Real Estate Journal SUMMER 2020



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ate Crowle is the founder and owner of St. James 1868, an events venue in downtown Milwaukee, Wis. She purchased the 150-year-old church with the vision of a historic renovation that would create two event venues in the 25,000-squarefoot church. Her background in interior and fashion design was the driving force in creating a luxury brand for St. James 1868. She has been an active real estate investor since 2015, when she purchased her first foreclosure and made \$159,000 in profit. Through her membership in Milwaukee REIA, she learned about self-directed IRAs, and over the past four years she has passively invested in 18 deals averaging a 17 percent ROI.

Please tell us a little about who you are and what you did before getting into real estate investing:

I grew up in a small historic town in

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Real Estate and the Great Pandemic/Lockdown

By Chris Kuehl, Ph.D.

By this point in the Great Coronavirus War of 2020 there is no element of the economy that has not been profoundly altered. The real question now is whether these impacts will be permanent. Will there be a return to what was once considered routine and normal or will we develop a new version of normal that will permanently demand the concession we have been forced to make in response to the pandemic?

We already know that millions of people have lost their jobs and thousands of business have been forced to close. We know that "business as usual" remains a distant dream and one that may never be fulfilled.

As we consider the options that might lie ahead there are basically three scenarios that seem to be in play. At this point each of them seems as likely as the other and much will depend on how the economy behaves in the next several months. The shape of 2021 will



depend heavily on how we manage to navigate through the rest of 2020.

Scenario No. 1: Back to (New) Normal

Scenario number one is based on a slow and halting resumption of patterns

that existed prior to the outbreak. This assumes that at some point in the next month or two the virus is declared "contained" to a degree sufficient to allow a return to pre-pandemic behavior. There will still be admonitions

Continued on Page 8

Successfully Using the Past to Manage in the Present

By David Pickron

e have all heard the phrase "live in the present and forget about the past," but rarely do we hear the opposite of that. Currently we are in a challenging situation in regard to managing our properties and are being forced to do things in unfamiliar ways. Social distancing has changed the way we show properties, perform move-in and move-out inspections and have work orders completed. Those are easy accommodations to make when we consider the larger and more longstanding economic issues that will drastically impact our industry.

Our present-day situation is an



intriguing one, overflowing with a variety of unanswered and possibly unanswerable questions. Although we had been enjoying one of the greatest economic runs in history, things have and will continue to change. We are exchanging record low unemployment

unemployment claims, and more on the horizon. Businesses have been forced to close by state governments to stop the spread of COVID-19. And all of this directly impacts our industry as state governors and the Federal CARES Act have prohibited evictions on federally backed loans for 120 days. Come July 26, 2020, we may see an overwhelming onslaught of evictions in numbers we could have never imagined even two months ago. If a tenant could not pay their normal rent during the fourmonth reprieve from evictions, what makes us think that they will be able to come current with three to four months Continued on Page 9

Our Focus is Keeping You Informed and Helping You Weather This Crisis

By Rebecca McLean, Executive Director, National REIA

It has been far too long since we've been together, both as an industry and in our personal lives with friends, family and even neighbors just down the street.

It's nearing late May as I write this, and COVID-19 and the economic shutdown are still the focus and discussion points in all of our lives as finances, jobs and projects are fretted, meetings are canceled and the small things we all took for granted have become rare to non-existent, removed from our daily lives as we have sheltered in place.

The flow of negative information since coronavirus that has shaken all our lives nearly to the core has been like drinking from a fire hose. It's just impossible to keep up, and one has to fight to not remain frozen, unable to make decisions or progress as we wait for things to improve.

There's a lot of unknowns in the world right now, but know that National REIA continues to be here for you. You can count on us as you continue to work, make adjustments, shelter in place, or prepare for your state's opening. We are happy to be able to partner with you and work through this turbulent time together.

As we all continue to weather the storm together, our recent focus has been on helping to get investors the latest information, access to capital (SBA loans, PPP loans, grants, etc.), and helpful tips to keep business working for now as well as prepare us for the



opportunities ahead. This has been extremely difficult on everyone and, like you, I've been trying to stay as positive as possible.

Please know that our goal over the coming weeks and months is to do everything we can to help you get through this crisis. We're here for you. As we have always done, we will continue to promote real estate investing. We will do all we can to improve the economy, because as I've often pointed out, there is no economic recovery without a strong housing sector.

We have continued with weekly, now bi-weekly, calls to keep you updated on information important for your business during the crisis. Tune in every other Friday to learn how you can protect and advance your business and to stay updated on industry stats that help with your planning and due diligence. If you miss the webinars, replays can be found at www. UnitingInvestors.com. Just search for weekly webinar

replays. Finally, you can always visit the resource center at NationalReia.org/covid-19-updates for ongoing updates as we are alerted to them.

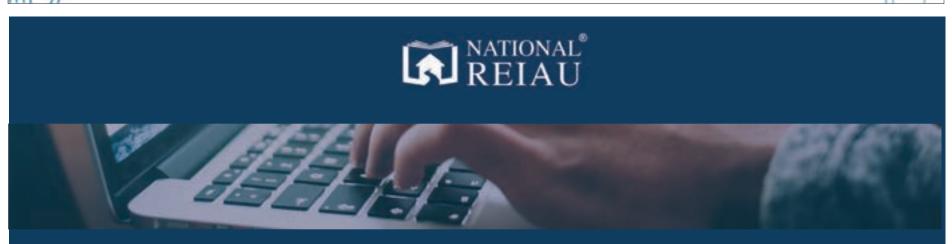
As Congress moves to respond to the unprecedented threat COVID-19 presents to the economic and physical health of the nation, National REIA is aggressively advocating for real estate investors. With each bill passed for relief we lobby for investors who face impending financial challenges, in particular, if they themselves fall ill and cannot work, or have reduced income due to eviction moratoriums. We understand that industry professionals remain concerned about their ability to pay mortgage payments, employee payroll and benefits, insurance premiums and tax obligations in the current environment.

Taken together, these proposals represent an aggressive and necessary first step to protect housing providers and residents alike from the economic impact of COVID-19. Thank you to those who have participated in our VoterVoice campaigns to let Congress know how important it is to protect housing for the good of the economy. If you haven't participated with us yet please visit NationalReia.org/action-center and let your voice be heard.

I can't wait until we're all in the same room together but until then ... Let's be creative. Let's continue to support each other. Let's find a way to not just survive, but thrive!

Rebecca McLean is the Executive Director of National Real Estate Investors Association.







A government big enough to give you everything you want, is a government big enough to take away everything that you have.

- Anonymous

uring this difficult period National REIA has been working with our partners at the National Housing Council, NAA and NMHC, on variety of issues:

Summary of Current Legislative and Regulatory Requests

- Create an Emergency Rental Assistance Program for those who are impacted by the crisis and do not already receive federal housing subsidies.
- Clarify the Small Business Administration's Paycheck Protection Program for rental owners, developers and rehabbers.
- Revise the federal eviction moratorium to be time limited and benefit only those who are negatively impacted by COVID-19.
- Expand mortgage forbearance protections to all rental properties, not just those with federally backed mortgages. Align the protection with any local, state, or federal eviction moratorium.
- Implement necessary credit facilities for mortgage servicers and rental property owners using the Federal Reserve's existing authority.
- Provide financial assistance and protection for all property-level financial obligations such as property taxes, insurance payments and utility services.
- Establish a federal economic recovery fund to provide liquidity to businesses impacted by COVID-19 and lessen taxpayer exposure during any future pandemic by enacting the Pandemic Risk Insurance Act to drive the private sector to more fully cover the risk posed to businesses.

<u>Highlights from the HEROES Act — H.R.</u> 6800

On May 12, the House introduced the HEROES Act, a supplemental appropriations measure providing funding for a broad array of programs and agencies including HUD. The funds would be in addition to current funding for FY20 along with the previous supplemental funding provided in the CARES Act. The bill includes:

UNEMPLOYMENT

• Extends Federal Pandemic Unemployment Compensation through January 31, 2021. Individuals receiving benefits on that date could continue to receive unemployment compensation to which they are entitled through March 31, 2021.

RENTAL ASSISTANCE PROGRAM

- \$100 billion for an Emergency Rental Assistance program that would allocate funding to states, territories, counties, and cities to help renters pay their rent and utility bills during the COVID-19.
- The provisions included in the HEROS Act is an important step and we look forward to continuing our work with Congressional leaders to ensure that the funding is distributed in a swift and efficient manner that protects the housing stability of millions of American renters and helps rental property owners of all sizes continue to cover their costs.
- The legislation utilizes the framework of HUD's Emergency Solutions Grant (ESG) program, which currently administers homelessness assistance.
- Assistance would be obtained via the renter, through an agency that the state selects to administer the program. The administering agency would send the payment directly to the landlord, for both past-due and future rent.

EXPANDED EVICTION MORATORIUM

- Expand the renter protections in the CARES Act's eviction moratorium to apply to all single family and rental housing and prohibit late fees and evictions due to nonpayment of rent from proceeding during the covered period.
- Extends the covered period for the existing moratorium for 12 months from the date of enactment.
- Moratorium remains disconnected in any way to the COVID-19 crisis.
- Prohibits rental housing providers issuing "notices to vacate" due to nonpayment of rent, fees or other charges until after the moratorium ends, and further, providers may not require a resident to vacate the premises until 30 days after the notice is served.

FORBEARANCE

- Expands the availability of mortgage forbearance to all rental borrowers for 12 months.
- Aligns mortgage forbearance protections with the proposed eviction moratorium timeline.
- Provides an additional 12 months at the end of forbearance to bring the loan current.
- Prohibits borrowers in forbearance from evicting residents solely for the non-payment of rent but allows necessary evictions to move forward.

CREDIT FACILITIES

- Establishes a Federal Reserve credit facility using authority under the CARES Act for mortgage servicers to ensure liquidity.
- Establishes a Federal Reserve credit facility/ low-interest loan program for rental property owners to temporarily compensate owners for documented financial losses caused by reductions in rent payments. The provision imposes eviction and renter protections, including Source of Income.

• Enhances the Main Street Lending Facility to broaden the availability to small businesses and non-profits

PAYROLL PROTECTION PROGRAM

- No new funding but extends open date to December 31, 2020.
- Eliminates requirement to spend 75% on payroll.
- Extends repayment of loans from 2 to 5 years.
- Includes all Section 501(c) organizations in the PPP. Any nonprofit with 500 or fewer employees will be able to apply for PPP funds.
- At least 25-percent of PPP funds would go to nonprofits, and at least half of that 25-percent would be reserved for nonprofits under 500 employees.
- PPP funds could be stretched over 24 weeks instead of the eight weeks originally passed in the CARES Act.
- Businesses and organizations that receive PPP loans would be allowed to defer payroll tax payments.
- The legislation would direct the Federal Reserve to create a nonprofit-specific program within the Main Street Lending Program.
- Would prohibit loan calculations from including salaries paid to federally registered lobbyists. Further, the HEROES Act would prohibit loans to any Section 501(c)(4) organization that participates in federal, state, or local campaign activities through the 2020 general election.

