

SURREALTY

California Property Management Guide

Working with Property Management

A property management company helps you run your rental properties and ensures all your investments operate well. Your chosen property management firm represents your property and is thus responsible for handling the everyday functioning of your properties and tenants living in them.



Agreement with the Property Management

Before hiring a property management firm, make sure you thoroughly read and understand the property management agreement made between you and the firm. This agreement lists out all of their responsibilities and tasks and generally contains information both the owners and property management agree about. All confusions are dispelled by thoroughly reading the agreement with a clear picture about your relationship with the firm in case any dispute arises in the future.

Find out if there are any fees or penalties for early termination of the contract. While all managers don't charge a fee, they may charge a straightforward flat fee of \$300-\$500. They may also charge conditional fees like paying fees for cancellations made in the initial vacancy period or for cancellations made within a year or after a tenant moves in.

The termination clause is important in the contract as it explains circumstances where you or the manager can prematurely end relationships and its consequent expenses. You may feel trapped in the relationship without a termination clause.

Check how much time the management company needs to enforce the termination of the contract. While 30 days is the norm, some companies need 90 days.





Make sure it is also noted if a cause for termination is required to provide the termination notice and if they so, the agreement has to clearly define the cause(s).

While all contracts provide a clause explaining what the management company may or may not be liable for, they are not liable for any negligence by people they hire to work on your behalf.

Owner's payments - Some contracts are broader and clearly define what compensation the firm expects from owners. Also make sure to find out what day of the month should you expect funds? Your rental income collects interest quickly if it reaches your bank account versus sitting in your manager's bank account. Make sure there is there a direct deposit option.

Taxes - Ask if the management company will provide a IRS-1099 and profit and loss statement summary for tax purposes.

Accounts - Will they maintain clear records and statements? It's important that all property funds are included in a clear audit trail, look for companies that maintain and provide invoice copies.

Reports - A property management company should send monthly reports indicating the monthly income and expenses. Check if you can view reports online since this saves you time and increases transparency. Reports indicate your investment's performance, so you must first

ensure that the provided report meets your needs by checking a sample report with no or dummy data.

The reports should be easy to read and understand, with details like collected rent, deduction of property management fees, net dollar amount, etc.

Address - There should be a maximum 25 minutes drive between the property management company and your property to ensure it gets the proper attention.

Tenant Application Process

These five steps are typical when prospective tenants consider a rental property.

Unit viewing - All applicants above 18 years of age who will be living in the unit have to personally view the unit before submitting applications.

Complete application - All applicants aged 18 and above who will be living in the unit have to sign the rental form.

Credit Check/Processing Fee - Each residing applicant above 18 years of age has to pay a non-refundable Credit Check/Processing Fee in cash, check or money order payable to the property management firm. It is not part of the Holding Deposit funds.





Holding Deposit - A holding deposit amounting to 25% of the present market monthly rental rate has to be paid with the completed Application to Rent Form and Rental Policy Agreement. This deposit will pay for the first month's rent once the completed application package is approved. The deposit may be paid in cash, check or money order payable to the property management firm but is not included in the Credit Check/ Processing Fee.

Screenings

While it's easy getting applicants for reasonably priced units, it can be a challenge finding and keeping qualified tenants.

Different companies carry different screening processes. You need to find out how much protection the company provides you from any possible future bad tenants. It takes just one eviction to prove how important this aspect is in the duties of a management companies.

Moreover, besides asking the following questions, check a rental application copy to find out if it's a generic or custom-tailored document.

Comprehensive screening is a necessity and some




steps that a property management firm should take include:

- Contacting former landlords
- Verifying jobs and income
- Getting a credit report
- Checking for public notices like bankruptcy and eviction, contacting personal references and verifying the application information for authenticity
- What are their important tenant qualifications and do they consider tenants who meet only qualifications in some areas and not others? You can get a good idea of how well they screen their tenants through their eviction rate and tenant turnover rate.
- Will they give you information about tenants so that you can approve or deny them? Let the property management approve or deny a tenant. They are experts at the job, and if you can't trust them with it, there's no point in hiring them at all.

Other questions worth asking:

- How much are tenants charged for an application fee? Application and screening fees cost between \$40-\$75.





- Do all adults renting out the property have to complete individual applications? This should be a resounding Yes!

Security deposits

Security deposits motivate tenants to look after your property and avoid losses due to tenant damage. However if handled poorly, you lose your right to keep a part of the deposit and may end up having to owe your tenant much more than the deposit amount.

Under California-landlord tenant laws, a landlord can charge a renter the equivalent of two months' rent for an unfurnished residence and three months' rent for a furnished residence. There are specific laws that protect both landlords and tenants in regards to security deposits.

