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Does Adding New Person Reset Lease’s Expiration?

By HANK ROSSI

Dear Landlord Hank: When a new person is added to a lease, does this reset the one-year clock? Also, if rent is late, how long do you have to collect late fees? I have a tenant who have been late almost every month by several days. I have not filed formal late-payment paperwork. —Jennifer

Hello Landlady Jennifer: When you add a tenant to the lease they are signing the original lease and are only there for that original time frame. Make sure you check credit/ background/ rental history/employment history and so on, just as you would with any other tenant.

As far as someone paying the rent on time, that depends upon your lease. It's customary to have rental payments

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Portland Rents Dip for 2nd Month

Numbers are Up in Comparison to Same Time Last Year

RENTAL HOUSING JOURNAL

Portland rents declined significantly over the past month, down 0.4 percent, according to the November report from Apartment List.

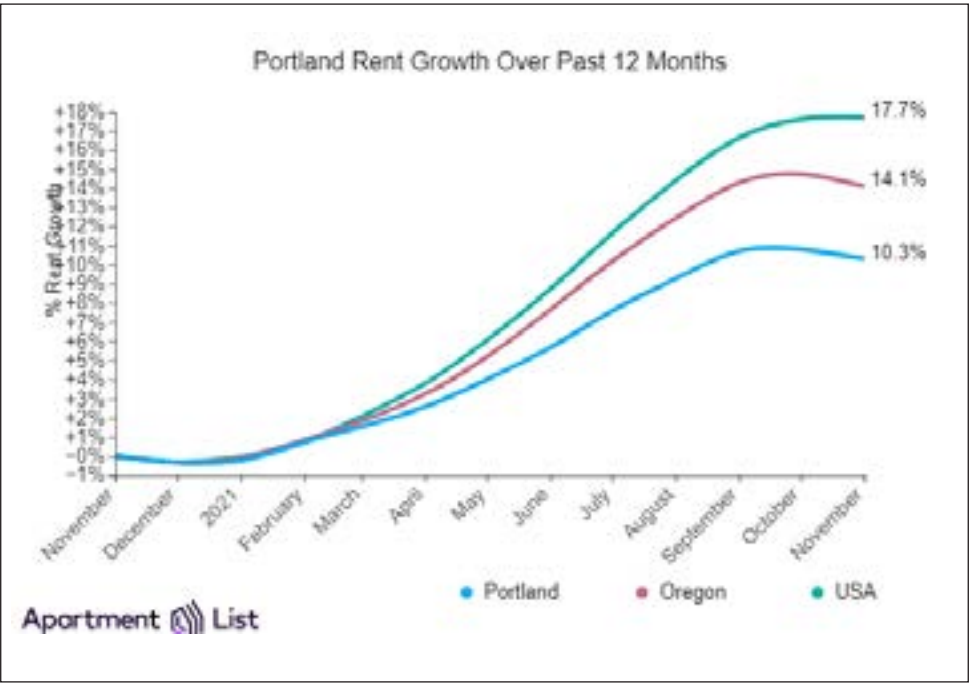
While rents are trending down in Portland, they are up by 10.3 percent in comparison to the same time last year.

Median rents in Portland are at \$1,220 for a one-bedroom apartment and \$1,423 for a two-bedroom.

Portland’s year-over-year rent growth lags the state average of 14.1 percent, as well as the national average of 17.7 percent.

Beaverton rents have declined 0.6 percent in November but are up 18.9

See ‘Rents’ on Page 6



’Tis the Season for Separation — From Your Less-Focused Competitors



By SCOT AUBREY

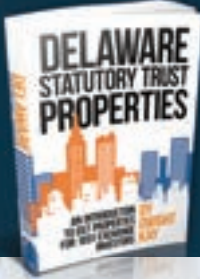
Let’s face it, it’s easy during this time of year to want to just shut things down and enjoy family, friends, food, and football.

For many of us, the holiDAYS turn into holiMONTHs, starting with a mid-November shutdown that extends well into the New Year. Most people figure that this time of year is the perfect time to sit back, relax and slow everything down; after all, they’ve earned it.

In the ultra-competitive landscape in which we operate, if you want to distinguish yourself from your fellow landlords, this is the “separation season”
See ‘It’s Time’ on Page 10



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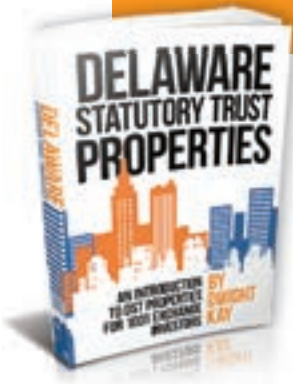
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ABOUT KAY PROPERTIES AND WWW.KPI1031.COM

Kay Properties & Investments is a national Delaware Statutory Trust (DST) investment firm. The www.kpi1031.com platform provides access to the marketplace of DSTs from over 25 different sponsor companies, custom DSTs only available to Kay clients, independent advice on DST sponsor companies, full due diligence and vetting on each DST (typically 20-40 DSTs) and a DST secondary market. Kay Properties team members collectively have over 115 years of real estate experience, are licensed in all 50 states, and have participated in over \$21 Billion of DST 1031 investments.

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Hurry Up. Time is Running Out to Use Qualified Opportunity Zones to Help Defer Taxes on a Windfall Profit

By **Betty Friant, CCIM, Senior Vice President, Kay Properties & Investments**

It's a great feeling when you sell some stock, a piece of real estate or the business you've poured your life into for a nice profit that puts a small fortune into your bank account. But then comes the tax bill to take a little bit of the bloom off that rose. It's downright painful to hand your hard-earned money over to the government — even at the reduced capital gains rate.

The good news is, every now and then, the feds are willing to cut you a break. And there's one tax break a surprising number of investors have never even heard of, let alone taken advantage of.

WHAT ARE QUALIFIED OPPORTUNITY ZONES?

Qualified Opportunity Zones (QOZ) are relatively new, and were created by Congress as part of the Tax Cuts and Jobs Act of 2017. The purpose of this new program was to encourage long-term investments in low-income communities across the United States. According to the United States Department of Treasury, there are more than 8,700 QOZs in the country, including in territories like Puerto Rico. The bottom line is that QOZs are a social program with the intent of redeveloping impoverished districts throughout the country by driving private capital to underserved communities and 35 million Americans by offering tax incentives to investors. These Zones are typically located on the outer edges of underdeveloped areas — outside the most blighted areas which investors will avoid no matter how many tax advantages they offer.

DOING WELL BY DOING GOOD

Qualified Opportunity Zones can provide qualified investors a unique way to reduce taxes while doing something good for those who are less fortunate. By simply rolling profits over from the selling of stocks, cryptocurrency, bonds, jewelry, art, or real estate into a Qualified Opportunity Zone, accredited investors can reap an array of tax benefits — assuming they make the investment within six months of realizing their capital gain.

It's critical to note that unlike a 1031 real estate exchange, you're re-investing your profit only — not your basis.

THREE EXAMPLES OF HOW QOZs WORK (BE WARNED: ONE OF THESE BENEFITS EXPIRES SOON)

Let's take a look at the three ways you can save...

