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5 Strategies to Enhance the Process of Leasing

By Ciera Moraga
MARK-TAYLOR RESIDENTIAL

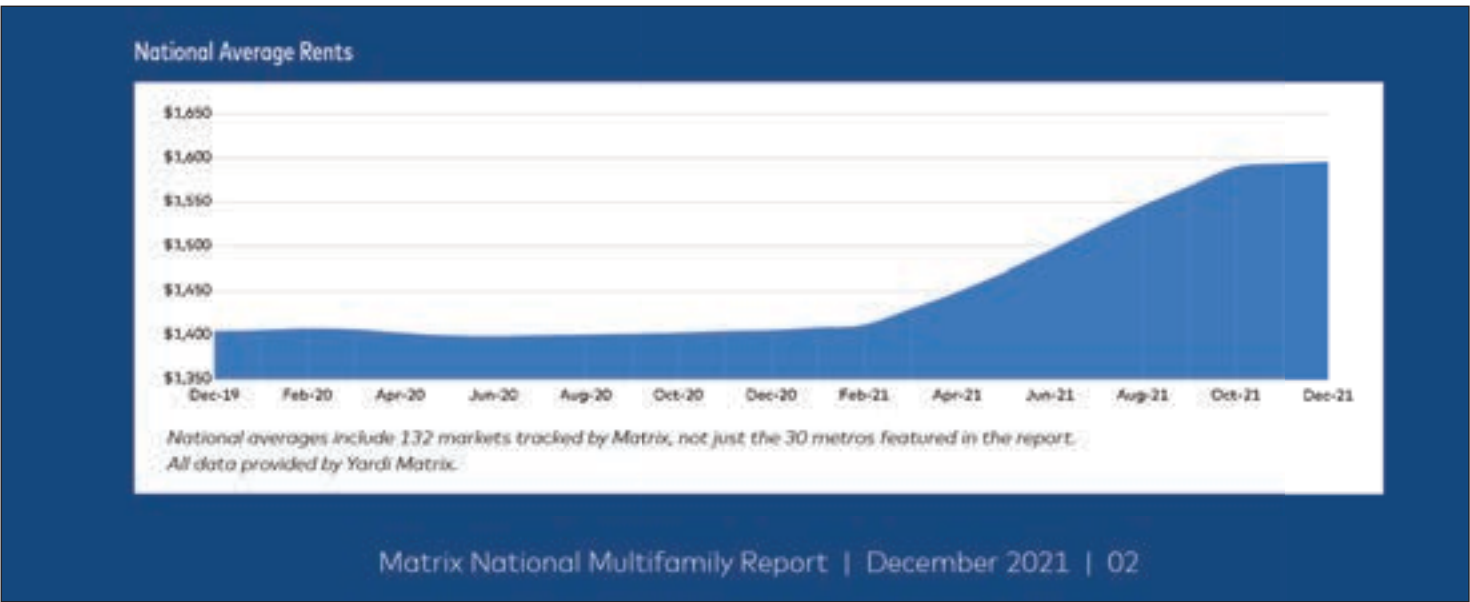
Exceptional multifamily living always begins with the leasing process. Guests become pleased residents when 5-star service starts from the very first inquiry about your community.

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Here are five best practices of our leasing teams:

1. EARLY BIRD GETS THE WORM

Searching for a new home often requires time-consuming and stress-
See ‘5 Strategies’ on Page 11



Multifamily Marked Record Year in 2021; What’s in Store for ’22?

By John R. Triplett

Multifamily rent growth had a record year in 2021, with many factors contributing to the unprecedented growth that led to the average asking rent growing by \$190 during the year, according to Yardi Matrix.

Expectations for 2022 continue strong for multifamily but not at the level of

2021, as rents cooled near the end of the year.

“The multifamily market closed the book on 2021 with strong performance, a good end to a year that featured robust demand and record annual rent growth. Although a repeat of 2021 is not likely, many of the trends that led to the stellar performance remain intact,” Yardi Matrix

writes in the report.