NEW CREDIT REPORTING RESTRICTIONS

- Suspends negative consumer credit reporting during the COVID-19 pandemic and other declared major disasters plus 120 days.
- Credit score furnishers would be prohibited from implementing new credit scoring models that would lower existing consumer credit scores during the COVID-19 pandemic or during other major disaster periods. Permanently bans the reporting of medical debt arising out of COVID-19 treatments.
- Provides a temporary moratorium on consumer debt collection during this COVID-19 crisis, and for 120 days thereafter.
- Ensures reasonable forbearance and repayment options for consumers when payments resume following the moratorium provided by Section 402, including simply maintaining the same payment schedule by extending the maturity by the same period of time payments were suspended under Section 402.

ADDITIONAL FUNDING

• Tenant-Based Rental Assistance – \$4 billion to allow public housing agencies (PHAs) to respond to coronavirus and the ability to keep over 2.2 million families stably housed even when facing a loss of income, including \$1 billion for new, temporary,

Continued on Page 13

Finding Your Purpose as a Real Estate Investor

By Bradley S. Dornish, Esq.

In the challenging economic times in which we find ourselves, we see articles in newspapers, hear on the radio and see on TV (and always in sermons at church), others extolling us to find purpose and meaning in our lives. It is suggested that we identify ourselves too much with jobs we can lose, and with money and material possessions which result from those jobs. At the same time, we value our loved ones, friends and family, and the time we make to spend with them, as well as the time we spend doing good for others, too little.

People who have lost their jobs have found the tradeoff of being able to take the time for the things they would otherwise miss the opportunity to do to be the surprise reward of unemployment. But that opportunity is short lived for most, because the unemployment benefits will eventually run out, and they will have to work longer and harder at whatever job they obtain to rebuild their financial security and provide for their less productive years ahead, or what we used to call retirement.

I feel badly for these people, because they have not found a way to have their cake and eat it, too. They have not found the best of both worlds which I know from being a real estate investor. I have found a myriad of purpose in my investing, and ask you to step back and do the same. It could just help you to refine your focus as an investor, and to realize that you get more out of it than you could have imagined.

The first reason or purpose I hear from most real estate investors as to why they invest is to make more money. They have watched shows on flipping houses and seen ordinary people make a lot of money quickly by buying below market, having renovations done for below market to market labor and material costs, and selling quickly to avoid carrying charges. They want to do the same thing, and head off to make fifty or a hundred thousand dollars in a few months, so they can take that money and do something else with it. Some say they will use it to buy properties to hold long term; others want to pay for a new home, a retirement, or adult toys like boats and motorcycles.

While flipping houses or even wholesaling without renovation are ways to make money in real estate in a short period of time, these methods of investing also serve other purposes. Taking a house that is outdated and in less than good physical condition and repairing it, turning it back into a home for someone serves a purpose for our communities and society, every bit as much as the government building a bridge or repairing roads. And when real estate investors do this, we don't need stimulus funds, volunteer labor or charity to make it happen.

A little effort finding the right property to flip, some cash and some credit, some labor, some construction management, and some evening and weekend sweat and you have a property ready to turn into a new home. If you give up a small part of the profit to get someone into a home for a little less than full market value, you have the added purpose of giving, knowing the nature and extent of your gift, knowing to whom it goes, and being able to see whether they realize or squander their opportunity over time. Doing good in these ways is an undeniable purpose of investing in real estate.

I also get the personal reward of seeing the physical, tangible result of my labor and efforts reflected in a property I can stand back and be proud of, knowing the results should last for years. For anyone whose regular job is working with paper, phones or computers, and doesn't leave something you can see, something lasting at the end of the day, this can be another purpose for your investing.

If we wholesale a property, the time and effort is usually (hopefully) shorter, but we are still playing a part in the same process of improving our communities one property at a time, and helping other real estate investors to realize their opportunities, and find the right properties for their investing as well. What wholesaling gives up in the depth of purposes in each property can be made up by being involved in a smaller way with many more properties with the same time commitment.

When we buy and renovate properties for holding as long-term rentals, we do all of the same things for the communities in which we buy as when we flip, but we also do much more. The improvements we make increase the tax base, and every extra dollar we pay in real estate taxes helps those communities to run and provide services to their residents. We may not live and vote in the communities where we hold properties, but we have as much or more of a stake, an interest in those communities by our investment than those who own their homes and live there.

If I own my home and live in a thriving, growing community, my family and I enjoy the benefits of our location, and eventually the increase in equity which comes from the rise in property values. Conversely, I feel the detriments which come from a declining community in the quality of my own life, and loss in equity in my home.

If I have ten rental units in the same thriving community, I quickly realize the increased rents on all ten units occasioned by the success of the community, and over time the growth in equity from increased value of all ten units. In decline, I feel the lost rents and vacancies more quickly, and the loss in property values of all ten units. I can make more of an impact on the community by renovating, improving and maintaining ten units, or by letting ten units slide into disrepair, than the owner of a single home could hope to make. My choices to buy more units, or to sell what I have can also have multiple effects on property values and

"create" a market. Conversely, choices the local government makes in its tax rates, services and recreation, as well as how the municipality maintains its public spaces, can have significant effects on my bottom line.

So, getting to know and work with municipal leaders in the communities where you have property, getting them to understand the role and influence you have as a landlord in shaping and directing the future of the community, and the desire and interest you share with them in making it a better place to live can be crucial to your long term success as a landlord. Understanding and using your influence in a positive way to improve the community on which you rely for rental income, for your tenant base, and to protect and grow your equity is an essential purpose for your investing. It also has the dual object of benefit to you and benefit to the community at the same time.

Whatever type of real estate investing you do, you contribute to the economy each time you buy or sell a property, each time you employ a plumber, electrician, real estate agent or lawyer, accountant or painter in your small business as an investor. The dollars you spend are overwhelmingly received by others in the area where the property is located. Plumbers with businesses in Asia or Latin America just don't compete for your plumbing repair or renovation work in Pennsylvania (or wherever you are). You can't move your building or land a few feet, let alone outsource the business you do around the globe, so real estate investing is at least one of the most committed, localized components of our economy.

Investing locally keeps our capital, our income and expenditures ALL in our own back yards, and our economic destiny much more within our sight, influence and control than a mutual fund or any other investment we could make. Keeping my capital at home, and using it to help other local businesses is another purpose of my real estate investing.

I cannot think of another way to do as much for other people, for local communities, and businesses, all while unapologetically making money both through current cash flow and by building equity to secure my future, as by being a real estate investor. I also see that buy and hold investing is a key to my financial security and stability, and to giving me more time and money to spend more time with loved ones and doing other things I enjoy. I feel a strong sense of purpose as an investor, and it certainly is part of who I am. How about you?

Bradley S. Dornish is a licensed attorney, title insurance agent and real estate instructor in Pennsylvania. He can be reached at bdornish@dornish.net.



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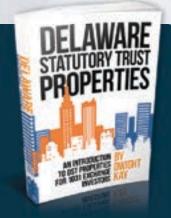
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*The Debentures will bear non-compounded interest at the annual rate of 7.0% per annum (computed on the basis of a 365-day year) on the outstanding principal, payable monthly on between the fifteenth and twentieth day of the following month. An investment in the Debentures will begin accruing interest upon acceptance and closing of the Investor's Subscription Agreement. There is a risk Investors may not receive distributions, along with a risk of loss of principal invested.



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A Freshening Up: Bathroom Renovation



By Sulema Vela, Southern Division Pro Director, The Home Depot

s homeowners begin looking ahead to renovation projects, now is the time to capitalize and sell the aesthetic and practical benefits of bathroom improvements. Whether applying something as simple as a fresh coat of paint or conducting more detailed fixture overhauls, there are plenty of opportunities to improve bathroom performance – and drive up home value – for clients in the coming months.

Customize your Look

The first major decision to make with clients is how to establish the remade bathroom's overall look and feel, and align new and existing components to produce a streamlined and stylish appearance. Discuss the smaller updates first, as these ultimately will lay the foundation for potential-scale renovations.

Start with a fresh coat of paint to bring new energy to the bathroom. Select a color that not only matches your clients' desired look, but also adds shine to complementary faucets, vanities and hardware. The BehrPRO Paint line not only offers a thorough range of color shades and textures to match any client's tastes, but also applies and dries quickly.

After defining a new color scheme, replace outdated hardware with modern models. As last year's Kitchen and Bath Industry Show showcased, bold colors are becoming more popular for faucets and fixtures. In a market long-governed by neutrals, matte black, copper, gold and other warm-colored options are emerging. Work with your clients to evaluate whether a more modern, non-traditional faucet style or a classic in chrome or stainless steel will achieve their desired look.

Enliven the Vanity

In many ways, the vanity brings the bathroom together, serving as a source for everything from storage to personal grooming to plumbing concealment. With a host of pre-assembled and customizable models available, swapping out an older



vanity for one that fits your clients' new aesthetic is easier than ever. For instance, Glacier Bay offers vanity tops and cabinets that are quick to install and available in various materials, colors and finishes to match any bathroom theme.

Alternatively, consider a non-traditional implementation, such as a wood sink, for clients interested in a look that is both hip and unexpected. Sleek and powerful lighting also can bring out the best in vanity refinements – the Home Decorators Collection, for instance, offers lighting options that range from trendy to retro to simplistic.

Go Sustainable

Beyond an appearance upgrade, a bathroom renovation is the perfect opportunity to implement new eco-friendly technologies that reduce water and energy usage – and subsequent expenses – without sacrificing quality.

Replacing older toilets with modern, WaterSense certified alternatives can lower utility costs by up to 20 percent. Furthermore, most new dual-flush models are compliant with high-efficiency standards, and are an addition that environmentally-savvy clients will welcome.

Explore opportunities to replace outdated, low-flow showerheads with more powerful and environmentally-efficient models. This upgrade not only adds sophistication to the bathroom, but also provides a better shower experience and increased savings.

Do More with the Floor

Especially for older properties, it's likely that bathroom floors could use an upgrade to add color and texture to dull surfaces. Tap into the latest tiling trends to impress clients and bring a different and eye-catching look.

Across the space, more owners are introducing flooring elements from across the home into the bathroom. This includes faux stone and wood finish tiling more often found in kitchens and common areas. In addition, tiling that breaks long-held square and rectangular standards, such as hexagon and octagon shapes, is emerging as a go-to option. Such shape and texture flexibility enables you and your clients to rotate and arrange tiles to form floors that tell a creative story and accent the rest of the bathroom.

Whether applying something as simple as a fresh coat of paint or conducting a more involved overhaul, there are plenty of opportunities to help clients fall in love with a new bathroom.

Sulema Vela is responsible for the Pro business in The Home Depot's Southern Division, leading a team of more than 80 Pro Account Representatives in an area that encompasses 700 stores across 13 states. She has more than 18 years of experience at The Home Depot, starting in 1999 as a part-time cashier while she earned her Bachelor's degree in business administration. Sulema has served in a variety of roles and capacities – including department supervisor, assistant store manager, store manager and district manager.