- **Tax Saving Opportunity #1:** Investors who invest capital gains income can defer their re-invested capital gains taxes until the end of 2026. In other words, you won't owe the IRS a penny on that money until April 2027.
- **Tax Saving Opportunity #2 (expires on December 31, 2021):** Better yet, if you invest your profits before December 31, 2021, you get the added benefit of a 10% step up on the basis of your original investment — which only adds to your tax savings.
- **The BIG Prize:** Reduce A seven-figure tax bill down to zero
- **Tax Saving Opportunity #3:** However, those tax savings are nothing when compared to the much bigger benefit you get if you hold your investment for at least 10 years and a day. If an investor held their Qualified Opportunity

QUALIFIED OPPORTUNITY ZONE DEADLINES	
Within 180 Days of Asset Sale	Within 180 days of realizing the gains of a sale, the investor must reinvest those gains into a Qualified Opportunity Fund to avoid capital gains taxes.
Before Dec.31, 2026	Until the earlier of December 31, 2026 or the date the investor pulls their interest from a Qualified Opportunity Fund, the investor can defer payment of capital gains on the reinvested gains.
Interest Held in a Fund for 5 -7 Years by Dec.31, 2026	If the investor holds their interest in the fund for at least 5 years, the tax paid (by December 31, 2026 or when they pull interest in the fund) is reduced by 10%; if held for 7 years, it is reduced by 15%.
Interest Held in a Fund for 10+ years	After being held for at least 10 years, upon the sale, there is no tax on any appreciation on reinvested gains that occur while in the Qualified Opportunity Fund.
Dec. 31, 2028	Opportunity Zone designations expire
Dec.31, 2047	The last date to sell interest in a Qualified Opportunity Fund.

Zone investment for 10 years, that taxpayer wouldn't have to pay even a penny in taxes on the profits they made — no matter how big they are.

As you can see in the chart above, the biggest takeaway of Qualified Opportunity Zone Funds is that after an investor holds their position in the investment for 10 years, there is no tax on the asset's appreciation. That's zero. So, if an asset appreciates 20 or 30 percent, that could translate to a significant return for the investor.

WHO MIGHT TAKE ADVANTAGE OF THIS UNIQUE TAX SAVINGS OPPORTUNITY?

Qualified Opportunity Zone Funds are best suited for investors who have capital gains generated from the sale of an asset that may not be eligible for a traditional, like-kind 1031 exchange. So, one type of investor for a Qualified Opportunity Zone Fund could be appropriate for someone who holds shares in a stock that experienced high appreciation and now wants to sell it.

Or, another candidate who might be a good Qualified Opportunity Zone Fund investor would be someone who recently sold a business that created a potential significant long-term capital gains tax event.

The third type of investor who might be interested in a Qualified Opportunity Zone fund is a real estate investor who wants to generate some liquidity by selling their investment property. While a 1031 exchange investor is required to leave in their original principal and their gains, and even roll forward their debt, a Qualified Opportunity Zone investor is able to keep their original basis to do with as they please, and receive a tax deferral on the portion of the gains they invest in an OZ fund, resulting in instant liquidity.

The critical component for any investor is that they need to have sold the asset(s) within the prior 180 days and realized a capital gain.

TAX SAVINGS AREN'T ENOUGH

As great as all this sounds, it's important to carefully evaluate a project's true investment potential before considering the tax benefits — especially since you're required to keep your money locked up for at least 10 years in order to enjoy the full tax benefit. Like any real estate investment, there is no guarantee for cash flow, distributions or appreciation, and can result in the full loss of invested principal.

You see, as an investor with 20 plus years of experience in commercial real estate and investment sales who regularly advises high-net-worth investors, Kay

Properties always emphasizes the importance of understanding the investment first and then the tax benefits. It's better to look at the tax benefits as "gravy," rather than as a reason to make an investment you otherwise wouldn't even consider.

The good news is, plenty of development projects currently available. Plus, because many of these locations were determined to be economically challenged areas based on 2010 Census data and the Tax Cuts and Jobs Act was passed in 2017, many of these properties are now located in some of the hipster neighborhoods across the country.

HOW TO FIND GOOD QUALIFIED OPPORTUNITY ZONE PROJECTS?

Kay Properties & Investments works with a variety of carefully vetted sponsors to find the projects best suited to our clients. And we help our clients find Qualified Opportunity Zone properties that match their objectives and are appropriate for their situation.

We're happy to introduce you to these sponsors and to help you analyze which one is the best fit for you.

Regardless of whether an investor decides to move forward with a Qualified Opportunity Zone fund investment or not, there are certain questions that each investor should ask their advisor before moving forward with this type of investment. These questions include:

WHERE ARE THE REAL ESTATE PROPERTIES LOCATED?

Make sure you understand the underlying market fundamentals of the area. One thing in particular I advise my clients is to try and find a location where long-term demand is inherent in the market.

WHAT IS THE MAKE UP OF THE FUND IN TERMS OF DIVERSIFIED ASSETS?

One of the ways to help reduce risk is to choose a property that are diverse in nature. For example, a portfolio with only one large project could be considerably more vulnerable to other competitors with the same type of building. Try to find a portfolio that has a balance of multifamily, retail, and distribution.

WHO IS SPONSORING THE INVESTMENT PROPERTIES, AND WHAT KIND OF REPUTATION DO THEY HAVE?

Just like with any profession, there are quality QOZ advisors with years of experience and there are very inexperienced advisors who have very little experience. Avoid financial planners and other generalists and look for a firm that does nothing but real estate investments. Also, you will want to find a firm that is very particular about the type of properties they offer

investors. Ask specifically what type of real estate assets they have previously invested in, and try to get some historic performance data.

WHAT ARE THE RISKS ASSOCIATED WITH INVESTING IN A QUALIFIED OPPORTUNITY FUND?

It's important to go into any investment with eyes wide open. Walk away from any firm that tells you this investment is "guaranteed" to make money. There are always risks associated with investing in real estate securities including illiquidity, vacancies, general market conditions and competition, lack of operating history, interest rate risks, general risks of owning/operating commercial and multifamily properties, financing risks, potential adverse tax consequences, general economic risks, development risks and long hold periods.

ABOUT THE AUTHOR:

Betty Friant holds her FINRA Series 6, Series 22, and Series 63 licenses, in addition to the coveted CCIM designation, that recognizes expertise in commercial and investment real estate.



She currently is Senior Vice President with Kay Properties & Investment's Washington D.C. office where she serves as an expert Delaware Statutory Trust (DST) 1031 exchange advisor to high-net-worth investors and 1031 exchange clients. In her executive capacity with Kay Properties, Friant was instrumental in assisting the firm achieve a record \$408 million of equity placements for real estate investments in 2020 and is at the forefront of helping Kay break that record in 2021.

Prior to joining Kay Properties, Betty spent 35 years in the commercial real estate industry focused on the acquisition and disposition of single-tenant NNN properties, including acting as Senior Managing Director for the Calkain Companies and co-founder of a Sperry Van Ness office in Winchester, VA.

Betty has spent her career building a reputation for providing superior client service that emphasizes transparency, integrity, and attention to details. This lifelong effort was recently recognized by GlobeSt. as one of the "2021 Women of Influence" in the commercial real estate industry.

In addition to her focus on the commercial real estate industry, Betty is dedicated to her family and is involved in the volunteer efforts of several community and civic organizations.

6 Expert Tips for Exceptional Community Maintenance

By Kris Servidio / Mark-Taylor Residential

The dedicated everyday work of maintenance and service teams at a multifamily community has an incredible impact on the overall living experience. Creating an inviting home-like environment would not be possible without expert community-maintenance practices.

Here are six community-maintenance tips from us here at Mark-Taylor:

1. YOUR WORK, THEIR HOME

While it may sound simple, remembering that you are working on someone’s home is critically important to creating an exceptional experience. This is where your residents live, relax, enjoy time with their loved ones, and make memories. When something needs to be fixed in their unit or in the building, it is happening to their home – the place where they should feel most at peace. They may feel unsettled or frustrated until the situation is fixed or resolved.