HIGHLIGHTS OF THE REPORT:

- “U.S. multifamily rents rose modestly in December, increasing by \$2 to a record \$1,594, closing the book on an extraordinary year in which asking rents rose by
See ‘What’s’ on Page 10

Attorney Cited for Wrongful Eviction Actions



RENTAL HOUSING JOURNAL

A Phoenix, Arizona, real estate attorney has been put on probation for filing eviction actions against renters who were protected at the time by the national CARES Act, according to the *Arizona Republic*.

The Attorney Discipline Probable Cause Committee of the Supreme Court of Arizona said attorney Scott M. Clark

“didn’t “take steps necessary to identify numerous client properties covered by the CARES Act” and filed “numerous eviction actions in violation of the CARES Act,” according to the newspaper.

The *Arizona Republic* did an investigation in 2020 into 900 evictions which were filed against Maricopa County tenants who likely should have
See ‘AZ Attorney’ on Page 4

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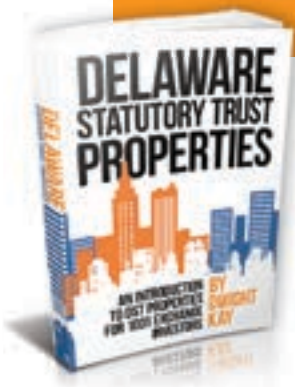
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ABOUT KAY PROPERTIES AND WWW.KPI1031.COM

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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There are material risks associated with investing in real estate, Delaware Statutory Trust (DST) properties and real estate securities including illiquidity, tenant vacancies, general market conditions and competition, lack of operating

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Delaware Statutory Trusts & Investing Across Real Estate Market Cycles

By Jason Salmon | Senior Vice President, Kay Properties & Investments

Key Takeaways:

- What are the Four Stages of a Real Estate Cycle?
- What are some Current Macro Real Estate Trends Impacting Investment Real Estate?
- Why Should Delaware Statutory Trust Investors Be Aware of Current Real Estate Trends?

One of the common topics that frequently pops up in investment conversations these days involves questions about what stage of the “real estate cycle” is the market currently in, and how does the current real estate market cycle impact the world of Delaware Statutory Trust 1031 exchanges?

The first caveat that must be iterated here is that nobody can predict the future of any market, and there are always material risks associated with investing in real estate, which investors should carefully consider with their own tax and legal advisors. However, by taking a closer look at typical real estate cycles and why these cycles are important to understand, investors can be better prepared for the future, and maybe recognize why more and more real estate owners are selling their properties and moving into DST 1031 exchanges.

WHAT IS A REAL ESTATE CYCLE?

A market cycle basically refers to the periodic ebbs and flows that occur in the economy and across individual sectors, such as technology, stocks and bonds, and real estate. Real estate cycles typically include a wave pattern that moves across the four phases of trough, expansion, peak, and contraction. Understanding the real estate cycle can help people anticipate shifts in the market and make more informed decisions relating to their real estate asset, whether it’s single-family home, multifamily building, commercial building, or net leased property.

UNDERSTANDING THE FOUR REAL ESTATE CYCLES:



- Trough/Recession: In the recession phase, supply has over-exceeded demand, and demand drops—causing downward pressure on values, high vacancy rates and negative rent growth. Anyone who owned real estate during the “Great Recession” faced dramatic events such as loan defaults, massive layoffs, and vacated homes that owners abandoned after property values plummeted. Still, some speculative investors look at this cycle phase as a good time to buy as property values will be at rock bottom. Some of the advantages of buying real estate during recessions include lower prices, less competition, and many sellers might be more willing to offer provisions as improvements and amenities. If successfully executed, a buyer who purchases during a trough or recession will wait and hold the investment property until the real estate cycle circles back, and the downturn is over—as the market begins to recover and eventually expand.
- Recovery/Expansion: English theologian and historian Thomas Fuller once famously said, “It’s always darkest before the dawn”, which many real estate investors apply to the earliest moments of a recovery. In the recovery phase, the real estate market begins at a low point from the recession and gradually rises in strength. Some people who invest in the recovery phase look at Core real estate assets that will generate stable income with very low risk. These assets include a NNN property with a long-term lease or a fully leased office building in a prime location. Other assets that savvy investors target during a recovery phase of real estate investment include value-add real estate, and opportunistic investments like distressed properties or even raw land. While many people have a hard time identifying when the trough stage segues into the recovery phase, experts look at trends like gradual occupancy increases or growing demand to identify when the

recovery stage has begun. The recovery phase is a popular time for real estate investment and speculation since prices of properties are typically high, which helps the potential for a solid return upon the sale of the asset.