A tenant's security deposit can be used for four purposes:

- Unpaid rent
- Cleaning the rental unit when the tenant moves


A woman and a man are jogging on a bridge. The woman is in the foreground, wearing a blue t-shirt and colorful shorts. The man is slightly behind her, wearing a black tank top and black shorts. They are running on a paved path with a white line. In the background, there are other people walking, a city skyline, and a bridge structure. The sky is overcast.

out

- Repair of damages aside from normal wear and tear
- Depending on the lease, the cost of replacing or fixing any furniture, personal property, aside from normal wear and tear
- A tenant can request of the property management firm to inspect the rental unit before the tenancy ends. This gives the tenant the chance to identify any cleaning or needed repairs to avoid security deposit deductions.

Note, that a rental agreement can never state that a security deposit is "nonrefundable." A full refund or a portion of the security deposit with an itemized list of deductions must be sent to the tenant within 21 calendar days of the tenant moving.

- Can the property manager sign checks on the owner's behalf and if so, what controls and prevents funds misuse and outright embezzlement?
- Do they prevent mixing of funds of all the managed properties? As property management companies are entrusted with so many responsibilities,

A photograph of a room with a window, light-colored curtains, and a brown leather chair with a patterned cushion. The scene is brightly lit, suggesting a sunny day. The text is overlaid on a semi-transparent white box.

it's better to ask these questions during the interview so you understand their approach.

- What is their present vacancy rate? If they can't get or keep tenants, it may apply to your property too! Find out what is the average length of time it takes to fill a vacancy.

Rentals and Evictions

- How do they figure rental rates? Along with managing your property, a property manager is tasked with maximizing the rental rate. A property management firm should leverage both local market data and real estate technology to determine proper rental rates.

- When do they increase rents? Rental rate surveys should be performed annually or more frequently if there are vacancies or lease renewals.

- What is their rent collection process? The property management firm should offer tenants an opportunity to pay via check or direct deposit.

- How do they handle delinquent payments? A property manager works for you so it is critical they don't slack off if a tenant falters with payments. The proper-



ty manager needs to move fast with any delinquent payments.

- When is rent due and length of grace period? It's standard for rent to be paid on the first day, considered late on the second day of the month or within the grace period extending to the 3rd or 5th.

- What is the late fee? Late fees generate revenue; but its main intention is to ensure tenants make punctual payments. It is usually between 5-10% of the monthly rent and sometimes an additional small daily fee is included to encourage the tenant to pay on time. It mainly reflects the penalty the owner pays because of late mortgage payments.

- How are evictions handled? The eviction process should be very well documented. Though the process varies case by case, the property manager should be able to explain the basic checklist followed each time.



Work with a company that acts quickly, records their actions and knows the eviction procedure laws. If a property manager has many evictions then their screening process needs to be more thorough and strict.

- How quickly do they repossess evicted properties? Time is precious and unscrupulous tenants can drag the eviction process so it's imperative to work with a property manager that acts quickly.
- What about eviction insurance? This is a monthly fee ensuring the management company pays attorney and court fees for any eviction. Though it's not widely offered, it proves the property management firm's confidence in their screening process.

Maintenance and Repairs


- When do they pay vendors? Vendors kept waiting for long periods only strains relationships and in lieu of this, vendors increase rates to compensate for the cash flow blockage. There should be some reserve to prevent this from happening.
- What do they have in place for property maintenance? A property management company should increase their owner's properties values. They should quickly attend to tenant requests and show owners how their money is spent. Competent managers do all this with the help of technology, their staff and network



of cost-effective, licensed and qualified vendors.

- How are incoming residential maintenance requests and related work orders kept track of? Property management should offer different options for tenants to place requests, including after hours requests, including telephone, email, in person and texts. Some property management firms have sophisticated web portals set up for both tenants and owners to access.

- What about preventative maintenance? Preventative maintenance helps maintain the property value by preventing small issues from growing into larger and more expensive problems. It includes predefined maintenance, an inspection schedule and prompt handling of problems.

A young tree with green leaves stands in front of a white building with a window. The tree is positioned in the center-left of the frame, with its trunk extending from the bottom to the top. The window is a white-framed, multi-paned window located behind the tree. The background is a plain white wall.

Any maintenance personnel should be licensed, bonded and insured with workers compensation, and be available 24/7/365 to handle emergencies. Also inquire if the contractors' workers they use are licensed, bonded and insured with workers compensation.

- Are there any conflicts of interests with vendors? Be careful of relationships that are not based on good work and price. While management companies are rewarded for their business by vendors, it should be as discounted rates befitting the owner, and not referral bonuses for the management firm. Make sure to get full disclosure about applicable pre-existing relationships and be notified when the issue pops up in the future again with new vendors.