Our service teams deliver service that goes above and beyond because we share an understanding that our goal is to provide incredible places to call home. It reinforces that there is a real effect on a person’s life even when a small inconvenience occurs, so we fix it quickly and efficiently, with compassion for the resident.

2. BE PROACTIVE TODAY, SAVE TIME TOMORROW

Being proactive is a helpful hack in all areas of our work, but particularly with community maintenance. By consistently keeping areas clean and maintained and checking up on our building appliances before issues arise, our teams save an incredible amount of time (and money) in the long run. Cutting corners will always come back to bite you. By holding ourselves to proactive community-maintenance practices, we have less serious issues. When needed, we can make fixes before they become a disturbance to our residents.

3. DIFFERENCE IS IN DETAILS

One of our long-standing points of pride is our detail-oriented approach. A resident may not specifically notice how thoroughly their kitchen was cleaned when they



moved in, or how polished the fresh coat of paint looks in their bedroom, but all of those details will contribute to a positive and excited feeling when they get settled into their new home. When a five-star level of maintenance is always used, it truly sets the living experience apart as exceptional. Details cannot be underestimated.

4. ATTITUDE SETS THE TONE

Our service professionals embody one of our company principles in particular, “choose the right attitude.” Because service team members have frequent interaction and face time with residents, they are an incredibly important representation of who we are as a company, and they have a significant impact on the resident living experience.

The positive, welcoming and customer-centric attitude of our service team members can make the difference in a resident’s everyday elevator ride, maintenance repair or pool visit. These little interactions can brighten someone’s day, and choosing the right attitude is contagious.

5. CONSISTENCY ADDS UP

One well-completed maintenance request followed by a mediocre one does not balance out to create a good

experience. However, consistent quality completion of maintenance requests over time creates trust, and trust leads to brand loyalty.

Upholding the consistency of your service standards is a key part of being successful. Rare mistakes happen, but if the rest of your service has been consistently exceptional, residents will trust your service and be understanding.

6. COLLECT YOUR KUDOS

Picture this: You have just completed a maintenance request quickly and efficiently, and the resident is grateful for your help. This is a great opportunity to politely suggest that the resident could share their feedback in an online review.

Review reputation is critical for multifamily communities, but when residents are satisfied, they may not go out of their way to post a review online. However, following a positive experience, it is an appropriate and opportune time to capture their genuine kudos.

Kris Servidio is the senior associate director of facilities and support for Mark-Taylor Residential. He provides strategic oversight for Mark-Taylor’s service and facilities teams, who support more than 20,000 units with residents across Arizona and Nevada.



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Rents Trending Down

Continued from Page 1

percent in comparison to the same time last year.

Median rents in Beaverton are \$1,509 for a one-bedroom apartment and \$1,832 for a two-bedroom.

Vancouver rents have also declined, down 0.6 percent in November. However they have increased sharply by 14.3 percent in comparison to the same time last year.

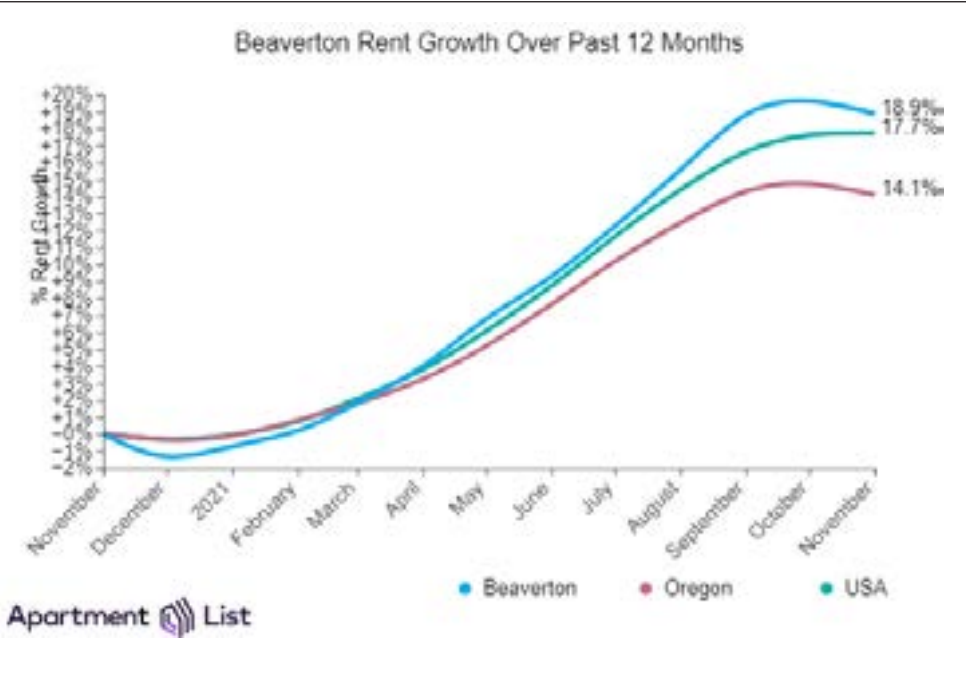
Median rents in Vancouver stand at \$1,366 for a one-bedroom apartment and \$1,613 for a two-bedroom.

Eugene rents have declined 1.8 percent

in November. Year-over-year, however, they are up by 17.3% percent.

Median rents in Eugene are \$1,017 for a one-bedroom apartment and \$1,352 for a two-bedroom.

Apartment List estimates the median contract rent across new leases signed in a given market and month, using data from the Census Bureau's American Community Survey. Growth rates are calculated using a same-unit analysis similar to Case-Shiller's approach, comparing only units for which they observe transactions in multiple time periods to provide an accurate picture of rent growth that controls for compositional changes in the available inventory.







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Consumer Bureau: Name-Only Matching is Illegal in Screening for Tenants, Jobs

RENTAL HOUSING JOURNAL

The Consumer Financial Protection Bureau (CFPB) is warning tenant-screening companies and employment-screening companies that they are violating the law if they engage in shoddy name-matching procedures, saying that regulators will crack down.

In an advisory, the CFPB says regulators are concerned about the significant harms caused by false identity matching, where an applicant is disqualified from rental housing or a job based on having the same name as another individual who has negative information in their credit history. Specifically, the CFPB affirmed that the practice of matching consumer records solely through the matching of names is illegal under the Fair Credit Reporting Act (FCRA).

“This advisory opinion focuses on one method of matching being used in the industry, known as ‘name-only matching.’ This method is especially likely to lead to inaccuracies in consumer reports. Name-only matching occurs when a consumer-reporting agency uses only first and last name to determine whether a particular item of information relates to a particular individual, without using other personally identifying information such as address, date of birth, or Social Security number,” the CFPB statement said.

“These sloppy practices hurt all of us,” CFPB Director Rohit Chopra said



in a statement. “They hurt prospective renters in search of affordable housing. Even when they are able to locate a safe and affordable unit, many prospective renters are unlawfully blocked from an opportunity to live in the home of their choice due to careless data practices by tenant screeners.

“These inaccuracies also hurt the small landlords who rely on tenant-screening companies to help them make smart decisions about their business, and who themselves often confront an opaque and uncompetitive market in information about tenants.”

Also, disclaimers from the companies are not good enough, according to the CFPB.

Chopra added, “I would warn consumer-

reporting companies against trying to evade their responsibilities under the Fair Credit Reporting Act simply by issuing a disclaimer that their report might not be matched to the right person.”

He said false identity-matching “is especially harmful for communities of color who are disproportionately impacted by these sloppy practices. The risk of mismatching from name-only matching is likely to be greater among Hispanic, Black, and Asian individuals because there is less surname diversity in those populations than among the non-Hispanic white population.”

