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What a Landlord Can Do About Tenants Violating No-Smoking Rule

By HANK ROSSI

Dear Landlord Hank: My lease specifies no smoking in the unit and even goes so far as to state that tenants may be responsible for all costs to repaint/clean if they do smoke in the unit, but I am struggling with how to enforce this clause because it’s difficult to prove.

When my latest tenants moved out I found the entire inside of the unit had a grey haze on everything (walls, ceiling, doors, and cabinets). They insist they didn’t smoke in the unit and suggested that it may have been caused by candles.

I’ve had tenants who used candles regularly before and have never seen this kind of thick haze. I’m certain they were smoking in the unit, but don’t have any evidence other than photos of how bad the haze was and my receipts for painting the walls/ceiling.

Is this sufficient if they challenge my
See ‘What’ on Page 5

Pandemic Leads to Declining Rents

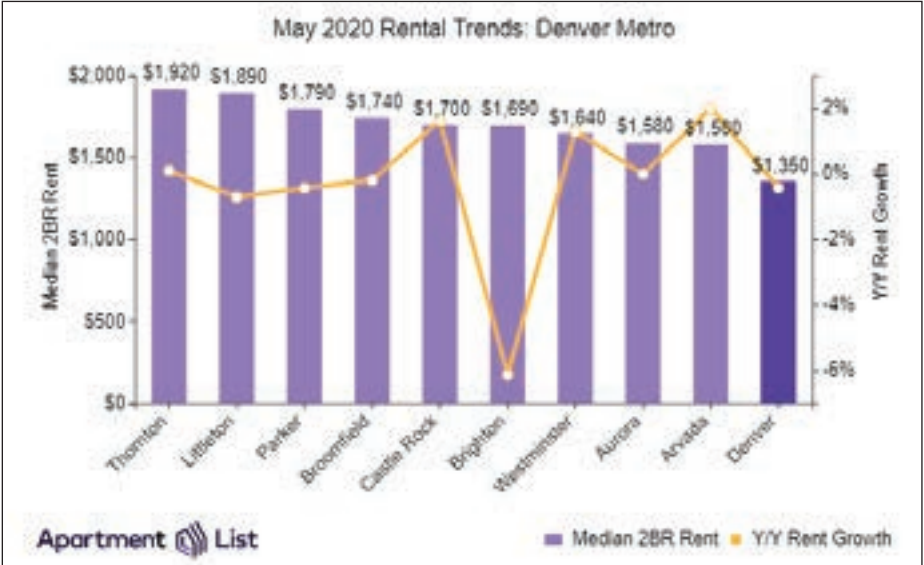
RENTAL HOUSING JOURNAL

Denver rents declined 0.4 percent over the past month as rents in many places have started to dip during the pandemic, according to the latest report from Apartment List.

Other cities nationwide are also feeling the decline. Seattle rents have declined 0.3 percent over the past month while Portland rents also declined 0.3 percent in the past month.

“It’s important to note that the magnitudes of these rent decreases are all quite modest, but on the other hand, this may just be the beginning of a prolonged trend,” said Chris Salviati, Housing Economist at Apartment List.

“I would note that the areas where we’re seeing the most significant rent dips are in local economies that are heavily dependent on tourism, such as Las Vegas, Orlando, and Miami. Compared to those cities, Denver, Portland, Seattle, and Phoenix all have notably higher shares of workers employed in knowledge occupations that can be done from home, so they’re a bit more protected from the harshest economic impacts,” he said.



IMPACT ON RENT WILL DEPEND ON ECONOMIC RECOVERY

Salviati said as far as longer-term impact, the pandemic’s effect on rent prices will depend heavily on how quickly the economy is able to recover.

“Even in the best-case scenario, it’s highly possible that we could see a protracted uptick in downgrade moves as many households facing financial

hardship begin looking for more affordable housing,” Salviati said.

“We may also see a significant slowdown in new-household formation, as more Americans move in with family or friends to save on housing costs. These trends could lead to tighter competition for rental units at the middle and lower ends of the market, while luxury vacancies get harder to fill.

See ‘Pandemic’ on Page 4

Property Management Company to Pay Tenants \$300,000 to Settle Moratorium Suit

RENTAL HOUSING JOURNAL

JRK Residential Group violated the Washington eviction moratorium by threatening tenants and starting to evict 14 of them, and will pay \$350,000 to settle a lawsuit, according to a release from Washington Attorney General Bob Ferguson.

JRK, a Nevada corporation headquartered in Los Angeles, will pay almost \$300,000 directly to tenants in the form of refunds, payments and rent forgiveness.