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Champing at the Bit

By M. Jane Garvey

It is hard to talk about anything today without the overlay of the Covid-19 Emergency response. The responses vary by locality, personal opinion and risk factors. Nevertheless, it is having an impact on our investments and our businesses.

I am hearing from many people who are champing at the bit to take advantage of the market changes. Many of these same people think they missed out on earlier post crisis opportunities. They want to make sure that they don't miss out this time.

Please pay attention. The crisis isn't totally defined yet, and the response of the market isn't either. Those who jump in early to take advantage of an opportunity are like the race horse who goes into a sprint right out of the gate and has nothing left for the stretch.

As we enter into a period of economic upheaval, we need to be even more cautious than usual. Real estate needs to be viewed as a long-term investment. When you buy, you need to be prepared to stay for the long haul, whether that is your preferred strategy or not. In uncertain times, it really pays to have the flexibility of multiple strategies in

play. For instance, you buy intending to buy-fix-sell. If you buy a property that can also serve well as a rental, at a price that will allow you to make a success of it as a rental, you will still have the opportunity to buy-fix-rent if nothing is selling.

If you are buying something that has the opportunity be used as a specialty property – a short-term rental, student housing, special needs housing, corporate rental, and so forth – you should look at what the underlying value is. If it is a single-family home, what would it sell for as a single-family home? You should not pay extra for the opportunity for special use of the property, as it is not part of the inherent value. If your special use is no longer viable, the property will revert to use as a single-family home and have the value associated with that.

In uncertain times, even more than normal markets conditions, we need to make small "bets" if any. Having all of your money tied up in one project, property, or even geographic area makes it extremely hard to adjust to change. At the moment we are watching governmental edicts destroy businesses and investments. It is happening on a grander scale than normal. And, it is

changing on a day-to-day basis.

How do you invest in something as expensive as real estate and keep your "bet" small? One of the strategies used in many types of markets is options. As one of our dearly departed friends, (Barney Zick) used to say, options are control without ownership. You can control property that you would like to buy - if market conditions move in the right direction. The option allows you to fix a price today and gives you the option to buy the property at that price for a certain period of time. If you decide that the price does not make sense, you don't have to buy. Options tend to be an inexpensive way to hedge your "bets". Lease/options, master leases with option, and straight options are three different kinds of options that are regularly used by investors.

We often see fix and flip investors find the "big deal" that is going to make them rich. They move to a different market segment and strategy because they think they have found an incredible deal. All of the work they have done in the past to learn a market is not relevant because they are not investing in the same type of house in the same area. Some investors don't recognize that they have changed their strategy

and need to do their due diligence. Unfortunately, over the years we have seen this mistake take down some very successful investors in normal markets. This is an extremely risky move in a normal market. It is an even riskier move in a changing market. Keep your individual investments small relative to your portfolio and your assets.

This is a time to learn. Learn new strategies. Find new sources of market data. Make new connections with brokers, contractors, investors, and industry leaders. All of this will be useful in helping you identify genuine opportunities as things change. Having been through many market shifts, crisis, recessions and more over the years, I can tell you one thing that I have observed and experienced. Champing at the bit, and quick action, has been the downfall for many over-anxious investors. Some get lucky, many others don't. Be cautious, take a long-term view, study your market, and make small "bets" and you will win the race over the long haul.

Jane Garvey is President of the Chicago Creative Investors Association.

Real Estate and the Great Pandemic/Lockdown ... continued from Page 1

to practice good hygiene and to be vigilant about one's own health but the lockdown would be completely lifted so that events, sports, and other gatherings would be allowed along with restaurants and service providers that require close human contact. The assumption is that consumers will accept the "all-clear" and be willing to engage in their old habits. That is, however, a major assumption and polls right now suggest that almost a third of the population remains deeply worried and unwilling to engage in the way they

This scenario would likely have the least impact on the real estate sector - either commercial or residential. There would be little long-term change in terms of how people would want to live and work. The popularity of the multi-family option would remain - especially with the millennial and Generation Z cohort. There would continue to be growth in the senior living category and the demand for single-family homes would also remain but with continued dependence on the status of the investment community. For the last few years, the driver for new homes has been in the upper-end segment and these are the buyers that have been motivated primarily by their returns in the market. More recently, the markets have staged an impressive recovery with the S&P regaining all that it has lost in the crisis. That will encourage that upper-end buyer to get back in the market.

The commercial side would also resume its growth with most of the same areas of emphasis. There will be a dramatic surge in the development of warehousing as the global supply chain has been profoundly affected by this crisis and there is a renewed emphasis on maintaining supply close. There will also be more expansion in the medical community as there will be a recognition that capacity was lacking when this virus manifested. If there is a resumption of normal activity there is reason to assume that demand for office space will resume and that there will continue to be interest in retail development as well. The brick-andmortar store has come under a lot of stress from the online alternative even prior to the lockdown but it is suggested that consumers still want the entertainment that comes from shopping at a specific place.

Scenario No. 2: Some Restrictions Remaining

The second scenario assumes that there will be permanent changes to the way we live and work due to the experience of the pandemic and lockdown. It assumes that many of the restrictions that have been put in place will remain. There will be restrictions on travel that will make the experience even less appealing than it has been and that will convince many in the business community to opt for the virtual interaction they have been introduced to. There will be many establishments that will not survive the continued limits on their operation - restaurants that can only open a fraction of their facility, service providers that will continue demanding extreme precautions, severe limits on gatherings that will eliminate sports, concerts and any other social interaction. These restrictions may be eased over time but nobody seems to know what the pace might be and there has been extreme variability among states and even

within states. There have been some that have opened almost everything and those that are asserting they will remain closed until every person in their state has been given a vaccine – one that has not been developed as yet.

The impact on real estate and construction will be more severe in this scenario as there will be considerable confusion as to what the rules will be. The housing market has already suffered as the supply of potential homeowners has been reduced - at least for the time being. The majority of the existing commercial projects are heading toward completion but new work has been stalled. The need for some of these projects has been questioned and there is a significant decline in the levels of investment funding available. Many of the companies that had been considering expansion or development have placed these projects on hold. There are notable exceptions as there is expansion in the medical sector as well as some areas of transportation and distribution.

Scenario No. 3: No End to Viral Threat

The third scenario is one that assumes some very long lasting trends and changes that will have less to do with the current coronavirus outbreak. The assumption is that there will be no end to the viral threat, that it will be a significant factor for many years. This assumes that a vaccine will be slow to arrive and even slower to become universally available. It assumes the virus will adapt and change and remain in the environment forever – as most viruses do. The only option for many of these diseases has been management and control and the establishment of

some system of trade-off. This means that patterns will change. More and more retail activity will be taking place online and brick-and-mortar stores will shrink radically. The office environment will change as most of the workforce will be encouraged to stay at home. Social gatherings will be restricted and discouraged and public gatherings will be curtailed as conversations revolve around playing sports without live audiences and limiting concerts and performances to some kind of electronic media. Conferences and conventions will be discouraged and, in many cases, eliminated altogether.

This is the biggest concern as far as real estate and construction are concerned. This would mean considerable decline in office building, event space and entertainment venues. It would profoundly affect shopping areas and developments that focus on consumers. There would not be a major impact on housing other than to push people somewhat further away from multi-family options. It is also likely that senior living centers would be less popular as more people will opt for people to age at home or in the homes of their family.

Right now, the sense is that any of these scenarios could play out. The determination as to where we are will be clearer within the next month or so but it may be well into the year before we have a solid understanding of what 2021 will look like.

Chris Kuehl, PhD., is an economist and Managing Director of Armada Corporate Intelligence. Visit www.armada-intel. com for more information.

Successfully Using the Past to Manage in the Present ... continued from Page 1

of back-owed rent when the time arises?

Looking ahead, we must ask ourselves this question: Is an eviction from April 2020 to August 2020 the same as an eviction a year ago? We would be challenged to honestly answer "yes" to this question. As we consider tenants for our properties over possibly the next few years, we will need to consider both the past and the present, giving proper weight to the circumstances many of us will be in by no choice of our own. Professionally, I recommend putting more weight into these three areas as you qualify your applicants.

1. Pay attention to time.

How were the applicants doing prior to March 2020? Did they have any blemishes or evictions in the last year? Did they have any judgments or negative credit activity prior to COVID-19? Would you have rented to them in February 2020?

2. Analyze their employment.

Were they employed throughout the COVID-19 shutdown but still had an eviction? Maybe they took advantage of the situation when it was presented to them and stopped paying rent to stockpile cash. That is much different from a restaurant worker whose job was taken from them by government mandate. No matter what the situation is, can they pay their rent today? Do they have a current stable job moving forward? Always review their paycheck stubs, focusing on yearto-date totals, to get an idea how long they have been working. A call to the employer might be necessary if a paycheck stub cannot be produced. I personally ask for two paycheck stubs. It's easy to doctor up one, but to change two paycheck stubs and make all the YTD figures match is often too much work for a scam artist. An emergency room nurse in my neighborhood was furloughed by the local hospital because no one was coming to the ER. You might think all medical



personnel would have retained employment, but with elective surgeries stopped by most governors, all trades were affected, not just restaurants, tattoo shops and bowling alleys. An applicant with a steady employment history through these times is going to be a "diamond in the rough" in the rental world for the next few years.

3. Always perform a rental verification.

A good rental verification will give you information a credit bureau cannot. Last year eviction data was removed from credit bureaus. There are only two ways to find evictions now. One is through a direct court search of civil filings, and the other is by calling past landlords. Many landlords have been coached by their attorney to only provide "move in-move out" data, while other landlords will give you more than you want. Most of the time if a landlord did not get their rent, they want to protect other landlords and will share lack of payment information about a

renter. Always be cautious when contacting a current landlord because if a tenant is really bad, they will say anything to get rid of them. I always advise my clients to go back at least two landlords to get the most honest and helpful feedback; a past landlord has nothing to lose and the truth will come out.

Following the financial crisis of 2009 over a decade ago, I took a chance on renting to three individual families that lost their homes to foreclosure. It is encouraging to report that they are still with me today, over 10 years later. Using these three principles we have discussed, I found people with a "homeowner mentality" who needed to rent my investment properties. They went through a tough time with their own homes being underwater and eventually lost them. To their credit, they kept their heads high, knowing that they were caught up in forces outside their control. We will find people in the same situation here. Will good people get caught up in this mess? Yes. Will many of them be great renters in the future? Yes. So maybe it is time to look to the past and forget the present when identifying the people that will be paying you rent for the next five years.

David Pickron is a landlord and owner of Rent Perfect. His company provides a free online platform for managing rentals starting with online rental applications, background checks, online lease signings, move-in inspections, renters insurance, and online rent pay — all from your phone or desktop.

Rent Perfect is a preferred vendor of National Real Estate Investment Association. They offer the most accurate & thorough credit & background screening available. Members of NREIA receive a discounted set up fee. Learn more at www.rentperfect.com.