- Peak: The peak phase will be when supply catches up with and even exceeds demand pushing prices up. During this phase, assets are fully priced, and some real estate investors feel eager to sell at attractive prices and reap profits. However, the peak market can also be a good time for savvy investors to refinance any leverage while interest rates are low and fixed.
- Contraction: The contraction phase generally occurs after the business cycle peaks, but before it becomes a trough. If growth stalls or becomes negative, it can fall into a recession, which is usually defined as two consecutive quarters of negative growth. During this period, investors need to act very cautiously while simultaneously monitoring the market for opportunities - because while contraction cycles can be difficult, they can also coincide with some great opportunities. For example, in a recessionary environment, the worst-performing assets are those that are highly leveraged, very speculative, and fraught with risk. For many years, Kay Properties has avoided the sectors of hospitality, senior care, and oil & gas for this exact reason.

While this cycle pattern is widely accepted to view the real estate market over the long-term, there are many variables that come into play with real estate. For example, real estate is a highly localized industry with different conditions in every state, market, and sub-market making real estate a constantly moving target.

RECORD-BREAKING EXPANSION CYCLE AND DST INVESTMENT OPPORTUNITIES

Timing investments correctly may potentially help to increase returns. Yet getting market timing exactly right is never easy unless you happen to be a fortune teller. Right now, the length of the current economic expansion has many people suspecting that we are close to a peak market cycle. However, others suggest current slow and steady growth may be sustainable, and there doesn't appear to be anything imminent that could derail that pattern. The peak could very well turn out to be more of a plateau than the beginning of the end. Even if there is a contraction or trough ahead, it could be a slight downturn rather than a sharp drop off a cliff.

There are numerous variables that contribute to the shape of market cycles that range from Fed monetary policy to market bubbles that pop, such as the housing and Dot. com booms that caused the last two recessions.

But real estate experts point to several macro real estate trends that suggest it might be a good time for investment property owners to consider selling their buildings and consider DST 1031 investments. Even if we cannot know if we are currently experiencing a peak in the real estate market cycle, many real estate investors have seen their properties appreciate significantly and recognize an opportunity to sell and potentially unlock trapped equity.

SOME MACRO REAL ESTATE TRENDS THAT COULD BENEFIT DST INVESTORS

Macro Real Estate Trend #1: Low Inventory

According to the National Association of Realtors, inventory of available homes was down nearly 30% in 2021 compared to a year ago, multifamily buildings are attracting institutional real estate investors, and according to real estate firm CBRE in its first quarter 2021 report on the industrial and logistics market, demand for this type of asset is through the roof, after nearly 100 million square feet was absorbed during the first quarter – the third highest absorption rate on record.

- How This Could Benefit DST Investors? Whether you are talking about a multifamily apartment building or a single-family home, low inventory means higher selling prices and shorter sales cycle – all good news for the seller’s position. However, this low inventory could also cause trouble for a seller who will find it hard to purchase a replacement property to avoid a large capital gains tax bill at the end of their sale. The DST marketplace allows sellers to easily find a 1031 like-kind exchange for nearly every level of transaction, providing sellers a strategy to not only defer their capital gains taxes but also gain access to a much more diversified portfolio with

monthly cash flow potential. DST 1031 specialty advisory firms like Kay Properties & Investments has access to the largest menu of DST 1031 exchange properties in the nation and works with more than 25 different sponsor companies.

Macro Real Estate Trend #2: Rising Real Estate Asset Prices

While real estate prices have slowed slightly in recent months, they have still grown by nearly 20% compared to last year, and according to a recent report on net leased real estate points out that net leased real estate is experiencing its highest level of demand in history, with billions of dollars flooding in from seemingly everywhere.