Ferguson filed suit in April, charging JRK violated Gov. Jay Inslee’s Emergency Evictions Proclamation. Inslee’s proclamation establishes a temporary moratorium on evictions for the inability to pay rent. The proclamation specifically prohibits landlords from issuing notices to pay or vacate during the effective period.

Ferguson said in the complaint that JRK Residential violated the proclamation by issuing Notices to Pay or Vacate in April to at least 14 tenants of The Boulders at Puget Sound, a multi-building Tacoma

apartment complex containing more than 700 units. The lawsuit also asserted that JRK sent unfair, deceptive and harassing communications to approximately 1,400 Washington state tenants.

The Boulders at Puget Sound tenants discovered the notices to pay or vacate at their front doors. The notice instructed tenants to pay all rent due within 14 days or be “subject to eviction as provided by law.” The notice stated that it was “unconditional,” and threatened tenants that if they failed to “surrender

See ‘Company’ on Page 3

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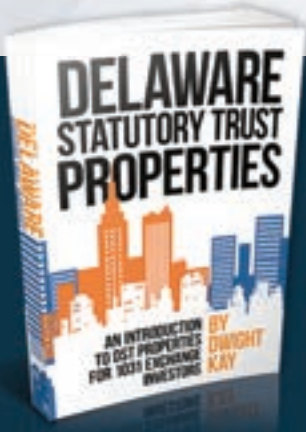
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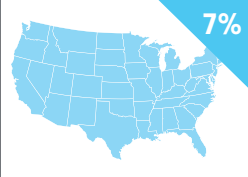
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In a 1031 Exchange? Why Waiting Until After COVID-19 to Complete Your Exchange Could Potentially Be a Bad Idea

By the KAY PROPERTIES AND INVESTMENTS, LLC TEAM

As a result of the COVID-19 pandemic the IRS issued Notice 2020-23 which provided a multitude of tax extensions including the extension of the 1031 exchange deadlines. The typical investor in a 1031 exchange will have 45 days from the sale date to identify a replacement property, and 180 days to complete the purchase of that same property. With the IRS’ notice the 45-day, and 180-day deadline has been extended until July 15th 2020 for anyone who originally had their 45th day, or their 180th day fall between April 1, 2020 and July 15th 2020.

One example of how this could affect someone in a 1031 exchange would be if they had sold their property on April 3, 2020 their 45th day would have been May 18, 2020 and they would have had to formally identify their replacement property by then. Under the new guidelines if they completed their sale on April 3, 2020 they would have until July 15, 2020 to identify a replacement property.


While the extensions were provided for good reason, the unintended consequence may result in demand for quality exchangeable real estate exceeding the available supply in the first two weeks of July. Alex Madden, Vice President with Kay Properties and Investments explained “The sale of a property often requires many months to complete and we have seen many of those sales move forward during COVID-19, but very few new offerings have come to the market for 1031 exchange investors to use as a replacement property. With ex-

changers extending their identification and purchase dates until July 15th it is a very real possibility that they may face fierce competition over replacement properties when they do finally need to complete their exchange. I don’t think we have ever had a time in America where every single 1031 exchanger had the same deadline date.”

Many localities have seen a significant drop in real estate listings since the outbreak of COVID-19 which means there may be less properties available for investors who are in the midst of a 1031 exchange. With less real estate coming to market one potential outcome for affected 1031 exchangers may result in overpaying for a replacement property.

Madden went on to say “We have seen a slowdown in the real estate sector during COVID-19, and a result may potentially be that ‘turn-key’ 1031 exchange solutions like Delaware Statutory Trust offerings (DSTs) could become more scarce. 1031 exchange investors may prefer products like the DST as the deadline approaches because the financing, and due-diligence are already in place and it’s possible to complete a purchase in three to five business days typically.”

Many 1031 exchange investors are rightly taking a re-evaluation of the marketplace in the midst of the COVID-19 pandemic, but with every 1031 exchanger in America facing the exact same deadline on July 15th there is a very real potential for overpayment, deals to fall through, and maybe even failed exchanges for those who wait until the last moment due to inventory running dry.



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the entire Memorandum paying special attention to the risk section prior investing. IRC Section 1031, IRC Section 1033 and IRC Section 721 are complex tax codes therefore you should consult your tax or legal professional for details regarding your situation. There are material risks associated with investing in real estate securities including illiquidity, vacancies, general market conditions and competition, lack of operating history, interest rate risks, general risks of owning/operating commercial and multifamily properties, financing risks, potential adverse tax consequences, general economic risks, development risks and long hold periods. There is a risk of loss of the entire investment principal. Past performance is not a guarantee of future results. Potential cash flow, potential returns and potential appreciation are not guaranteed.