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Coming Out of COVID-19

By Jeffery S. Watson

ost of America pretty much stopped doing everything for almost two months. Our amazing country has changed, in some ways for the better and in some ways for the worse. I see some upsides coming as a result of the COVID-19 outbreak and how the Federal Government responded to it.

For one thing, I see the "mules" and "thoroughbreds" going to their separate pastures. I use that analogy to refer to the different types of employees or people with whom you work. Some are high-performing thoroughbreds. They rise to the challenge and go above and beyond. Quality customer service, doing their job with excellence and having a good attitude matters to them. Then there are those who are just there to collect a paycheck, doing just enough to avoid getting fired. This is the group I liken to mules.

federal With the current unemployment enhancement on top of state unemployment benefits that can run from 26 to 39 weeks, I believe we will have an opportunity to see the mules sort themselves out and move on to their own pasture. Receiving \$600+ per week to sit at home is enticing for many. The thoroughbreds who, for no fault of their own, cannot go back to work for their former employers for various reasons, are going to be looking for new challenges and opportunities. For those who are hiring, now is a tremendous time to add thoroughbreds to your team.

I believe the biggest takeaway from this whole pandemic situation from an economic standpoint is simple: You must have an emergency fund to cover at least 3 months of expenses!

Does this mean it will be easier than ever before to hire talented people? Not necessarily, but there are ways to recruit talent and ask the right questions in a multi-stage interview process to determine if a person is a true thoroughbred or just a bored mule.

Now that things have begun loosening up in our country and people are getting back to work, this is the time to think strategically about your hiring plan. What type of hires do you need to make in the coming months? What kinds of campaigns and systems will you use to advertise, interview, screen and select the right employees?

The second big thing I see that the COVID-19 crisis has done is that it tested everyone's ability to communicate. Extreme tests require extreme communication. I have been working on being deliberate and clear in my communication, being mindful of the emotions of those who are listening to me, and talking to my team members like they are owners in the business. When there is pushback from one of my team members, I'm learning to accept it, embrace it, and benefit from it, realizing that the communication is coming from a thoroughbred.

When communicating with my team about risks, threats and possibilities and someone raises a concern, I try to seek

a solution from them for every problem they raise. This prevents someone on your team from just pointing out all the things that could go wrong without being required to give input as to how it can be prevented, fixed or benefited from.

A third positive thing I hope many have learned from the COVID-19 crisis is the need to be prepared, both personally and in business. Without mentioning the name or political party affiliation, I saw a politician on TV begging for federal money in order to make up for all the tax revenue that his particular city had to forego because of his strong orders on sheltering in place for the large population in his city. I'm sure there will be a flock of seagull-like politicians crying out for money from the federal government to make up for their lost tax revenue and increased operational expenses.

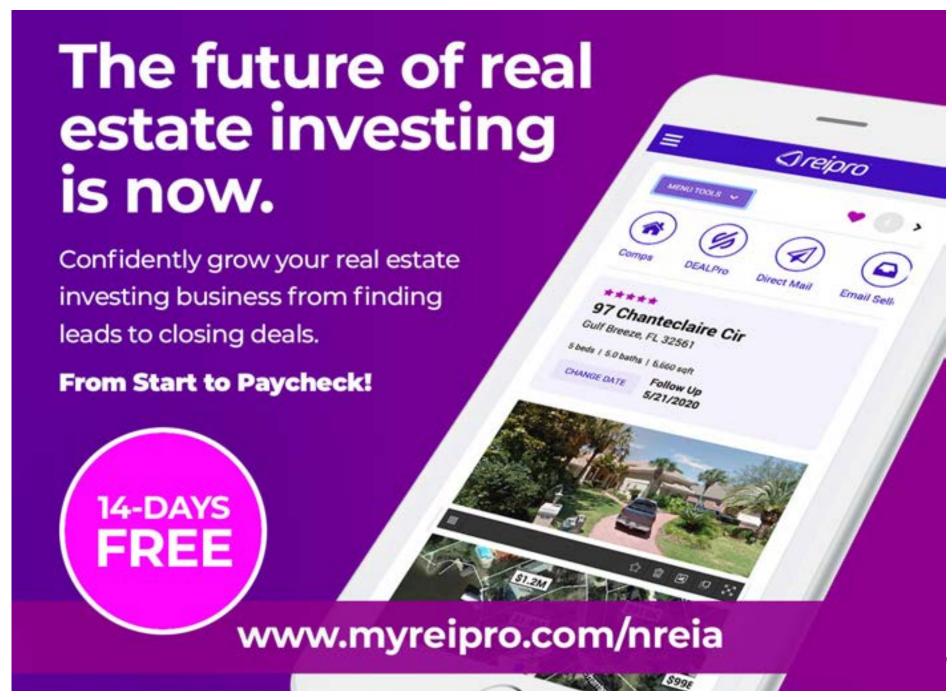
I believe the biggest takeaway from this whole pandemic situation from an economic standpoint is simple: You must have an emergency fund to cover at least 3 months of expenses! Many business owners, entrepreneurs, investors and politicians have been caught short with little cash on hand, no retained earnings or savings, and no plan for how to maintain cash flow. I will admit that I don't enjoy the thought of dipping into my business savings account to bring money into an operational account, but I'm grateful I have that ability if I need it.

Being prepared includes more than just having money set aside. We need to have enough basic food and other staples in our homes to last several weeks. Obviously, it won't be gourmet food, but there are basic things people can keep on hand to avoid having to go to the store when it is not in their best interest to do so.

I hope you will endeavor to set aside money in a savings account for your business (retained earnings), as well as in a personal account for your household emergency fund. Take some time to plan what basic food items you can buy to keep on hand in your pantry so you don't have to go to crowded grocery stores at times when demands are high, inventory is low and many people may be sick.

If you think something like this COVID-19 pandemic isn't going to happen again, you are underestimating our media, our government and our society. Be better prepared next time.

Jeffery S. Watson is an attorney who has had an active trial and hearing practice for more than 25 years. As a contingent fee trial lawyer, he has a unique perspective on investing and wealth protection. He has tried over 20 civil jury trials and has handled thousands of contested hearings. Jeff has changed the law in Ohio four times via litigation. Read more of his viewpoints at WatsonInvested.com.



Not All Insurance Programs and Insurance Carriers are Created Equal

By Mark Gannaway, CPCU

think all of us would agree the real estate world and everything around it is a mess right now! Especially trying to run a profitable real estate investor business. With real estate prices for single family homes still hovering around all-time highs in most major markets, COVID-19 destroying our economy and families, lenders tightening up their underwriting processes and terms, it's easy to be disheartened and overwhelmed.

In financial times like these, everyone is looking for ways to cut costs and one of those big items is insurance. For many real estate investors, insurance is just a commodity. The assumption is "all insurance policies and insurance companies are the same!" If I can save a

The best insurance programs offer great service, comprehensive insurance coverages, great technology, all at a fair price. The only way to validate your insurance program is to know the people you are doing business with and seek a coverage analysis of your policy as well as knowing how their claim process works.

"few dollars" on my insurance bill, then that is what I will do.

We thought this would be a good place & time to remind you that not all insurance programs and insurance carriers are created equal and to encourage you to revisit the National REIA Insurance Program if you are not already a policyholder.

Arcana would be a Fortune 500

company if it received a dollar for every person who walked by the Arcana booth at a convention and said, "I already have a good deal" when it comes to their insurance program. Unfortunately, most attendees don't give us the time to ask, "How do you know?"

If you define a "good deal" when it comes to your insurance program by applying the "cheapest rates" theory then trouble lies ahead in most cases. Premium payment plans, cancellation provisions and what "isn't covered" in your insurance policy is more impactful to an investor's bottom-line than merely the insurance rates being charged.

For example, if you're a "flipper," it's the unnoticed cancellation charges most insurance companies assess like minimum premiums, large policy fees and short rate cancellation penalties that impact overall cost. If your strategy is to hold and rent, then you're looking for maximum cash flow to fund one's investment and make a decent financial return for you or your investors. Premium finance charges or large billing fees can balance out those so-called premium savings.

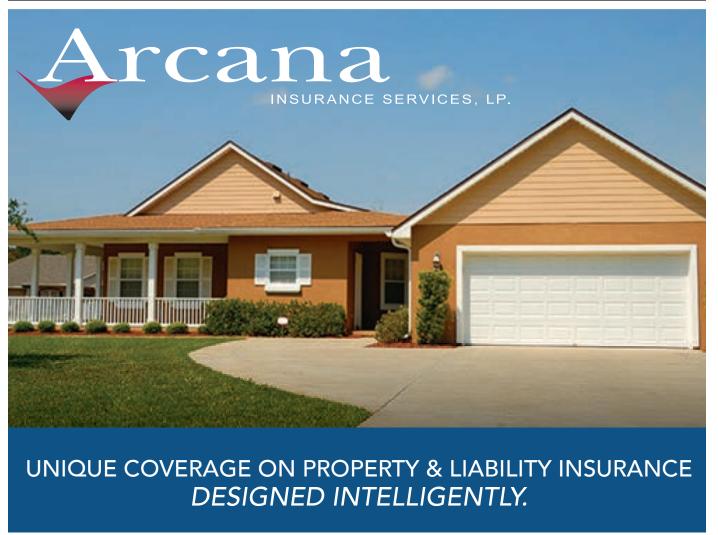
Another big mistake is the assumption that I can save money by insuring the investment property under my homeowner's policy, especially on smaller portfolios. The biggest issues are vacancy claims, particularly when buildings are being remodeled or a third party gets injured on the property while not being occupied. A typical homeowner's policy requires the property to be occupied. Occupied means more than just a few pieces of furniture. If the property has been vacant at least 30 or 60 days, depending on the insurance company's policy wording, the claim may be denied.

When looking for the right insurance policy, the Landlord Policy generally offers the best coverages for an investor. Again, read the fine print. Your Landlord Investor policy should include at a minimum whether vacant or occupied: replacement cost, allrisk insurance coverages with normal exclusions, and liability coverages in the event of a third-party injury or someone claiming to be injured on your investment property. We also highly recommend a flood quote whether the property is in a national flood zone or not. Five out of six flood losses experienced in Hurricane Harvey did not have flood insurance and many were not located in a nationally defined flood zone.

The best insurance programs offer great service, comprehensive insurance coverages, great technology, all at a fair price. The only way to validate your insurance program is to know the people you are doing business with and seek a coverage analysis of your policy as well as knowing how their claim process works. One purchases insurance to have comfort in knowing that when something goes amiss, and it will, the covered claim will be paid within a reasonable timeline at a fair value.

Unfortunately, investors are sometimes finding that an extremely low rate, quoted outside the industry-norm guidelines is not always accompanied by swift and accommodating claim payment. Do your homework and check references with your industry associates. This additional step will pay significant dividends in the long term.

Continued on Page 17



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Legislative Update ... continued from Page 12

vouchers for individuals and families who are homeless or at risk of becoming homeless, or fleeing domestic violence. Allows PHAs the flexibility necessary for the safe and effective administration of these funds while maintaining fair housing, nondiscrimination, labor standards, and environmental protections.