- How Could This Benefit DST Investors? Rising real estate prices might indicate the real estate cycle is nearing its peak, and so it could be a good opportunity for investors to sell their multifamily investment buildings. However, selling in an expansion market cycle could trigger a significant capital gains tax bill! DST 1031 exchange investments help sellers defer their capital gains taxes while gaining access to institutional quality real estate assets with the potential for monthly income. DST 1031 exchanges can be structured with leverage for replacing debt, or all-cash/debt-free eliminating the risk of lender foreclosure.

Macro Real Estate Trend #3: Low Interest Rates

With historically low interest rates in place, buyers are more motivated and capable of financing investment property more quickly.

- How Could This Benefit DST Investors? According to the Quantity Theory of Money, any time the money circulation increases (either through government spending or lower interest rates) inflationary pressures tend to surface. DST 1031 properties may potentially help investors reduce the negative effects of inflation. For example, many DST investments have access to properties that have historically shorter lease terms that allow the investor to pass along any inflationary pressures to their tenants. On the other hand, most single-tenant net leased investment properties commonly have 20–25-year leases that generates flat to minuscule rental increases over the course of the lease term. Over time this flat rental structure could be devastated by inflationary pressures.

TODAY’S REAL ESTATE CYCLE COULD BE A GOOD TIME TO 1031 EXCHANGE INTO DST PROPERTIES

There is no doubt that mature market cycles are fueling an increase in property sales and 1031 tax deferred exchanges. Property owners who believe values may be at or near peak see it as a good time to take chips off the table and sell real estate that has experienced good appreciation. DST Properties are blessed by the IRS for use in a 1031 tax-deferred exchange. Individuals also have an opportunity to reinvest proceeds into a variety of different property types and geographic markets. For example, Kay Properties has DST opportunities with a minimum investment amount of \$100,000 for investors with offerings that span multifamily, self-storage, net lease (NNN), industrial and medical office properties.

The Delaware Statutory Trust 1031 exchange vehicle can be a potentially smart strategy for investors who want to take advantage of the current real estate trends and leverage the tax deferral aspects of the 1031 exchange process.

ABOUT THE AUTHOR

Jason Salmon is Senior Vice President Managing Director of Real Estate Analytics for Kay Properties & Investments New York City office where he applies his more than 20 years of commercial real estate and financial advisory experience in assisting thousands of property owners as they navigate their 1031 exchange transactions and direct acquisitions of securitized real estate investments. He is considered one of commercial real estate industry’s leading experts in providing high-net-worth clients DST 1031 exchange investment strategies, tax advantaged exit strategies and estate planning solutions.



Jason takes his deep and diverse expertise in identifying good real estate investment opportunities across multiple sectors including commercial, industrial, medical, and multifamily and combines it with Kay Properties & Investments’ dynamic platform that includes a full menu of DST properties and a complete team of 1031 exchange experts to provide his clients the best advisory and execution practices in the industry.

LA Freezes Rents for Occupied Apartments Until '23 at Earliest

RENTAL HOUSING JOURNAL

Landlords in Los Angeles cannot increase rent on the more than 650,000 occupied and rent-stabilized apartments in the city despite rising construction-repair costs and increasing city fees.

The *Los Angeles Times* reports that number is about three-fourths of all the apartments in the city.

Under the rules, landlords are not allowed to increase rents for an entire year after the expiration of the emergency order signed by Mayor Eric Garcetti in March 2020, when the policy went into effect.

As of now, no rent hikes will be allowed

for most L.A. tenants until 2023. And possibly beyond, the *Los Angeles Times* reported.

Landlords in Los Angeles say costs have risen sharply due to inflation, for everything from labor and materials for building repairs to city fees for trash pickup.

“We have to pay a mortgage and pay utilities,” said Ari Chazanas, president of Lotus West Properties, which manages about 1,000 apartments across the city, to the *Los Angeles Times*.

“I think there’s a lot of fatigue from people like me because it’s been going on for so long.”



While Los Angeles rents declined substantially at the beginning of the pandemic, they are climbing steadily now.

Apartment List reports that L.A. median rent for recently leased apartments has rebounded to \$1,947 a month in November, up nearly 15 percent from the low in January and eclipsing pre-pandemic levels.