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Company to Pay Tenants \$300,000 to Settle Moratorium Suit

Continued from Page 1

the premises,” they would “be guilty of unlawful detainer and subject to eviction.”

In addition, beginning on April 1, JRK sent multiple emails to tenants reminding them that rent was due, and stating that they would “not waive any late fees.” This notice and later notices pressuring tenants to pay April 2020 rent did not mention the governor’s proclamation prohibiting evictions for non-payment of rent.

JRK Residential is a Nevada-based for-profit real-estate investment firm and property-management company that operates at least four apartment complexes in Pierce, Snohomish, and Kitsap counties. JRK Residential manages property in 20 states with an investment portfolio of \$6 billion.

JRK said in a statement it had taken steps after the pandemic began to “ease the resulting burdens” on its tenants but recognized that more could have been done.

“To that end, we have worked with the state to further improve our policies and procedures and to offer our residents financial compensation to ease their burden during this time,” the statement said.

JRK Residential unfairly and deceptively pressured residents to pay outstanding rent by sending numerous threatening emails and notices, sometimes multiple times per day, and making harassing phone calls to tenants or tenants’ workplaces, according to the release.

Ferguson’s lawsuit was the first state lawsuit filed to enforce Inslee’s emergency proclamations.

“JRK Residential is a large, sophisticated corporation that knew about the governor’s emergency evictions proclamation and ignored it anyway,” Ferguson said in the release. “Their conduct is cruel and unlawful – and we will hold them accountable.”

As part of the consent decree, filed in

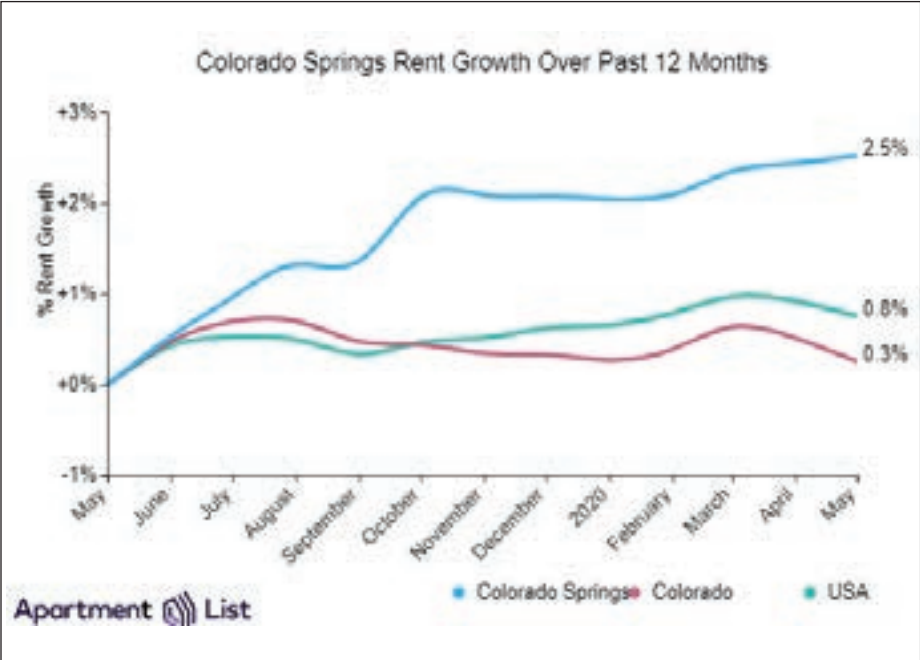
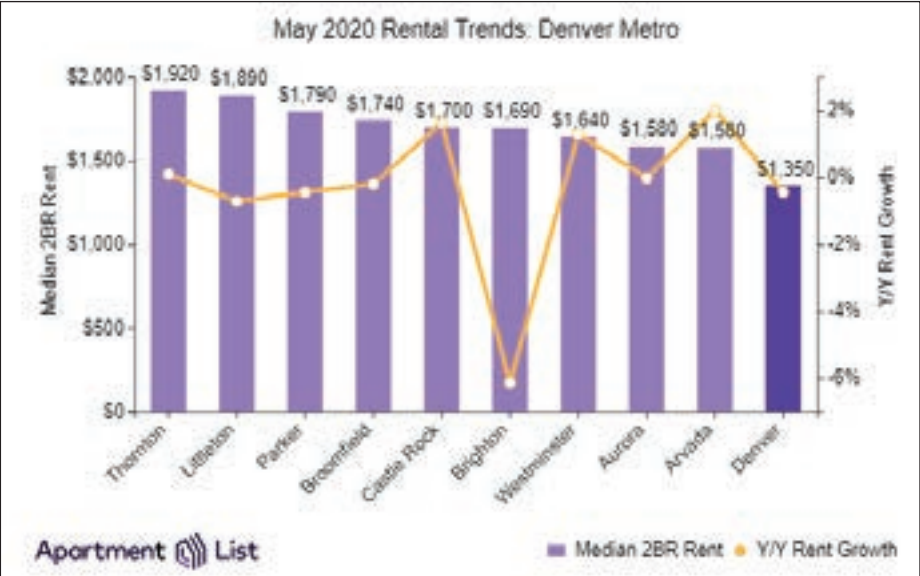
Pierce County Superior Court, JRK will be required to:

- Forgive April 2020 rent, or offer refunds to those who paid, for 14 tenants at The Boulders at Puget Sound complex who received 14-day Notices to Pay or Vacate in violation of the governor’s proclamation;
- Once the consent decree is approved by the court, JRK will also be required to pay \$246,900 to 1,441 tenants who received unfair, deceptive or harassing communications from JRK;
- Waive or refund fees for tenants who need or choose to move out before their lease is up while the governor’s proclamation is in effect.

JRK Residential will pay approximately \$344,646 to resolve the lawsuit, with almost \$300,000 going directly to tenants in the form of refunds, rent forgiveness, or direct payments, including:

- Full rent forgiveness or refunds of April 2020 rent for the 14 tenants of Boulders at Puget Sound who received 14-day Notices to Pay or Vacate — a total of \$26,877.69;
- \$500 payments to 257 JRK tenants who were behind on April rent at the time that JRK sent letters that attempted to shame or harass tenants who had been unable to pay full April rent — a total of \$128,500; and
- \$100 payments to 1,184 JRK tenants who received the unfair and deceptive letters but were not behind on April rent — a total of \$118,400.

“During this time of hardship and uncertainty, the moratorium on evictions is intended to help families and individuals keep a roof over their heads,” Inslee said in the release. “Any property owners who attempt to remove people from their homes and skirt this order are breaking the law. I thank AG Ferguson and his team for enforcing the eviction



Pandemic Leads to Decline in Rents

Continued from Page 1

“As I mentioned above, Denver, Phoenix, Seattle, and Portland are not among the areas that I would consider to have the most at-risk local economies, but there’s still a lot of uncertainty in how this will all play out,” Salviati said.

RENT TRENDS VARY ACROSS THE DENVER METRO

While rent prices have decreased in Denver over the past year, the rest of the metro is seeing varying rent trends. Of the largest 10 cities that Apartment List has data for in the Denver metro, half have seen increases, while the other half have been decreasing.

- Here’s a look at how rents compare across some of the largest cities in the metro.
- Over the past year, Brighton has seen the biggest rent drop in the

metro, with a decline of 6.1 percent. Median two-bedrooms there cost \$1,693, while one-bedrooms go for \$1,336.

- Arvada has seen the fastest rent growth in the metro, with a year-over-year increase of 2.0 percent. The median two-bedroom there costs \$1,577, while one-bedrooms go for \$1,246.
- Denver proper has the least expensive rents in the Denver metro, with a two-bedroom median of \$1,351; as reported above, rents decreased 0.4 percent over the past month and 0.4 percent over the past year.
- Thornton has the most expensive rents of the largest cities in the Denver metro, with a two-bedroom median of \$1,917; rents were down 0.4 percent over the past month but remained flat year-over-year.

City	Median 1BR Rent	Median 2BR Rent	MM Rent Growth	Y/Y Rent Growth
Denver	\$1,070	\$1,350	-0.4%	-0.4%
Aurora	\$1,250	\$1,580	-0.1%	0
Thornton	\$1,510	\$1,920	-0.4%	0.1%
Arvada	\$1,250	\$1,580	0	2%
Westminster	\$1,300	\$1,640	-0.4%	1.3%
Broomfield	\$1,390	\$1,740	-0.3%	-0.2%
Castle Rock	\$1,340	\$1,700	-0.7%	1.6%
Parker	\$1,420	\$1,790	-0.5%	-0.4%
Littleton	\$1,490	\$1,890	-0.2%	-0.7%
Brighton	\$1,340	\$1,690	0	-6.1%
Englewood	\$1,230	\$1,550	-1%	-1.2%
Wheat Ridge	\$1,010	\$1,280	0.2%	1.3%
Lafayette	\$1,500	\$1,820	-0.7%	3.5%
Golden	\$1,300	\$1,630	-0.1%	3.4%
Lone Tree	\$1,570	\$1,990	-0.6%	-2%



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What Can a Landlord Do About a Smoker?