- Community Development Block Grant \$5 billion for coronavirus response and to mitigate the impacts in our communities to be distributed by formula to current grantees. The legislation continues to waive the public services cap to allow communities to respond to the impacts of the pandemic.
- Emergency Rental Assistance \$100 billion to provide emergency assistance to help lowincome renters at risk of homelessness avoid eviction due to the economic impact of the coronavirus pandemic.
- Project-Based Rental Assistance \$750 million to ensure the continuation of housing assistance for low-income individuals and families living in project-based rental assistance properties, and to ensure housing providers can take the necessary actions to prevent, prepare for, and respond to the pandemic.
- Homeowner Assistance Fund -- Provides \$75 billion to states, territories, and tribes to address the ongoing needs of homeowners (including those who own 2-4 unit rental homes) struggling to afford their housing due directly or indirectly to the impacts of the COVID19 pandemic by providing direct assistance with mortgage payments, property taxes, property insurance, utilities, and other housing related costs.
- Rural Rental Assistance -- Authorizes \$309 million in supplemental funding for USDA's rental assistance programs, including \$25 million for rural vouchers, to absorb reductions in tenant rent contributions and to provide rental assistance to unassisted households living in USDA subsidized properties who are struggling to pay rent during the COVID19 pandemic.
- Housing Counseling Assistance \$100 million to enable housing counselors to respond to the surge of demand for services, which include foreclosure and eviction mitigation counseling, in light of the economic impact of the COVID-19 pandemic. The bill allows the purchase of technology and equipment so services can be provided through electronic means.
- Office of Fair Housing and Equal Opportunity \$14 million to address fair housing issues resulting from coronavirus. This includes \$4 million for Fair Housing Organization Initiative grants and \$10 million for Education and Outreach grants to educate the public and the housing industry about fair housing rights and responsibilities during the COVID-19 pandemic.

Tax Provisions

INDIVIDUALS

- Recovery Rebates Round 1: While the CARES Act allowed only dependents under 17 to qualify for \$500 rebates, the proposal would enable all dependents to qualify. Accordingly, households with full-time students who are under 17 and adult dependents would be able to receive \$500 per dependent.
- Recovery Rebates Round 2: The proposal would authorize a second round of Recovery Rebates totaling \$1,200 per person (\$2,400 for joint filers). In addition, up to three dependents could be claimed. The rebates would phase out for single filers earning over \$75,000 and married couples earning over \$150,000.
- Child Tax Credit: The Child Tax Credit is increased to \$3,000 (\$3,600 for a child under six) for

2020 and made fully refundable. Seventeen-year-old children are also made eligible. The proposal directs the Treasury Secretary to make advanced payments.

BUSINESS

- Restoration of Limitation on Excess Business Losses: The proposal repeals changes made by the CARES Act to suspend the denial of deductibility of excess business losses of a taxpayer other than a corporation for 2018-2020. Excess business losses are treated as net operating losses in the next succeeding taxable year. An excess business loss exists if taxpayer's total deductions from all trades or businesses exceed all income from such trades or businesses, plus \$250,000 (\$500,000 for joint filers). While this provision is in law only through 2025, the proposal would also make it permanent.
- Net Operating Loss Carryback Limitation: The CARES Act enables taxpayers to carryback net operating losses incurred in 2018, 2019, or 2020 for five years. The provision would enable losses to be carried back only to taxable years beginning after January 1, 2018. In addition, taxpayers who are limited by executive compensation tax rules or that engage in stock buybacks or dividend distributions over certain limits are deemed in eligible to carryback losses.
- Employee Retention Tax Credit: The CARES Act provides a refundable payroll tax credit for 50 percent of wages (up to \$10,000) paid by employers to employees during the COVID-19 crisis. The credit is available to employers whose (1) operations were fully or partially suspended, due to a COVID-19 related shut-down order, or (2) gross receipts declined by more than 50 percent when compared to the same quarter in the prior year. For employers with greater than 100 fulltime employees, qualified wages are wages paid to employees when they are not providing services due to the COVID-19-related circumstances. For eligible employers with 100 or fewer full-time employees, all employee wages qualify for the credit, whether the employer is open for business or subject to a shut-down order.

The proposal would increase the credit percentage to 80 percent while increasing the per/employee wage limit to \$15,000. Partial tax credits would be available to employers experiencing gross receipts declining between 10 percent and 50 percent in comparison to the same quarter in the prior year. Finally, a large employer would be redefined to one with more than 1,500 employees and gross receipts of over \$41.5 million in 2019.

- Tax Credit for Employer Expenses: The proposal establishes a 50 percent refundable payroll tax credit for qualified fixed costs, including rent obligations, covered mortgage obligations, and covered utility payments, for employers subject to a full or partial suspension due to a COVID-19 government order or those who experience a decline in gross receipts of at least 20 percent compared to the same calendar quarter of the preceding year. For each quarter, qualified expenses eligible for this credit are limited to 25 percent of qualified wages or 6.25 percent of 2019 gross receipts, with an absolute maximum of \$50,000. This credit is limited to employers with no more than 1,500 full-time equivalent employees or no more than \$41,500,000 in gross receipts in 2019. Additionally, the credit is phased in for employers with a decline in gross receipts between 10 percent and 50 percent.
- Paid Sick and Family Leave Credits: The refundable tax credits available to employers to offset the cost of mandatory paid sick and family leave enacted as part of the Families First Coronavirus Response Act are extended through 2021. Individuals taking leave to care for a child may claim up to \$511 per day as opposed to \$200 per day for the first two

weeks of leave. Employers may also claim up to 60 days of credit (instead of 50 days) for paid family leave.

- Payroll Tax Deferral: The CARES Act enables taxpayers to defer the employer portion of Social Security tax paid after the date of enactment through 2020. Half is repaid at the end of 2021, and the remainder is repaid at the end of 2022. The proposal would enable taxpayers with forgiven loans as part of the Paycheck Protection Program to defer payroll taxes.
- Deductibility of Business Expenses for Taxpayers Receiving Paycheck Protection Program Loans: The provision clarifies that taxpayers receiving Paycheck Protection Program loans do not result in the denial of any deduction or basis of any asset for tax purposes.

Non-HEROES-Related Issues

PAYCHECK PROTECTION PROGRAM UPDATE

- SBA issued new FAQs on May 13 providing a Safe Harbor for all loans under \$2 million and confirmed all loans in excess of \$2 million will be audited but also eliminated all penalties if proceeds have to be returned.
- Additionally, the forgiveness application has been released.
- New Regulations are still coming out...stay in touch with your lender!

LIABILITY PROTECTION FOR BUSINESSES

• As many states and jurisdictions begin a phased relaxation of COVID-19 related closures and restrictions, businesses have begun to question what protection exists for them against liability claims from employees, customers and the general public who access their facilities. The Senate Judiciary Committee held a hearing to examine the topic and the appropriate role of the federal government.

Reopening Proposals

- In April, President Trump met with more than 200 business leaders to discuss the Administration's plan to reopen the country. This group of bipartisan business leaders, which includes more than a dozen members of the real estate and construction industry, will advise the White House as the Great American Economic Revival Industry Group.
- The White House proposal to reopen the country provides guidance to governors and outlines a three-phase plan to do so for both employers and individuals.
- National REIA is working with NMHC and NAA, working with Administration officials, members, and industry partners to identify the operational challenges that the real estate investment industry will face as we navigate the process for operating in this new normal environment.

To advertise in RE Journal, call Terry Hokenson at 480-720-4385 or email him at terry@rentalhousingjournal.com

Member Spotlight - Kate Crowle ... continued from Page 1

southern Michigan and chose a college that was close to my parents. I did not like change and had not been exposed to traveling outside of the state. Our annual family vacation was renting a cottage on Lake Michigan so my appetite for travel and adventure took flight after I studied abroad in London for fashion design when I was 22.

My love for travel, adventure, culture and meeting people from all around the world changed my life forever. When I returned home I was focused on my career and went on to work in visual merchandising for Marshall Field's, which was later acquired by Macy's Inc. After 13 years, eight promotions, four transfers and traveling to 26 states I decided to accept a position in Milwaukee as Director of Visual Presentation for Kohl's Department Stores. This position helped push me out of my comfort zone to start thinking about creating a life as an entrepreneur.

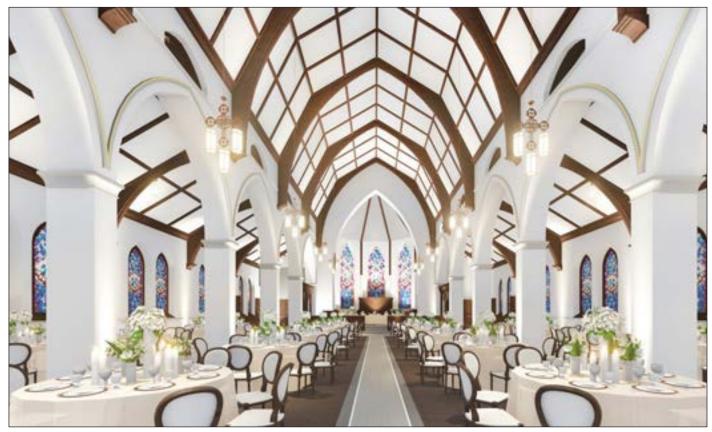
How did you get started?

In 2007 I bought my first home in Minneapolis, Minnesota. In 2009, the crash presented a new opportunity in Chicago so I had to sell my condo and move. However, I found out it was worth \$50,000 less than what I had purchased it for and that took every penny I had saved since I was 12. It did not go into foreclosure but it took six months to sell and I was paying rent in Chicago plus my mortgage in Minneapolis.

It was such a painful financial lesson that I resented real estate and said I would never buy a home again. So, it took me seven years until I built up the courage to make my next investment and this time I made sure to only focus on a distressed foreclosure.

I found an industrial condo with three walls of windows and open 1,500-square-foot floor plan. By adding a second bedroom and cosmetic updates, I raised the value and sold it two years later (to avoid capital gains) for a \$150,000 profit. In 2016, my love for interior design and real estate escalated and I began looking into seminars. I attended a Tony Robbins event in Chicago and they had a guest speaker on real estate investing where they mentioned local REIAs and that was how I got started.

Describe a typical work week for you as a real estate investor:



The original Episcopal church sanctuary is now St. James 1868's reception hall, seating up to 300 guests.



Kate designed every detail of the photogenic courtyard, including choosing a stone that would work best for heels.

Taking on an \$8 million historic renovation has consumed every minute of my time. For the past two years I have been the real estate developer, interior designer and business owner of my commercial project and it has been one learning experience after the next. I'm looking forward to being able to take a breath and figure out what my next project will be but at this time I'm finally approaching the finish line and looking forward to seeing my vision become a reality.

