis for rejection of employment if the number and nature of the past conviction would cause the applicant to be unsuitable for the position. The Equal Employment Opportunity Commission has ruled that in order for the conviction to be relevant to the hiring process, the conviction must be for an offense directly related to the job. Criminal records are researched by state or county. IROPs often use third party screening companies to perform background checks. While this process can be expensive, it is thorough and reliable.

## Additional Applicant Screening

In addition to criminal background checks, additional screening tips include:

- Verify references. Focus on attendance, performance, duties, skills and conduct. Check the same number of references for each applicant.
- Conduct skills testing. If you are using any sort of a skills test be sure it seeks the level of skills required for the job.
- Credit history. You may consider checking credit if the applicant will be handling cash, be responsible for resident accounts, or entering occupied apartments and/or having access to unit keys.
- Driving Record and insurance. You may consider this check if the applicant will be responsible for transporting prospects or performing business related errands.

## Employee Education

The local apartment association is an excellent resource for providing up-to-date education, skills enhancement, and certifications. Take advantage of this resource to develop and enhance the education of your employees.

## Rejection Letters

It is advisable to send a standard rejection letter for those applicants who are not hired. If an application is rejected due to consumer report results that either the IROP or a vendor

ran, a written notice of the rejection, the reason and the source of the report, must be sent to the applicant. This is a federal requirement as outlined by the Fair Credit Reporting Act. If using a third party screening company, they will likely send this "adverse action" letter to any candidate who "fails" your criteria.

## **The Maintenance Technician**

Many Independent Rental Owner Professionals find it useful to employ the services of an individual who can handle certain repairs and general property upkeep such as repairing minor water leaks, mowing the lawn and making units ready for move-in. This is especially true if the IROP owns multiple sites located near one another. The IROP may or may not choose to take on the responsibility of being an employer. Consider the cost versus benefit to determine how to manage minor and on-going repairs.

## **Using Independent Contractors**

Certain maintenance functions are best handled by outside contractors. IROPs may need to contract for snow removal, landscaping, garbage removal, roofing, painting (interior and exterior), pest control, carpet cleaning, electrical, plumbing, heating and air-conditioning repairs, and so on. IROPs may also hire a company or individual that provides these services. In some states and municipalities, a licensed individual must perform certain repairs. Independent Rental Owner Professionals must be cautious that they do not cross the line from independent contractor to employer. If an independent contractor is treated by the IROP as an employee, the IRS may collect payroll taxes on all compensation paid to the contractor. The IRS has specific guidelines to determine whether an individual is independent or performing as an employee; a few of the general criteria include:

- Whether the individual works solely for the IROP or has other contracts.
- How completely the IROP governs the times and places the contractor works.
- Whether the IROP supplies products and tools or the contractor brings them.
- Whether the contractor has a personal exposure to risk or gain based on the amount or availability of jobs.

When seeking a qualified contractor, compile a list of recommended service companies for various types of mechanical problems, including plumbers, electricians, heating and air-conditioning contractors and appliance repairers. Recommendations can also come from other rental owners in your neighborhood. The local Apartment Association can be

---

consulted for their list of vendor members. In addition, consider using a vendor to perform criminal, credit, and other related background information on the company.

It is recommended that you use a vendor policy statement or operating rules that state your requirements to prove worker's compensation insurance coverage, general liability insurance coverage, employee screening measures in place for individuals that will be on your property, your property is drug-free and weapon-free, and contractors must abide by fair housing rules.

## **Employee Safety**

Because rental property employees work with hazardous materials such as swimming pool chemicals, cleansing products, paint, and dangerous equipment such as lawn mowers and key machines, certain Occupational Safety and Health Administration (OSHA) safety guidelines must be adhered to. The following is a sample of some the items that should be available at each site:

- Material Safety Data Sheets (MSDS) book containing information on each hazardous chemical used and instructions for safe keeping and incident response.
- Basic safety equipment such as goggles, eye wash, and gloves.
- Lock-out/tag-out equipment.

Check with your local apartment association or [www.osha.org](http://www.osha.org) for a comprehensive list of OSHA requirements and recommendations.



## **CHAPTER 5 - PROPERTY MAINTENANCE**

### **MAINTENANCE**

The general condition of a property gives prospects some idea as to the extent the Independent Rental Owner Professional cares for the success of the asset. When the lawn is mowed, the grounds are clean, and the building is in good repair, the potential renter is more likely to choose this property as his or her home. Conversely, the worse the condition, generally, the less likely a renter will be willing to maintain the property. Even if a property lacks the latest amenities, the property should be maintained in the best possible condition.

When making property repairs such as plumbing, owners should ensure that the repairs are completed appropriately; strong, durable and long lasting. It will cost less in the long run; making the same repairs repeatedly wastes time and money. If the same repair has been made on multiple occasions, it may be time to replace the item. Durable, lasting repairs demonstrate to residents a commitment to excellence from the IROP.

### **Owner Completed Repairs**

Obtaining skills in basic maintenance can save Independent Rental Owner Professionals a significant amount of money. Approximately 80 percent of all resident service calls are for plumbing; leaks, backups, and general repairs. Learning basic plumbing skills may make it possible to take care of many of these problems yourself. It is not necessary to become a licensed plumber, but there are a few basic skills that most people can learn. How-to books can be found at bookstores, hardware stores, and local libraries. Many of the larger hardware stores offer classes on basic handyman skills. The local apartment association may also offer the Certified Apartment Maintenance Technician (CAMT) designation program, a nationally recognized program from the National Apartment Association Education Institute ([www.naahq.org/education](http://www.naahq.org/education)). Dollars invested in learning can have paybacks multiplied several times over.

## Ongoing Maintenance

Regardless of who provides maintenance, IROPs will need the following regular services performed. This list does not include ongoing improvements or enhancements to the property, rather regular upkeep maintenance only:

- Lawn Mowing
- Pest Control
- Rental Turnkey
- Trash Removal
- Resident Service Requests
- Building Exterior Maintenance

## Insect and Pest Control

The quality of pest control is one of the most frequent resident complaints. Most rental unit buildings will have problems with pests and insects at some time. The most common nuisance is the cockroach; others are mice, rats, ants and termites. Effective pest control is best performed by professional exterminators. Many states and municipalities require that only licensed individuals provide pest control services. At the first sign of trouble, schedule the property for treatment, and set up a regular schedule for follow-up treatments.

There are several things that IROPs and residents can do to help control pest problems; however, these practices are not a substitute for an ongoing, professional pest-extermination program.

- Caulk cracks and openings around windows, foundations, drains and pipes to prevent pests from entering the building.
- Enforce good housekeeping and sanitation practices: Garbage and trash must be covered, and removed promptly; kitchens should be scrubbed regularly to minimize grease buildup; debris and junk should be thrown out.
- When screening prospective residents inquire as to whether their previous residence had pests. Take appropriate steps to eliminate the introduction of new pests into the rental unit.

- Vacated units must be immediately "trashed out" with all refuse, food stuffs and personal items removed and basic cleaning completed.

If an IROP chooses to perform pest control services, he or she should follow basic safety procedures. For example turn off pilot lights prior to setting off a "bug bomb" as failure to do so can cause a fire.

## **Ensuring Residents are Satisfied with Maintenance Services**

Excellent maintenance is one of the best ways to keep residents satisfied. Provide quality, timely maintenance, and show you care.

- Give residents a written maintenance guarantee.
- Provide a plumber's helper and a garbage disposal wrench in the home.
- Provide basic operating information for appliances, plumbing, heating and air conditioning.
- Provide emergency maintenance tips.
- Offer to redecorate every three years, if needed. Be sure to identify specifically what is included in redecorating - paint, window coverings, carpet cleaning or vinyl floor replacement.
- Use each time you complete a repair as an opportunity to ask the resident if they have additional needs or simply to confirm their satisfaction with their home.

## Schedule Regular Inspections

One of the best ways to maintain a property is to prevent problems before they begin. A preventative maintenance effort is worth the investment - especially when multiple units are involved. Perform regular property inspections. These inspections often head off potential problems before they become bigger issues. Notify new residents about the inspection schedules. If possible, include information regarding unit inspections into the lease agreement.

- Set an inspection schedule and follow it.
- Always use the correct statutory requirements for notice and entry.
- During the inspection, immediately address any code or habitability issues.

Maintain the physical components of the asset and it will continue to generate value in income and asset appreciation.

## **CHAPTER 6 - RENTAL RATE ESTABLISHMENT & MARKETING**

### **RENT**

#### **Establishing Rental Rates**

Before the search for a resident begins, the Independent Rental Owner Professional must first determine how much rent to charge. The market usually dictates the range of rent rates. It is valuable to research the areas where the IROP is interested in purchasing property to ensure that the market will bear break-even formula rents.

#### **Break-Even Formula Rents**

Determining how much rent to charge is based on two key factors. Expenses involved in owning the property (enough income to cover your costs, including expenses: mortgage payments, taxes and insurance). If annual projected expenses are \$1,500, the mortgage and taxes are \$3,000, and you expect an annual eight percent return on an initial \$18,500 down payment, you will need to generate an income of \$4,500 to break even (not taking into account income tax savings through depreciation, etc.).

**\$1,500** expenses

**\$3,000** mortgage, principal and taxes

---

**\$4,500** total outlay of cash

**\$1,500** return on investment (cash flow)

---

**\$6,000**

**\$6,000** divided by 12 months equals **\$500** per month

**Monthly rent = \$500 (break-even)**

Make every effort to purchase a property whose size, amenities, condition and location warrant a rental rate close to the break-even point. The first year or two of operating a rental property usually produces a negative cash flow. The loss may be made up through tax breaks. As advised in the budgeting chapter, any budget proforma should reflect realistic occupancy estimates. The above example assumes full rent all the time. Consider periods of vacancy.

If the property is carefully selected and the market remains firm, the property rents may increase and the investment may begin producing a positive cash return.

## **Market Rent**

In addition to a break-even formula, consider the second key factor in determining rental rates - what the market will bear (supply and demand).

Market rent is determined by comparing the rents being charged at similar rental properties in comparable locations, and then making adjustments for local vacancy factors and amenities.

Finding the current market rent requires time spent responding to "For Rent" advertisements, visiting other properties, reading local newspaper classifieds and industry publications. This will give IROPs an idea of rates that other properties are charging.

Independent Rental Owner Professionals should become thoroughly familiar with competitive properties. Research how much other rental properties are renting for in the same area. Compare their property to competing properties and adjust for differences. Consider room sizes. Does the unit have a balcony or patio? How close is the property to schools, shopping and major transportation routes? IROPs should become familiar with each competing property and the features each contain. With this knowledge, the IROP will be able to set accurate rental rates and be ready to respond to prospective residents' questions as to why rent may be higher or lower than other properties in the immediate area.

If similar one-bedroom rental properties offering similar amenities in the area are renting for \$400 a month, it may be difficult to rent the similar unit for \$500. On the other hand, if a particular property has more amenities, or is located in a better area, the owner may be able to rent the unit for \$450 to \$475. If the vacancy rate in the neighborhood is low, with few rental properties similar to that of the available property, then the owner may be in a position to raise the rent because the demand is high. However, if rental properties are

---

smaller or lower in quality than the competition, owners will often need to adjust rent downward; this too may be offset by a low vacancy rate in the immediate area.

Rental rates vary from city to city, from neighborhood to neighborhood, and from street to street. They even vary between floors and views in mid and high-rise buildings. There are too many factors affecting rents to scientifically arrive at an optimum figure. The approach most Independent Rental Owner Professionals take is to determine the general market rent for the area and set a price that is somewhat higher, reducing it slightly if there is resistance encountered.

## **MARKETING:**

### **Marketing to Obtain New Residents**

Good residents have some things in common. They pay their full rent on time each month. They care for the property as if it were their own. They are stable and tend to renew their lease. They abide by policies regarding acceptable noise levels, guests, use of common areas, etc. They will leave the premises in as good a condition as they found it, or better.

Independent Rental Owner Professionals typically desire a resident who has a verifiable, steady income; enough income to pay the rent. IROPs also likely prefer to avoid residents with long histories of frequent moves from place to place or people with serious credit issues. The following provides guidelines to follow to obtain qualified renters.

### **Finding Residents**

Make the property's availability known to prospective renters. There are many good residents out there, and there are several ways to find suitable residents, all involving some form of marketing.

When marketing rental units, the task is to present the product in such a way that a prospect will want to rent, and a resident will want to renew. Marketing includes finding and selecting qualified residents, understanding the rental market, preparing the property for presentation, selling the property features and benefits, and following up on leads.

Outreach marketing to community groups can be an effective way to market rental housing. Care must be taken though to avoid "target marketing" to a certain group or groups that do not include members of protected classes as designated by the Fair Housing Act. Several markets and resources that likely include or appeal to members from all protected classes are:

### **Partnering with:**

- Veteran's Administrations
- Schools
- Chambers of Commerce
- Sports Clubs
- Hospitals and Healthcare Facilities
- County and State Facilities

### **Marketing through:**

- Local Community Newspapers
- Supermarkets
- Individual Businesses
- Signage
- Referral Rewards - if permitted by law
- Local Rental Unit Guides
- Internet Companies
- Word of Mouth

Sometimes a simple "For Rent" sign in the window of the unit will attract enough attention to entice prospects. Posting notices on bulletin boards and placing ads in local publications can also attract prospects. Some IROPs use the services of real estate sales or property management professionals too.



## Buyers' Markets and Sellers' Markets

How a property is advertised will depend on the demand for rental housing in the neighborhood. If a market is strong, meaning there are very few vacancies in the neighborhood (a sellers' market), the IROP should be able to rent at a comparable price with a minimum amount of effort. But if the market is soft, with many vacancies in the area (a buyers' market), the IROP will need to actively market the unit.

A common method for evaluating the effectiveness of advertisement is by dividing the cost of the advertisement source into the number of prospective renters who respond to the ad. For example, if a temporary sign costs \$100 and five prospective renters visit the property as a result of the sign, the cost per prospect would be \$20 per person. That's a very reasonable rate of return for the investment in the sign.

## Print Media

When running an advertisement in a newspaper or guide, there are several items to consider. Is the ad memorable? Consider the things that make this property unique and especially attractive to a prospective resident. Be creative - maybe it is access to schools, shopping or transportation. Advertise special features the property has such as landscaped yard, garage, fireplace, and other unique features. It is important to draw attention to any features that will distinguish it from other properties in the area.

Include written directions and a map. Include major highways and intersections near the property. Maps help prospects locate your property. Location is a key factor in selecting a home. List the phone number and e-mail address, even in print advertisements. Include rental rates in the ad. List starting prices for units. If you list features in bullet format, list them from highest to least importance or appeal.

Start an ad with an attention grabbing statement. Then list the specifics, the rent, the location, and other details. Think about what attracted you to the property as a potential buyer. What did you assume residents would be looking for? That is what you want to emphasize in your ads. Maybe it's a seasonal grabber - or a local festival or event that can be used to attract prospects. Use what people are interested in - keep it tasteful and non-discriminatory.

When reviewing advertisements, consider the following questions: Does this ad fit with the overall strategy? When a prospective resident reads this ad will he or she understand what is trying to be communicated? Look at the ad. If the objective does not come through in 10 seconds, start again. Try to achieve the objective and communicate the message in the headline alone. Try this again in an illustration or photo.

Media tip: Less is more! Identify your key competitive advantages in a matter of a few words that grab attention and arouse enough curiosity for the prospect to take action.

## **Newspapers**

Newspaper ads should include all the necessary information to attract good prospective residents, including location, monthly rent, rental unit size, major amenities, and a contact name, phone number and e-mail address. If the property is currently occupied, advertise the availability date. Emphasize the features important to the market and competition, such as good views, backyards and patios, playgrounds, nearby shopping, schools and transportation.

Design the advertisement to appeal to the ideal renter for the property. The renter must be interested in the location, the price, and the size of the property.

Then write the ad for that particular prospective renter. An effective ad will answer the prospect's question: "How does this property meet my needs and desires for housing?"

## **Rental Unit and/or Apartment Guides**

Rental unit guides and rental magazines promote the multi-housing industry. Several of these guides specialize in different forms of rental housing advertisement and offer a variety of internet products; often a good resource for the IROP.

## **Internet Marketing**

The Internet provides for a vast opportunity to advertise properties for rent. A number of sites specialize in marketing single-family homes, duplexes, and the like. It is important to include a photo or floor plan and the rental rate. Keep the ad clean and easy-to-read. Many companies have divisions that specialize in this type of rental product. Advertising is inexpensive and appeals to a variety of users. To be most effective, be prepared to check for "hits" and referrals then respond quickly. A number of internet marketing firms are now providing web sites that specialize in ads for IROP with smaller portfolios than some of the large industry companies. Contact your local apartment association affiliate for names of these excellent providers.

---

If the IROP has a web site, it is recommended that an ad for the property is placed on the site to drive internet traffic to the rental unit. There are free or inexpensive search engines, such as Craigslist, that make this an affordable advertisement option.