Continued from Page 1

deductions from their security deposit or is there a better way to prove this in the future? — **Gordon**

Dear Landlord Gordon: Usually, smoking is easy to detect by the distinctive smell on walls, in carpeting and furniture, signs of ash or cigarette butts, and yellow or brown discoloration on walls, counters, cabinets, doors and trim.

Even with camouflage, you can usually find enough signs to prove indoor smoking.

If you want to know for sure if the haze you are finding is related to smoking, there are air-quality detection companies and devices that can confirm the presence of smoke residue from cigarettes.

You may also try a home air-quality test, but the accuracy is not as high as with a professional assessment. The Bosch Macurco D381 Air Quality Detector can detect cigarette smoke.

There are also smoke detectors available to alert you to someone smoking in your property, and a new “smoke sensor” should be coming to market this year.

Detection may be tougher to do now though since you’ve tried to erase all signs of this issue, including painting your property. Have you checked your vents and ducting for signs of smoking?

We deal with companies that have “ozone” machines that will be attached to your ducting and clean ducting and air handler as well as your unit to get rid of the smoke smell, and this is a great and cost-effective way to take care of the issue.

Dear Landlord Hank: Twenty years ago, we rented the lower part of a duplex to a couple. After about 15 years, she died. Her husband stayed and has really trashed this apartment with his hoarding illness. He has stacks of newspapers that he refuses to recycle, saying “I haven’t read them yet.” The kitchen is all stacked with stuff that makes it unusable. There is a two-foot path through the whole place. He is a smoker, which doubles our worry



about this hoarder situation. I didn’t mention that the unit is in Ohio. Does that make a difference in whether he is protected from being evicted in Ohio? - **Beth**

Dear Landlord Beth: I hope you have a lease with your tenant. Most leases will have a section regarding “Use of Premises,” usually saying that the tenant shall maintain the premises in a clean and sanitary condition and not disturb surrounding residents or the peaceful and quiet enjoyment of the premises or surrounding premises.

The hoarding, which in some states is considered a mental health disorder, would clearly be in violation of this section of the lease.

I would put a “Notice to Cure” on the tenant’s door or hand it to him, stating that the tenant has 10 days to comply with the lease provision or he could be evicted.

Depending upon Ohio state statutes and local ordinances, the hoarding could be considered a “public nuisance” and your tenant could face the prospect of conviction of a misdemeanor.

I would act today to take care of this and either have the tenant clean up or move out. You will most likely have to evict and clean up yourself. An older person who is a smoker, in a paper-filled environment, seems like a recipe for disaster to me.

Dear Landlord Hank: I’d love to know your thoughts or advice on renting during the moratorium on evictions.

Can you have a new tenant waive the right of not paying rent?

My husband and I have two units of a triplex ready to rent. However, the day they announced the “no evictions for 120 days,” I received 12 leads of “groups” of individuals wanting to rent. Fortunately, our criteria is high and none qualified, but it concerned us, so we pulled them off the market. I don’t know how long we can afford to keep doing that, but I heard some larger complexes have put units on hold, too. What are your thoughts on this topic? - **Debbi**

Dear Landlord Debbi: You are right to be VERY cautious during this novel situation, as you know some people are going to try to move in and not pay rent. We have continued to market our rentals.

We are lucky to be in an area of the country where first, last and security up front are standard. You could ask for this monetary arrangement to give you the cushion on one additional month’s rent.

When we do our background screening we are looking very carefully at work histories, specifically if someone is in a business considered “essential.” That way, the tenant is more likely to continue working. We are also checking to see that their hours haven’t been cut.

It sounds like you have high standards to begin with, so you should be OK to accept a tenant that meets your normal qualifications, especially if he or she is in an essential job.

Good luck and stay safe out there.

Hank Rossi started in real estate as a child watching his father take care of the family rental maintenance business and was occasionally his assistant. In the mid-'90s he got into the rental business on his own, as a sideline. After he retired, Hank only managed his own investments, for the next 10 years. A few years ago Hank and his sister started their own real estate brokerage focusing on property management and leasing, and he continues to manage his real estate portfolio in Florida and Atlanta. Visit Landlord Hank's website: <https://rentsrq.com>

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Unexpected Costs When Tenants Move Out

KEEPE

It is common knowledge that tenants cannot live in a single rental property all their lives. They may move out because they got a new job or bought their own home, or they may have been evicted due to one issue or the other.