Tell us about your first deal: My first commercial deal has been one



Kate with her catering partners from Gracious Events at a wedding show.

life lesson after the next. I purchased St. James for \$425,000, only \$15 a square foot, but the amount of money it needed was much more than I expected. Over the past three years I have been lied to, cheated on, stolen from and taken advantage of from people that I really respected and some that I knew for many years. It is unfortunate how money can change people and bring out sides you never knew were possible. Two weeks from my bank closing a very close friend and business partner decided to change the terms of our operating agreement and tried to take all control by refusing to sign as my coguarantor (which had been determined eight months prior). At that moment I had no idea what rollercoaster I would be heading into, the legal battles that would proceed and the anxiety attacks that affected my health. For the next two months I worked day and night to find unsecured funding from private investors for \$2 million in order to proceed with St James 1868. I have been blessed with a group of silent investors that have believed in my abilities and the vision of St. James 1868 but it has not been easy.

Do you have a real estate license?
No.

Has coaching or mentoring played a part in your success?

Attending the monthly Milwaukee REIA meetings and some of the weekend events of national speakers has been very helpful and worth the investment of time and money. I do recommend proceeding with caution when looking into some of the coaching programs. I've made a couple expensive mistakes by joining masterminds with men that I thought had credible backgrounds and ended up costing me a lot of money by giving terrible advice.

One person that has been a mentor for me is Anish Dave. I met him on the National REIA cruise last year and he has played a significant role in my development in my real estate and marketing knowledge. So grateful for his guidance.

What are your current and future goals?

My current goal is to take on this pandemic and turn St. James 1868 into a successful venue. For the next year I'm laser-focused on learning everything I can about what is working and not working to continue to innovate my business plan and create a venue where families can share memories for a lifetime. Once I have time to breathe then I'll be ready to focus on my next commercial project. Currently I have inspiration for a vineyard/venue that I would like to create.

What has been your top struggle in this business?

I was very fortunate in the first 13 years of my corporate career that I never noticed any gender or age discrimination. In many of my roles I was the youngest in my leadership positions and overall was never made to feel inferior. That, however, changed drastically moving into a male-dominated industry. In the past few years I have had men make very derogatory statements such as: "You are a female that turned entrepreneur overnight and you will be a huge failure." My last VP in retail was a very insecure individual and led with fear for all his employees. He told me, "You

Continued on Page 15

Member Spotlight - Kate Crowle ... continued from Page 14

are not strategic, you are not creative, you are not a leader, and there is no role in the entire company that you are suited for." There isn't a day that goes by that I do not think of that moment in time and just smile. My reply was very simple: "It is very interesting that all of my skills that promoted me over the past 15 years disappeared under your leadership." His words are my driving force behind my passion to build a successful business and never return to corporate America.

The most frequent question I get asked currently is in regard to my commercial project and no one believes that I'm the owner, the developer and the designer. I often hear, "Who is your partner?" or "Who is in charge?" This is a very obvious statement that they are looking for the man in charge and when I reply with the same answer that "It is me" I get the look of confusion. A few men have even replied with, "You don't look old enough." So, yes these can be struggles but (most days) I take them as challenges and hope to educate, motivate and inspire other female entrepreneurs in the future through all the learning I have experienced.

What do you like most about what you do?

Design is my passion and I'm addicted to renovating distressed properties and their potential for new life. I'm amazed at how many people struggle with the ability to see the potential in something old, abandoned, or ugly that can turn



Kate took on the roles of developer and interior designer as well as owner of St. James 1868.



Kate ultimately made a \$150,000 profit on this renovation, the first foreclosure she ever acquired.

into something beautiful. The uglier the better!

How important is joining a local REIA to a new investor?

The Milwaukee REIA has been a critical part of my success and has been an incredible support system during the creation of St. James 1868. There are a handful of investors that I created relationships with (through the REIA) and getting together once a month to share insight on creative deal structures is so good for the soul.

I have attended the National REIA cruise the past couple years and was devasted that I was unable to attend this past March. The wealth of knowledge provided has been a game-changer, particularity my self-directed IRA investment strategy. By next year I will have converted all of my traditional IRA into my Roth IRA utilizing the back-door conversion during my lowest income years while I get St. James 1868 up and running. For anyone interested in getting started, the association is a perfect starting point to learn about investing from active real estate investors.

What is your favorite selfhelp or business book?



Kate and architect Mark Taylor at an onsite meeting for St. James 1868.

I read *Rich Dad Poor Dad* by Robert Kiyosaki every year. I also think *The E Myth*, by Michael Gerber, is an easy read.

Do you have any interesting hobbies or something unique that you like to do?

Any chance that I get I like to hop on a plane and explore other countries. Europe has a significant place in my heart. Last year I traveled to Europe three times (visited eight countries) and returned home with so much drive and inspiration! I love indulging in new cultures, enjoying their cuisine, exploring the neighborhoods, and getting lost. It's the recharge I need to create perspective.

Does your business have a website?
www.stjames1868.com

Social media accounts?

- Instagram: stjames1868
- Facebook: St James 1868



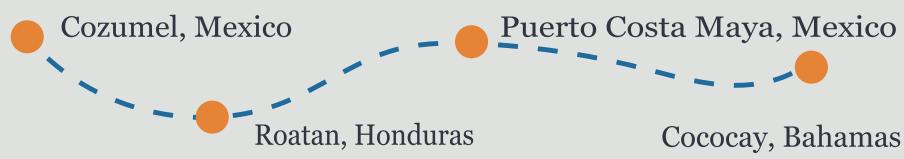


Before (left) and after (right) photos showing the kitchen renovation of a foreclosure Kate purchased last year.

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www.nationalreiacruise.com

Not All Insurance Programs, Carriers Created Equal ... continued from Page 11

For those currently using the National REIA / Arcana Insurance Services insurance program we thank you for entrusting us with your business. For those who haven't, this is a great time to do so. The buying power of the NREIA's 40,000 plus members gives you the best program for the best price, whether you are a first-time buyer or have 300 homes in your portfolio. Features include no underwriting, photographs or inspections, 24/7 desktop and smartphone certificate delivery system, all accounting records at your fingertips, daily prorate insurance calculations, flexible payments with no interest charges, outstanding claims management service, the best time-tested cash flow insurance products available in the insurance market, and a very knowledgeable and courteous staff to take care of your insurance needs.

Please allow us the opportunity to speak with you directly or at one of your REIA meetings. We will demonstrate to you why the Arcana / NREIA insurance program is the right insurance decision for your portfolio.

Arcana offers members of National REIA multiple insurance products specifically designed for Investors and their tenants. Features include no underwriting or inspections, 24/7 desktop & smartphone certificate delivery system, outstanding claims management service, and a very knowledgeable & courteous staff to handle your insurance needs. Learn more by visiting www.nreia. arcanainsurancehub.com.

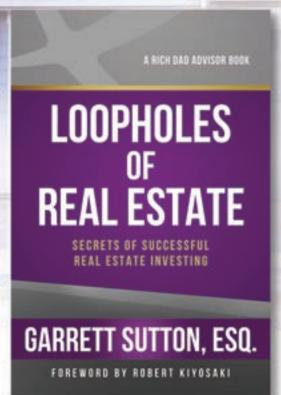
Mark A. Gannaway, CPCU, is the Chief Executive Officer and Founding Partner of Arcana Insurance Services, an all-lines property and casualty managing agency that's been working with real estate investors since it began in 2005.





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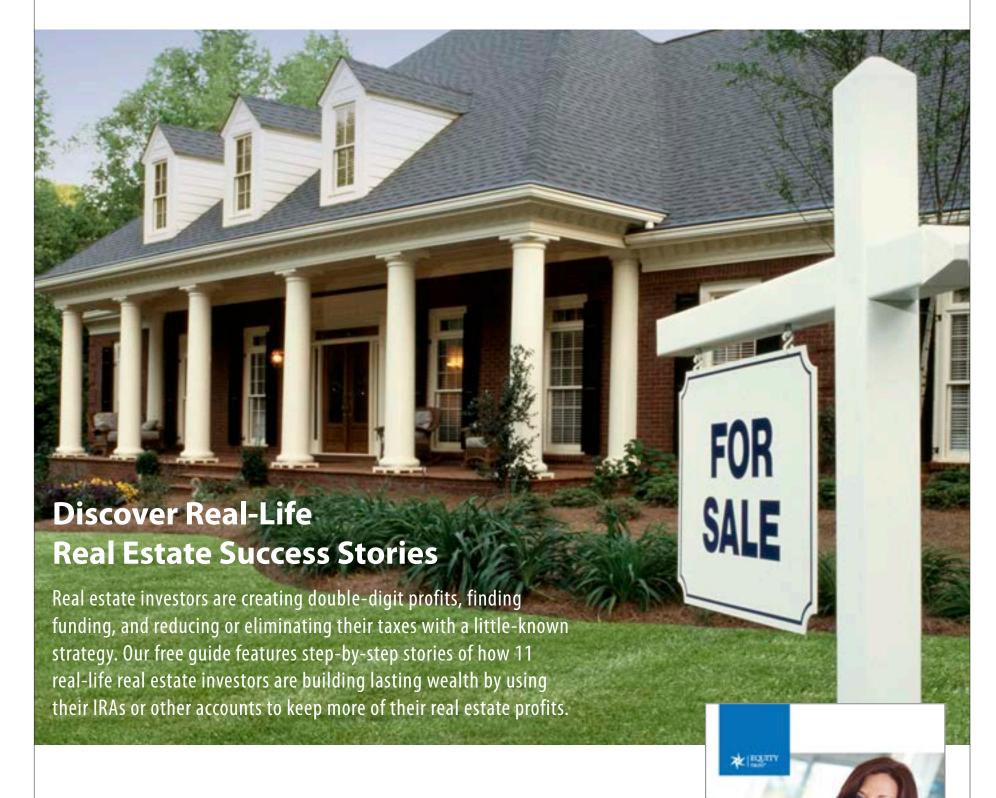


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Self-Directed investments Revealed

Investor Earns Average 41% Returns in First Two Investments over 16 Months

By Kent Kinzer

n as little as 16 months, Mark of North Carolina has completed two real estate-related investments, earning double-digit returns and saving on taxes.

"I wish I would have known about this 10 years ago," he says of the strategy that he used.

In 2017, Mark wanted to diversify his investing beyond the stocks and bonds that his retirement account held. He had previously invested in condos and was interested in using his IRA to fund his real estate investments.

He asked the financial institution where he completed stock trades about the possibility of diversifying with a self-directed retirement account. The company told him that he'd need to find a self-directed account custodian to handle this type of investing, referring him to Equity Trust.

When opened at custodians such as Equity Trust, self-directed accounts enable investors to invest in a variety of assets in addition to stocks, bonds and mutual funds, including but not limited to real estate, notes, tax liens, cryptocurrency and precious metals.

First Investment Nets 27-Percent Return

Mark's first self-directed investment was a rehab property he learned about from a Realtor acquaintance.

The first time Mark stepped into the house, it was like entering a time capsule. The previous owners bought the property in the 1970s and had recently passed away. The wallpaper and décor appeared to be unchanged since the 1970s.

"It needed a bunch of work," he recalls.

Investments held in an IRA must follow IRS regulations, including prohibiting disqualified individuals (in this case, Mark) from performing work on the investment.