The city’s rent-stabilization rules generally apply only to apartments built before October 1978. Normally,

landlords are allowed to raise rents on existing tenants by no more than 3 percent annually, depending on inflation.

But the mayor’s emergency order changed that, marking the first time in more than four decades under the city’s current rent-control laws that landlords have been blocked completely from increases.

Landlords remain able to charge whatever they want for apartments once a tenant vacates.

AZ Attorney Disciplined for Wrongful Eviction Actions

Continued from Page 1

been protected by the federal CARES Act, which expired in July.

The federal CARES Act prohibited eviction actions against those who could pay rent if the property had a federally backed mortgage or if the rent was federally subsidized. The newspaper reported that the court’s disciplinary action follows a recommendation of the State Bar of Arizona, which investigated complaints involving about 500 Maricopa County eviction cases. Clark admitted 128 of those cases violated the federal eviction protection law.

Clark is on probation for one year but

can continue to practice.

Clark said in a written statement to the newspaper that “some unintentional errors occurred” with eviction filings during the CARES Act.

“Once we became aware of them (the errors), we undertook an extensive self-audit,” he said. “This process, together with our interaction with the State Bar, has led to substantive improvements in our processes and procedures, and we continue to be proactive in seeking out and implementing additional improvements,” Scott said.

According to the *Arizona Republic*, Corinne Cooper, a Tucson landlord, tenant

advocate and former law professor, filed the complaint against Clark for the Pima County evictions with the Arizona Bar Association in June 2020. Her complaint included documents showing the attorney filed multiple evictions for missed rent payments on properties covered by the CARES Act.

Cooper, a retired University of Missouri law professor, worked with University of Arizona law student Stephen Bagger to look at the CARES cases. Cooper said while Gov. Doug Ducey’s moratorium allowed eviction judgments to be rendered, the federal act prohibited even filing an eviction, according to Tucson.com.

Cooper and Bagger’s research, which they provided to the *Arizona Daily Star*, shows that there were 941 eviction cases heard between June 1 and July 2. Of those, 198 were on CARES Act-covered properties and about 108 appear to be problematic, she said.

While the court entered the eviction judgments, none were carried out, said Kristen Randall, presiding constable in Pima County. Randall said her office did not enforce eviction orders because, she said, doing so would violate the CARES Act. However, she said some residents not familiar with their rights moved once they realized an eviction had been requested, according to Tucson.com.



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Rental Housing Journal is a monthly publication of Rental Housing Journal, LLC.

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Landlords Warned on Protections for Military Tenants

RENTAL HOUSING JOURNAL

The U.S. Department of Justice and the Consumer Financial Protection Bureau (CFPB) are warning landlords and other housing providers about military tenant protections when they are providing rental housing for military families, according to a release.

The Justice Department and CFPB have sent a letter to landlords and housing providers reminding property owners of the important housing protections for military tenants, some of whom may have had to relocate or make other changes to their housing arrangements in response to the pandemic.

While military families enjoy the same legal protections and privileges afforded to all other homeowners and tenants, they also have additional housing protections under the Servicemembers Civil Relief Act (SCRA), which is enforceable by the DOJ and servicemembers themselves.

Military tenants have several legal protections under the SCRA that are designed to enable them to devote their entire energy to the national defense. These include, for example, a prohibition on foreclosing on certain servicemembers’ mortgages without court orders, the ability for military families to terminate residential leases early, and without penalty, upon receipt of military orders, and a prohibition on evicting military families from their homes without court orders.

The Justice Department and CFPB also issued a letter to mortgage servicers regarding military borrowers who have already exited or will be exiting COVID-19 mortgage forbearance programs in the coming weeks and months.

“The Department of Justice takes seriously its responsibility to safeguard the rights of servicemembers and veterans,” wrote Assistant Attorney General Kristen Clarke in a release. “While servicemembers carry the great burdens of this nation, they should not have to worry that their sacrifices will result in economic harm



to their families. Mortgage servicers and landlords must ensure that they are in full compliance with federal laws intended to protect servicemembers and their families during military service.”