The big question is, what are the hidden costs you may face as a landlord or property manager when your tenants move out?

Some landlords have false hope that the rental deposit will be enough to cover upgrade costs and cleaning needs. But rarely do tenant deposits provide enough money to pay for everything needed to get a property ready for a new tenant.

Below is a list of unexpected costs you may face as a landlord when your tenants move out.

VACANCY LOSS

Vacancy loss is the amount of rental income or cash flow that a property is losing as a unit sits unoccupied.

Without money coming in, but with money going out to upgrade and repair the property, it won't be long before landlords are struggling to make their own mortgage payments. Working with a property-management company is one of the best ways to reduce the risk of tenant turnover and to help find new tenants on time.

When your tenants show signs that they are going to leave and not renew their lease, you could respond by offering free utilities for two months, reducing rent slightly, or freezing it at current rental rates. You might also offer to enhance some aspect of the apartment/condo to increase their comfort. People don't like to leave their comfort zone.

PROPERTY DAMAGE

One of the biggest worries you might have as a landlord is that tenants may do significant damage to your rental property before they move out.

When a tenant packs up and moves out, and there is no way to get a hold of him or her, you run the risk of walking into a damaged unit. Some tenants will leave before the rent is paid or at night, and they leave behind a lot of damage. Having an effective tenant-screening process is the best



way to find tenants who will care for the property.

STOLEN APPLIANCES AND OTHER PROPERTY

Theft by tenants moving out of rental properties is very common.

In fact, "a poll of 2,000 adults by landlord insurer Direct Line for Business found tenants have removed items such as fridges, freezers, light fittings, televisions, and even sinks. Tenants estimate that the overall value of items they had taken from a property stands at more than \$500." It can feel devastating when a tenant steals your property upon moving out of the rental.

However, to avoid issues such as this, you must obtain a FULL tenant reference check before you go ahead with

a tenancy.

This will provide you with detailed information on their financial security and place of work, which will assist in giving you peace of mind that you have selected a suitable tenant.

Keepe is an on-demand maintenance solution for property managers and independent landlords. The company makes a network of hundreds of independent contractors and handymen available for maintenance projects at rental properties. Keepe is available in the Greater Seattle area, Greater Phoenix area, San Francisco Bay area, Portland, San Diego and is coming soon to an area near you. Learn more about Keepe at <https://www.keepe.com>.

National Rents Continue Down

RENTAL HOUSING JOURNAL

National rents continued their downward trend in May, reaching their lowest year-over-year level since February 2011, according to the latest report from Yardi Matrix.

During what would typically be prime leasing season, rents decreased by 0.3 percent on a month-over-month basis. Nationwide, rents have declined by \$13 over the past two months, the company reported.

"This rapid decline will likely continue through the summer as the nation continues to practice social distancing. As some unemployed (people) slowly return to work in the coming months, the fall could become this year's rental season," Yardi Matrix said in the report.

Rent collections nationally in May were still reasonably strong with 93 percent of households "paying some rent," according to the National Multifamily Housing Council.

"With the extra \$600 per week in unemployment benefits set to run out at the end of July, it remains to be seen how renters will fare if the extra assistance is not extended. A decline in collections seems imminent, but as of right now, renters are prioritizing their rent payments."

"If rents continue this rapid downward trend, we could be looking at alarming numbers by the end of the summer," the report said.

"The reason numbers could get worse is that the CARES Act currently provides an additional \$600 a week in unemployment benefits on top of the standard state payment, but this is set to expire at the end of July unless another stimulus bill is passed.

"The HEROES Act was passed by the House of Representatives on May 15 and proposes to extend the extra unemployment benefits through January 2021, among other provisions. The \$3 trillion HEROES Act will likely face significant opposition in the Senate. The extra \$600 a week is a necessity for many Americans to pay their bills, most notably rent, and if it does run out, we could see rent collections decline rapidly," the report says.

Month-over-month, the markets with the most severe declines include:

- Houston -0.9 percent
- San Jose -0.9 percent
- Seattle -0.8 percent
- Nashville -0.8 percent

Seattle, San Jose and Orange County were among the first markets to impose stringent lockdowns. Seattle only planned to enter Phase 1 of reopening on June 5.