Through his networking, Mark was referred to a contractor who was able to walk him through the process and provide the catalyst he needed.

The contractor performed extensive updates to give the house a modern-day facelift, including new flooring, appliances, cabinets, HVAC system, landscaping, décor and paint.

Mark sold the property for over \$200,000 just 14 months after purchasing it. After rehab costs close to \$64,000, (which must be paid by his IRA, per IRS rules), a profit of \$45,000 went back into his IRA.

"You cannot generate that type of return in the stock market today," he says.

Second Investment: 60-Percent Note ROI

While the house rehab was in progress, Mark learned of another real estate project in need of funding. The project was a house tear-down and rebuild.

Three investors contributed a total Real Estate Journal · Summer 2020





Mark's Investment: Before, left, and after.

of \$100,000 for the purchase and were looking for a loan on the holding costs. Mark's IRA loaned \$125,000 for the project with an unsecured note.

The note was redeemed for just under \$200,000 14 months later when the house sold. Mark's IRA gained \$75,000 – a 60-percent return.

How Mark Gained Momentum

The two investments were just the beginning of what has been a prolific, profitable period for Mark and his self-directed IRA, but he admits there was a bit of a learning curve in the beginning.

An investment involving an IRA requires different paperwork than an investment outside an IRA, so the process can differ from what the investor is used to.

"We had conference calls with Equity Trust, my attorney and me until we were comfortable with how to structure a partnership within the IRS rules," Mark says, adding it wasn't a major hang-up. "It's just the cost of doing business," he says, adding, "Once we set that up, we knew."

Self-Directed Investing: It Takes a Team

After not knowing how to begin his first rehab, Mark now has a go-to contractor and a system for getting jobs done.

"I hired a contractor who knew what I wanted," Mark says, adding, "I go out there weekly to check on it and see where we're at and what is coming next."

By doing this, Mark is able to request the money from his IRA to purchase supplies for the contractor's next task. As an Equity Trust client, he is able request funds from his account or pay bills related to the investment from any internet-connected device, saving time and effort.

After Mark got through the learning process with those first two investments, he wanted to partner on other investments with some of the same investors.

"Once those first two [investments] went well, I'm comfortable working with them and that's why I feel more confident."

Mark has initiated three more selfdirected real estate investments, with even more to come. He has formed a relationship with a builder and a real estate agent and plans to continue using his IRA to fund luxury home construction in the \$190,000 to \$225,000 range.

He anticipates a return of at least 20 percent on each property.

In addition to the learning experience of completing his first few self-directed investment transactions, Mark says he benefited from knowledge of those he met networking. He received referrals from fellow attendees at the local Real Estate Investors Association (REIA) chapter meetings, and now he has a network of professionals to turn to – not to mention a source for prospective investments.

"There are opportunities out there, people just don't realize it," Mark says. "Go out and network and meet some people. Meeting a Realtor has really been a huge help for me."

Discover More about this Strategy: Free Virtual Workshops

Equity Trust is offering free virtual education workshops revealing how to get started in self-directed real estate investing and sharing how other investors are using the strategy. Visit www.trustetc.com/virtual-events to learn more or sign up.

Special Self-Directed IRA Offer for National REIA Members Only

Equity Trust Company is a national sponsor for the National Real Estate Investor Association (NREIA) and is offering NREIA members and its affiliated chapter members the opportunity to experience the concept of self-directed investing with a special introductory self-directed account offer.

NREIA members can open an Equity Trust account for a discounted rate of \$99 and receive bonuses worth \$720 or more:

- National REIA GOLD Level membership (includes priority processing and an experienced client service team dedicated to members) for one year
- Digital download of #1 ranked book on Amazon - Self-Directed IRAs: Building Retirement Wealth Through Alternative Investing

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Kent Kinzer is Senior Marketing Manager, New Business Development at Equity Trust Company.

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'Til Data Do Us Part

How to Find the QuickBooks You'll Love for Life

By Gita Faust

hen you hear QuickBooks, what comes to your mind? Many of us know the software as an extremely popular accounting solution, but what many people do not know is that QuickBooks can double as an all-around property management software.

You read it correctly: QuickBooks can help you manage your properties with minimal effort. The software provides some of the best reports out there; it is the best solution for when you want to integrate different apps to accomplish tasks more seamlessly; and best of all, it is easy to learn and implement into your day-to-day routine.

However, do not mistake a lack of complexity for a lack of effectiveness. QuickBooks should not be underestimated; when used to its full potential, it is an extremely powerful money-making machine!

There are a number of features that make QuickBooks an essential part of your toolbelt, regardless of which version you choose:

- Portability. No matter which version of QuickBooks you choose, you have the ability to take it with you wherever you go.
- Tenant payments. Collecting rent, deposits, and any other payments from your tenants has never been easier than doing it with QuickBooks.
- Bill payments. Similarly, paying your bills for loans, contractors, utilities, and more is made simple.
- Cost segregation. Segregate the costs of each property and asset in detail to paint a clearer picture.
- Loan tracking. You can track your escrows and loans with just a few clicks, whether they may be primary, secured, unsecured, or construction loans!
- Cash flows. With QuickBooks, you can track your cash flow on a cash basis and on an accrual basis.
- Tax assistance. Why wait until tax time rolls around to start planning? Save on taxes today, and make it easiest for your tax preparer to fill in the blanks later on!

Write Up Your Wish List

It is never too early in the year or too late in your business endeavors to start drawing up a wish list, especially when that wish list pertains to what you hope to get out of your accounting software. Of course, the primary goal when it comes to QuickBooks is to grant yourself easy access to comprehensive data and detailed reports—but between all the different versions, there are so many different functionalities that it can be hard to choose.

That is why it is essential that you choose what you want from the software before you even start looking at the versions! Make a list of your needs and wants, and then you can start narrowing down your choices. Here are some common factors for which QuickBooks users look in software:

- Accessibility. It might be helpful to write this one out, as strange as it sounds. Ask yourself how many team members are going to need access to your company's QuickBooks file, and how many are going to need access simultaneously?
 - o You might need access for thirty people, but at any given time, only five people will be accessing it at once! Keep that in mind.
- Permissions. You can actually designate who has permission to perform certain tasks in QuickBooks, such as viewing, editing, creating, modifying, deleting, and even printing! This can be customized based upon account role, and you can also control which accounts they can access (bank accounts, accounts receivable and payable, purchases, time tracking, and more!).
- Remote access. For some people, it is important to be able to access their data from any place at any time. QuickBooks Online is known for its 24/7 access, but the same remote accessibility can be accomplished

with QuickBooks Pro, Premier, and Enterprise. You can also host QuickBooks so that all of your team members can access it, or you can share the file!

- Integration. Many people overlook whether or not QuickBooks is compatible with other software that they use, but this is crucial! Having software that integrates can streamline your process, cut down on time, and save you money as a result! Now, that does not mean it is always a good idea to sync all your software; you have to do a deep dive and see what works best for you and the programs you use.
- Payments. Some people prefer the thought of making a one-time payment rather than paying for a subscription, and the same is true for the opposite. You can pay a single flat price for QuickBooks Pro, QuickBooks Premier, and QuickBooks Mac (and upgrade every three years, as is recommended), or you can pay a monthly or annual subscription for QuickBooks Enterprise or QuickBooks Online.

The purpose of creating this wish list is to determine the right software functionalities that suit your individual real estate business. Once you have figured out what you are looking for, it is time to choose the version of QuickBooks that is best for you. These are the questions and answers I frequently ask both myself and my clients when trying to select a software version.

Make Your Match

Do not just blindly take the advice of your CPA or your friends when you ask, "Which version of QuickBooks do you think I should use?" Do the research yourself (and making your wish list should help you get an idea of what you are looking for)! The only person who can play QuickBooks matchmaker for you is yourself!

To help you expedite your search, here are some software suggestions:

Number of properties

Generally (but not always!), similar rules for the number of properties can be applied whether you let a property management company manage the properties you own or you have an in-house team handling your investment rentals and flips.

- When you outsource your property management and hire subcontractors to fix up the properties:
 - o If you have fewer than 30 properties, we recommend QuickBooks Premier (It'll start to run out of juice and slow down once you gain more properties). We do not really recommend QuickBooks Online for real estate, but if you twist my arm, I would have to suggest you go with QuickBooks Online Plus.
 - o If you have more than 30 properties, QuickBooks Enterprise is definitely the way to go. If you are adamant about using the Online platform, go for QuickBooks Online Advanced.
- When you have an in-house team managing your rentals and rehabbing or developing your flip properties:
 - o If you have 15 or fewer properties, we recommend using QuickBooks Premier or QuickBooks Online Plus.
 - o If you have more than 15 properties, you can upgrade to QuickBooks Enterprise (the switch is seamless!); you can also upgrade from Plus to QuickBooks Online Advanced, but if I'm playing favorites, I would lean towards Desktop versions.

When you use QuickBooks Premier or QuickBooks Enterprise, make sure that you install the Construction Industry edition of the software; this version provides better reports for rehabs and flips! Part of the reason we do not recommend using QuickBooks Online is because you would not receive the same thorough, tailored reports you could get with Desktop.

Number of entities

What we mean by number of entities is the number



of social security numbers (SSN) or employer identification numbers (EIN) you need to register your business. You could have multiple because you are also tracking investments for your spouse, parents, or somebody else. Each entity needs to have its own QuickBooks file.

- With QuickBooks Desktop, you can create an unlimited number of files.
- With QuickBooks Online, you need separate subscriptions for each entity.

Number of users

When brainstorming your wish list, you should have decided how many users need to have access to your QuickBooks file.

- If you only have 1-5 users, we recommend using QuickBooks Premier, Enterprise, QuickBooks Online Plus
- If you have 1-40 users, we recommend using QuickBooks Enterprise or QuickBooks Online Advanced

Get the Ball Rolling

Everything I have recommended is just a guideline to set you in the right direction; each situation is unique. For example, being a real estate pro does not mean you do not have a diversified income stream—you could have an e-commerce site or a manufacturing company—so you should take into account your entire portfolio when making these important decisions. If you feel that you still need some guidance, we would be happy to help you find the right QuickBooks version for you.

When it comes to using your software once you meet your match, remember this: garbage in equals garbage out. If you do not put the effort into ensuring your data is all correct, then your results will be skewed—not that it requires much effort, fortunately! QuickBooks reports—which include property valuation, forecasts, cost segregation, and everything in between—are a piece of cake once you have mastered your process, including a full setup and getting the real estate industry-standard chart of accounts. You can kiss all those spreadsheets goodbye and start getting organized the easy way with QuickBooks.

As a QuickBooks Solution Provider and partners of National REIA, HammerZen is bringing members the best real estate accounting education, implementation, and QuickBooks education, services & software and support possible! As an added bonus, we are offering a 20% off lifetime discount for all QuickBooks Online and QuickBooks Enterprise subscriptions, among many other unbeatable deals.

Gita Faust is the founder & CEO of HammerZen, which helps businesses save time & money by keeping track of The Home Depot purchases and efficiently importing receipts and statements into QuickBooks. National REIA members receive discounts on QuickBooks services and software. Learn more by visiting www.hammerzen.com/nreia.