## Signs, Flags and Banners

One of the most cost-effective means of advertising is a sign, flag, or banner. This is especially true if rental property has good visibility from the street and the street carries sufficient traffic. A sign advertising a rental unit may attract a potential resident. Check to see which sign restrictions apply in your area.

A small, professionally prepared sign can be taped in the doorway of the rental unit building highlighting basic rental information. A large, portable sign placed on the building or in the front of the property will attract more attention.

Signs should include the type of units available (one bedroom, two bedroom, etc.) and a contact phone number. Depending on the street traffic pattern, the sign can be double-or single-sided to allow it to be easily read from the street.

A sign may be installed permanently, subject to local sign restrictions. If there are no vacancies at one particular property, the sign can serve as a referral to other locations where there are vacancies, or it can direct prospective residents to a waiting list. Signs should always be fresh, clean, and professional looking. A poorly lettered, weather-beaten sign gives a poor first impression. Signs must conform to all codes and restrictions (size and placement) imposed by local ordinances.

## Flyers

Professional looking flyers can be printed inexpensively. Since a flyer provides more space than an ad, you can include more information, such as a floor plan or photo of the property. Flyers can be distributed throughout the neighborhood (where permitted by law), and with permission, in grocery stores, dry cleaners, deli's and other establishments where there are a bulletin boards. Consider a trade with local proprietors where you include one of their flyers in your move-in packet of material in exchange for a display of your flyers in the store.

***Note: The United States Postal Authority prohibits stuffing flyers inside mailboxes.***

## Apartment Locators

The IROP may consider using a rental agency or referral service. These companies work on a contingency basis with many owners and will often pre-screen rental prospects. They can complete all the necessary paperwork and can present you with a signed lease. A word of caution: Ensure the selected firm does in fact complete the screening process in complete compliance with the IROP's established criteria. Ask for proof. Other relocation services simply refer prospective residents to the IROP with only minor screening; the IROP completes the applicant screening process.

Relocation fees are usually charged as a percentage of the rent, which varies between 50 percent and 100 percent of one month's rent. The agent will locate, qualify and execute a lease with a qualified resident, usually collecting the first month's rent and a security deposit. In most cases, the agent will deduct the fee from these funds and give the balance to the owner along with the signed documents. Some agents add miscellaneous fees for advertising, but this is not a common practice. The agent's commission should cover out-of-pocket expenses.

## Showing the Rental Unit

To avoid the expense of retaining a rental agency, some owners elect to rent the units themselves. Independent Rental Owner Professionals make appointments to meet prospects at the unit so the unit can be shown. In addition, most IROPs have all the necessary paperwork on hand to encourage the prospect to rent right away. The IROP should encourage the prospect to bring a checkbook in order to leave an application fee and deposit.

## Personal Safety

When showing a rental unit, IROPs should take some basic safety precautions:

- Inform someone of your whereabouts.
- Carry a cellular telephone.
- Allow the prospect to enter the unit first and leave the front door open while showing the unit.
- Remain between the prospect and the door to allow you to exit quickly should you need to do so.

## **Resident Referrals**

A final method of advertising that may work well for you is the referral. Someone who lives at one of your locations can refer someone to live in another one that is vacant. This works best if there are multiple properties in the same general area. Referrals are generally rewarded with a cash discount off of the referring resident's rent, once the new resident has moved in and perhaps paid rent for several months. A word of caution, in many states, referrals paid to individuals who are not licensed real estate agents are illegal. Payment of any kind is included; a gift of a microwave or ceiling fan would be illegal. Check with your local apartment association before proceeding with this source of business referral.

## **DEMONSTRATING THE RENTAL UNIT**

### **Selling the Product**

Once a prospective resident is identified, the IROP or agent must sell the product to him or her. This involves preparing the rental property for showing, conducting preliminary interviews to determine the prospect's needs, and making a good first impression when greeting the prospect in person. Finally, presenting the rental product in the best possible light, handling objections diplomatically, and asking for the lease concludes the sale.

### **Greeting the Prospective Resident**

A prospect is any person who calls on the telephone, makes contact electronically, or walks in to inquire about a rental unit. Each prospect should be treated as a future resident who will provide income to sustain the business. Greeting is extremely important since it is the first and lasting impression you or the agent presents. Telephone greetings should be cheerful and direct. In person, stand and approach the prospect at the same speed he/she approaches you, offer your hand and look directly into his or her eyes for a sincere welcome.

### **Qualifying the Prospect**

Begin qualifying prospective residents over the telephone when they respond to the advertising. In this preliminary interview, find out as much as you can about their lifestyle and rental unit expectations. Strike up a friendly conversation and ask questions. Lead the conversation and find out what they do for a living, how many people will occupy the rental unit, why are they moving, what rental unit features they are looking for and so on.

The more the IROP knows about the prospective residents' needs and desires, the easier it will be to match them with a rental unit. Ask prospective residents what they don't like about their present living accommodations, and point out the particular advantages of your property.

Qualifying is used to establish a rapport with prospective residents, put them at ease, and to inquire about prospective residents' backgrounds and needs. Some important questions to ask include:

- When do you need a rental unit?
- How far do you (and other residents) commute to work?
- What features are important to you (large rooms, large kitchen, balcony or patio, privacy, quiet, high or low floor in a high-rise and so on)?
- What do you dislike about your present rental unit? Why are you considering a move?
- How many people will occupy the rental unit and how many bedrooms are needed?
- Do you have a pet?

Identify the needs of the prospective resident. If a suitable rental property is not available, offer to put the prospective resident on a waiting list or refer him to another owner.

Prospective residents are qualified when the following requirements are met:

- A rental property of the appropriate type and size is available.
- The prospective residents are of legal age to sign contracts.
- The prospective residents are employed or otherwise have a qualifying income. A qualifying income, as a general rule, is three times the amount of the rent.
- Criminal background checks (if performed) must be clear and credit or check writing ratings must be adequate.
- Previous landlord history is good.

The best way for the IROP to sell the property is for him/her to put himself in the renter's place. What would you look for in a new home? What makes the property attractive? What does this property offer that prospective residents want? These are the features and benefits that will sell the property.

Tell prospective residents about the benefits of the rental unit. Don't just talk about the new kitchen upgrade. Help the prospective resident imagine preparing their favorite food there, or imagine the convenience. The prospective resident wants to know, "What's in it for me?" This is especially true if the contact is made over the phone or via email - the prospect needs to "see" the unit through your description.

Provide prospective residents with a moving checklist and a guide for the things they may need to accomplish before moving in such as changing utilities into their names.

## **Fair Housing**

There are federal, state, and often local laws that prohibit owners from discriminating against particular groups when choosing residents. These laws apply to the wording and placement of ads, and to the interviewing and selection of applicants. Once prospects become renters, the same laws apply.

Independent Rental Owner Professionals follow all fair housing laws, whether on the federal, state, or local level. There are seven federally-protected classes under fair housing laws; however there may be additional local ordinances that extend to more groups, such as students, sexual orientation, military status, or source of income.

## **What Fair Housing Laws Require of the IROP**

There are two federal laws that must be followed when selecting residents: the Civil Rights Act, which specifically prohibits discrimination based on race; and the Fair Housing Act and its amendments, which prohibit owners from discriminating against prospective residents because of race, color, sex, national origin, family status, disabilities, or religion.

No Independent Rental Owner Professional is exempt from the Civil Rights Act. However, IROPs who rent one, two, or three units in homes that double as their own residences may be exempt from many of the provisions in the Fair Housing Act. All owners, large and small, who own and operate four or more units are required to follow those provisions of the Fair Housing Act that prohibit discrimination in all aspects of housing including advertising.



As an Independent Rental Owner Professional, renting to individuals with disabilities you may be asked by the renter to make changes either to the property itself or to your policies. The law provides protection for people with disabilities and provides that they should have the same use of and access to the rental property as people who are not disabled. Reasonable modifications to the property or accommodations to policies or practices are not uncommon.

A **reasonable modification** may include allowing the resident to lower countertops and cabinets at their expense, returning them to their normal positions upon move-out, in some cases. An accommodation would be for the IROP to allow an assistive animal such as a seeing-eye dog in a rental property that normally does not allow dogs.

If such requests are made, consult with an attorney or the local apartment association for appropriate steps to follow. Failure to comply with the law can be costly.

## **Follow the Spirit of the Law**

The purpose of Fair Housing Act is to allow equal access to housing and housing services and protect particularly the seven federally protected classes and state or local additional protections. The laws are not intended to prevent IROPs from turning down a prospective resident of any kind for a legitimate business reason. For example, an applicant may be rejected if there is a record of bad debt or too little income to pay the rent, based upon pre-established qualifying criteria.

## **Advertisements Should Not Reflect Discrimination**

The federal Fair Housing Act prohibits advertisements that discriminate against particular groups. It sets forth two requirements:

1. The IROP may not make any statement in an advertisement or notice through oral or written wording or possibly even through pictures that indicates "a preference, limitation, or discrimination" based on race, color, sex, national origin, family status (e.g., number of children), disabilities, or religion.
2. The IROP may not post ads or notices only in publications or on bulletin boards accessible to limited groups.

Independent Rental Owner Professionals should avoid such statements as "suitable for adult couple" or "desirable for Spanish-speaking individual." If advertising in the newsletter of an organization that serves only one particular ethnic group, IROPs should also place additional ads in other publications that have a more diverse circulation.



## **Treat Applicants Equally**

Follow the same procedures for everyone who expresses interest in leasing vacant units. For example, if one person is asked to fill out a written application, all applicants should be asked to do so. If one applicant is asked to leave a returnable deposit with the rental application, then all applicants should be asked to leave one. It is recommended that IROPs spell out their application criteria in writing and give every applicant a copy to show that all applicants must meet the same criteria.

SAMPLE

## **CHAPTER 7 - LEASE AND ADDENDA**

### **The Lease**

The most important legal document between an owner and a resident is the lease agreement. This document, along with accompanying addenda, may be referred to as a "rental agreement," "lease contract" or simply "lease" and serves as a legally enforceable contract between the owner and the resident. A lease spells out the responsibilities and obligations of the resident and owner as well as the respective parties' rights. Without a lease agreement, many contractual rights that an owner could have are lost, including (but certainly not limited to) the right to charge late fees, collect attorney's fees in the event of eviction, require the resident to purchase liability insurance, prescribe rules and regulations for the use of common areas and the rental unit, or require the resident to pay for utility usage.

### **LEASE ESSENTIALS**

#### **The Basics**

At the very least, a lease should set the amount of rent that is due, how, when and where the rent should be paid, describe the leased premises and give the length of the term the resident is obligated to pay for the rental unit. The lease should state that all residents signing the lease are obligated "jointly and severally" to pay the entire amount of the rent. This means that an owner may collect all of the rent from any of the residents executing the lease, without asking any other residents for their pro rata share. A lease should also spell out which individuals are allowed to occupy the apartment and how long visitors are allowed to stay at the property.

Almost all states regulate security deposits in some way. A lease should contain a paragraph detailing how much security deposit is owed. The lease should also detail the circumstances when an owner is entitled to withhold money from the security deposit. In some jurisdictions, the lease must include information about where the deposit money is kept, when the owner must return the deposit and whether the resident is owed interest upon its return. Typically, an owner may only require up to two months' rent worth of deposit. The lease should also state whether additional deposits (like animal deposits) are part of the general security deposit.

## **Community Rules, Regulations, and Prohibited Conduct of the Resident**

The lease should set ground rules for the use of the apartment unit and any common areas, including what conduct is prohibited at the community. For example, the lease could state that playing loud music is a violation of the agreement. If a resident violates the rules, he or she breaches the lease, allowing the owner to terminate the occupancy in the event the resident does not remediate the behavior or condition. For serious offenses and crimes, like distributing contraband or discharging a firearm on the property, the lease should allow the owner to immediately evict the resident without his/her ability to cure the breach. The lease should also discuss what happens during eviction and what the resident will be liable for, including attorneys fees, delinquent rent, late charges, damage to the apartment or property, and any miscellaneous amounts the resident must pay.

## **Incorporate the Rental Application and its Terms into the Lease**

The lease should incorporate all the terms and conditions of the resident's application into the rental agreement. The leasing provision will state that in the event the resident provided inaccurate or incomplete information on the rental application, the resident thereby breaches the lease and the owner may terminate the tenancy as a result. This provision is especially helpful if the resident lied or failed to provide pertinent criminal history or other information that would have disqualified he or she from renting the apartment.

## **Reserve the Right to Enter the Unit**

A lease should define when and how the owner is allowed to enter the apartment. In many states, the owner must give the resident written notice before entering the apartment for the purposes of repairing the unit or showing prospective residents or purchasers the property. Where possible, this provision should allow the owner to enter without notice for emergency reasons, to show the apartment to purchasers or prospective residents, to make repairs, to inspect the premises, or remediate a breach of the lease. The provision should also make clear that agents of the owner (management, independent contractors and the like) are allowed to enter the apartment under the terms of the lease.

- To inspect the premises;
- To make necessary or agreed upon repairs, decorations, alterations, or improvements;

- To supply necessary or agreed upon services; and
- To show the property to prospective or actual purchasers, mortgagees, residents, workers, and contractors.

Owners should not abuse this right or use it to harass residents. In the event of an emergency, the owner may enter the rental property at any time without notice.

## Animals

The lease should set forth the community's policies on animals. For example, the owner may want to prohibit all pets on the property, or if allowed, exclude certain aggressive breeds of dogs (like pit bulls) or other potentially dangerous animals. In the event the owner decides to allow animals, the lease should state whether or not additional fees, deposits, or rents are owed as a result. The lease should allow the owner to remove the animal and/or evict the resident if there is a violation of the animal rules.

Take special note that under the law, an owner may not preclude a resident from having a service animal, like a seeing-eye dog or the like. Though the law, with respect to charging tenants extra amounts for support animals remains undetermined, the National Apartment Association (NAA) recommends that owners not require additional rents, deposits or fees for such animals.

Notices to terminate or renew the tenancy, or request a repair

The lease should require that all notices from the resident be in writing and state where the notice is to be sent. Leases should mandate that residents give at least 30 days advance written notice of their intent to move at the end of the lease term or sign a new lease with a new term. This timeframe may be stipulated by state law. Some owners allow residents to leave before the end of the initial lease term if written notice is given and a fee is paid as consideration for allowing the resident to terminate the lease prematurely. Owners should consult with their own attorneys before providing for such fees because the law governing these transactions varies from state to state.

The lease should require that all requests for repairs be in writing. However, regardless of whether a request for repair is made in writing or not, an owner should make all repairs that are requested whether made in writing or verbally. This is particularly true if the repair involves an issue of habitability or security (i.e. the door lock is broken). In this case, the owner should repair it immediately and not wait for a written request.

## Subletting

The lease should reserve the right of the owner to approve of all sublets, in his or her sole discretion (note: a relatively small number of jurisdictions mandate that a resident be given the right to sublet). In the event the owner chooses to prohibit all subletting of the premises, the lease should provide for this as well. In deciding whether or not to allow the resident to sublet the premises, the owner may choose to have the new resident sign the existing lease as a resident, provided they meet basic qualifying criteria and screening. The signature as a resident would allow the owner to collect rent directly from the sublessee, as well as the original resident. If the sublessee does not sign the lease, the owner may only sue the original resident for unpaid rent. The Independent Rental Owner Professional should require the newcomer to pass basic qualifying criteria and screening.

## Renter's Liability Insurance, Destruction of the Premises and/or the Personal Property of Resident

The lease should discuss the owner's right to terminate the tenancy (without prejudice to the owner, where legally possible) in the event the apartment is damaged or destroyed and thereby unfit for habitation. The lease should disclaim liability on the part of the owner for fires, floods, pipe leaks, or other Acts of God, to the extent legally possible (a few jurisdictions prohibit owners from adding exculpatory clauses to leases).

The Lease should clearly state that the owner's property insurance does not cover damage to the residents' personal property. Many residents believe that if their property is damaged for whatever reason, that it is the duty of the owner (or owner's insurance company) to pay for the resident's personal property. While this is generally untrue, it is important for the lease to inform the resident that the owner is not responsible for loss. The lease should also state that the resident is liable for damage the resident does to the property.

The lease should also require the resident to purchase liability insurance to cover damage that the resident may cause the property, etc. Most residents are not aware that liability policies exist, so even in the event the owner decides not to mandate coverage, the lease should inform the resident of the existence of the product.

## Military Personnel

Though not legally required to be in a lease, the owner should be aware that the federal law Servicemembers Civil Relief Act (SCRA), allows military personnel who have been called to active duty to terminate their leases early. Military personnel must give written notice to the owner of their intent to terminate the tenancy, and must pay all rent owed until the date of termination. In addition to the federal law, some states have enacted their own statutes that allow military personnel to terminate residential leases early. In some instances, the state statutes differ from the federal law and afford military personnel additional rights. Therefore, owners should consult with their own attorneys when the issue arises.