The letter to mortgage servicers comes in response to complaints from military families and veterans on a range of potential mortgage-servicing violations, including inaccurate credit reporting, misleading communications to borrowers, and required lump-sum payments for reinstating their mortgage loans. These complaints are being reviewed for compliance by the CFPB with the Coronavirus Aid, Relief, and Economic Security (CARES) Act and other applicable requirements.

“The illegal foreclosures of military families in the last crisis was one of the financial industry’s worst failures,” CFPB Director Rohit Chopra said in the release. “The CFPB will be closely watching mortgage servicers and will hold them accountable for illegal tactics perpetrated against military families.”

During the COVID-19 pandemic, roughly 7.6 million homeowners entered forbearance. While the majority have resumed their regular mortgage payments, approximately 1.25 million borrowers – many of whom are military borrowers – were still in forbearance programs that expired at the end of 2021. Ensuring that

mortgage servicers comply with their legal obligations is crucial, especially since a decade ago some large financial institutions illegally seized the homes of military families, sending their lives into tailspins. These violations were a result of breakdowns in the mortgage-servicing industry that were severe and widespread. The result was numerous settlements with regulators, including a \$186 million settlement between DOJ and some of the country’s largest mortgage servicers.

Under the CARES Act and Regulation X, servicemembers and veterans have the same protections available to all mortgage borrowers. These include, for example, streamlined COVID hardship forbearance options, requirements that mortgages receiving a COVID-19 hardship forbearance be reported as “current” to credit reporting agencies if the loan was current before entering forbearance under the CARES Act, and requirements in the Bureau’s Regulations X and Z for treatment of delinquent borrowers and borrowers who have applied for loss mitigation.

“The CFPB and DOJ are calling on mortgage servicers and landlords to ensure that military homeowners and tenants are safeguarded during the pandemic and benefit equally from the nation’s economic recovery,” according to the release.

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5

This is the Year for You to Become Involved in Governance of the Housing Industry

By MICHAEL HAVLIK, CPM®
DEPUTY EXECUTIVE DIRECTOR, MULTIFAMILY NW

As housing providers ring in the New Year, it is apparent that the fallout of the COVID-19 public health emergency will have long-lasting and widespread impact on our industry.

While unemployment is at record lows, many of you are struggling to hire and retain employees. Further, many are straining to operate in a legal environment that has been altered multiple times in a single year.

Housing-related responses to the COVID-19 pandemic were arbitrary, often misrepresented, and made communications between housing providers and residents nearly impossible during a pandemic when it was never more critical. Our concern for the operating environment facing housing providers cannot be understated.

With these immediate priorities dominating our thoughts, it can be difficult to see the broader landscape of challenges to housing providers. The industry is being reshaped by political forces with little thought given to supply and affordability of housing. The toxic attitudes expressed toward housing providers at our state- and local-level governing bodies are clearly designed to drive housing providers away from participating in the civic process, and away from the profession of providing housing.

Now, after what has felt like a nonstop series of special sessions, emergency board meetings and regular legislative sessions, the six-week 2022 Oregon legislative session is quickly approaching. We do not know if lawmakers will hold fast to a commitment to refrain from making major changes to ORS Chapter 90, or if we will see an avalanche of bills targeting the rental industry as we have during each legislative session of



recent memory.

WHAT DO WE RECOMMEND THAT HOUSING PROVIDERS DO?

- **Contact your representative:** Your representative needs to know what you are experiencing, and you need to know what they are thinking. Make this the year you contact them more than


once with personal stories about the impact of existing laws and the consequences of proposed legislation. Your elected leaders can only hear you if you are communicating. Click here to find your legislators: <https://www.oregonlegislature.gov/findyourlegislator/leg-districts.html>.

- **Stay informed:** Keeping updated on elections and proposed legislation, through your industry association, will be key in 2022. Be sure to pay attention to local races, ballot measures and local rulemaking as well. Those regulations often have a negative impact on the industry. Frequently, ideas implemented at the local level are viewed as proven to work and get adopted at the state level.
- **Vote:** How have your interests been represented over the past three years? The people we vote into office matter. Are they experienced, well-rounded, collaborative and fair? Do they have the temperament to study issues deeply and vote consistent with their constituency, or will they simply fall in line with an influential party leader? Register to vote at www.Oregonvotes.org. April 26th is the registration deadline for the May 17th election.