Following the issuance of the opinion, the CFPB intends to take a number of additional steps:


- First, closer collaboration with


the Federal Trade Commission (FTC). In the background-screening context, the FTC may be able to prosecute unfair or deceptive conduct not covered by the Consumer Financial Protection Act.

- Second, when prosecuting violations under the Fair Credit Reporting Act, in addition to civil penalties, the CFPB will seek to redress the full range of harms to victims. The law authorizes the CFPB to seek restitution and damages for violations of the FCRA.
- Third, the bureau will make referrals to the Department of Justice’s Civil Rights Division when the conduct might implicate violations of anti-discrimination laws.
- Finally, the CFPB will be supporting the FTC in its work to monitor business models that rely on harvesting and monetizing personal data. Big Tech giants and less well-known data brokers may be trafficking data and consumer reports that trigger obligations under the FCRA, including restrictions on permissible purposes. The CFPB will be using its tools to ensure that individuals are protected in accordance with the law.



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Developers React After St. Paul Rent-Control Vote

RENTAL HOUSING JOURNAL

The recent rent-control vote in St. Paul, Minn. that capped annual rent increases at 3 percent has caused developers to pull permits, pause projects, or reconsider sites for future housing, according to reports.

The St. Paul rent-control measure does not exempt new construction, unlike rent control in some other cities, so developers who had projects underway moved quickly to stop construction and plans tied to new housing, which also affects planned affordable-housing units.

St. Paul Mayor Melvin Carter is reportedly asking the city council to amend the strict cap on rent increases, but legal questions put any changes in doubt.

The *Minneapolis Star-Tribune* reported that Ryan Companies was scheduled to submit three building plans to the city this week, but Tony Barranco, Ryan’s north region president, said those reviews have been postponed indefinitely in light of the rent-control referendum’s outcome.

Ryan Companies warned before election day that the rent-control ordinance could prevent the company from finding investors for the 760 affordable-housing units the city pledged to bring to the former Ford site.

The company, which is developing a total of 3,800 housing units at the old Ford site under the “Highland Bridge” project, told KARE 11 that it pulled applications for three buildings there.

“If our banking partners won’t loan us dollars to build the buildings that are planned as market-rate because they can more safely lend their dollars elsewhere, we will not be able to build the market-rate projects” that help subsidize affordable housing, Barranco told the *Star-Tribune*.

“We’re aware that Mayor Carter has asked the St. Paul City Council to pass a clarifying ordinance that allows exemption for new housing construction. We support that position and hope to learn more about those clarifications as soon as possible,” Barranco said.

Other developers are waiting to see what will happen amid the confusion over the rent-control ordinance.

“We, like everybody else, are re-evaluating what—if any—future business activity we’ll be doing in St. Paul,” said Jim Stolpestad, founder of development company Exeter, in an interview with the *Star-Tribune*.

Stefanie Sokup, the vice president of marketing and head of new construction at Real Estate Equities, told KARE 11 the lack of an exemption for new projects also troubled her. Real Estate Equities owns five apartments in St. Paul.

“I do worry about other developers in St. Paul and what this means. I think it will halt development, or at least stall it for a while,” Sokup said. “Ultimately, we feel this wasn’t thought through... Is this the best solution to help the people that need affordable housing in five years, or is this just a quick fix?”

Divided Court Upholds Portland Relocation-Payment Rule

RENTAL HOUSING JOURNAL

Oregon landlords “lost a good fight” after a divided Oregon Supreme Court upheld the Portland Relocation Ordinance, according to attorney John DiLorenzo Jr. with Davis Wright Tremaine LLP.

DiLorenzo, who represented the interests of landlords who sued the City of Portland, said the ruling was contained in a 31-page majority opinion and a nine-page dissent.

“We did not get the result we hoped for. The bottom line is that we did not prevail. According to the dissent, we should have,” he said. “The long and the short of all this is that we lost despite a good fight.”

The majority opinion concludes that ORS 91.225 does not prevent municipalities from enacting measures that

might have some influence over a landlord’s decision to raise rent unless it actually controls the amount. The opinion also concludes that the ordinance did not impermissibly create a private cause of action. Also, “it goes on to say the statute does not define rent control or control.”

On the other hand, the dissent says, “The text of the ordinance and the circumstances surrounding its adoption permit only one conclusion: The city, as a means of ‘stabilizing’ rising rents, intended to deter landlords from setting rents at fair market levels and selected a coercive tool to accomplish that objective.”

The dissent concludes that the ordinance “controls the rent” and should therefore be preempted.

DiLorenzo added his opinion, saying, “The City

of Portland has over the past several years created an extreme regulatory environment for housing providers. “Yet it decries the lack of sufficient rental housing. It is unrealistic to, on the one hand, adopt policies that discourage ownership of rental housing and, on the other hand, complain that there is too little supply and that rents are too high.”

The landlords, who lost in lower court rulings, argued the city ordinance is in conflict with state laws that ban rent control. On March 7, 2018, the Portland City Council made the ordinance permanent and extended its application to landlords who own as few as one rental unit. The ordinance requires landlords to pay tenant moving costs if they want to increase rent by 10 percent or do no-cause evictions to move tenants out to rehab old apartment buildings to upgrade them.



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Two years ago, in order to comply with Portland’s Fair Access in Renting (FAIR) ordinances, the Rental Application split into four options, depending on rental criteria assigned by the housing provider and the financial role of the applicant. Next month on January 1st SB 291 will come into effect adding further layers to the application process. All Portland-specific applications will be updated for compliance: M502, M503, M504, and M505. These applications provide the required disclosures and rental criteria detail to facilitate the applicant vetting process. Multifamily NW will be offering landlord/tenant law training specific to these forms during the first quarter of 2022. Check out www.multifamilynw.org for the calendar of classes to get the training to confidently navigate these legal updates.

The Multifamily NW Forms Collection is available immediately and electronically at www.RentalFormsCenter.com, via electronic subscription software through www.tenanttech.com & by mail or pick-up of printed triplicate forms at www.multifamilynw.org.

Multifamily NW Schedule

DECEMBER 7	WEBINAR: CITY OF PORTLAND FAIR - APPLICATIONS AND SCREENING	10:00 AM - 11:30 AM
DECEMBER 8	WEBINAR: LEGISLATIVE UPDATE SB 291	10:00 AM - 11:30 AM
DECEMBER 10	WEBINAR: IT’S THE LAW: HAPPY ALMOST NEW YEAR	12:00 PM - 1:00 PM
DECEMBER 14	WEBINAR: CITY OF PORTLAND FAIR - SECURITY DEPOSITS	10:00 AM - 11:30 AM
DECEMBER 14	WEBINAR-HR ANSWERS: RECOGNITION AND MOTIVATION	12:00 PM - 1:00 PM
JANUARY 19-28	VIRTUAL CERTIFIED APARTMENT MANAGER (CAM) COURSE SERIES	
JANUARY 19-28	VIRTUAL CERTIFIED APARTMENT SUPPLIER (CAS) COURSE SERIES	

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It’s Time to Set Yourself Apart from the Competition

Continued from Page 1

you must utilize to create distance from them and from your past habits. Let everyone else get lazy while you get to work improving your business and yourself by looking at these five qualities in your work and your life.

1. TIME

For most of us, there just isn’t enough of this precious commodity. We mistakenly wear the badge of honor that we are “too busy” to add in new things or invest time in changing or mending broken things. When was the last time you spent an hour (or even 10 minutes) analyzing how you use your time as a landlord? This has proven to be a great exercise we advise our clients on repeatedly. Set aside at least an hour to study the following:

- Where do you spend most of your time as a landlord? Calls, service, collecting payments, evictions, etc....
- What processes and procedures can you modify to make those time-consuming tasks easier?
- Are there existing programs that have a minimal cost but a maximum payoff in regard to time that you could incorporate into your business?