## Miscellaneous Provisions

Owners should also consider adding provisions to their leases that govern the following topics:

1. How concessions (i.e. free rent or other enticements) given to the resident may be forfeited or charged back due to the breach of a lease or the early termination of the tenancy;
2. Termination of tenancy and eviction of the resident in the event the resident is convicted of a crime either on or off of the property. The owner may want to limit the convictions to those that involve violence or are drug related;
3. The lease should provide rules regarding when the apartment is deemed abandoned, when the owner may retake possession, and the disposition of property that is left inside the apartment;
4. Parking, such as only in designated parking areas, and instructions for storage of additional cars, boats, or other vehicles;
5. Methods for disposing of garbage in a sanitary manner;
6. Maintaining units safely and responsibly;
7. Using the unit only for legal, residential purposes;
8. Using only those designated common areas – such as porches, yards, or basements that you explicitly make available to residents.

At your discretion, you may also ask residents to refrain from certain activities:

1. Altering or remodeling the unit without your prior written consent;
2. Using parking areas for storage space;
3. Destroying or removing any part of the unit or the facilities in it without your written permission;
4. Housekeeping practices that harbor insects, rodents, or other pests;
5. Noises that disturb you, residents, or neighbors;
6. Smoking in places designated as non-smoking areas;
7. Keeping pets (or particular kinds of pets, except for service animals);
8. Prohibiting water beds, certain types of appliances, or heavy furniture; and
9. Using outdoor cooking equipment on porches, balconies, or other designated areas.

## **The Importance of Review**

An Independent Rental Owner Professional should have the lease reviewed at least once a year by an attorney licensed to practice law in the state the property is located. The legal review should include the audit of all leasing documents in relation to local, state and federal law (almost all landlord-tenant law is promulgated by the state, but localities are increasingly regulating the industry, especially with respect to utility billing). Most state legislatures are in session annually and new laws may be enacted that allow owners to add favorable contractual provisions to the lease. On the other hand, new jurisprudence may invalidate older lease provisions and/or mandate revisions to the existing template. Failure to amend leases when necessary could subject the owner to additional liability or lawsuits. Though costly, it is imperative for owners to have an attorney review all leasing documents annually.

## **Beware the Failure to have the Lease Reviewed Annually**

Because an attorney may be costly, many owners and management companies neglect to have their leasing documents reviewed annually. This is a mistake that can be many times more financially devastating than paying a local attorney a few thousand dollars to ensure that the leasing documents comply with local, state and federal law. The most

common result of having a legally invalid lease or provision is the failure of a court to enforce the document. This can result in slower evictions or the inability to recoup lost rent or other damages from the resident.

In the worst circumstances, an invalid lease can cost the owner hundreds of thousands, if not millions of dollars in damages. For example, if a 200 unit property is charging an administrative fee that is illegal because of a state law or other jurisprudence, and continues to charge the fee for five years, that owner has opened himself or herself to major class action liability. If a court were to certify a class of current and prior residents (which could number in the thousands) who paid the illegal fee over the five years, damages with attorneys fees (often awarded in these types of cases) could cost the owner thousands if not millions of dollars. If the same owner had multiple properties that were charging the fee, the class of plaintiffs would grow even larger and expose the owner to more damages and attorney fees. Management companies would also have exposure for collecting the fees.


## **The National Apartment Association's National Lease Program**

The National Apartment Association provides a valuable benefit to its members by producing state leases that are delivered electronically over the internet via Blue Moon Software. The NAA lease and addenda are the most widely used residential leasing forms in the country. In fact, every four seconds, a new lease is printed. Some of the largest real estate firms in the country use the NAA Lease throughout their portfolios.

NAA and its state attorneys constantly monitor legislatures to ensure the most legally up-to-date residential lease in the country. A veritable army of attorneys review the lease and make amendments as necessary. The updated materials are made available for download to program subscribers, so they will always have an enforceable, binding document. NAA's Lease Program is perfect for smaller owners, since its legality is constantly being monitored and updated. Larger companies also benefit from the Lease Program because it allows standardization of lease terms over many jurisdictions.

The software is designed to reduce errors in the leasing process by providing built-in math calculations, default settings for recurring items and charges, automatic data transfers from the main lease form to other forms making up the lease package, and built-in error checking and lease expiration reports. Using default settings and company specific terms for each apartment community, the software produces complete, accurate lease packages in minutes. The software includes the Lease Contract, a variety of lease addenda and the Rental Application.





The Lease Program software interfaces with property management software, allowing companies to transfer data between systems and prevent repeat data entry.

Because the NAA Lease is in electronic format, companies do not have to store or photocopy applications, forms or addenda, or worry about throwing away outdated forms when the law is amended.

*\*A community must be a member of the local affiliated apartment association, which includes membership in NAA, to participate in the NAA Lease Program. NAA and its affiliated associations work together to educate members on all aspects of property management, share information affecting the industry, advocate for fair and favorable legislation, and build relationships which benefit our members both professionally and personally.*

SAMPLE

## **CHAPTER 8 - LIABILITY, RENT COLLECTION, SECURITY DEPOSIT MANAGEMENT, AND EVICTION PROCEDURES**

### **Liabilities of Ownership**

Independent Rental Owner Professionals are generally responsible for maintaining the premises, and performing the basic habitability services required; IROPs can be held liable for damages caused by negligence. Although landlord/tenant law varies from state to state there are three obligations that remain the same:

1. An IROP (or other person who is authorized to enter into a rental agreement on the owner's behalf) should provide to the resident, in writing, at or before the beginning of the lease, the name and address of the owner of the premises, and the person authorized to manage the premises. This is for the purposes of receiving and documenting notices and demands.

Any person named as agent in a written rental agreement meets this requirement; the agent is also authorized to act for and on behalf of the owner for the purpose of serving and receiving notices and demands. If residents are not told who is responsible and has authority to respond to their requests, they may be able to file a valid complaint.

2. In some states, the IROP must disclose the insurance agent or carrier for the property. The purpose behind this disclosure is that, in case of a fire or other emergency, residents would know who to call if the owner or agent were not available.
3. The IROP must maintain habitable premises. This means a dwelling unit must follow some minimum standards as outlined in Code Enforcement, Habitable Housing, located in Chapter 3.

Generally, Independent Rental Owner Professionals are not held responsible for interruptions in service, breakdown of equipment, or disrepair if caused by:

1. The resident, members of a resident's household, guests or other persons on the premises with resident's consent, or other residents.
2. The resident's unreasonable refusal of, or other interference with, entry of the owner or the owner's workers or contractors into the premises for purposes of correcting any defective conditions.
3. A lack of reasonable opportunity for the owner to correct defective conditions.
4. Conditions beyond the owner's reasonable control, including strikes, lockouts and unavailability of essential utilities, materials or services.
5. The owner's not having actual knowledge or notice of such defective conditions.

Exclusion or modification of any part or all of these obligations must be in writing and separately signed by the party against whose interest the modification works.

## **Customary Resident Responsibilities**

There are six widely recognized resident obligations. In most states, residents must:

1. Maintain the dwelling unit, furnishings, fixtures, and appliances in a clean, sanitary and safe condition.
2. Dispose of all rubbish, garbage and other waste in a clean sanitary manner in the refuse facilities.
3. Use in a reasonable manner all electrical, plumbing, sanitary, ventilating, air conditioning and other facilities and appliances including elevators.
4. Keep the dwelling unit or premises free of any furniture, plants, animals, or any other thing, which harbors insects, rodents or other pests.

5. Not destroy, deface, damage, impair or remove any part of the dwelling unit or premises or facilities, equipment or furnishings, except as necessary when hazardous conditions exist that immediately affect the resident's health or safety.
6. Not make alterations, additions or improvements to the dwelling unit except with the owner's prior written consent, nor permit claims to be filed against the premises.

## Home Express Warranties

If a promise is made to a resident regarding the condition of a specific dwelling unit, or overall premises, services or repairs, or replacements to be made, and the promise is part of the reason a resident agreed to sign a lease, the owner may have created an expressed warranty. The express warranty is binding whether spoken or written. Examples of expressed warranties may include: "We plan to replace your tile in a few months," or, "We exterminate quarterly," or "You never have to worry about security around here; this is a safe building". The IROP must be extremely careful in this regard. In the previous three examples, while the first two could result in disappointed resident or a breach of lease action by the resident, the third could result in more serious litigation in the event of a crime committed on the rental property. An IROP should never express that a property is safe.

Offering an opinion regarding the relative value of the dwelling unit, premises or services does not express a warranty. For example, "We have the best maintenance crew around," or "I think my property is the best building on the block," or, "The view from this rental property is beautiful," does not create an expressed warranty.

Before a resident moves in, services the property provides, such as snow removal, landscaping, garbage removal, utilities, recreation, and receiving packages, should be explained. The services should then be provided as promised.

## RENT COLLECTION

### Prorated or Free-Rent Programs

Lease start dates almost always begin on the first day of the month. If residents cannot move on that day, they may request a rent adjustment because of moving in late, or the owner may allow the resident to move in early. The owner may choose to prorate the rent to allow the resident to move in on a day that is convenient to the resident. The lease should always begin on the first day of occupancy regardless of when rent charges begin.

Rents can be prorated for mid-month leases. For example, if a resident moves in on the fifteenth, the owner may charge a half-month's rent. Often residents pay the half-month, plus a full month's rent before moving in. Lease end dates are typically the last day of the month. In the example above, the lease date would begin on the fifteenth, but end on the last day six or twelve months later. The IROP may adjust the end date to accommodate special scheduling needs of the resident or the IROP.

If a concession of free rent is offered, it's a good idea to allow the concession to be taken up front. If a resident is going to move into a rental property on September 1, there are two options. The first option is to start the lease on September 1 and note in the special provisions section that all or part of September rent is waived due to the program. The lease term would still be twelve months. The second option is to start the lease on September 1 and award the rent concession in equal amounts over the term of the lease. The disadvantage to this option is that the amount of the monthly rent is reduced and, at the end of the lease term, there may be a large gap between lease rate and market rate, making it difficult to raise the rent to the current rate.

## **Collecting Rent**

Collecting rent involves deciding how much rent to charge and ensuring that residents pay rent on time. Establish specific methods for collecting rental payments from residents. Be consistent about enforcing due date policies, and penalties for late rent payments.

## **Where to Collect Rent**

There are several places for collecting the rent. Residents may deliver rent to the IROP in person, or the IROP may collect the rent in person. Typically residents mail the rent to the IROP. Often the IROP will provide residents with twelve pre-addressed envelopes for ease in making monthly payments.

## **When to Collect Rent**

Rent is due at the beginning of any term of one month or less, otherwise rent is payable, in equal monthly installments, at the beginning of each month. Unless otherwise agreed, rent is normally uniformly apportioned from day-to-day using a 30-day month.

Most leases clearly state that rent is due and payable in full, on or before the first day of each month. If the rental agreement doesn't address this issue, or there is no written lease agreement that provides that rent is payable in advance on the first of the month, then the rent is payable at the end of the rental period, that is, at the end of the month. A

written lease with a clearly defined schedule, including penalties and remedies, is essential for timely rent collections.

## **Methods of Payment**

Rent is considered paid if it is made by any means or in any manner customarily used in the ordinary course of business. This includes cash, money orders, certified and cashier's checks, etc. Second-party checks, including payroll checks and/or government checks, are usually not accepted. When setting up accounting records use a specific income code to record money that is collected from different sources such as Section 8 income.

## **Issue a Receipt**

A receipt book can be used to record all money, including application fees, initial security deposits, rents, credit check fees, partial payments, lock-out fees and buy-out fees. Copies of receipts should be placed in residents' files.

## **Late Charges**

Some leases have an established late fee charge, and most leases have a provision allowing for a late fee charge. Depending on the specific lease, the late charge is usually assessed between the fourth and tenth day of the month, but it can be assessed as early as the second day. Refer to state laws to determine when a late fee can be charged.

Certain leases specify the exact amount to be charged; for instance, a charge of \$5 on rent paid after the fifth and \$10 after the tenth. In most cases there is a flat late fee charged, followed by daily late charges, assessed until rent is paid in full. These types of late rent rules are frequently covered by state law. Without a written provision in the lease, a late charge cannot be demanded.

Late charges should be set at a rate high enough to discourage residents from paying rent late, but not so high as to be unreasonable. Late fees are intended to encourage residents to pay rent on time. Determine whether collecting rent on time or collecting additional income from late fees is most important. In the event the resident makes payment, but does not include late fees due, the lease should have a provision that any monies received may be first applied to miscellaneous charges, (such as late and NSF fees), with the remainder credited against rent balances. In this manner, the balance on the resident's account is rent and is much more likely to be recognized in legal action to recover it than miscellaneous charges would. Again, state law may or may not allow this practice.

Whether or not a late fee is charged, Independent Rental Owner Professionals should attempt to make personal contact with residents whose rent is outstanding, and find out why it is late. Obtain from residents firm dates when rents will be paid. Residents should include fees for late payments with their rental payment. If rent is not paid on the agreed to date, owners may elect to move forward with eviction proceedings.

## **Collecting a Judgment**

When delinquent renters move out of the unit, owners can begin activities to recover the monies due. A court may award a judgment to the owner however it is up to the owner to collect it. Additional actions may need to take place in order to collect the money.

## **Using a Collection Agency or Attorney**

When residents have moved out without notice, or have been evicted, or have damaged the rental property in excess of the security deposit, or moved owing back rent, the debt can be assigned to a collection agency or attorney for collection. Collection agencies are usually licensed by the state. Collection attorneys operate on their own and are regulated by their state bar association.

In either case, it is vital to select a reputable and talented attorney or agency. Collecting bad debts requires special skills and experience and is usually best handled by professionals.

Collection agencies typically work on a contingency basis. Generally there is an agreed to charge equal to a percentage of the amount collected as the agency fee.

The IROP may choose to make an initial attempt to collect with a letter, sent in the statutory manner, to the last known address. Indicate in the letter a specific deadline for contact and rental payment, after which time the IROP will place the account in collection. Some IROPs have successes collecting rent by using this method.

## **Rent Escalation Clauses**

In limited locations, laws allow for an "escalator" clause in a lease. Such a clause allows an owner to raise rent; by either a specified amount, or by a stated percentage, in the event that real estate taxes or utility costs should increase. There are areas where the law allows owners who pay for utilities to include a clause stating conditions under which residents will receive automatic rent increases, if the cost of utilities increases.

## SECURITY DEPOSIT MANAGEMENT

### Security Deposit Refunds

Applicants should pay the full-required security deposit when the lease is signed and always prior to moving into the property. Most IROPs avoid acceptance of partial payment. Rental properties should not be taken off the market unless the full security deposit has been paid.

Most leases provide for security deposits to be applied to unpaid delinquent rent, rental unit cleaning or damage or other monies for lease breaches such as court costs or attorney fees due from the former resident. Some leases also provide that the lessor's right to possession of the rental property for nonpayment of rent or any other reason is not affected by the fact that the lessor holds a security deposit.

States have different laws for managing security deposit refunds. For example, in some locations security deposits for residential properties containing 25 or more units must be deposited in a bank or savings and loan association chartered by the state, or a federal agency. Deposits are not subject to claims of creditors of the owner. Interest paid on the account is paid to the owner.

If the state does not require it, owners may choose to deposit security deposit money in a separate bank account, instead of mingling monies with personal/operating funds. Many states require owners to pay semiannual interest to the resident on the security deposit amount. If owners fail to comply with a security deposit provision of the state statute, residents can sue to recover the property or money due them, and in some cases, can be awarded punitive damages and reasonable attorneys' fees.

In some states a security deposit is applied to the payment of unpaid rent due, or for reimbursement for cleaning, or damages caused by the resident. The resident must be notified within a reasonable time period (as outlined by state and local laws), usually three to 30 days, after charges have been assessed. This is called a deposit disposition statement. In the case of compensation for damages, IROPs should include an itemized statement of the damages caused to the dwelling unit, or the premises, and the estimated or actual costs for repair or replacement of each item on that statement. Include estimates or paid invoices or copies to the invoice (check local laws for exact requirements). In some cases, if estimated costs are given on the statement, owners must furnish residents with copies of paid invoices within 30 days from the date of the statement.



Residents have a specified time limit, after receiving notice, that the security deposit has been applied to rent or damages, to pay the owner an amount sufficient, to restore the unit. After doing so, the resident may be entitled to receive a security deposit refund in full.

Laws regarding security deposits dictate the amount of time after termination of the tenancy when owners must refund the security deposit, or any portion remaining, that is unapplied to damages or outstanding charges. Each state differs on the exact number of days; check with the local apartment association for specific information. Failure to return a security deposit within an allotted time limit, may result in additional monetary fines to the owner, some as high as three or four times the amount of the original deposit.

The management of security deposits, from collection at application, through the course of residency, to disposition after move-out, must comply with state laws.