A possible exception here is when the management company receives a guaranteed payment fee from the vendor and pays the vendor even if the owner of the property does not have sufficient funds in the account.

- Will they provide itemized statements with receipts for repairs and expenses? These statements add transparency to the billing process, and you don't want to work with management companies that don't provide proof of where your money goes.



- Do they allow tenant to perform repairs? As tenants do not perform superior repair work and lack insurance coverage, workers compensation or liability, you are liable to pay for any accidents or injuries.

If tenant repairs are not permitted, it should be mentioned in the rental agreement and if it's permitted, the tenant should sign a waiver and agree that all repairs should be approved by the property manager.


Since you pay the management company to watch your property, it's important they are particular about regular inspections. Owners don't know how much damage bad tenants can make even in short periods of time. They assume that as long as they punctually receive their rent, there's nothing to worry about.

Though the property goes through the normal cleaning, painting and re-keying, consider home improvements that can maximize rental revenue. Your property manager should be able to provide feedback based off local market data and trends.

Inspections

The tenant and manager should do a walk-through including digital photos before signing the inspection report to resolve any disputes about damages incurred during the tenant's stay.

Interior property inspections - The property should be inspected at least once or twice a year by the property manager and include

A large window with a grid pattern, showing a view of a building and trees outside. The window is divided into a 3x4 grid of panes. The top two panes show a clear sky and a small dark object on a roof. The middle two panes show a view of a building and trees. The bottom two panes show a view of a building and trees, with a dark, possibly overcast sky.

a checklist with everything at home including locks, A/C filters, water heaters and electrical and plumbing connections. Tenants should be informed at least 24 hours before the inspection.

Exterior property inspections - While monthly and quarterly exterior property inspections are standard, the more frequent inspections performed, the better. In most cases, these inspections can even be drive-by inspections.

Marketing

Find out where the property management advertises rental listings since your property will rent faster with more exposure. Your listing may end up in various paid and free websites and your manager may use offline channels like signs, the MLS, fliers, print classifieds and a 24-hour hotline for prospective tenants to learn about the property.

Check their rental ads to see if they stand out from competition, and consider how informative and compelling they are. While any company can write up engaging copy and list on various websites, you need a company that leverages technology, digital marketing and social media for maximum impact.

- What is their cost per lead? You know you are dealing with a manager who keeps close track of their advertising money if they know what their cost per lead is.

- Who responds to the leads generated by rental ads? This may be the chain's weakest link if someone unqualified handles even the most well placed and written rental ads.


- How quickly do they respond to calls and emails from prospective tenants? The quicker they respond the better since you need a property management company who aggressively responds and nurtures leads at all the sales cycle points. This is a disadvantage to less sales-oriented companies as neglected calls and emails lead to longer vacancy periods. The best way to check the answer they provide you is by pinging on one of their ads, and noting how long they take to respond to you.

- Do they put in time and effort for an optimal inside and outside presentation during a showing? As decisions are made during showings, your company should pay utmost attention to all details which matter.

- Do they show occupied units? Occupied units should be shown only if the tenant is informed about it and if the unit is presentable and precautions have been taken to minimize intrusions and disturbances. Put up ads for presentable units before the move out date to minimize its vacancy period.







- Find out who shows units and if they permit unsupervised showings through lock boxes. An organized manager makes a showing successful by being available to answer any questions that prospective tenants will ask about the property, neighborhood, lease, etc. Lock boxes for showings are helpful since real estate agents can access the property but it's imperative that the property manager checks on the property on a regular basis to avoid any possible vandalism.

- Find out how frequently they will show the unit through the week and weekend. Stay away from managers reluctant to conduct multiple showings for your property.

- Is tenant retention more of a priority or an afterthought? The perfect retention program responds quickly to tenants' needs, establishes regular contact for assessing needs and feedback, informs about possible rent increases, provides sufficient financial incentives and also explains rent increases. Other moves that trigger goodwill are newsletters, welcome packets and seasonal gifts or cards.

A close-up, low-angle shot of a car's headlight. The headlight is circular with a chrome-like rim and a clear lens. The lens reflects the surrounding environment, including what appears to be a building and some greenery. The background is blurred, showing parts of the car's body and other lights.