To advertise in Rental Housing Journal, call Vice President/Sales Terry Hokenson at 480-720-4385 or email him at Terry@rentalhousingjournal.com

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5 REASONS TO USE RENTTEGRATION

1. Access - Rentegration.com is a web based, multi-user software offering customers 24/7 access to forms generation, archives, property management data-base, basic accounting, vendor ordering and other services.

2. Rental and Lease Forms - Unlimited use of a full line of state specific rental and lease forms. All Rentegration.com forms are created by attorneys and/or local rental housing associations.

3. Simplified Accounting - Owners and managers can track income and expense for each unit, property and company. Perfect for mid and small size property managers and independent rental owners, who neither have the need or budget for larger, more expensive software.

4. Management Database - Rentegration.com is an easy to use, database driven software. Most form fields are auto populated from the database. The modules are all integrated and work together. For example, a customer can use the rent-roll function to identify all delinquencies, apply fees, and create eviction forms with a few simple clicks of the mouse.

5. Value - Large property management companies that use Rentegration.com for only forms generation will save time and money over other methods. Mid and small size property managers and independent rental owners can manage their entire business at a fraction of the cost of other software and forms.

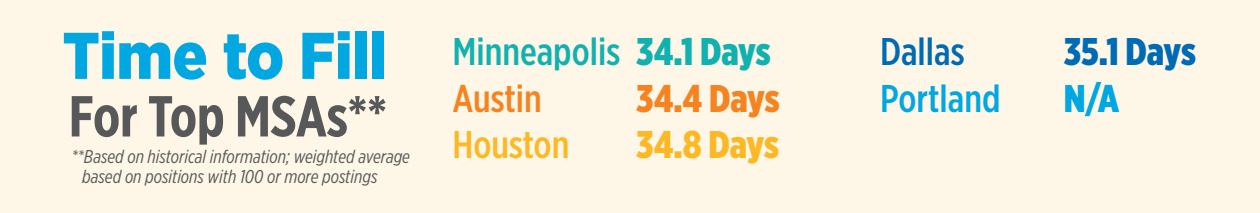
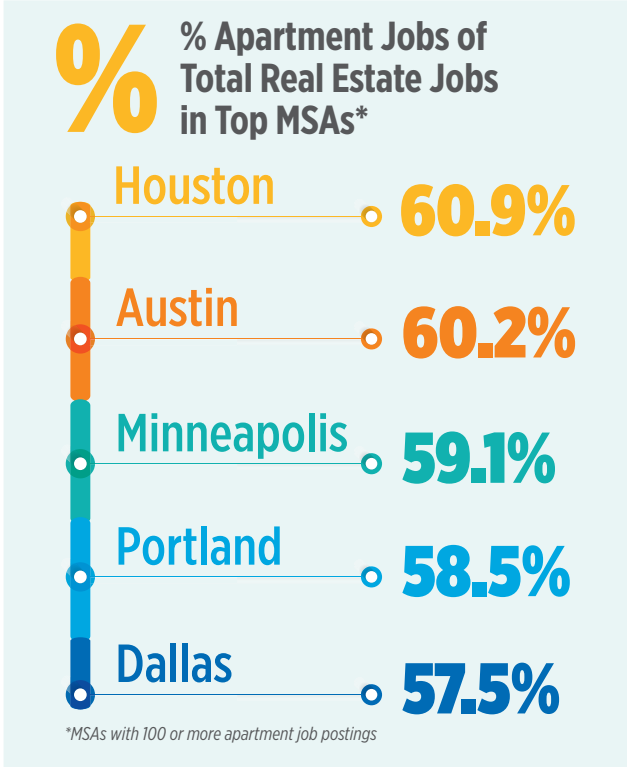
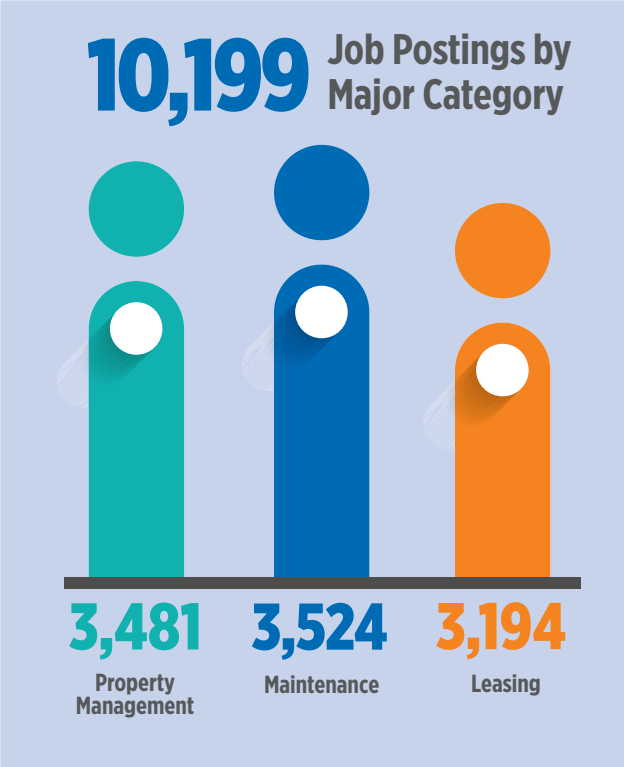
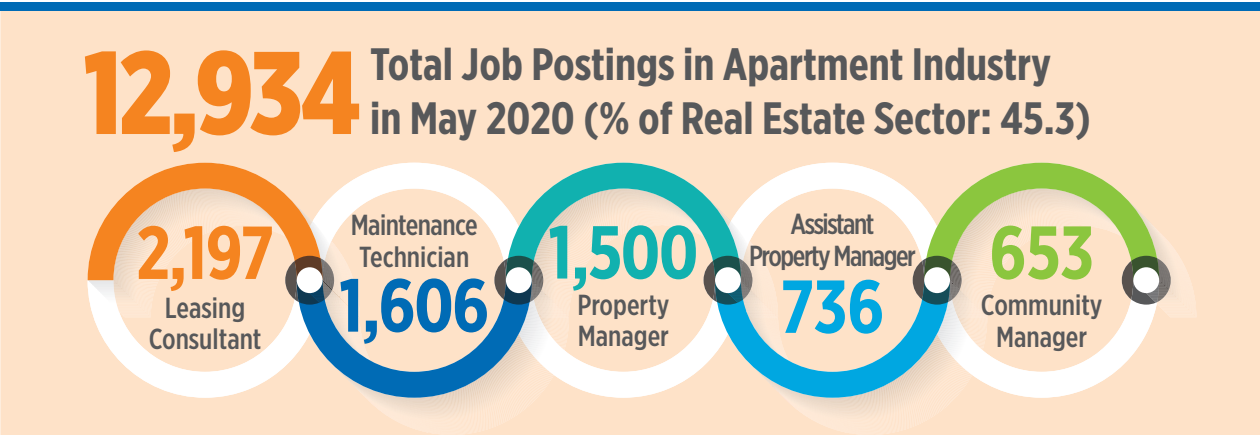
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Spotlight