A one-hour investment dedicated to better understanding your business and life will pay major dividends moving forward.

2. FITNESS

You can make the obvious connection to fitness and our lack of it during the holidays, along with our renewed commitment to it in the New Year. But I’m not talking about your fitness, I’m talking about the fitness of your properties. In a competitive marketplace, how does your property stack up against others? A great landlord will walk other properties in the neighboring areas to see how their products compare to others. Maybe it’s time for a deep clean. Or maybe replacing paint, carpet, fixtures, and finishes are what will be the ticket to making your property shine. Just as in life, the fittest-looking property will attract more attention – and that is

what every landlord and investor want. While everyone else is taking time off, put on those running shoes and give your portfolio a complete workout.

3. Focus

It’s easy to lose focus during the holidays because there are a million distractions clamoring for your attention. But to separate yourself from every other landlord, focus during these weeks is critical and can be a game changer. Instead of continuing to put off those things you have been putting off for months, buckle down and pay attention. Here are a few areas I like to focus on during this “separation season:”

- Rental Fee Analysis: Should I or can I be charging more than I currently am? What will the market support?
- Conversion: Is it time to turn my long-term rental properties into short-term rentals? Or vice-versa? Is it time to sell one or more of my properties?
- What are my goals for the next year, and what areas can I improve in as a landlord to accomplish those goals?

What I find helpful in my “focus” sessions is to put all my devices away, find a quiet place to think, and write things down with pen and paper. Something about tapping into the old-school methods of note-taking provides an inspirational spark.

4. EDUCATION

While it is easy to fall back on your experience, there is a whole world of educational opportunities available to you during “separation season” – and most of them won’t cost you a dime. Instead of listening to holiday music over and over again, find a great landlord/investor podcast and look for episodes that address some of your current challenges. Link up with a local real estate investment association and see if it is having any events during December and January that can kickstart your year. Research online rental-payment platforms and experience the joy of direct deposit for your payments. Examine what is happening in your state and

local area political scene to see if there are legislative changes coming that may affect your business. Make the commitment to work smarter and not harder in the next year, and that starts with bumping up your personal education.

5. Fun

Being a landlord and having fun shouldn’t be mutually exclusive. After all, this is the greatest business in the world and allows us the freedom to have fun. But can we make our business fun at the same time? I believe you can by adding some of the following to your processes:

- Connect with other local investors who don’t do exactly what you do. If you’re the long-term hold type, find a “fix-and-flip” investor to see what their business is all about.
- Create an incentive program for your tenants that rewards them periodically and creates a long-lasting landlord/tenant relationship. Be creative!
- Host a party for your team or invite the contractors and other service providers who help keep your properties functioning and fully occupied.

Implementing some fun into your business can help kill the monotony and frustration that can creep into your day-to-day processes.

In a time where we all celebrate connections to the things we love, make sure to carve out some time to find ways to separate yourself from old habits, costly processes, and time-consuming tasks. I’m not suggesting you don’t enjoy the holiday season, but by keeping your foot on the gas while everyone else is coasting, you will set yourself up for your most successful, rewarding, and joyful year yet, with more time available to enjoy the things you love all year long.

Scot Aubrey is vice-president of Rent Perfect, a private investigator, and a fellow landlord who manages short-term rentals. Subscribe to the weekly Rent Perfect podcast (available on YouTube, Spotify, and Apple) to stay up to date on the latest industry news and for expert tips on how to manage your properties.

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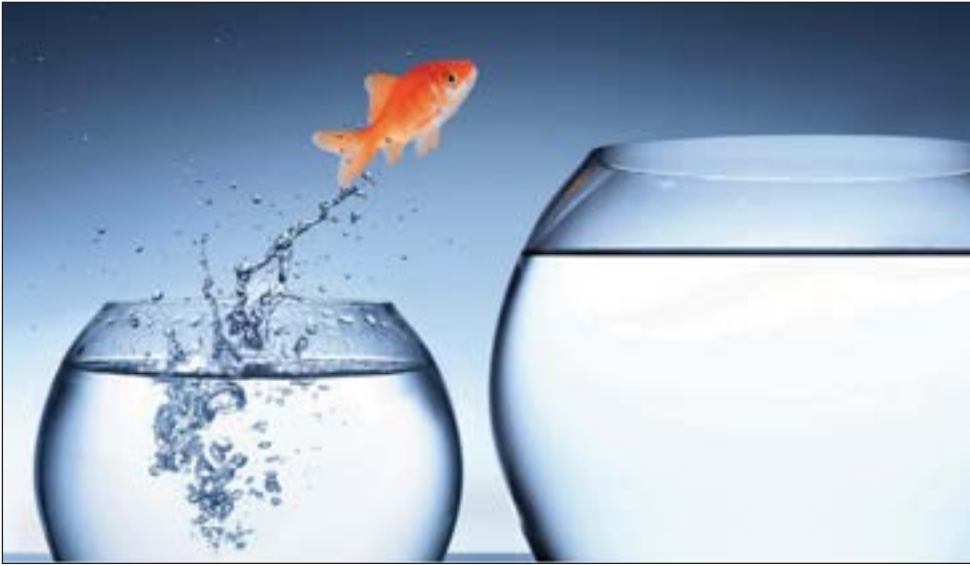
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Financing The Niche with RE Preferred Equity

‘Multi Family Financial Pivot, Stabilization New Acquisitions’



By GARY WILLIAMS / ROTHCHILD CAPITAL SOLUTIONS OF ILLINOIS

“The Age of Disruption” and the title alone suggests the insurmountable obstacles within the commercial real estate development and new acquisition. This article will serve two purposes. One, it will highlight how the distinguishing factors impact the way that developers, sponsors, and lenders approach the negotiation table to discuss key elements of commercial real estate projects along with financing and will discuss obstacles facing developers and sponsors in need of equity and or investment capital and the lack of capital available during covid-19.

‘A Measurement of Risk and Financing’

It’s true the possibilities are great as real estate owner and or investor however before you take the plunge ahead, you should realize and understand that project leveraged to high followed by sponsor low balance sheet is recipe for disaster.

Now depending on your level of optimism and the appetite you bring to the of hotel development and or acquisition table this transaction will either represent an opportunity to obtain a higher rate of return on your investment, or this may signal you to lower your risk tolerance. As a young man in the very early days of my career “A Wise Man” once told me that Risk comes from three places in the life of any business transaction (a). not knowing and or understanding what you are doing, (b) failing to plan for the unseen, (c) without strategies to mitigate and or exit.

RCS looks at three of the main factors that differentiate a hotel business operation from other commercial real estate business operations and or investments. (a) absence the benefit of long-term cash flow (tenant lease), (b) projects that are leveraged to high with the wrong type of financing and (c) short terms tenants known as Hotel Guest only pay market daily rates that are influenced by several factors out of your control.



RCS Preferred Equity Euclid Algorithms

Our first approach to the RE EQUITY fund was to lower the term cost of financing which we accomplished developing a term that allowed stabilization to mature. Secondly, we developed CMT rate structure that lower the cost of financing over the term significantly which is a key element using a preferred equity approach.