Time to Lean into the Mess and Take Action

By Whitney Nicely

arren Buffet once said, "Be fearful when others are greedy and greedy when others are fearful." Since the world basically shut down due to COVID-19, a whole lot of fear has been spreading like wildfire. A ton of people in the real estate world began to talk as though no deals were going to be happening anywhere, real estate was basically going to shut down, and that nobody has any money, anymore. Let me tell you, though, this is a lie. It is not the time to back off or out of investing, but rather time to dig in, get creative, and watch for the opportunity that is here!

We all know things have been crazy for months now and we really do not know when things may get back to normal. However, even during this time I still have had women in my group making deals. Just the other day someone got a lease option under contract. One of my new ladies just closed her first wholesale deal. Several others closed on seller financed homes and then a few more collected nonrefundable deposits from upcoming tenants. Has real estate investing shut down? Far from it! But, some of the

more traditional paths might require some creativity now. How prepared are you for that pivot?

Warren Buffet had it 100% correct and now is the time to be "greedy" for success. Be willing to do whatever it takes to lean in and help out during this crisis. People still need places to live. Sellers still need to figure out how to move even in the midst of this pandemic. Not everyone, though, can do it the "traditional" way. This is why I love creative financing. It is the BEST tool I have ever found to be able to meet people where they are and work out a solution that will actually help them with their problem. Creative financing provides a wide-open door for making the contract work for both you and the seller so that everyone wins. So, maybe "greedy" is not the right word, but if you are really greedy to serve others, then it is not too late to get in the game.

You have to remember that people are going to continue to be people. They are going to continue to live and life is going to continue to happen. People are still going to inherit houses. Divorces and job changes will still put people into a position where they need to move quickly. Life will continue to happen. I don't want you to be one of the people cowering in the corner from all of The opportunity is all around you if you this. I want you to be one of the people standing up and stepping out to help! You are one of the few who can, so do it!

We all know people who are terrified of what is going on and feel like the rug just got pulled out from under them. Are you one of those people? If so, it is time to get out there and act. Run in the opposite direction of everyone else. If they are all hiding in fear, get out there and act. Go talk to sellers and make some deals. Even just practicing this will serve you in the long run. You never know when a seller is going to be ready to sell and it just might be right when you talk to them. Find these people. Get off of the bench and start playing the game.

What is in your way? Is it fear? What are you doing to hear success stories that are happening right now? Is it lack of knowledge? How are you learning other strategies for real estate investing? Is it the fact that your kids are home now, or your spouse is out of work or working from home? You are not alone in this, because everyone's kids are home now. Lean into the mess of it all and keep moving forward. Take action, even if it is messy action. Messy action is ALWAYS better than no action at all.

are willing to step out of your comfort zone and find it. The question is are you willing?

No one knows how long things will be in flux or how long the economy will be different. Only you can decide how deeply this impacts your investing efforts. Are you willing to do the work to lean into the challenge and find the opportunity? If so, I guarantee you will experience amazing success! Every economic downturn comes with opportunity, so the question is whether or not you will be one of the people to participate in it. Lean in, get creative, and experience all of the opportunities that are all around, if you are willing to do the work to find them.

Whitney Nicely rejected the southern girl path of working at her family's trucking business and embraced the life of an investor. Her first nine months made her over \$140k, and set her on the path to empowering other women to break into the real estate "good 'ole boys club" and break down barriers while making some serious cash. She is the President of Knox REIA and was featured in the RE Journal's "Member Spotlight" in Spring, 2016. Learn more by visiting SheBuysIt.com.







What is Uniting Investors?

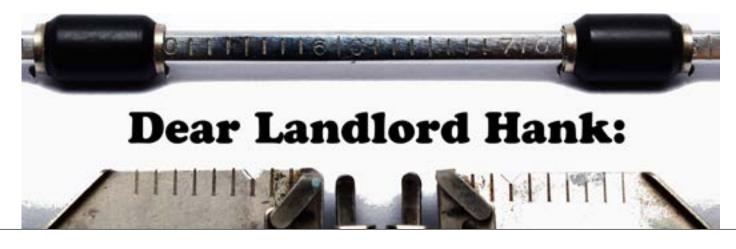
Uniting Investors is an online community brought together by the alliance of The National Real Estate Investors Association, American Rental Property Owners and Landlords Association, the Real Estate Investors Funding Association, and the National Note Buyers Association. Together, these associations have chosen to create an environment where their members can both connect with one another, as well as learn from those with more experience. Visit www.UnitingInvestors.org to sign up today.

Benefits of Joining Uniting Investors?



- Backed by the leading associations in their respective divisions of the real estate industry.
- Authorities with years of experience in the field post their knowledge for our members to share
- Don't see the information you're looking for? Post it in the community and have it answered by your peers; answers will be rated for accuracy.
- New, valuable information released weekly to our members in our resource library. You can't get this anywhere else!
- Connecting to other real estate investors across the US gives you a unique perspective and advantage; you can share best practices with one another as easily as sharing a picture on social media, but nowhere else will you find this network.





Dear Landlord Hank is written by veteran landlord and property manager Hank Rossi to answer questions from other landlords & property managers from around the country about their rentals. Landlord Hank's columns can be found online at RentalHousingJournal.com. You can submit a question to Landlord Hank through the link at the bottom of this article.

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.

* Editor's note: Please check with federal, state and local authorities regarding eviction moratoriums in order to have the most up-to-date information

Dear Landlord Hank:

When the upstairs tenant's children play in the bathtub it sometimes sends water into the unit below. The downstairs tenant has asked the upstairs tenant about it, but no luck so far. What should we do?

— Landlord Sam

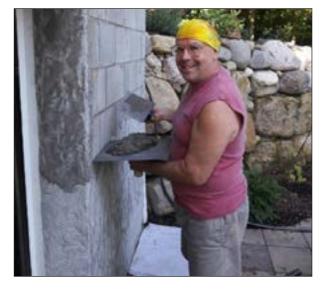
Dear Landlord Sam:

Get on this right away. The upstairs tenant is causing damage to your property and could be setting up a situation for mold growth under the flooded bathroom and into the downstairs neighbor's ceiling and walls.

There should be a section of your lease devoted to "Maintenance/inspection" that spells out clearly that if tenant causes any damage to the premises, the tenant is responsible for repairing this damage.

I would have a long talk with the upstairs tenant and tell them that water spilling from the bathtub, from the actions of their children, is causing damage to your property, and to make SURE this doesn't happen again.

The bathtub is not a pool and children should not be left unattended if they are careless. Tell the tenants



you'd like them to stay but you can't have your property compromised. There is no good reason for this to continue.

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?

__ Betl

Dear Landlady 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. Good luck.

*Editor's note: In addition, property owners can reach out to the local health department to receive additional assistance, and possibly alleviate a dangerous situation and eviction process.

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

— Gordon

Dear Landlord Gordon:

Usually, tenant 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.

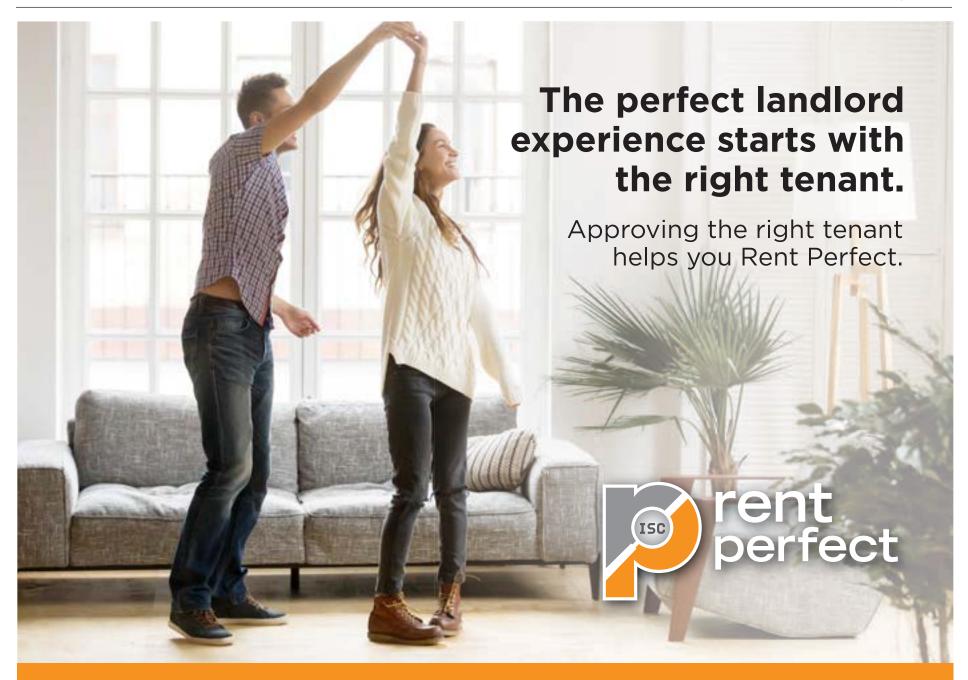
Detection may be tougher to do now though since you've tried to erase all signs of this issue, including painting your property. Have you checked your vents and ducting for signs of smoking?

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.

Do you have a question for Landlord Hank?

Please visit the URL below to ask him a question:

https://rentalhousingjournal.com/ asklandlordhank



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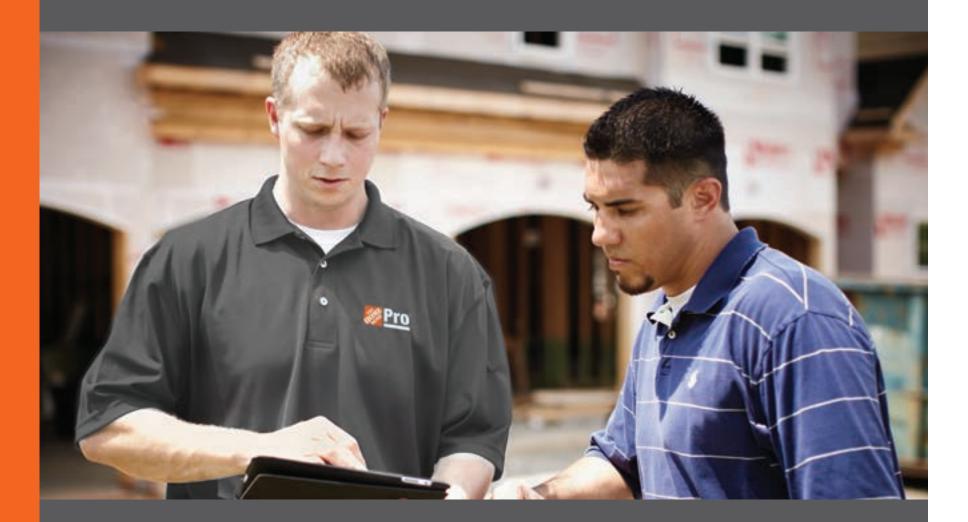
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