## **Eviction Procedures**

Eviction is the legal process of removing a tenant from possession of the premises for some breach of the lease contract. When an eviction becomes necessary, it is often for one or more of the following reasons:

- the resident has not paid the rent
- the resident is not complying with the provisions of his or her lease or rental agreement
- the resident is engaging in illegal activity on the premises
- the resident is creating a major nuisance
- the resident refuses to vacate the premises after his or her legal tenancy expires

Residents may not be evicted as retaliation against them for contacting government services, such as the Board of Health, to enforce their rights. Residents may not be evicted because the owner prefers to rent the unit to a friend, relative, or someone willing to pay higher rent.

## **Do not Delay an Eviction**

Move forward immediately when an eviction is appropriate. The entire eviction process can take months; much too long to lose income or allow for a resident to damage the property, or disturb neighbors.

## **Take Separate Action for Residents who Act Illegally**

If there is evidence that residents are engaged in illegal activities, such as prostitution, gambling, or drug dealing, call the police. Keep in mind that, while the police can arrest such residents, they do not have the right to evict them. The responsibility of eviction belongs to the owner. If residents have leases, they have the legal right to occupy the unit until either the lease expires, or they are evicted.

## **Holding Over**

If previous residents do not vacate a rental property at the end of the lease, or have prohibited possession by the new residents in some other way, the owner may need to take legal action. Either an owner or the new resident may file a lawsuit to gain possession and recover damages as provided by law. An owner may bring such action on behalf of the new residents, even though the residents are the ones entitled to possession. The legal remedy is outlined in the lease document. Generally, treble rents are due daily until the residents vacate the unit and it can be prepared for the new residents to move in.

## **Alternative Actions to Eviction**

Owners may be able to avoid the expense, time, and unpleasantness of conducting an eviction by trying to resolve a dispute with a resident or by encouraging the resident to leave voluntarily.

## **Voluntary Departure of the Resident**

An owner may offer to alter a resident's lease so it expires earlier than stated. This action is called asking the resident to "quit the premises". The resident may agree to go along with this alternative if he or she thinks there are grounds for the owner to win an eviction. The owner may choose to offer an added incentive, such as moving expenses. The resident should vacate the premises with all rents paid through the date of move-out. The security deposits should be processed as if the lease term was fulfilled.

This technique is especially effective in cases where residents are conducting illegal activities, or in the case of a sex offender discovered to be living in a rental unit, if the

resident believes you can prove the allegation. If there is evidence that illegal conduct has occurred, a resident's lawyer may advise him or her to move.

If there is sufficient evidence, consider writing the resident a letter stating that he or she is in violation of the lease. An offer to release the resident from the terms of the lease should be included in the letter. Always check with your attorney before sending such a letter.

If the resident will not leave, begin eviction procedures. Only under very restricted terms, can locking out the resident or forcibly removing the resident be undertaken. In many areas these actions are illegal; know the state and local laws. By accepting rent when a resident is behaving illegally, owners may create the impression that the resident's actions are acceptable, which could jeopardize the success of the eviction proceeding. IROPs may recover any delinquent and unpaid rentals in a suit separate from the eviction. Usually these actions result in two separate writs.

## **Domestic Violence and Lease Terminations**

Determine whether there are laws in the state regarding the handling of early lease terminations due to domestic violence incidences. More and more states are enacting protections for victims of domestic abuse and the federal government recently initiated such protections for individuals in many of their subsidized rent programs.

## **Consulting an Attorney**

Filing an eviction is expensive and time consuming, but evictions are part of managing property. Eviction procedures vary from state to state, therefore; it is best to consult with an attorney prior to initiating any action. Some legal fees can be assessed to a wrongful resident and the owner may be able to recover out-of-pocket expenses.

## **Initiate the Eviction**

In many states, Small Claims Courts and Justices of the Peace can handle evictions. However, in other areas, Housing Courts or Housing Sections of Superior Courts may hear eviction cases. Before taking legal action, owners should contact the local government information office for the proper court. If an attorney does not represent the owner, the owner should visit the court and consult with court personnel, prior to undertaking any eviction action.

## How to Conduct an Eviction

The laws that govern eviction processes differ from location to location, however they generally require the same basic steps. Basic steps to an eviction include:

- Written notice to vacate given by legal means to the resident. Generally this notifies the resident that he is in violation of the lease, that his occupancy is terminated, and that he must vacate the unit or remedy the situation immediately. In some jurisdictions, no offer of an alternative solution can be made - you simply state they must vacate.
- Generally there is a waiting period for the resident to respond - one, two, three or five days, according to state law.
- If the resident refuses to vacate or remedy the breach at the appointed time, the owner should file for eviction. When filing for eviction, seek a judgment for award of the unit.
- If filing eviction for non-payment of rent, award of the unpaid rent is usually an additional action to the eviction. A separate filing should be made at the time of the eviction filing. There may be an additional fee for the separate filing.
- Once the eviction is filed, the resident will be served with court papers identifying the action, the parties and a court date. In some states this is a speedy process; in others the process can take weeks or even months.
- In the courtroom, the IROP should use all evidence such as the lease, copies of notices, pictures, written statements, etc. The owner may or may not be required to have legal counsel representation.
- If either party fails to appear, the other can request a default judgment. A resident can request a continuance if he or she is unable to attend on the set date.
- If both parties appear, the court may require mediation or a similar stipulated judgment. Otherwise, the court will hear the case by both parties.
- If the court rules in the IROP's favor the owner will be awarded the unit but may have a waiting period between the judgment and the execution of the eviction.

- Once there is an execution order, a law enforcement official will serve the execution and remove the resident and his belongings from the property. This is often referred to as a "set out".

Eviction cases can often be delayed, or even dismissed, because of technical errors or oversights. Simply using the wrong form, an inaccurate name, serving notice improperly, or submitting a late form may hold up a case. An attorney specializing in evictions may help owners to avoid mistakes and guide the eviction process.

SAMPLE

## **CHAPTER 9 - RENTAL UNIT & COMMON AREA PREPARATION**

### **PREPARE THE PROPERTY**

Preparing for a new resident includes checking to ensure the property meets applicable local maintenance code, the habitability requirements of the local landlord/tenant law, and, if you rent to Section 8 tenants, the U.S. Department of Housing and Urban Development (HUD) standards for "decent, safe, and sanitary" housing. While many of these requirements may overlap, they won't entirely; IROPs should check all three sources to ensure compliance. Premises leased to residents who are clients of public housing agencies will need to be inspected prior to occupying the unit.

### **Prepare the Vacant Rental Property for Rental**

Vacant rental properties should be in good condition when shown to prospective residents. The preparation process for vacant rental properties may consist of upgrading, surface cleaning, painting and maintenance. A preparation checklist prevents overlooking or forgetting items.

### **Preparation Checklist**

- Is the yard clean and well landscaped?
- Is the basement clean and free of debris and junk?
- Are hallways clean and well-lit?
- Is all flooring clean and in good repair?
- Is the laundry room clean and in good condition?
- Are bathroom fixtures clean and free of rust or mildew?
- Has commode seat been replaced?
- Do all lights work?
- Are the stove and refrigerator perfectly clean and functioning?
- Are there updated window coverings?
- Have any cracks or holes in walls or ceilings been patched and repainted?

## Key Control

Keys must be changed on all doors when residents vacate. When locks are changed, retain spare keys. If there is more than one unit, keep spare keys to all rental properties and buildings in a locked key cabinet. This serves two purposes: first, the keys are organized and tagged, thus making it easier to locate keys in an emergency; second, a locked key cabinet keeps the keys safe from possible theft, thus helping maintain security at the properties.

Avoid tagging keys with the number or address of the unit; use a code that is written down and kept in a separate location for safekeeping. Key control is a very important aspect of property management and one that can place the IROP in a liable situation if mismanaged.

## Common Minor Repairs

Vacant rental properties should be cleaned as soon as possible after residents move out to prevent pest infestation, mold growth, and odors. The initial cleaning includes removing all trash, wiping down appliances and countertops, sweeping and vacuuming the floors and cleaning the windows. The rental property may also require pest control. Units should not be shown until a thorough cleaning has taken place.

### Inspect vacant rental units for the following:

- broken or loose doorknobs on cabinets and closet doors
- loose closet shelving or rods
- loose shower rods
- loose towel bars and hooks
- leaky faucets or toilets
- clogged faucet aerators
- clogged drains
- burned-out light bulbs
- broken electrical switches or outlets
- blown electrical fuses
- torn window screens
- torn shades and blinds
- broken windowpanes
- torn or missing wall or floor tiles in kitchens and baths
- doors that stick

- dirty heating and air-

conditioning filters

Inspect the property to determine whether broken items can be replaced before calling in service professionals.

## Preparing to Paint

Remove all nails, screws and anchors and fill in holes with matching plaster or patching compound. Holes larger than five inches will need drywall repair. Remove electric switch plates and outlet plates. If walls are very dirty, scrub them. Do not paint over dirt. Seal watermarks, grease marks and crayon marks with a sealer such as Kilz. Remove loose paint. Paint chips in rental units built prior to 1978 may contain lead - protective equipments such as a respirator should be worn. Consult the Environmental Protection Agency (EPA) Web site ([www.epa.gov](http://www.epa.gov)) or local paint supply provider.

## Painting

Paint the rental property with one coat of flat neutral toned latex paint. Some areas that are stained or where the present surface has yellowed may require a second coat. Include ceilings, walls, closets, doors, frames, windows and trim. Use semi-gloss paint in kitchens, bathrooms and for trim. Semi-gloss paint is easy to wipe down and keep clean. Use brushes for trim and rollers for walls and ceilings. You may also wish to use a paint sprayer for the flat paint application. Use neutral colors for carpeting and wall treatments, and choose materials that are easy to clean and maintain.

## Cleanup

Replace switch plates and outlet plates. Remove all paint splatters on countertops, cabinets, appliances, floors and woodwork. Scrape paint smears off windows. Clean paint out of bathtubs and sinks. Sweep paint chips from floors.

## Final Cleanup

When the rental property is painted and all repairs have been completed, the unit should receive a final cleaning. Follow these procedures for comprehensive cleaning techniques:

## Kitchen

Ovens: Take out any removable oven parts and put them in the sink to soak. Spray the oven with oven cleaner (if it is not self-cleaning). Follow directions on package; oven cleaners are corrosive. Some oven cleaners take a few minutes to work, others should be left overnight.



Using an all-purpose cleaner, wash the outside of the range: top, front, sides and doors. Clean the countertops and interiors and exteriors of cabinets and drawers. Clean the interior and exteriors of the refrigerator. Defrost if necessary. Clean the dishwasher inside and out. Vacuum and scrub range hoods and vents. Wipe down walls and clean floors.

## **Bathrooms**

Apply bowl cleaner to toilets, follow the package instructions. Spray and scrub shower tile walls with a product designed for this purpose. Use an all-purpose cleaner to clean the medicine cabinet, vanity, light fixtures, walls and toilet bowl. Use a scouring powder and spray cleaner to scrub the sink, tub and chrome fixtures. If the tub enclosure is a single unit tub and surround made from vinyl, do not apply scouring powder as this will dull the finish irreversibly. Use a non-abrasive cleaner. Vacuum and scrub exhaust vent. Scrub floor last.

## **Closets**

Vacuum the shelves, doors and track; scrub if necessary.

## **Lighting**

Clean light globes. Replace bulbs as needed.

## **Heating and Air Conditioning**

Clean or replace filters in heating and air-conditioning units. Vacuum, wipe or scrub the units if necessary.

## **Windows**

With a spray window cleaner, clean interior windowpanes and exterior if possible. Clean trim and tracks; make sure windows open and close freely. Use a razor scraper to remove dried paint on glass surfaces.

## **Carpet Cleaning**

Carpet cleaning is the last step in rental property preparation. This job is often performed by outside contractors, but the best results are obtained with a process that employs water extraction equipment, rather than chemical cleansers.

If cleaning carpets yourself, follow the instructions that accompany carpet-cleaning equipment. Pre-treat heavily stained areas to improve final result. Do not use too much

shampoo. This is a common mistake, and it makes the job of rinsing the carpet very difficult and time consuming.

When finished, cover wet carpet with absorbing paper (available at most hardware stores). If no one will be entering the unit for several days, the carpet can dry uncovered. After carpet dries, vacuum to pick up residue. The rental property should be ready for new residents.

## **Final Inspection**

Conduct one last inspection. Give counters and surfaces one last wipe. Schedule additional pest control services if needed. Test the keys and locks to ensure they work.

Consider an inexpensive move-in gift such as paper towels, soft drinks or bottled water, or other items that are helpful during the move-in process.

## **Safety Measures**

Never advertise or imply that the property is "secure"; you cannot guarantee the safety or security of the property or its residents.

People want homes that feel safe. It is important that lighting, landscaping, and building design combine to create an environment that is well lit, has trimmed hedges, and creates visible paths to entryways.

Many states and some municipalities have guidelines and requirements that must be met. Ensure that the rental unit is in compliance. Consider these procedures:

## **Allow for Natural Surveillance**

- Keep the property visible
- Use lighting to highlight points of entry
- Use see-through fencing
- Trees and bushes should be trimmed to allow for clear sight lines to doors and windows
- Clearly post the address

## **Limit access**

- Install deadbolts, latches and locking door knobs on entry doors
- Install window locks
- Install sliding door locks
- Limit access into the area

## **Maintain Curb Appeal**

Housing that appears to be well maintained will attract good residents and discourage illegal activity. Changes that help communicate "safe, quiet, and clean" may further communicate that this is an area that isn't conducive to illegal activities.

- Remove graffiti as soon as possible
- Repair vandalism
- Keep the exterior clean and fresh
- Keep common areas (mail areas, laundry rooms) clean and well lit

## **Encourage Communication between Neighbors**

The presence of good citizens reduces the possibility of illegal activity. In multi-unit buildings, encourage neighbors to get to know neighbors. Be alert to trespassers or otherwise unknown people. Take action with police if people are loitering on the property.

## **Use a Security Statement in the Lease**

It is recommended that you use the NAA National Lease Program. Leases are available in many states and offer thorough documents for use by the IROP and residents. Security guidelines are contained in the lease. It is important, especially when it comes to residents and their safety and security, that rights and responsibilities are clearly defined. Use documents that have been reviewed by legal authorities in your state.

## **The Day Before Move-in**

Conduct a final inspection before signing the lease and issuing keys to new residents.

## **MOVING IN**

### **Rental Property Inspections with Residents**

Inspect the rental property with the new residents after the lease is signed. Items that are damaged, but not to an extent to warrant replacement (minor burns in carpeting, chips in a sink, scratches on the appliances), should be noted on the move-in inventory form. Wallpaper that is in good condition, left by a previous resident, should be noted. If the damaged item (such as a missing closet roller or dripping faucet) is scheduled for repair, it should be noted. Be sure windows and doors have working locks and any mandated fire suppression fixtures are installed and/or available.

By signing this form, residents indicate that the premises are clean, safe and functional at the time of move-in, and that the premises will be left in the same condition at the end of tenancy. A Move-In/Move-Out inventory form is an effective tool for this purpose. It can be used to record the condition of the unit at move-in and can be used to describe the condition at move-out.

### **Turn Possession of the Unit over to the Resident**

After all papers are signed and the rent and security deposit funds are received, the residents are then entitled to take possession of the new leased property.

An Independent Rental Owner Professional must give possession of habitable premises to the resident in compliance with the rental agreement.

Turning over possession includes providing the new residents with entry keys, including keys to common area, lobbies, and parking facilities, if parking is provided in the lease. Keys and card entry keys both apply. Make certain that only the renter picks up the keys; check for identification prior to issuing keys. Do not allow someone who is not on the lease to pick up keys.

## Lease and Move-in Package

To help facilitate the move-in process, and make the new residents feel at home, IROPs often provide information about the building and surrounding community. Include some or all of the following documents in a move-in package:

- Copies of the signed lease, security deposit agreement, and applicable legal documents and addenda.
- Utility and telephone service information. The electric and gas companies may require completed forms prior to move-in. If residents pay for utilities, these services should be placed in their names prior to moving in. Residents should make arrangements to have their services connected on or before move-in day.
- Change-of-address cards.
- Maps of the area.
- A list of frequently called telephone numbers: police, fire, hospitals, schools, stores, restaurants, cab companies, Chambers of Commerce.
- Operating instructions for appliances, laundry equipment, and so on.
- Contact numbers to reach the manager or IROP.

Place materials in one folder or envelope marked with the new residents' names, rental property number, new address and move-in date. A professionally prepared package of information sets the tone for a good resident orientation.

## Scheduling Move-ins and Move-outs

Coordinate new resident's move-in schedule with former residents' move-out schedule. Consider elevator scheduling problems, mailbox and doorbell name tags, utility hookups, disposal of packing debris.

## Identification

New residents must have their names displayed on the mailbox and doorbell. To maintain neat and uniform appearance of doorbells and mailboxes, make the name tags rather than have residents make their own. Some IROPs charge a fee for this, and larger buildings usually have the management office handle this function. Unless the property is a high-rise, a name tag fee is not a common charge.



## Emptying Packing Cartons

Instruct residents on how to dispose of bulk rubbish, such as moving boxes and wrapping paper.