Last 6 Months

Maintenance Manager/Supervisor

Top MSAs (Highest Location Quotients)

City	Location Quotient***	Median Market Salaries****
Seattle	3.7	\$41,925
Denver	2.5	\$39,236
Dallas	2.3	\$37,525
Washington, D.C.	1.9	\$39,993
Atlanta	1.8	\$40,601

***Location quotients display concentrations of demand within MSAs. U.S.-wide average demand equals 1.0; a location quotient of 1.5 indicates 50% higher demand than the US average.

Top Skills

Specialized/Required	Baseline
Repair	Preventive Maintenance
Plumbing	Communication Skills
HVAC	Computer Literacy
Property Management	Detail-Oriented
Carpentry	English

Earnings

Median Market Salary****

\$38,362

****Market salary is calculated using a machine learning model built off of millions of job postings every year, and accounting for adjustments based on locations, industry, skills, experience, education requirements, among other variables.



Apartment Jobs Snapshot

May 2020

Apartment-Complex Jobs Prove Durable in Pandemic

NATIONAL APARTMENT ASSOCIATION
EDUCATION INSTITUTE

Positions in apartment complexes, often called multifamily careers, continued to remain durable jobs amidst the pandemic, according to the latest report from the National Apartment Association’s Jobs Snapshot.

The number of available positions in the apartment industry this period amounted to nearly 13,000 job openings, in-line with recent years.

- Metros with the highest concentration of job postings included:
- Houston
 - Austin
 - Minneapolis
 - Portland
 - Dallas

May’s spotlight highlights maintenance managers and supervisors.

In Seattle, the demand for these positions was more than three times the U.S average, and market salaries also exceeded the national median.

- The top specialized skills employers are seeking included repair, plumbing, HVAC, property management, and carpentry skills.
- The top metros for manager and supervisor jobs were:
- Seattle
 - Denver
 - Dallas
 - Washington, D.C.
 - Atlanta

In Seattle for example, the median market salary for these jobs was \$41,925 per year.

The NAA jobs report is produced each month in association with Burning Glass Technologies.