Mezzanine vs. RE Preferred Equity

Mezzanine loans and preferred equity investments are used to achieve very

high leverage on large commercial projects. Normally conduits, banks, and life companies will not exceed 80% loan-to-value when making commercial mortgage loans. Mezzanine loans and preferred equity investments are stacked on top of big construction loans or big permanent loans to achieve loan-to-cost ratios as high as 95% in most cases. A preferred equity investment is quite different from a mezzanine loan, but it accomplishes almost the exact same thing. The lender makes an investment of equity with a preferred return in the LLC that owns the big commercial project. If the management of the LLC fails to pay the preferred member the promised return, the old management is ousted and the common members of the LLC (the former owners) lose their voting rights, dividends, and right to the distribution of any profit.

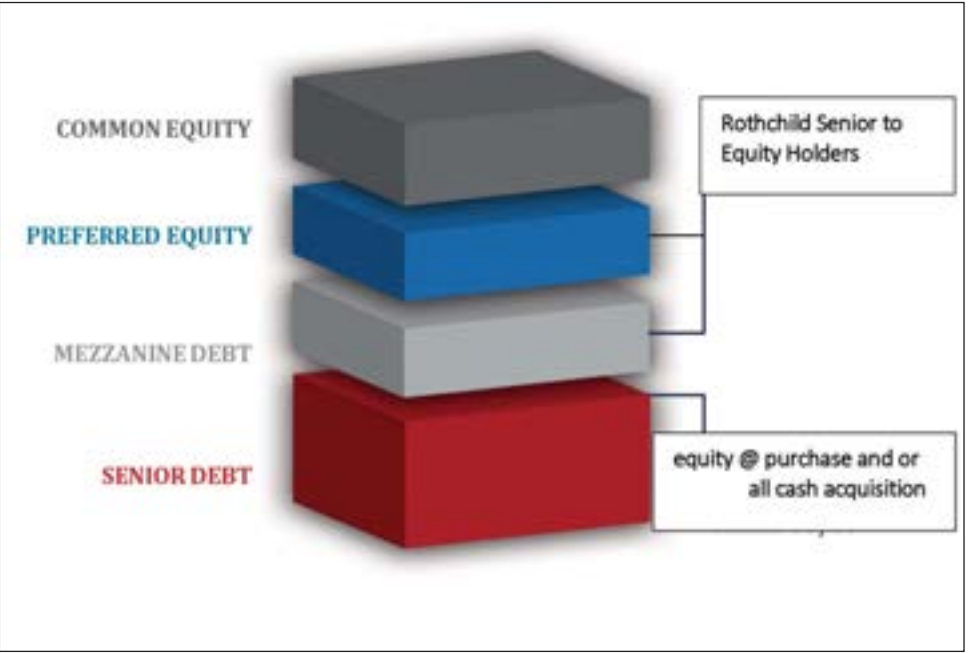
The Norm RE Preferred Equity

Preferred equity investment in real estate come in various forms and, unlike subordinate or mezzanine loans they are typically documented in the borrower’s organizational (entity) documents. Generally, the deals are structured as an investment from a third party in the real estate owner’s legal entity and or affiliates entities. The exchange on the norm is interest in the real estate direct cash flow and or indirect under a preferred priority return. Such have provision where (i) interest on the investment money paid monthly regardless, (ii) total

investment amount paid upon maturity date, (iii) default rate with interest and other penalties assessed against the borrower followed by loss of management and or ownership. This is considered a very HARD approach and structure.

The New Wolf of Wall Street Real Estate ‘Rothchild RE Preferred Equity Investment Model’

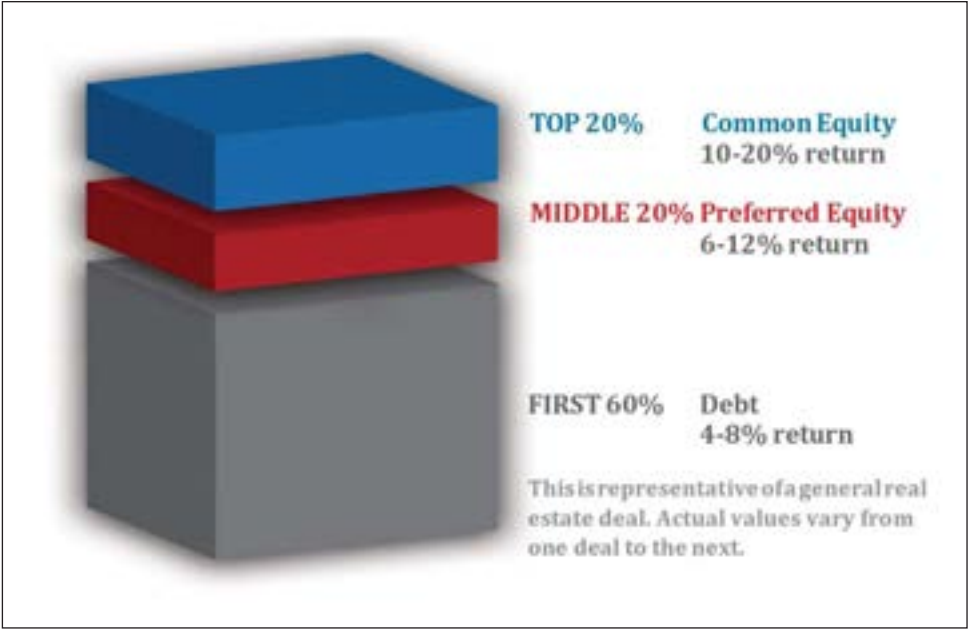
Preferred equity Rothchild Capital a real equity investment into the real property borrowing entity, junior to the development debt lender but senior to the borrowers’ equity, secured and packaged under a new formula into a single asset instrument EJVS with far less provisions eliminating all threats of violating the senior lenders loan agreement. Where the legalese will have some standards of DEFAULT NON-COMPLIANCE and CARVEOUTS over all this new and innovative approach is unlike the more traditional model image above use in most real estate preferred equity transactions today. Accordingly, these investment transactions raise many issues and have many concerns and pitfalls for both the senior lender and equity provider which includes transfer of management and controlling interests. The legal term at LaSalle has developed a workable solution in the event of such. Controlling interest can be shared and or third party out and management can be yield by agreement. The transfer of controlling interest will always remain a concern and never go away, in addition there is no “one-size-fits-all” solution. A wise man once told me “Only the Hands of the Diligence will be made rich”. Preferred equity investment is here to stay and will play an important role in filling the gap left by traditional financing. Our current financial and lending environment with the introduction of BASEL III and recent adjustments to HVCRE will required financial practitioners to be much more solution oriented with a high-level efficiency than ever before.



The RE Preferred Equity Investment: The RCS Model

Rothchild Capital Solutions managing partner Shelton has developed a new financial formula for RE Preferred Equity transactions achieving much higher leverage ratios on the capital stack then the traditional model shown above. RE Preferred Equity Group at RCS (the PEI model) Shelton has coined a unique blended structure with elements of Private Equity, Mezz Debt, and Investment Finance.

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How to Combat Alarming Uptick in Fraud Within the Multifamily Rental Industry

By PAUL WILLIS

It’s become one of the most striking—and most unwelcome—trends in multifamily rentals.

Over the past couple of years, and especially since the start of the pandemic, apartment operators say fake pay stubs, “synthetic” IDs and other falsified documents have become all too common in the leasing process. While fraud has always existed in the apartment world, industry professionals agree that it has never before elevated to its current levels.

“It’s insane,” said Nikki Chambers, director of systems and training for Hanover Company. “I’ll have five fraudulent applications at one property in just one week. It’s crazy just how much more fraud there is in the market. It used to be isolated to particular submarkets and now, just like how crime has no ZIP code, it’s the same thing with fraud. It’s not isolated to any area, submarket, region or even a product type.”