A successful move-in process helps ensure a good business relationship between the Independent Rental Owner Professional and the new resident. Often the difference between a good move-in and a poor move-in will determine whether the resident renews his or her lease year after year.

SAMPLE

## **CHAPTER 10 - RENTING TO PROSPECTS**

Renting the unit and collecting rent is the key to successful property management. Maintaining occupancy and reducing "down time" further increases income potential. To increase the likelihood of quickly locating and renting to prospective residents, follow the steps outlined in this chapter.

### **Establish Relationships with Prospective Residents**

Establish a relationship with the prospect and the IROP has a better chance of renting the property, even if the property does not have all of the amenities that the prospect desires. People are drawn to where they are appreciated and respected. A personal and professional presentation is all-important in making or breaking a successful rental experience.

### **Ask Lifestyle Questions**

Presentations should be geared to prospective residents' lifestyles and preferences. Prospective residents see only walls, floors and ceilings. The owner or agent should seek to create an image, allowing prospective residents to envision and desire the property as a home. As an example, instead of making obvious statements such as "This is the living room," "This is the kitchen," let the prospective residents make these observations while the IROP points out the benefits of the unit. Perhaps say, "Doesn't this view give you a peaceful feeling?" or "The neutral color of the carpet allows you to customize the home to meet your needs."

### **Accentuate the Positive**

Offset negative aspects of the unit by pointing out the positive features. There will be objections and hesitations on the part of the prospect. Be aware of the features and amenities that the competition provides, in order to point out the unique features of this property.

If there are many vacant properties in the area, do not point this out to the prospective residents. Good salespeople demonstrate that their product is in great demand, thereby creating a sense of urgency that helps close the sale. Most prospective residents want to be guided through the process and may become confused if the salesperson points out dozens of other alternatives. Assist the prospect with making up his/her mind.

Show the prospective residents the specific rental unit that is for rent and customize the presentation, taking into account what the prospective residents have told you during the qualifying interview. Be sure the unit is perfectly ready; never show a rental unit that is not move-in ready. Certain states require the actual rental unit be shown to prospective residents. This may be accomplished by demonstrating the unit after prospects rent the unit. However, in these jurisdictions, failure to show the actual unit can result in a cancellation, possibly requiring the IROP to return all monies collected. If there are multiple units, a model unit may be shown, this works well if the property is under construction and the actual unit has not yet been built. (Some lease provisions allow for access to occupied units for the purposes of renting the unit. In these cases proper notification is usually required).

## **Manage and Respond to Objections**

Prospective residents will often point out objections to the rental unit. It might be a legitimate concern, or an attempt to obtain a rent reduction, or other concession. The resident may simply be considering the property and needs a bit more convincing before making the final decision. Prospects do expect a response. Learn how to respond positively, avoid anything that resembles an apology or agreeing to a concession. For example, if someone comments, "The kitchen is very small," a positive response could be, "Yes, it is; cleaning it will be a snap, and look at the spacious, well-lit dining room you have."

## **FREQUENTLY RAISED OBJECTIONS AND RESPONSES:**

### **The rent is too high.**

Point out the rent is comparable to similar units in the area. The amount of rent being asked for is adjusted to the market for the type of rental unit and amenities offered.


### **The view is bad.**

Some "bad" views are privacy views. Not everybody is looking for the spectacular scenic skyline view. The amount of rent for the unit has been adjusted accordingly. There isn't much that can be done to change the view, but IROPs can suggest a variety of window treatments, plants, etc., to offset a poor view.

### **The rooms are too small.**

Mention that efficient room sizes are good for energy savings. Consider pointing out large closets or other amenities such as storage lockers, a bike room and so on. Ask





prospects about their furniture and how they might arrange those furnishings to "fit" the space.

### **The rental unit is dirty.**

A dirty rental unit should never be shown. If you must show an occupied rental unit that is dirty, explain that it will be cleaned and redecorated. This is the type of complaint on which you can take action.

### **The closets are too small.**

It's pretty difficult to add more closet space; suggest having the closets more efficiently reorganized using new shelving and rods specifically designed for this purpose.

### **The kitchen is too small.**

Smaller kitchens are usually step-saver kitchens with less floor area and cabinetry to clean. Point out the larger living room, bedroom or bathroom and show how the kitchen layout is very efficient. Ask prospects how much time they spend in the kitchen and point out time-saving items such as microwaves and dishwashers. When showing the rental unit, let the prospective residents enter the kitchen first; don't walk into it and ask them to come in after you.

### **An all-electric rental unit is expensive.**

Electricity is controlled by the residents who pay only for what they use. Where utilities are included in the rent, the IROP must charge more to offset these costs, and the residents then pay not only for what they use but also for what their neighbors' use. Point out energy-saving tips for using the heating and air-conditioning units. Sell any unit energy saving features such as ceiling fans, double-paned windows, etc.

### **The carpet is the wrong color.**

Carpeting cannot be replaced to suit each new resident's color choice. Suggest using an area rug. Explain that once furniture is put in place there will be very little perimeter carpet showing.

### **The carpeting is old.**

Carpets are replaced due to tears or bad stains. New carpeting would increase the monthly rent if replaced unnecessarily. Suggest putting in new carpeting if the residents agree to pay for it themselves or if you amortize the expense over a 36-month period. The

residents must agree to pay any outstanding balance should the lease terminate sooner than three years.

### **The appliances are old (or the wrong color).**

If appliances are in good working condition, they will not likely be replaced. Appliances cannot be replaced to suit each new resident's color choice; however, appliances can be painted. Suggest that the resident pay for new appliances or amortize them over a three-year period.

### **There is no parking garage.**

In some cases, street parking is available. Provide information about parking garages or lots in the area. Most residents of downtown areas use public transportation and many do not own cars.

### **There is no balcony or patio.**

Most residents seldom use their balconies or patios, which serve only as storage areas for bicycles and miscellaneous items. Suggest sunbathing at the pool, rooftop sundeck or nearest public facility. Residents can barbecue in a park or nearby picnic area.

### **We don't like the layout of rooms.**

You can't change the floor plan, but you can point out the advantages of the floor plan. As an example, if the bedrooms are side by side, down the hall from the living room, point out how this arrangement is suited for entertaining while allowing privacy and quiet in the sleeping areas. If the bedrooms are on opposite sides of the living room, point out how this facilitates privacy between roommates or parents and children.

### **We don't like hardwood floors.**

Mention that they won't need a vacuum cleaner and hardwood floors don't create dust. Suggest an area rug as an option.

### **There's no swimming pool.**

Properties with pools usually demand higher rents. Tell the prospective residents the locations of the nearest public pools and/or beaches.

### **There's no security.**

This objection is correct. Even if there is an in-unit alarm system and patrols, controlled access and video-protected entries, the IROP cannot guarantee the safety or security of

---

the resident. Security is a personal responsibility of the residents. Whatever protection the management does provide is for the building and building property-not for the residents.

### **There are no storage facilities.**

Properties without separate storage facilities usually have bigger rental units with larger closets. If lack of storage space is a common objection, provide information about the closest self-storage facility.

### **There aren't enough bathrooms.**

This is an objection that can't be changed, although you may point out that previous residents lived there satisfactorily with one bath.

### **The rental unit needs decorating.**

Never show an empty property that is not cleaned, painted and ready for move-in. The only decorating to be done should be what the resident does to make it their own. Clarify here what will be permitted, such as painting.

### **There's no dishwasher.**

Many people prefer washing dishes by hand because they feel they get much cleaner dishes. A dishwasher will increase the electric bill. Depending on kitchen size and layout, there might be room to install a compact-sized dishwasher, or the residents may want to use their own portable unit.

### **The building accepts pets.**

If one chooses to keep a pet in a rental unit, a large deposit and sometimes monthly pet rent is charged. If the property does not allow pets then this prospect may need to seek other housing options. An alternative may be to only accept pets of a certain type and breed and require that they be house broken.

### **There's no health club.**

When a property offers a health club, the rents are higher and all residents pay for it whether they use it or not. Provide information on the nearest public facility.

## **Showing the Rental Property**

Avoid allowing personal opinions of the rental unit to influence the customers' decision. Never point out negatives. The prospective resident may view your negatives as positives.

Avoid letting prospective residents wander around a property unattended. Always remain nearby; close enough to hear and observe any positive or negative comments that may arise. Be familiar with the surrounding community and be prepared to answer questions about schools, shopping, commuting, local laws and nearby services.

Avoid ending a demonstration of the property while in a small room. Return to the main living area. It would be appropriate to recap what the resident saw that they liked. Be prepared to produce an application and take a deposit check and application fee at that time. Carry a notebook containing the necessary paperwork when demonstrating the property for rent.

## Closing

Many people in property management are excellent at greeting, qualifying and showing rental units, yet they produce very few actual rentals. The reason for this is that they fail to ask for the sale.

Closing is the process of asking for the sale, or in this case, the rental. Closing doesn't necessarily occur only at the end of the property visit - although it most certainly should occur then. Closing occurs throughout the interaction. On the initial phone call, while you ask questions, presume that the prospect will want to live there. Continually check to see "How do you like \_\_\_?" "Isn't this a great \_\_\_?" "Wouldn't it be great to live there?" During the demonstration, ask whether they like the unit. Be sure you match the feature you have to the benefit they want. It is easier to close when the questions elicit a "yes" answer. At the end of the demonstration, it will be natural, even expected by the prospect, for you to invite them to apply for residency.

Ask for a signature on the application and a security deposit while the prospective residents are still with you. Discourage people from saying, "We want to think about it." Ask, "What kinds of things will you be considering?" Encourage the prospects to ask questions and clarify any concerns. Indicate that the properties rent quickly. Prospects should feel that if they hesitate, they may lose the unit. Press for a commitment, a deposit and offer an invitation to lease.

## Follow Up

Prospects often look at several properties before deciding to rent. The average prospect looks for ten days before making a final decision. Often they must give 30 to 90 days notice to the current landlord so they begin to look soon after the start of a six-month

---

lease. As prospects view multiple properties, it is essential that the experience at your community is a positive, memorable one.

Many prospects will not rent on the first visit to a property. This does not mean that the prospect is lost, or that the IROP should give up attempting to lease to an individual. Keep in touch with prospective residents in order to encourage them to eventually lease with you.

If prospects make contact via the Internet, respond via e-mail, thanking them and addressing their individual requests communicating how quickly your properties rent. Put a reminder in your Outlook/Day timer, etc. to check back with them.

Send visitors a personalized follow-up thank you card. Send the card the day after the prospective resident visits the property. The card should be handwritten and should politely encourage further questions and visits.

Call the prospect 24 hours after the unit has been viewed. Be prepared to give the prospective resident some new piece of information that was not previously covered. Be enthusiastic and encourage the prospect to visit the property again.


## **APPLICATIONS**

### **Require Written Applications**

Use a standard application form. The application form will be used to gather all of the information needed to measure a prospect's ability to meet established criteria, to live in the rental unit. It is essential that the information be given in writing. The applicant must authorize the agent to verify the information contained in the application. In addition, ensure that consent to run a credit check is obtained. Association Associations across the country as well as the National Apartment Association, have lease document packages that include lease application forms that have been reviewed by counsel and meet good business and statutory requirements. Check applications periodically to ensure they are up-to-date with the latest laws.

### **Application for Lease (Rental Agreement)**

When prospective residents apply for a rental unit, they should complete the form while in the presence of the IROP or agent. Never take an application over the telephone. IROPs should meet prospective residents and discuss the lease terms in person. The prospects need to understand, and agree to, the policies and procedures they will be required to follow. This takes place before signing the lease application. Often the application



summarizes the lease terms and identifies rent amounts, late fees and other important terms of the lease. When the application is completed, collect the application deposit and/or application fees.

In most states an application deposit is different from a security deposit. A deposit taken at the time of application is a guaranty that the applicant will rent the home if he or she is approved for the lease. Often a separate check is collected and deposited for the application fee (offsetting the cost of completing the screening) while the application deposit check is held until the application is approved (and returned if declined).

A married couple can fill out a joint application using only one form, but roommates or co-residents should fill out individual applications. Anyone who will be on the lease as a resident and financially responsible for the lease should complete a separate application. Adult occupants - individuals over the age of 18 living in the unit but not responsible for the rent, should also complete applications so that a criminal background check can be performed. Credit checks should be completed on anyone responsible for the rent. This includes husband and wife if they are listed together on the lease as being jointly and severally responsible. All applicants should be asked to fill out the pertinent areas indicated and to sign the form while in your presence.

When the prospective residents have completed and signed the form, review the application with them in order to obtain incomplete or missing information. Where information does not apply to the applicants, ask the prospect to write "n/a" in the blank space.

At the time the rental application is signed, applicants should be informed that they will receive a refund or return of the security deposit if the application is denied. If however, the application is approved, but the prospect cancels the application, the deposit will be forfeited. Some states have many different interpretations of the word "forfeit". Some states do not "forfeit" deposits, but apply charges against them. Know the laws that apply in your area. Often times, property owners request that application fees and deposits be paid by separate means, usually two separate checks. Since some states require immediate refunds of deposits when prospects applications are denied, it is much easier to return the deposit check and maintain the application fee if they are collected separately.

## Approving the Application

Applicants should be informed that income and other items listed on the application will be verified. Post application approval criteria or give a copy of the criteria used indicating requirements for approval. Notify applicants immediately regarding acceptance or rejection of application. (Recall we mentioned earlier about the adverse action letter that is now mandatory.) Obtain a telephone number and/or e-mail address where the prospective residents can be reached for notification. Applicants may lose their deposit if they have been notified of acceptance and they later choose to back out of the agreement. Document who was notified and when the applicant was notified of his or her acceptance or rejection.

## Income Requirements

If applicants have an income less than the established requirement, the application may be rejected or the IROP may request to have the lease put in a qualified co-signer's name with the prospective residents listed as additional residents. In some cases the applicant may be asked to pay the entire lease amount up front.

## Verifying Employment and Other Sources of Income

Use the information on the application to verify employment. If the employer insists that the request is made writing, ask to speak to the "person to contact" named by the prospect on the application. If unable to verify over the telephone, send the employer a verification request letter. Prospective residents should be asked to expedite a prompt response from their employers in order to speed up the approval process.

If the employer reports lower gross earnings than the applicant indicated, recheck income requirements to ensure the applicant still qualifies for the apartment. If the employer will not verify any information, the applicant should be asked to provide a letter, on company stationery, verifying the length of employment and the amount of income earned. IROP collect copies of recent pay stubs as a method of verification.

If the applicant is self-employed, request copies of latest tax returns showing gross earnings. A prospect may provide a verifiable financial statement, a letter of recommendation from a bank officer or financial institution. The goal is to verify income.



## Establishing Selection Criteria

Regardless of the length of vacancy, do not lease to just anyone, this is known as the "warm body" syndrome. Establish a thorough application and screening process and execute it consistently.

Basic criteria needed to satisfy ability to pay from the information on the application include:

- the prospective resident's current address and phone number;
- the length of time the applicant has lived at his or her current address;
- the name(s) and telephone number(s) of current and past landlord(s);
- the address and phone number of the applicant's employer;
- the applicant's current income and, if necessary, other sources of funds;
- the applicant's identity and right to work or reside in the U.S.; and
- the names of personal and credit references.

Instruct each applicant to fill out a statement authorizing you to contact his or her references and check the information provided on the application.

## Screening

Applicant screening can be time consuming. Some Independent Rental Owner Professionals prefer to do it themselves; others use third party screening firms - particularly for the credit and criminal portions of the screening. Unfortunately there are no "magic numbers" to call to get a guarantee on selecting the right resident.

One method to consider is "self selection". By giving the prospective resident a clear message that you are an involved, hands-on manager who will actually run these checks, you can eliminate several would-be troublesome residents that are searching for an absentee owner. By actually completing the screening you already set yourself apart from other owners who may not perform an in-depth check and are later forced to deal with the consequences.



## Establish Uniform Standards for Accepting Residents

Develop uniform minimum standards on which to base your choice. For example, a reasonable income level may be a requirement to ensure that prospective renters can pay the rent. The IROP may also establish policies that prohibit residents from moving in with certain possessions - perhaps pets, motorcycles, waterbeds, or large appliances. This is a good business practice and can prove valuable if there are allegations of favoritism or unfair housing practices.

Provide a copy of the required standards for every prospective resident during the initial meeting. Use this to effectively communicate with the prospective resident that you are a quality Independent Rental Owner Professional that is looking for quality residents for the community. Apply policies consistently.

## Screening with the Application

Review the information on the application carefully. Then proceed to screening the applicant. A few examples of screening criteria include:

- A complete application - do not allow blank spaces to be left without explanation.
- A rental history from an unbiased source - this does not include information from a relative with whom he lived for a while. It also is more than checking with the last landlord. This resident could have been so troublesome that his current owner would say anything to get him to move.
- Proof of a sufficient and verifiable income - is the applicant self-employed? Then have the applicant produce last year's tax records or current bank statements.
- Two pieces of identification - this prospective resident could have just given you his brother's information. His brother could be a great resident, but information needs to be obtained on this applicant's history. A government issued photo identity document, such as a driver's license or passport is recommended.