This is the year to get involved. The legislative session begins next month. We all need to get prepared.


As we’ve been reminded repeatedly, “You’re either at the table, or you’re on the menu.”

As the Deputy Executive Director for Multifamily NW, Michael Havlik brings 29 years of industry experience in market rate and affordable housing. A native Oregonian, Michael obtained his undergrad degree from University of Portland, and an MBA from the University of Notre Dame. He is a licensed Principal Broker in Oregon, and a Certified Property Manager®. He served as Past President of Multifamily NW in 2003 and was nominated for the ACE Awards Regional Property Manager of the Year in 2015.



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Two overlapping sample forms titled "OREGON (NOT FOR CITY OF PORTLAND) OWNER/AGENT NOTICE OF DENIAL". The forms include fields for DATE, PROPERTY NAME / NUMBER, CITY, STATE, ZIP, and SAMPLE. They also contain sections for "Supplemental Evidence was provided", "Owner/Agent received the following Supplemental Evidence:", "Owner/Agent has considered the nature and severity of the incidents leading to a denial, the number and type of incidents, the time elapsed since the date incidents occurred, and the age of the individual at the time the incidents occurred.", "The basis for denial is as follows:", "Explanation of reasons that the Supplemental Evidence provided did not adequately compensate for the factors that informed Owner/Agent's decision to reject the application:", and "Owner/Agent's explanation for the factors that informed Owner/Agent's decision to reject the application:". The forms are marked with "SAMPLE" diagonally across them.

FORM
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M112 OR Owner/Agent
Notice of Denial

This is a brand new form created for compliance with Oregon's SB 291, which passed in June 2021 and took effect in January 2022. This form is required for use when a housing provider has considered supplemental evidence for an application that was denied. If you're not sure of current screening and application regulations, register for a landlord/tenant law class at www.multifamilynw.org.

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		
JANUARY 13	WEBINAR: HR ANSWERS - MANAGING CHANGE	8:00 AM - 9:00 AM
JANUARY 14	WEBINAR: IT'S THE LAW: SCREENING JUST GOT HARDER	12:00 PM - 1:00 PM
JANUARY 14	VIRTUAL ROUND TABLE: NAA DESIGNATION Q&A	1:30 PM - 2:30 PM
JANUARY 18	WEBINAR: LANDLORD TENANT LAW 1-PART A	10:00 AM - 12:00 PM
JANUARY 18	WA IT'S THE LAW	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	
JANUARY 25	WEBINAR: LANDLORD TENANT LAW 1-PART B	10:00 AM - 12:00 PM
JANUARY 25	AFFORDABLE AFTERNOONS WITH ADAM-AFFORDABLE HOUSING NEW LAWS UPDATE	12:30 PM - 1:30 PM
FEBRUARY 1	WEBINAR: LANDLORD TENANT LAW 2-PART A	10:00 AM - 12:00 PM
FEBRUARY 8	WEBINAR: LANDLORD TENANT LAW 2-PART B	10:00 AM - 12:00 PM
FEBRUARY 15	WEBINAR: ADVANCED LANDLORD/TENANT LAW	10:00 AM - 12:00 PM



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From the Desk of the Executive Director

Oregon Property Rights, Version 2.2

BY RON GARCIA

As we turn the page to 2022, rental-housing providers throughout Oregon should recognize and acknowledge that this year’s calendar click means their business has been modified, and we all need a new mental software called “Oregon Property Rights, Version. 2.2.”

In 2021 there were five new laws passed by the state legislature that upended the rental-housing industry. Four of the bills came with expiration dates, yet three of those succeeding bills extended the prior dates upon being enacted. Only one of the bills that passed was not an emergency measure.

The purpose of bringing this up today is not to explain these laws, but rather to emphasize to all property owners in the state that their business models need to be adjusted accordingly, and they are on notice for their need to become aware of and stay up to date on all the changing rules.

Like so many issues today, language and labels are markers of social change that modify our behaviors. We are no longer “landlords with property rights being challenged by tenant activists.” We are: “rental-housing providers responsible for implementing regulations that provide tenant protections.”