A recent Entrata survey found that 55 percent of respondents have been experiencing fraudulent attempts every few months, with 15 percent experiencing multiple fraudulent attempts every month. The pandemic has exacerbated the fraud trend, as Entrata data shows that identity-theft reports are up over 2,000 percent since the onset of the pandemic. Perhaps more telling is that 5 percent of applicants among the company’s clients could not be approved due to a lack of verifiable identification, which indicates that one of every 20 potential lessees is aiming to circumvent the system.

“With the average fraud loss at about \$3,500 per case, it can be extremely costly, particularly with multiple instances,” said Kelly Canepa, senior vice president of product for Entrata. “That’s why operators are seeking advanced-screening measures that diagnose potential fraud early in the process and ensure that preventative best



practices are in place.”

While fraud prevention used to be a background priority in the industry, it has risen to the forefront as a primary concern. Industry experts recently discussed the rising fraud problem, including innovative tactics by deceitful applicants and ways to combat the escalating trend.

TYPES OF FRAUD

Fake pay stubs, designed to inflate one’s actual earnings, are so prominent that websites are dedicated to them. But that fraud tactic seems a bit old-school compared to some of the new-age types being introduced. Identity theft is becoming more sophisticated, as individuals are using the identities of children, missing persons and deceased individuals—a tactic known as synthetic ID fraud.

This occurs when parts of real identities—such as Social Security numbers, addresses and driver’s license information—are combined with false information. This means a background check can still pass on some occasions.

“There has been an enormous uptick in all types of applicant fraud,” said Shawaun Alexander, vice president of operations software and systems for Bozzuto. “It’s actually become one of our primary focus areas, particularly since the effects of the

pandemic still loom over occupancy and retention rates.”

Fraudsters are becoming more sophisticated. They often use these forms of fake information and false identities to get into an apartment community, then skip out after a few months when it’s apparent that they cannot pay. Oftentimes they escape with no repercussions, because their identity was false to begin with. And the tactics they deploy continue to evolve. They’ll even use outlets that sell identities on the black market.

“False pay stubs used to be all that we’d see,” Chambers said. “Now they are the least of our worries. We’re more worried about the actual identity of someone else being stolen.”

HOW TO COMBAT THE TREND

An increasingly digital world invites more fraud, whether through ID theft, innovative phishing scams or other cyber-related activity. Operators tend to agree that fraud has become too complicated and complex to combat on their own. They need help in the form of technology, including intuitive tools to authenticate identity, verify bank account information and substantiate the overall suitability of a potential renter.

“When these solutions are in place, they enable apartment communities to make accurate risk assessments of all their lease applicants,” said Chris Ryan, Experian’s fraud and identity go-to-market lead for North America.

Alexander noted that in addition to utilizing its standard screening provider, Bozzuto utilizes a combination of ID verification and document verification software. But even with all the screening tools in place, she says the manual review process should not be abandoned. For instance, a Bozzuto internal team recently short-circuited approximately 200 potential fraudulent applicants at one

community.

“The big goal is to find a full-house solution that doesn’t disrupt the application process or create hurdles for valid renters or your site teams,” Alexander said. “One that hits the key checkpoints of screening, ID and document verification. Many tech platforms hit one of those but aren’t built into the process, so fraudulent applicants can often bypass some of the checkpoints.”

Bozzuto’s primary objective after uncovering a fraudulent applicant, Alexander said, is to ensure the information surrounding fraudulent applicants is transparent across the portfolio.

Hanover Company also uses a variety of tools, including a product to scan driver’s licenses and several third-party verification services. Chambers noted that an ID verification platform utilized by Hanover has been the most successful in flagging potentially fraudulent items at various checkpoints in the process.

“Don’t think that just because you’re in a submarket that historically has not had a problem—or because you have a superior product type or a stellar onsite team with tried-and-true industry professionals—that something cannot sneak past you,” Chambers said. “Technology might not be the only answer, but it’s certainly part of the equation. At this point in the industry life cycle, you have to have some sort of technology checkpoint.”

INDUSTRY RECOMMENDATIONS

While fraud prevention is key, industry experts agree that any prevention methods should not intrude on the experience of good renters. On the flipside of fraud prevention, Bozzuto uses a credit-reporting agency for positive rent recording. Reputable residents making payments each month receive the benefit of possibly increasing their credit score and strengthening their rental-history profile.

“We have to make sure our teams have the tools—systems, technologies and procedures—that enable them to weed out the fraudulent applicants and create the best possible experience for the qualified applicants,” Alexander said.

Operators agree that augmenting tech with manual practices is a solid tactic, because instances exist when tech won’t catch everything. Chambers said to remain diligent and not fall into the trap of thinking that you have “an amazing manager and she’ll catch everything.”

“Criminals are getting smarter by the day,” Chambers said. “If people used their insight into criminal activity for good instead of evil, the world would truly be a better place.”

In a hypercompetitive industry, it’s not natural to share information. But many believe exceptions can be made when it comes to preventing fraud.

“I think it’s important as leaders that we work together to really dig into how prominently our industry is being affected by fraud and how drastically it has increased over the last few years,” Alexander said.

Paul Willis is a content manager for LinnellTaylor Marketing.

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Must Tenants Verify Changing Batteries?

Continued from Page 1

due on the first of the month and to have a grace period of up to four days before the late fee applies.

In that scenario, if a tenant hasn't paid by the 4th of the month, the tenant is late on the 5th and that is when the late fee must be paid.

If you have a tenant that has been paying rent late every month, then have a talk with them that going forward, if they pay after the grace period ends, they must pay the late fee that day as well or you won't accept the rent, because they aren't paying all that is due.

If they don't pay rent when due, then you either post or hand a three-day notice (legal notice) saying that the tenant has three days to "cure" the problem or you will start eviction proceedings.

Often when a tenant knows they face serious consequences by not paying as they agreed to in the lease, they become model tenants.

MUST I HAVE TENANTS VERIFY CHANGING SMOKE DETECTOR BATTERIES?

Dear Landlord Hank: Am I required to have my tenants sign something that says they changed the smoke detector batteries for all of the smoke detectors in the house every year?

I live in Oregon; am wondering if there

are any laws specific to states regarding this? Thank you! -Megan

Dear Landlady Megan: I can't give legal advice. I do not know about fire codes in your state, but in both Georgia and Florida I have tenants sign a lease that includes a provision saying that they are responsible for changing the smoke detector batteries in all smoke detectors as needed.

In Georgia, I have to have a special lease addendum regarding this.

It's just a good idea for the tenants' safety and the safety of your property to have working smoke detectors at all times.

PARENT DIED AND LEFT A RENTAL TO SELL; HOW DO I MOVE THE TENANT OUT?

Dear Landlord Hank: One of my parents died and left me a single-family home rental in Dublin, Calif., in Alameda County. We'd like to take the home off the rental market and sell it. Is there a legal way to notify the tenant? -Dave

Hi Dave: You just inherited a rental property, and now you want to sell it.

You can easily do this. I would send the tenant a certified letter letting the tenant know your intention. But I would talk to the tenant first and let them know what you plan; this will help you determine whether they're going to cooperate.



You selling the property and gaining entry is usually addressed in the lease, so look at it closely. Most leases have a right-of-entry clause stating that you can access the property with reasonable notice to the tenant for showings and that you can post for-sale signs.

This doesn't mean that the tenant's lease doesn't have to be honored – it does. A lease is a contract for a set time, and if you sell it during this time, the new owner must honor the lease too.

The lease may have clauses for early termination, so check for that. I'd have a real discussion with the tenant to try to get them on your side and make sure they know you intend to honor the lease.