The criteria used for selecting residents are a safeguard for the IROP. The three criteria include:

- The resident's willingness and ability to make timely rental payments every month.
- The resident's willingness and ability to abide by the provisions in any lease or other rental agreement you have him or her sign.

- Your reasonable expectation that the resident is not planning to engage in illegal activities on your property, or destroy your property.

## Consider Using Income Ratios in Setting Criteria


When lenders evaluate whether borrowers will be able to make their mortgage payments under some programs, they use a benchmark, or standard, to measure borrowers' housing expenses, which should be no more than 33 percent of the borrower's gross monthly income. They often prefer that a borrower's overall debts - including housing expense and other debt - not exceed 38 percent of that income. You might want to use similar ratios as guidelines when trying to establish whether a rental applicant will be able to pay the rent each month.

Ranges generally run from 30 to 40 percent. To measure the ratio between an applicant's housing expense and income against the 33 percent benchmark, multiply the applicant's gross monthly income by .33; then compare the result with the rent you are charging. For example, if an applicant's gross monthly income is \$3,000, and his or her rent is \$1,000, the ratio between that applicant's income and housing expense would be 33 1/3 percent, which would approximate the 33 percent benchmark.

To measure the ratio between an applicant's gross monthly income and his or her "total housing expense/outstanding monthly debt" against the 38 percent benchmark, first multiply the applicant's gross monthly income by .38; then compare the result with the sum of the amount of monthly rent you are charging and the applicant's monthly debt. For example, suppose an applicant's gross monthly income is \$3,000. If his or her outstanding monthly debts equal \$140, and the rent you are charging is \$1,000 per month, that applicant's total housing expense and outstanding monthly debt would equal \$1,140 - 38 percent of his or her gross monthly income. That ratio would precisely meet the 38 percent benchmark.

When looking at statistics such as ratios, it is important to view the big picture. Some applicants may be living on fixed incomes or low salaries, but have excellent credit histories and a proven ability to meet their monthly rental requirements. He or she may already be making rental payments as high as, or higher than, what you are asking.

If an IROP encounters low-income applicants who receive subsidies from rental assistance programs, be aware that some state and local fair housing laws prohibit discrimination against applicants based solely on the fact that they receive such subsidies. If an applicant who is receiving a subsidy is capable of paying the rent each



month on time, has satisfactory references, and meets your other acceptance criteria, he or she may be a very reliable resident.

Determine how an applicant's subsidy works. In some cases, people receive a fixed subsidy and are responsible for meeting any remaining portion of the rent themselves. In other cases, they are responsible for paying a certain percentage of income as rent, while the subsidy makes up the difference. Sometimes the agency providing the subsidy pays the resident, who, in turn, must pay the owner. In most cases, the subsidizing agency pays the owner directly.

If the agency provides only partial subsidy, you may and should screen for the portion of the rent that will be the applicant's responsibility. For example, if the resident receives a \$750 per month subsidy for his family and the rent is \$1000, the household must meet your income requirements for the \$250. Using the ratio above, that may mean a gross monthly income of no less than \$750.

## **Check the Applicant's Credit**

Just as the lender you applied to for your mortgage on your rental property researched your credit history, you should research the credit history of your potential residents. Get credit information in writing, and try to get more than one creditor's opinion. A single negative report could be the result of a dispute unrelated to your applicant's actual ability to pay debts; a single positive report could represent an isolated incident in which an applicant who has poor credit happened to pay a debt on time.

A credit report provides a more detailed picture of an applicant's credit history. Owners can obtain credit reports from resident screening agencies, which get the reports directly through credit reporting agencies. There are local and regional companies of this kind. One way to locate such companies is by looking in the "Resident Screening Specialist Index" in The Sourcebook of Public Record Providers, which you can find in the reference areas of most libraries. Contact your local apartment association for screening vendors.

A credit report reflects outstanding debts, monies owed, timeliness of payments on credit cards or other debts. It also reflects former addresses and provides other names used by the applicant's social security number.

To obtain such a report, you will need to provide the resident-screening agency with the applicant's Social Security number. To comply with the Fair Credit Reporting Act, screening agencies may also require you to provide them with an applicant's written permission to obtain a report on his or her credit. The cost is tax deductible.

Once the decision is made to check credit, what is considered "acceptable" credit? Determine the number of acceptable late accounts allowed, whether a personal bankruptcy will disqualify the applicant, and whether landlord debt is a disqualifier.

Some prospects do not have a credit record, but may have a history of paying their rent and utilities on time. Contact previous landlords or the electric, gas, or phone companies the applicant has used. When talking with utility company representatives, ask whether the applicant paid monthly bills when due and whether bills were paid in full. If unable to obtain this information, ask the applicant to provide cancelled checks or paid receipts that reflect that bills were paid on time.

Applicants who have been evicted from their previous residences should have a notation on their credit report. The local apartment association may be able to provide you with additional guidance in such situations.

## **Obtain References from Previous Landlords**

One method of obtaining renter's history is by speaking with previous landlords. Questions to consider when interviewing previous landlords may include some of the following. Did the applicant give proper notice when planning to move? Did the applicant observe the owner's rental policies? Were there other lease violations or resident issues?

## **Making the Final Choice**

When finished qualifying a resident, it will be the IROP's decision to accept or reject that counts. An applicant who can't pay the rent, who gave false information, or has a poor credit history, is easy to identify. The difficult challenge will be sorting out the applicant who seems to meet the qualifying criteria.

Some IROPs simply accept residents in the order in which they applied for the vacancies. Once you have chosen a resident in this way, you might want to offer other applicants with equally good credit histories, references, and income the opportunity to be kept on a waiting list for future vacancies.

### **There are several reasons you may deny rental to an individual:**

- False information.
- Convictions for drug activity.
- Some types of court judgments.

- Poor credit check.
- Documented poor references from previous owners.
- If they cannot or will not pay the application or screening fee.
- Failure to meet any one of your other criteria.

Be sure that when you evaluate the findings from the screening, you make your selection based on business criteria, not on any reason or characteristic protected by the federal Fair Housing laws, discussed earlier in this text.

## **Rejecting an Applicant and the Fair Credit Reporting Act**

IROPs are not required to rent units to applicants who have unsatisfactory credit histories, or who do not have enough resources to make timely rental payments, or who do not otherwise meet fair rental criteria. When an IROP rejects an applicant, for any of these reasons, it is necessary to let the applicant know. If using a third party agency for reports (credit, resident history or criminal reports), and the reports produce information that causes the applicant to be rejected, the IROP is required by the Fair Credit Reporting Act to advise the applicant that they have been rejected.

The Act requires IROPs who deny a lease or impose additional requirements, based on information in the applicant's consumer report, to provide that applicant with an "adverse action notice." Those are:

**Consumer Reporting Agency (CRA)** - a business that assembles reports for other businesses. The most common example is a credit bureau. If the reference is verified by you, the owner, or one of your employees, the reference is NOT covered by the Act. A reference verified by an agency hired by you to do the verification is covered. Many of these agencies will send the report themselves, but check to be sure!

**Consumer Report** - reports that contain information about a person's credit characteristics, character, general reputation and lifestyle. It may also include information about someone's rental history, such as information from a previous landlord or from public records such as housing court or eviction files.

**Adverse Action** - is any action by a landlord that is unfavorable to the interests of a rental applicant. Common adverse actions include:

- Denying an application.
- Requiring a co-signer on a lease.
- Requiring a deposit that would not be required for another applicant.
- Requiring a larger deposit than would be required of another applicant.
- Raising rent to a higher amount than for another applicant.

**Adverse Action Notice** - a required form letter to be completed by the landlord in the event of an adverse action. The notice must include:

- Name, address and phone number of the CRA including a toll free number for CRAs that maintain files nationwide.
- A statement that the CRA that supplied the information did not make the decision to take the adverse action and cannot give specific reasons for it.
- A notice of the applicant's right to dispute the accuracy or completeness of any information the CRA furnished and the consumer's right to a free report from the CRA upon request within 60 days.

The adverse action notice must name the CRA that provided you the report even if the CRA used another CRA. For example, a report from XYZResidentScreen includes a credit report from ABC Credit Bureau. The credit report has negative information about the applicant that prompts you to turn down the applicant. The adverse action notice you give should name XYZResidentScreen as the CRA because XYZ is the firm that gave the information to you.

Document all of your decisions, date and time of acceptance or rejection and copies of written notification. The IROP may one day be called upon to show that the decision did not reflect illegal discrimination against any group protected by Fair Housing laws. So it is important to always document decisions to reject or accept applicants.

## Return the Application Deposits

While most application fees are taken and may be retained in order to offset the expense of screening, deposits on applications that are rejected must be returned to the applicants. Many states have laws that require prompt refunds. Check with the local apartment association for more details on security deposit refunds.

SAMPLE

# **CHAPTER 11 - RESIDENT RETENTION & RENEWALS**

## **Resident Retention**

Long-term residents choose to remain living at a property, for one or several of the following reasons:

- Affordability
- Comfort
- Convenience
- Service
- Safety
- Good neighbors or neighborhood

## **Affordability**

Residents may be on fixed incomes or in low-income categories. They may be single parent householders with little disposable income and insufficient funds for steadily increasing rents.

## **Comfort**

Comfort means different things for different residents. Some residents may gain comfort from emergency and safety policies and procedures. Comfort can also extend to personal or handicap services provided on the property. Maintaining a clean and inviting property where common areas or shared spaces are kept in good repair may provide a feeling of comfort.

## **Convenience**

Location is a benefit you can sell. Close proximity to transportation, highways, shopping, community services, day care, and schools and other facilities and services used by the general public are important benefits to the busy lives of your residents.

## **Service**

Providing good service increases resident retention. Service includes following up and performing repairs as promised, keeping work areas clean, and leaving a note when you are in a resident's home to complete a repair. Courtesy, response and follow-up are also included.



## Safety

Conduct thorough and fair resident screenings, provide reasonable exterior lighting and keep doors, windows and appliances in good repair.

## Neighbors

Good neighbors can influence residents to stay if they are friendly and respect the rights of others. Good neighbors care for their rental property and its appearance and set a standard other neighbors will follow.

## Resident Survey

- The best way to determine resident satisfaction is to ask. Asking resident opinions can be accomplished in a variety of ways:
  1. Conduct quality control checks frequently - Call back those who have made service requests.
  2. Conduct resident surveys at least annually.
  3. Consider resident meetings quarterly.
  4. Consider an informative newsletter to distribute quarterly.

## The Renewal Begins at Move-in

Many experts believe that the renewal process begins with move-in orientation. While communicating policies and procedures to residents, Independent Rental Owner Professionals are also developing a relationship and setting the tone for interactions that will occur throughout tenancy. During conversations with new residents, IROPS clarify whether they, the resident, or both are responsible for certain tasks like snow removal, lockouts by the resident, or the maintenance of common areas. IROPs will often offer special instructions for using appliances such as microwave ovens or washing machines and explain what to do in cases of fire or other emergency.

Inform residents how and where to reach the owner or management when necessary to do so. Often IROPs establish a designated phone line or use an answering service for this purpose.

## Expect Some Turnover

Despite best efforts, some residents may choose to move anyway. The national average for small investor resident turnover is 59 percent, so if there are two rental units and one resident renews, 50 percent turnover is slightly better than average.

Residents may leave because they have an opportunity to rent a unit in a new building. IROPs in large urban communities with abundant new construction consider a 60 percent resident retention exceptionally good.

To develop strong resident relationships and keep residents satisfied:

- Show interest in their lifestyle and needs during the rental interview.
- Follow through on promises about repairs and decorating. Don't offer something you can't deliver.
- Give residents a number where you can be contacted. Provide them with a list of other important phone numbers for emergency repairs or services.
- Respond promptly to requests for service. Communication is the key to maintaining good relationships.
- Let the residents know in advance what you expect from them and what they can expect from you on such items as rent payment, lease provisions, pets, complaints, services and so on.
- Respect their privacy and right to peaceful possession of their home during their lease period. (Peaceful possession is a legal term that means the right to use the premises without harassment or interruption.)
- If you must enter a rental property when the residents are not at home, and without prior notice, leave a note stating that you were there and why. In general, do not enter a resident's home without giving at least 24 hours notice. Be careful to comply with state laws.

## Financial Benefits of Lease Renewals

Obtaining lease renewals can be an IROP's most productive activity. Resident turnover, which is estimated by the National Apartment Association to be 57 percent nationwide, carries many hidden costs. Common areas may be damaged during the move. The rental unit will need cleaning and may need a new carpet or other redecorating. Time,

energy and money must be spent on finding a new resident and showing the residence. You may not find a suitable resident right away and the rental unit may stand empty for a month or more. Even without lost income, it can easily cost several hundred dollars each time resident moves out and new resident moves in.

Renewing a lease, on the other hand, can afford substantial savings. Advertising costs are lessened. Maintenance, decorating and administrative expenses are substantially reduced. The risk of damaging the halls, stairwells, doors and elevators is eliminated. Thus, it is important that every effort be made to renew leases of desirable residents.

Not all residents are good candidates for renewal. Do not renew residents who are slow to pay rent, who have many late charges, who have unauthorized pets, or who have created noise or nuisance problems.

The current market condition may influence a decision to renew a borderline resident. For example, if the market is soft and you have a large number of vacancies, you may decide to renew the lease of a resident who has been slow to pay rent, but has otherwise been a good resident.

The less time spent finding new residents, the more successful you will be. Long-term, stable residents mean an uninterrupted stream of rental income and fewer turnover costs, but also lower maintenance costs since these residents take better care of the property.

To retain good residents set up a reward system. Be creative. For example, help them celebrate their anniversary as a resident. When residents have occupied the unit for a year, do something to show your appreciation. Ideas range from discounts on rent to allowing them the use of a handy man for a day.

## THE END OF A LEASE TERM

### When to Begin

Most leases define when a resident must be notified regarding lease expiration, unit inspection, and rental increases. In those states that do not specify, it is recommended that you begin the renewal process 90 days in advance of lease expiration.

### Inspection Prior to Renewal Offer

Depending upon state and local laws, residents whose rental units are found in unsanitary or damaged condition may not be renewed until a follow-up inspection indicates that the problems have been corrected and/or the resident has paid in full for the corrective work to be completed. Check your local laws for clarification. Residents with units maintained in excellent condition will likely appreciate the inspection, particularly if you check with them to see if there is anything they would like you to do to the unit such as carpet cleaning, painting and/or repairs.

### Redecorating the Rental Property

Lease-renewal time is a pivotal point in the owner-tenant relationship. This is when residents request redecorating, carpet cleaning, new appliances and other improvements.

During the first and second years, renewals will probably not warrant improvements, but it is a good policy to repaint the rental unit and clean the carpet every two or three years. This is not just to please the residents, but also to maintain the value of the property.

If the property is well maintained by the resident and doesn't need decorating or carpet cleaning, you might give the resident a rent rebate in an amount slightly less than what it would cost you for these expenses, or, as mentioned above, consider a small improvement to the property. These gestures on your part can also act as an incentive for the resident to renew.

If the IROP agrees to replace, install or repair an item as a condition of a resident agreeing to renew a lease, it is a good policy to honor that commitment as soon as possible.

### Renewal

The renewal process begins on the day the resident moves in, but the actual procedure of obtaining a renewal commitment should be initiated approximately four months

before the expiration of the lease. Plan to spend some money on renewals in order to reduce turnover.

A lease is not considered renewed until all the lease documents are signed and delivered by the appropriate parties. When the renewal process is completed, update all resident files and security deposit records.

## **Form Letters**

When obtaining renewals, letters, flyers and other written material are important to convey rental rates quoted and dates of notice delivery, which confirm compliance with state laws. However, letters and notices are not substitutes for the personal contact that may be necessary to obtain renewals.

## **90 Days Before Lease Expiration**

If you choose to renew the lease, send a 90-day notice (first renewal letter). Enclose the proposed renewal lease and advise the resident of the new rental rate and lease term options. As an added incentive for a prompt reply, you can offer a one-time rebate of \$25 to \$30 or a free carpet cleaning for signing the renewal lease 60 or more days in advance of the lease expiration.

If a resident has accrued unpaid late charges or other fees and you have still decided to renew the lease, send copies of the documents with a letter requesting that payments be brought up-to-date. Advise residents that they cannot be renewed until their account balances are paid in full.

One week after sending out the renewal information, contact the residents to ensure the materials were received and to encourage a prompt response.

## **60 Days Before Lease Expiration**

If a reply has not been received from the residents within 30 days of sending the renewal information, send a follow-up notice (the 60-day letter). In many states, 60 days is the required renewal notice period. The lease document will stipulate the notice requirements.

## **45 Days Before Lease Expiration**

If residents have not returned lease documents 45 days prior to the lease expiration date, send a second follow-up notice (the 45-day notice letter). This letter informs residents that they must contact you within 24 hours if they choose to renew the lease.

Otherwise, the rental property will be considered available to show to prospective residents.