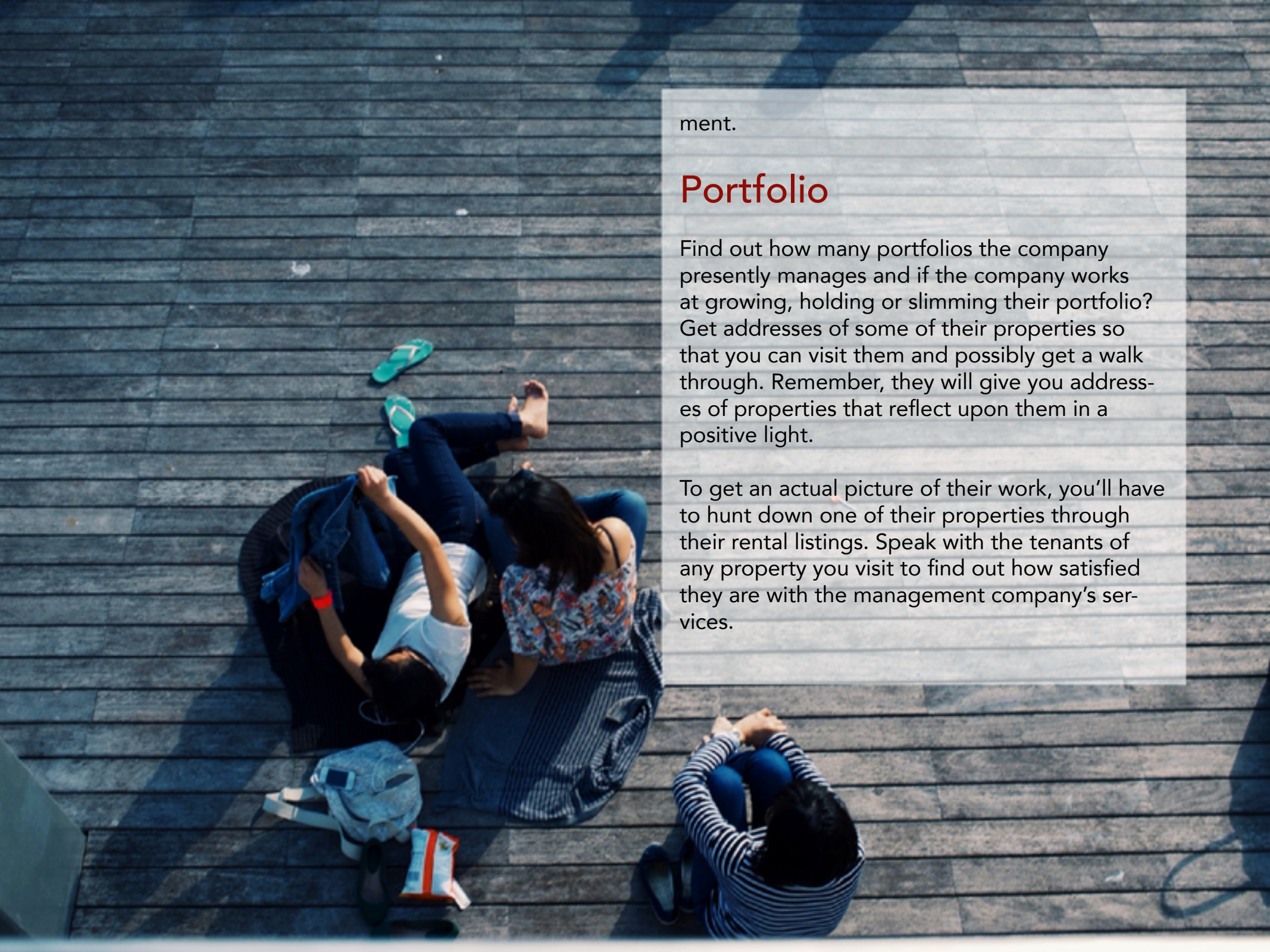
Certifications

Is the property management company active in continuing education? This proves how serious the company is about their work. Companies that nurture their employees' professional development are a better choice. Recipients with professional certificates have invested time and money to learn necessary skills to become an expert in their field.

These trade organizations offer the following designations:

- National Association of Residential Property Managers (NARPM) - RMP, MPM, CRMC, CSS
- National Apartment Association (NAA) - CAM, CAMT, CAPS, CAS, NALP
- Institute of Real Estate Management (IREM) - CPM, ARM, AMO, ACoM

Companies with employees who have other related real estate management designations complementing the above certifications prove they have better skills in property manage-



ment.

Portfolio

Find out how many portfolios the company presently manages and if the company works at growing, holding or slimming their portfolio? Get addresses of some of their properties so that you can visit them and possibly get a walk through. Remember, they will give you addresses of properties that reflect upon them in a positive light.

To get an actual picture of their work, you'll have to hunt down one of their properties through their rental listings. Speak with the tenants of any property you visit to find out how satisfied they are with the management company's services.



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BRE: 01942754

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