You don't want to show a property

when the tenant is against your plan, as the condition may not be optimal if the tenant is trying to discourage the sale (dirty dishes in the sink, unmade beds, etc.).

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

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How to Winterize Your Rental Property

By **PHIL SCHALLER**

It's that time of the year again. Winters aren't too harsh here in the Pacific Northwest, but it's still important to winterize your rental. Just one cold spell can wreak havoc on your pipes, gutters, roof, and more, unfortunately. But we are here to help! The checklist below is a must-do heading into winter.

While the items listed below will set your property up well for the cold months ahead, it is not exhaustive. Your koi pond in the front yard will require some attention, although we don't have it listed below (maybe a future post!).

- Blow the irrigation system. This will require a landscaping company to come out to clear your systems, but it's quick and not very expensive.
- Detach your hose(s) and cover the spigots. Water left in the hose/spout can cause pipes to crack and the spouts to malfunction (not to mention the hose as well).
- Caulk any cracks or holes around your windows. Exterior silicone caulk is the way to go here. It's water-resistant and very durable.
- Clear the gutters. With more precipitation in the winter months, your gutters need to function as well as possible. All those needles, leaves, pine cones, etc., can clog things up.
- Clean up the roof and siding. If you notice any moss buildup (common in the Pacific Northwest), it's best to scrape it to prevent further buildup. We don't recommend hopping on the roof yourself; hire someone who has the proper equipment.
- Bring in outdoor furniture and grills. If your furniture sits outside all winter in the elements, you'll be buying new furniture before you know it.
- Insulate water-supply pipes. Focus on pipes that aren't kept warm by insulation or heating – those in the attic, crawl spaces, garage, and so on. Foam pipe covers work well and are easy to



install.

- Install draft guards and weather stripping to necessary doors. Draft guards are inexpensive and slide onto the bottom of a door.
- Replace the furnace filters. This is important to do regularly, but especially important heading into winter. You and your tenants will want the furnace working as well as possible.
- Adjust the thermostat. If you're turning over a unit or a single-family home, make sure you don't let the thermostat dip below 50 degrees. Damage to unprotected pipes can ensue if it gets too cold.

While this is a decent-sized to-do list, winterizing your rental property (or any property, for that matter) will pay dividends in the long run. On top of that, these tasks

aren't very time-consuming or expensive.

If you have any questions for us, please feel free to reach out anytime. Happy winterizing!

Phil Schaller is an experienced landlord and the founder/CEO of RentalRiff – an alternative service to traditional property management that provides ongoing oversight and upkeep of rental properties, while serving as the main point of contact for tenants. Maintenance and repair costs are included and property specialists are licensed/insured. Phil is a Pacific Northwest native, father of two, and fly-fishing addict. To learn more about RentalRiff's rental property maintenance service, call 541-600-3200.





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New Year, New Laws: Tenant-Screening Changes in SB291

By **BRADLEY S. KRAUS**
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As this article goes to print, we will have entered December, the final month of 2021. While not as tumultuous as 2020, this year proved to be one of highs and lows as the industry dealt with changing rights related to non-payment, slow rental-assistance distribution, and a struggling return to some form of normalcy. With the new year fast approaching, landlords must once again turn their attention to a new law affecting their business practices in Senate Bill 291.

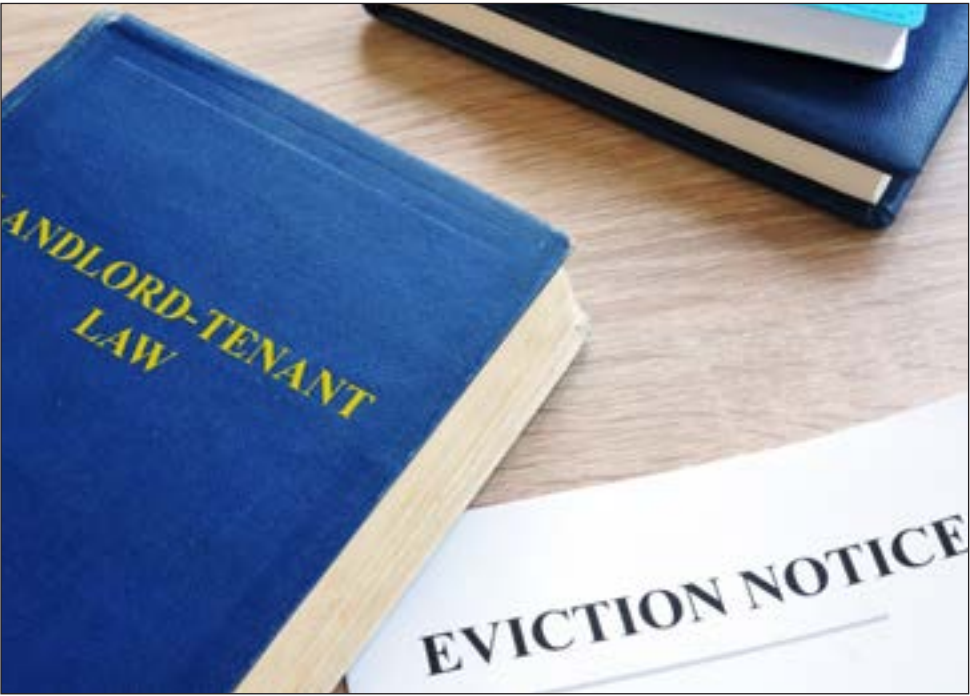
Senate Bill 291, which takes effect on January 1, 2022, changes the screening rules found in the Oregon Residential Landlord and Tenant Act. Many landlords who own property in Portland may be used to some of these changes, as they mirror some of those which Portland put into effect with the FAIR Ordinance. Those changes are now codified at the state level for all of Oregon to follow by SB 291.

Of note, Senate Bill 291 will require additional disclosures from the landlord in order to charge for applicant screening. SB 291 prohibits the landlord from charging a screening charge unless the landlord includes written notice to the applicant of the following:

- A right to appeal a negative determination, if any right to appeal exists;
- Any nondiscrimination policy as required by federal, state or local law plus any non-discrimination policy of the landlord, including that a landlord may not discriminate against an applicant because of the race, color, religion, sex, sexual orientation, national origin, marital status, familial status or source of income of the applicant;
- The amount of rent the landlord will charge and the deposits the landlord will require, subject to change in the rent or deposits by agreement of the landlord and the tenant before entering into a rental agreement; and
- Whether the landlord requires tenants to obtain and maintain renter's liability insurance and, if so, the amount of insurance required.

The following will require landlords to review their screening criteria and application documents. To the extent necessary, I would encourage landlords to procure new forms in order to stay compliant with these new changes.

Another huge change found within SB 291 is the requirement of individualized



assessments related to criminal denials. Landlords must now provide an opportunity for the applicant to submit supplemental evidence to explain, justify or negate the relevance of potentially negative information that may result in a criminal denial. Further, landlords must also conduct an individualized assessment of the applicant, including reviewing any supplemental evidence, before denying an applicant based upon their criminal-screening results. That individualized assessment must consider a number of factors, including:

- The nature and severity of the incidents that would lead to a denial;
- The number and type of incidents;
- The time that has elapsed since the date the incidents occurred; and
- The age of the individual at the time the incidents occurred.

Many landlords will likely search for guidance on how to properly conduct such an evaluation. Individualized assessments are, by their very nature, individualized to the applicant, and cannot be reduced to a check-box approach or summarized in one article. However, landlords are encouraged to work with their attorneys with respect to criminal denials in order to ensure compliance with laws related to fair housing. Under SB 291, landlords must now provide a written statement of denial within 14 days of the denial, so it is imperative that landlords promptly seek guidance when needed.

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