## **30 Days Before Lease Expiration**

Send a "notice to vacate" letter to residents who have not responded to or have indicated in writing that they will not be renewing, specifying the conditions under which the rental property is to be surrendered. This letter must typically be sent at least 30 days prior to the lease expiration date. Check state and local laws for additional details. If the state mandates and the lease reflects a 60 day notice period, the notice to vacate letter should be adjusted accordingly.

The opposite approach may be in effect. The lease may include a clause that allows the lease to automatically renew in the form of a month-to-month lease if notification is not received 30 days in advance of the initial lease end.

## **Non-renewals**

Occasionally the IROP will choose not to renew a lease. The decision not to renew is based on any number of reasons: collection problems, poor housekeeping, exceeding occupancy limits, problem residents who continually disturb other residents, etc. Give residents a statutory notice indicating a non-renewal. In most states the notice to not renew or move out are treated the same as when a resident chooses to move.

In some states you may be obligated to tell the residents why you have chosen not to renew the lease. Stay current on owner-resident legislation and keep in touch with your attorney to determine any requirements that must be met.

## **RESIDENT'S NOTICE OF INTENT TO VACATE**

### **Have a clear policy for the resident notices to vacate.**

Ask residents why they are moving, especially if they are good residents. In all cases you need to know why they are leaving - you may learn valuable information that will aid in re-letting the unit. You may also try to secure the lease by counter offering a new renewal rate based on a competitive rental rate. Residents may change their minds and choose to renew the lease.

## **Move-Out Inspection**

The move-out inspection should be conducted on the day that the resident vacates the rental property. The purpose of the inspection is to document the condition of the rental

property and to ascertain what needs to be repaired or replaced. Based on the inspection, the amount of security deposit to return to the resident will be determined.

## **Regain Possession**

Determine the exact day the resident will be vacating the unit and be on hand to receive the keys and regain possession of the rental property.

## **Breaking a Lease by Ending a Lease Early**

When residents move out before the lease is expired, there are several options.


- The IROP can enforce the lease agreement, within the limits of the law. A lease is a contract; both parties mutually agreed to uphold their obligations in compliance with the stated terms and conditions.
- The IROP can cancel the lease completely. This is an option that deems careful consideration, by canceling the lease you eliminate opportunities to remedy other lease defaults.
- The IROP may allow residents to sublet the rental property or assign the lease to substitute residents. This can be a risky option; the IROP may be unable to conduct an applicant screening and/or background check.
- If stated in the lease, the IROP may be able to charge a flat liquidated damage amount - a penalty for breaking the lease - along with any rent due up through the date of move-out. The IROP can then enforce the remaining provisions of the lease relative to local laws.

If the IROP is willing to negotiate an early termination of the lease, residents may be less likely to move out without giving notice. In such cases, the owner can initiate a legal suit, but it is a good idea to avoid such costly and stressful legal battles.

## **Residents' Rights to Possession**

When residents rent a rental property, they are given and retain possession of the unit, throughout the lease term. During the lease term, if residents are in compliance with the terms of the lease, an IROP may not take any action to regain possession, except in the case of abandonment, or as otherwise permitted by law. When residents move out IROPs regain possession of the unit.





Even if the residents are not in total compliance with the lease, an IROP cannot take possession of the rental property unit by locking the residents out, removing part of the dwelling unit (for example, the front door), or withholding services (utilities, water, garbage removal); except under very strict laws in some states.

## **Turning Over Possession**

When a lease ends either through notice, agreement or otherwise, residents must relinquish possession immediately. The residents do this by removing all personal belongings from the rental property and delivering all keys to the owner.

Usually turning over possession is a routine business procedure. The IROP and residents agree to terminate the lease or sublet the rental property; the old residents move out on the agreed-upon day; and the new residents move in as scheduled after the unit is made ready.

## **Forcible Detainer**

There may be times when the resident fails to return possession by not vacating the unit, or not returning the keys. This normally initiates a forcible detainer, meaning that the IROP (or new residents, if there are any), may initiate eviction proceedings, and request actual and punitive damages.

## **Abandonment**

Occasionally residents will abandon a rental property without notice. Sometimes this happens when IROPs are in the process of filing a notice for nonpayment of rent, or a termination notice, for breach of contract. If you check the rental property and find it is, or appears to be vacant, and the rent remains outstanding, an abandonment notice should be prepared. (Comply with state and local laws governing the posting of notices.) Generally a copy of the form must be posted on the rental property door for a certain number of days. The original is kept in the IROP's files. Check state and local laws for the specific procedure for your area.

When the notice period has elapsed, the IROP regains full dominion and control over the premises, and property, and can begin preparing the rental property for re-rental.

## **Abandoned Personal Property**

Occasionally residents will move out and return the keys, but leave behind some personal property. The personal property must be removed, recorded, and stored or disposed of properly.



Generally, personal property left in a rental property is considered abandoned if the residents appear to have moved out (except in the case of eviction), and the rental property no longer contains food or clothing. Abandonment is a term that has technical meaning in the law and some states have specific statutes defining it. The lease form may contain language governing abandoned property, and owners' rights of disposal. The general procedure to follow for disposing of the property is as follows:


- If the resident fails to claim personal property at the end of the time period, the IROP should make an inventory of the property, noting any damaged items. Using a witness is recommended for this process and taking pictures are also recommended.
- If the IROP reasonably judges that the abandoned property is valueless or of such little value that the cost of storage would exceed the amount that would be realized from sale, or if the property is subject to spoilage, dispose of it immediately (allowed by most state landlord tenant laws).
- If the property is of value greater than the cost of storage, store the property for a reasonable time, usually not exceeding 60 days. Take reasonable care against loss or damage. You should not feel responsible to the residents for any loss not caused by your negligence. The residents may claim the property during the term of storage by paying for the transfer and storage costs. Property not claimed during the term of storage may be disposed of in accordance with state and local laws without liability to the owner.

## **When Resident Problems Arise**

An excellent way to help keep resident problems to a minimum is to develop strong relationships with neighbors in the areas where rental property is located. IROPs often give a telephone number to a neighbor so that the owner can be notified if a problem occurs at the rental property. Establish with the neighbors that you have a common goal; keeping the neighborhood nice. The cardinal rule about establishing this neighborhood network is that when the neighbors do call, take it seriously and act immediately. If neighbors sense that the owner really doesn't care, they may not help the owner in the future.

## **Problem Residents**

When a resident with a problem confronts the Independent Rental Owner Professional, the IROP should avoid arguments. Arguments will only serve to create tension and bad



feelings. This tension may create a barrier to future communication between the IROP and the resident, and may ultimately lead to more serious problems. Residents need to know that the IROP will seek a compromise if possible.

## **Managing Resident Complaints**

Handle complaints quickly and discreetly. If a resident complains about another resident, the best response is to gather as many facts as possible, seek out other witnesses, then contact other residents to determine whether there is truth to the allegation. If the issue is loud, disturbing noises, politely ask the offending resident to be more courteous to his or her neighbors. Most residents will handle this type of problem without contacting the owner.

If there is difficulty with one resident, don't allow the problem to escalate to a level that might involve other residents, particularly if operating a multi-unit property. Don't discuss resident information with other residents.

If there is a valid resident complaint and the complained-about resident does not respond to a request, the next step may be to send the resident a written notice advising the resident that they are in violation of the lease. The notice should refer to the provisions of the lease that are being violated and should also state the steps that may take place should the problem persists.

Complaints about maintenance should be handled as quickly as possible. If the repair or replacement cannot be completed in a few days, inform the resident of when they can expect its completion.

## **Handling Claims and Disputes**

There may be instances when the owner and the residents will disagree on matters regarding physical conditions or operating policies and procedures. The owner may need to serve a termination notice, carry out an eviction, or seek legal counsel, to formalize demands and remedies. If the problem involves health or safety issues, the IROP is best served by consulting with a lawyer. In most states when an IROP pursues a non-rent breach of lease eviction or other legal action, counsel is required.

## General Guidelines for Adjusting Claims or Disputes

In the adjustment of claims or disputes, use the following general guidelines:

- If the issue involves the condition of the premises, both the IROP and the resident, on reasonable notice to the other and for the purpose of ascertaining the facts and preserving evidence should have the right to inspect the dwelling unit and common area premises. The Independent Rental Owner Professional and the resident may agree at the time of any claim or dispute to allow a third-party inspection or survey to determine the conformity or condition of the dwelling unit or premises, and may agree that the findings shall be binding in any subsequent litigation or adjustment.
- If arbitration by a third party is unavailable or impractical, it may be possible, if the dispute involves monetary damages, for one or the other party to file a suit in small claims court.
- IROPs may elect to voluntarily vacate a resident's lease; that is; the IROP might want to cancel the lease early if a compromise or satisfactory settlement cannot be made. This tactic may be helpful to use in situations in which a resident cannot be satisfied, and the rental property can be easily re-rented.
- Most states allow a form of constructive eviction. Constructive eviction occurs when a resident vacates a rental property due to a serious defect in the condition of the unit, for example, a leaking roof, no heat or hot water and so on. In effect, the law says that since the repair makes the unit uninhabitable, you, the owner, have constructively evicted them because they cannot stay. For a constructive eviction to be valid, the resident must actually move out of the rental property. If the IROP sues the resident for breaking the lease, and the resident's defense is that a problem was not remedied that the IROP was properly notified of, the judge may find for the resident, stating that it was a constructive eviction.

## **APPENDIX**

The following forms are presented as suggestions for your use. The forms should be reviewed by your counsel prior to use so that you can be assured they are in compliance with state and local laws. Please feel free to duplicate them as needed.

- Make Ready Checklist
- Inventory and Condition Report
- Resident Referral Request
- Resident Survey
- Notice of Returned Check
- Notice to Vacate for Non-Rent Breach of Lease
- Guest Card

## MAKE-READY CHECKLIST

Check ( ) OK column, if item is OK. Check ( ) NO column, if repairs are needed.

When completed, initial OK column.

	OK	NO
<b>ENTRY WAY</b>		
Exterior Light		
Apt. Number		
Front Door		
Locks		
Door Frame		
Peep Hole		
Weather-stripping		
Entry Tile		
Interior Light		
Door Stops		
Entry Alarm		

### **LIVING/DINING ROOM**

Carpet		
Walls		
Ceiling		
Light Fixtures		
Ceiling Fan		
Drapes/Blinds		
<b>Windows</b>		
Glass		
Locks		
Screens		
Light Switches		
Receptacles		
Cable Outlet		
Cover Plates		

	OK	NO
<b>HALLWAY</b>		
Carpet		
Walls		
Ceiling		
Light		
Light Switch		
Smoke Detector		

### **HVAC**

Filter		
Evaporator Coils		
Return Air Grills		
Heater		
Air Conditioner		
Thermostat		

### **UTILITY ROOM**

Door		
Floor		
<b>Washer/Dryer Connections</b>		
Leaks		
Handles		
<b>Washer</b>		
Run One Cycle		
Rubber Foot Pads		
Level		
Water Hoses		

## Make Ready Checklist Page 2

OK NO

### FIREPLACE

Damper (closed)		
Screen/Doors		
Grate		
Hearth/Mantle		

### AIR VENTS

### DOOR STOPS

### PATIO/BALCONY

Door		
<b>Windows</b>		
Glass		
Locks		
Screens		
Railings		
Decking		

### BEDROOMS

#### Closet

Door		
Light		
Carpet		
Walls		
Ceiling		
Shelves		
Rod		

OK NO

### Dryer

Door		
Lint Trap		
Vent Hose		
Vent Cover		

### WATER HEATER

Hot Water Line		
Cold Water Shutoff		
Tank		
Press. Relief Valve		
Drain Valve		

### BEDROOMS

Door		
Lock		
Door Stops		
Carpet		
Walls		
Ceiling		
Light Fixture		
Ceiling Fan		
Light Switches		
Receptacles		
Cable Outlet		
Phone Jack		
Cover Plates		
Drapes/Blinds		
<b>Windows</b>		
Glass		
Locks		
Screens		

## Make Ready Checklist Page 3

OK NO

### KITCHEN

Floor		
Walls		
Ceiling		
Wallpaper		
Counter Tops		
Light		
Light Cover		
Switches		
Receptacles		
GFCI		
Phone Jack		
Cover Plates		
<b>Faucets</b>		
Leaks		
Handles		
Aerator		
<b>Sink</b>		
Leaks		
Stoppers		
Bottom Shelf		
Caulking		
<b>Garbage Disposal</b>		
Runs Free		
No Vibration		
Splash Guard		
Leaks		
<b>Garbage Disposal</b>		
Runs Free		
No Vibration		
Splash Guard		
Leaks		

OK NO

### KITCHEN

<b>Range</b>		
Surface Elements		
Knobs		
Indicator Lights		
Timer		
<b>Door</b>		
Springs		
Gasket		
Handle		
Glass		
Self-Clean Latch		
Light Switch		
Bake/Broil Elements		
Racks		
Light		
Broiler Pan		
Drawer		
<b>Vent Hood</b>		
Light		
Fan		
Filter		
Microwave		
<b>Refrigerator</b>		
Exterior		
Level		
Coils Clean		
Shelves/Trays		
Light		
Light Switch		
Door Gasket		
Thermostat on Lowest Setting		
Ice Bin/Trays		

## Make Ready Checklist Page 4

OK NO

### KITCHEN

<b>Dishwasher</b>		
Run Full Cycle		
Drain Hose Looped		
Air Gap		
Kick Plate		
Door Latch		
Secured to Counter		
Switches		
Receptacles		
GFCI		

### BATHROOMS

<b>Faucets</b>		
Leaks		
Handles		
Aerator		
Sink Stopper		
<b>Shower</b>		
Tub Drains		
Drain Screen		
Tub Stopper		
Curtain Rod		
Tile Grout		
Towel Bar		
<b>Linen Closet</b>		
Door		
Shelves		

### COMMENTS

OK NO

### KITCHEN

<b>Pantry</b>		
Door		
Door Stop		
Shelves		

### BATHROOMS

Door		
Lock		
Door Stop		
Floor		
Walls		
Wallpaper		
Ceiling		
Lights		
Light Switch		
GFCI		
Cover Plates		
Mirror		
Medicine Cabinet		
<b>Vanity</b>		
Sides		
Bottom Shelf		
Drawers		
<b>Commode</b>		
Flushes		
Supply Line		
Tank		
Water Level		
Ballcock Assembly		
Flush Arm		
Flapper		
Seat		
Bolt Covers		



# INVENTORY AND CONDITION FORM

## Property:

Resident Name:

Home Phone:

Resident Name:

Home Phone:

Resident Name:

Home Phone:

Resident Name:

Home Phone:

## Apt. No:

Work Phone:

Work Phone:

Work Phone:

Work Phone:

Within 48 hours after move-in, the resident must note on this form all defects or damage found in the apartment and return it to the property office. If not returned, everything will be considered to be in a clean, safe and good working condition. Please mark through items listed below if they do not exist in the subject apartment.

PLEASE CHECK ONE:

\_\_\_\_\_ Move-In Condition

\_\_\_\_\_ Move-Out Condition

### LIVING ROOM

Walls \_\_\_\_\_  
Wallpaper \_\_\_\_\_  
Plugs, Switches, A/C Vents \_\_\_\_\_  
Woodwork/Baseboards \_\_\_\_\_  
Ceiling \_\_\_\_\_  
Light Fixtures, Bulbs \_\_\_\_\_  
Floor/Carpet \_\_\_\_\_  
  
Doors, Stops, Locks \_\_\_\_\_  
Windows, Latches, Screens \_\_\_\_\_  
Window Coverings \_\_\_\_\_  
Closets, Rods, Shelves \_\_\_\_\_  
Closet, Lights, Fixtures \_\_\_\_\_  
Lamps, Bulbs \_\_\_\_\_  
Other \_\_\_\_\_

### DINING ROOM

Walls \_\_\_\_\_  
Wallpaper \_\_\_\_\_  
Plugs, Switches, A/C Vents \_\_\_\_\_  
Woodwork/Baseboards \_\_\_\_\_  
Ceiling \_\_\_\_\_  
Light Fixtures, Bulbs \_\_\_\_\_  
Floor/Carpet \_\_\_\_\_  
  
Doors, Stops, Locks \_\_\_\_\_  
Windows, Latches, Screens \_\_\_\_\_  
Window Coverings \_\_\_\_\_  
Closets, Rods, Shelves \_\_\_\_\_  
Closet Lights, Fixtures \_\_\_\_\_  
Lamps, Bulbs \_\_\_\_\_  
Other \_\_\_\_\_

### KITCHEN

Walls \_\_\_\_\_  
Wallpaper \_\_\_\_\_  
Plugs, Switches, A/C Vents \_\_\_\_\_  
Woodwork/Baseboards \_\_\_\_\_  
Ceiling \_\_\_\_\_  
Light Fixtures, Bulbs \_\_\_\_\_  
Floor/Carpet \_\_\_\_\_  
Doors, Stops, Locks \_\_\_\_\_  
Windows, Latches, Screens \_\_\_\_\_  
Window Coverings \_\_\_\_\_  
Cabinets, Drawers, Handles \_\_\_\_\_  
Countertops \_\_\_\_\_  
Stove/Oven, Trays, Pans, Shelves \_\_\_\_\_  
Vent Hood \_\_\_\_\_  
Refrigerator, Trays, Shelves \_\_\_\_\_  
Refrigerator Light/Crisper \_\_\_\_\_  
Dishwasher, Dispensers, Racks \_\_\_\_\_  
Sink/Disposal \_\_\_\_\_  
Microwave \_\_\_\_\_  
Other \_\_\_\_\_

### GENERAL ITEMS

Thermostat \_\_\_\_\_  
Cable TV/Master Antenna \_\_\_\_\_  
A/C Filter \_\_\_\_\_  
Washer/Dryer \_\_\_\_\_  
Garage Door \_\_\_\_\_

### HALL

Walls \_\_\_\_\_  
Wallpaper \_\_\_\_\_  
Plugs, Switches, A/C Vents \_\_\_\_\_  
Woodwork/Baseboards \_\_\_\_\_  
Ceiling \_\_\_\_\_  
Light Fixtures, Bulbs \_\_\_\_\_  
Floor/Carpet \_\_\_\_\_  
Doors, Stops, Locks \_\_\_\_\_  
Closets, Rods, Shelves \_\_\_\_\_  
Closet Lights, Fixtures \_\_\_\_\_  
Other \_\_\_\_\_

### EXTERIOR (if applicable)

Patio/Yard \_\_\_\_\_  
Fences/Gates \_\_\_\_\_  
Faucets \_\_\_\_\_  
Balconies \_\_\_\_\_  
Other \_\_\_\_\_

### BEDROOM ONE

Walls \_\_\_\_\_  
Wallpaper \_\_\_\_\_  
Plugs, Switches, A/C Vents \_\_\_\_\_  
Woodwork/Baseboards \_\_\_\_\_  
Ceiling \_\_\_\_\_

Property:

Apt. No:

PLEASE CHECK ONE:

\_\_\_\_\_ Move-In Condition

\_\_\_\_\_ Move-Out Condition

Ceiling Fans \_\_\_\_\_  
Exterior Doors/Doorbell \_\_\_\_\_  
Fireplace \_\_\_\_\_  
Other \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Light Fixtures, Bulbs \_\_\_\_\_  
Floor/Carpet \_\_\_\_\_  
Doors, Stops, Locks \_\_\_\_\_  
Windows, Latches, Screens \_\_\_\_\_  
Window Coverings \_\_\_\_\_  
Closets, Rods, Shelves \_\_\_\_\_  
Closet Lights, Fixtures \_\_\_\_\_  
Other \_\_\_\_\_

**BEDROOM (describe which one):**

Walls \_\_\_\_\_  
Wallpaper \_\_\_\_\_  
Plugs, Switches, A/C Vents \_\_\_\_\_  
Woodwork/Baseboards \_\_\_\_\_  
Ceiling \_\_\_\_\_  
Light Fixtures, Bulbs \_\_\_\_\_  
Floor/Carpet \_\_\_\_\_  
  
Doors, Stops, Locks \_\_\_\_\_  
Windows, Latches, Screens \_\_\_\_\_  
Window Coverings \_\_\_\_\_  
Closets, Rods, Shelves \_\_\_\_\_  
Closet Lights, Fixtures \_\_\_\_\_  
Other \_\_\_\_\_  
\_\_\_\_\_

**BEDROOM (describe which one):**

Walls \_\_\_\_\_  
Wallpaper \_\_\_\_\_  
Plugs, Switches, A/C Vents \_\_\_\_\_  
Woodwork/Baseboards \_\_\_\_\_  
Ceiling \_\_\_\_\_  
Light Fixtures, Bulbs \_\_\_\_\_  
Floor/Carpet \_\_\_\_\_  
  
Doors, Stops, Locks \_\_\_\_\_  
Windows, Latches, Screens \_\_\_\_\_  
Window Coverings \_\_\_\_\_  
Closets, Rods, Shelves \_\_\_\_\_  
Closet Lights, Fixtures \_\_\_\_\_  
Other \_\_\_\_\_  
\_\_\_\_\_

**BATH (describe which one):**

Walls \_\_\_\_\_  
  
Wallpaper \_\_\_\_\_  
Plugs, Switches, A/C Vents \_\_\_\_\_  
Woodwork/Baseboards \_\_\_\_\_  
Ceiling \_\_\_\_\_  
Light Fixtures, Bulbs \_\_\_\_\_  
Exhaust Fan/Heater \_\_\_\_\_  
Floor/Carpet \_\_\_\_\_  
  
Doors, Stops, Locks \_\_\_\_\_  
Windows, Latches, Screens \_\_\_\_\_  
Window Coverings \_\_\_\_\_  
Sink, Faucet, Handles, Stopper \_\_\_\_\_  
Countertops \_\_\_\_\_  
Mirror \_\_\_\_\_  
Cabinets, Drawers, Handles \_\_\_\_\_  
Toilet, Paper Holder \_\_\_\_\_  
Bathtub, Enclosure, Stopper \_\_\_\_\_  
Shower, Doors, Rods \_\_\_\_\_  
Tile \_\_\_\_\_  
Other \_\_\_\_\_  
\_\_\_\_\_

**BATH (describe which one):**

Walls \_\_\_\_\_  
  
Wallpaper \_\_\_\_\_  
Plugs, Switches, A/C Vents \_\_\_\_\_  
Woodwork/Baseboards \_\_\_\_\_  
Ceiling \_\_\_\_\_  
Light Fixtures, Bulbs \_\_\_\_\_  
Exhaust Fan/Heater \_\_\_\_\_  
Floor/Carpet \_\_\_\_\_  
  
Doors, Stops, Locks \_\_\_\_\_  
Windows, Latches, Screens \_\_\_\_\_  
Window Coverings \_\_\_\_\_  
Sink, Faucet, Handles, Stopper \_\_\_\_\_  
Countertops \_\_\_\_\_  
Mirror \_\_\_\_\_  
Cabinets, Drawers, Handles \_\_\_\_\_  
Toilet, Paper Holder \_\_\_\_\_  
Bathtub, Enclosure, Stopper \_\_\_\_\_  
Shower, Doors, Rods \_\_\_\_\_  
Tile \_\_\_\_\_  
Other \_\_\_\_\_  
\_\_\_\_\_

**HALF BATH**

Walls \_\_\_\_\_  
  
Wallpaper \_\_\_\_\_  
Plugs, Switches, A/C Vents \_\_\_\_\_  
Woodwork/Baseboards \_\_\_\_\_  
Ceiling \_\_\_\_\_  
Light Fixtures, Bulbs \_\_\_\_\_  
Exhaust Fan/Heater \_\_\_\_\_  
Floor/Carpet \_\_\_\_\_  
\_\_\_\_\_

**SAFETY-RELATED ITEMS (Put "none" if item does not exist)**

Door Knob Locks \_\_\_\_\_  
Keyed Deadbolt Locks \_\_\_\_\_  
Keyless Deadbolts \_\_\_\_\_  
Keyless Bolting Devices \_\_\_\_\_  
Sliding Door Latches \_\_\_\_\_  
Sliding Door Security Bars \_\_\_\_\_  
Sliding Door Pin Locks \_\_\_\_\_  
Doorviewers \_\_\_\_\_  
Window Latches \_\_\_\_\_  
Porch and Patio Lights \_\_\_\_\_

**Property:**

**Apt. No:**

PLEASE CHECK ONE:

\_\_\_\_\_ Move-In Condition

\_\_\_\_\_ Move-Out Condition

Doors, Stops, Locks \_\_\_\_\_  
Windows, Latches, Screens \_\_\_\_\_  
Window Coverings \_\_\_\_\_  
Sink, Faucet, Handles, Stopper \_\_\_\_\_  
Countertops \_\_\_\_\_  
Mirror \_\_\_\_\_  
Cabinets, Drawers, Handles \_\_\_\_\_  
Toilet, Paper Holder \_\_\_\_\_  
Tile \_\_\_\_\_  
Other \_\_\_\_\_  
\_\_\_\_\_

Smoke Detectors (push button to test) \_\_\_\_\_  
Alarm System \_\_\_\_\_  
Fire Extinguishers (check charge —DON'T TEST!) \_\_\_\_\_  
Garage Door Opener \_\_\_\_\_  
Gate Access Cards(s) \_\_\_\_\_  
Other \_\_\_\_\_  
\_\_\_\_\_

**Date of Move-In:** \_\_\_\_\_

-or-

**Date of Move-Out:** \_\_\_\_\_

**Resident Acknowledgment:** I acknowledge that I have inspected and tested all of the above items (if in the dwelling) and that they are working, except as noted above. All items will be assumed to be in good condition unless otherwise noted on this form. You acknowledge receiving written operating instructions on the alarm system and gate access entry systems (if there are any). You acknowledge testing the smoke detector(s) and verify they are operating correctly.

*In signing below, I accept this inventory as part of the Lease Contract and agree that it accurately reflects the condition of the premises for purposes of determining any refund due to me when I move out.*

**Resident or Resident's Agent:** \_\_\_\_\_

**Date of Signing:** \_\_\_\_\_

**Owner or Owner's Representative:** \_\_\_\_\_

**Date of Signing:** \_\_\_\_\_

## **RESIDENT REFERRAL REQUEST**

A Resident Referral incentive has been earned by the following resident for referring a new resident to the property.

### **CURRENT RESIDENT**

<b>NAME</b>	
<b>APT. NO.</b>	
<b>HOME TELEPHONE</b>	
<b>Resident's Signature</b>	

### **REFERRED RESIDENT**

<b>NAME</b>	
<b>APT. NO.</b>	
<b>Move-In Date</b>	

### **TO BE COMPLETED BY PROPERTY PERSONNEL**

Did the new resident list the referring resident on the application? ☐ Yes ☐ No

Has this request been submitted within 30 days of move-in? ☐ Yes ☐ No

### **ACCOUNTING**

Incentive posted to Referring Resident's Ledger:

Date: \_\_\_\_\_

Amount: \_\_\_\_\_

By: \_\_\_\_\_

Entry # \_\_\_\_\_

Resident referral programs are not permitted where restricted by law. Referral requests submitted more than 30 days after new resident move-in are automatically disqualified.

## **RESIDENT SURVEY**

We are pleased you have chosen to make your home with us. As one of our residents, we look to you for information and assistance to ensure we are meeting your needs and expectations. We don't know unless you tell us or we ask. Your input is important to us!

Please take a few moments to complete the questions below. We are interested in understanding your impressions of the property. If you have a service request or just a comment you'd like to share with us, please use the space provided.

Apt. No. or Address: \_\_\_\_\_

Date Survey Completed: \_\_\_\_\_

Name \_\_\_\_\_

Move-In Date \_\_\_\_\_

**5-Excellent      4-Good      3-Average      2-Fair      1-Poor      N/A-Not Applicable**

	5	4	3	2	1	N/A
<b>1. How would you rank your property:</b>						
Landscaping/Grounds						
Building Exteriors						
<b>Utility Service</b>						
General Upkeep						
Mail Area						
Parking						
Rental Pricing						
Programs or policies						
Owner Availability						
<b>2. How would you rank service response to any problems you've had in the past?</b>						
<b>3. How would you rank your overall treatment by management personnel?</b>						

4. Are you planning to renew your lease? YES \_\_\_\_ NO \_\_\_\_ If no, please explain: \_\_\_\_\_

\_\_\_\_\_

5. Do you require management or maintenance assistance now? YES \_\_\_\_ NO \_\_\_\_ If so, when is it most convenient to contact you and at what phone number can you be reached?

We thank you for your time in completing this survey and for your continued residency with us. Your answers will enable us to serve you better now and in the future.

Please return your completed questionnaire within the next ten (10) days.

## **NOTICE OF RETURNED CHECK**

Today's Date	Property Name
Resident Name	Apartment Number

**Check Amount** \_\_\_\_\_

**NSF Fee** \_\_\_\_\_

**Late Charge** \_\_\_\_\_

**TOTAL NOW DUE** \_\_\_\_\_

Your check dated \_\_\_\_\_ in the amount of \$ \_\_\_\_\_ has been returned to us by your bank.

This check must be cleared with certified funds (money order or cashier's check - cash will not be accepted) within \_\_\_\_ hours of the date of delivery of this notice. Your check will not be redeposited.

A NSF fee of \$ \_\_\_\_\_ has been charged to your account along with applicable late fees as described in the lease contract.

We urge you to clear this amount quickly so that further remedies need not occur.

Please see the Community Director if there are any questions about this matter.

Notice	Date
Served By:	Served:

## **NOTICE TO VACATE FOR NON-RENT BREACH OF LEASE**

Date \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Names of all Residents

\_\_\_\_\_  
Street Address, City, State, Zip Code

RE: Notice to Vacate for Non-Rent Breach of Lease  
Lease Contracted dated \_\_\_\_\_  
Between Residents and Owner  
\_\_\_\_\_

Dear Resident(s)

You have violated your Lease Contract as described below:

Lease Rule or Paragraph Number: \_\_\_\_\_

Name of Resident/Occupant/Guest in Violation: \_\_\_\_\_

Description of Violation: \_\_\_\_\_  
\_\_\_\_\_

This is a substantial breach of your Lease Contract. We are therefore exercising our right under the lease to terminate your rights of occupancy and possession, effective immediately. You are still liable for rent and other charges you may owe under the lease. If you have not already moved out, demand for possession is hereby made and you are hereby given notice to vacate the premises on or before midnight, the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, which is at least \_\_\_\_\_ (days from the delivery of this notice to you or the leased premises. Failure to move out by then will result in appropriate legal action before the Justice of the Peace. Delay or postponement of such action will not constitute waiver.

\_\_\_\_\_  
**Signature of Owner or Owner's Representative**

\_\_\_\_\_  
Date notice was (check one of the options)

- \_\_\_\_ Hand delivered to resident  
\_\_\_\_ Hand delivered to resident's dwelling  
\_\_\_\_ Mailed to resident  
\_\_\_\_ Mailed to the resident's dwelling

Original to Resident

Copy to Owner

## WELCOME INFORMATION

Name: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_

State: \_\_\_\_\_

Zip: \_\_\_\_\_

Phone: \_\_\_\_\_

Fax: \_\_\_\_\_

Cell Phone: \_\_\_\_\_

E-mail: \_\_\_\_\_

Names of others who will be living with you: \_\_\_\_\_

How did you hear about us? \_\_\_\_\_

- ☐ Referral    ☐ Apt. Publication    ☐ Apartments.com    ☐ Locator    ☐ Drive-by  
☐ Realtor    ☐ Relocation Co.    ☐ Newspaper ad    ☐ Realtor    ☐ Internet  
☐ Employer    ☐ Community Web site  
☐ Other \_\_\_\_\_ If Internet, which site? \_\_\_\_\_

What size rental home best suits your needs? \_\_\_\_\_

- ☐ Studio    ☐ 1-bedroom    ☐ 2-bedroom    ☐ 3-bedroom

What floor do you prefer? \_\_\_\_\_ Price Range desired \_\_\_\_\_

What features are most important? \_\_\_\_\_

Move in date desired? \_\_\_\_\_

Why are you moving? \_\_\_\_\_

Do you have any special needs or desires for you're new home (i.e. room size, storage, work space, etc.)? \_\_\_\_\_

What specifically attracted you to our property? \_\_\_\_\_

We're a pet-friendly community. Do you have a pet? ☐ No ☐ Yes, I have a \_\_\_\_\_  
(For pets that require housebreaking -- pet's age: \_\_\_\_\_, weight: \_\_\_\_\_)

Owners Representative: \_\_\_\_\_ Date: \_\_\_\_/\_\_\_\_/\_\_\_\_ Time: \_\_\_\_\_ Day: \_\_\_\_\_



(This side to be completed by the Owner's Agent)

1st contact: Date \_\_\_\_/\_\_\_\_/\_\_\_\_ How? ☐ Phone ☐ In person ☐ e-mail ☐ other \_\_\_\_\_

Results \_\_\_\_\_

2nd contact: Date \_\_\_\_/\_\_\_\_/\_\_\_\_ How? ☐ Phone ☐ In person ☐ e-mail ☐ other \_\_\_\_\_

Results \_\_\_\_\_

3rd contact: Date \_\_\_\_/\_\_\_\_/\_\_\_\_ How? ☐ Phone ☐ In person ☐ e-mail ☐ other \_\_\_\_\_

Results \_\_\_\_\_

Model(s) shown \_\_\_\_\_ by \_\_\_\_\_

Vacant(s) shown \_\_\_\_\_ by \_\_\_\_\_

E-mail thank you \_\_\_\_\_ date \_\_\_\_/\_\_\_\_/\_\_\_\_

Guest's needs and wants \_\_\_\_\_

Hot buttons \_\_\_\_\_

If guest did not lease, why? \_\_\_\_\_