If that does not make sense to you now, or if it irritates you today when reading it, I suggest copying the phrase down and putting it up on a wall where you can see it daily and reflect on what it means. It may

have a direct impact on your success as a rental-property investor as we proceed into the new year.

So, what does all this mean for our organization at Rental Housing Alliance Oregon? It means that we have our work cut out for us and are excited to be of service! We have adopted a new tag line:

RHA Oregon has been improving the CRAFT of Rental Housing Providers since 1927.

Community * Resources * Advocacy * Forms * Training

To follow in that order, here are a few of our newer campaigns we are working on in 2022:

1. RHA OREGON MEMBERS’ COMMUNITY GIVING FUND

We know that big things come in small packages. We know that small details matter. Our goal is to support our members who want to support others. This year, we will donate \$100 to our members’ submission if they meet a criterion: To reward someone, fix something, encourage someone, offer sympathy, for food or shelter or transportation, to pay a utility bill, say “thank you,” or for children’s or care givers’ supplies.

2. THE LANDLORD HOTLINE

Perhaps our biggest change is facing the fact that with increased complexities come higher risks in understanding and implementing actions between owners

and residents, and RHA Oregon staff are simply not qualified to give legal advice. We are excited to offer a connection of owners with professionals to provide mentoring and answers, and we’re eager to see this program grow and proud of its mission with “Landlords helping Landlords.”

3. OUR LEGISLATIVE IMPACT

RHA Oregon is a major contributor to state and local government housing policies and we support goodlandlordpac.com. As tenant-protection regulation has become the dominant narrative in shaping housing laws, our input is sought to add balance and provide guidelines.

In 2021 we spent hundreds of hours on personal calls and meetings with city council members, state house and senate representatives, the state supreme court justices, and the governor and her staff. In 2022, we have added a new membership category called “Designated Members” (owners represented by professional property managers). Our intent is to add their voices to our efforts, because it is true that the size of our footprint matters.

4. UPDATED FORMS VIDEOS

We have had so many major revisions on various forms this year that it’s hard to keep up. Using old forms just because you have them in a drawer is not a good idea. With updates come questions, of course. We have traditionally offered a class called Landlording 101. But with so much action, it’s no longer enough.

This year we added a Forms Video Instruction series on our website to help owners understand and use them. As they change, we will endeavor to keep these videos current for our members. Also in 2022, we are working on new delivery systems to improve the distribution of RHA Oregon forms and make them easier to use.

5. TRAINING CLASSES ON ZOOM

The pandemic showed us all how to meet and conduct business in a virtual setting. I have taught classes on Zoom this year to as many as 300 attendees and to as few as 3 attendees. Rental Housing Alliance Oregon has remarkably offered 117 classes in 2021.

This coming year our goal is to tap the skills and knowledge of all of our various vendors and professional property managers in the training classes. Some will be free, some will have modest pricing. All are critical to being a successful rental-housing provider. It is simply not enough to own a good rental property or have good tenants in place.

An adage says this: “Those who don’t read are no better off than those who can’t read.” I implore you to improve your housing literacy– sign up for classes (even if you think you know it already)! And, even better, if you know it – teach it. Call our office and offer your insights to teach a class. We welcome your knowledge.

Happy New Year! May 2022 be your best ever.

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Analysis Shows Movers Prefer Warm Climates, Affordablility

RENTAL HOUSING JOURNAL

Florida continued to be a top destination for movers in 2021, as people sought warm weather, beaches and abundant rental properties. Those are key takeaways from the latest Magnet States Report, which analyzes moves by thousands of Allied Van Lines customers and home-value data from Zillow.

The top three destination states for people who moved with Allied in 2021 were:

- 1. Florida – 5,684 moves
- 2. Texas – 4,739 moves
- 3. California – 3,253 moves

For those who had work-related moves, Texas and California were the top destination states for the last five years, as both have strong economies and a large workforce.

The Texas population is projected to grow by more than five million residents by 2030 as an increasing number of companies like Tesla, Oracle, and Charles Schwab have moved operations to the Lone Star State, according to the *Austin Business Journal*. Texas is the ninth largest economy in the world, with a lower cost of living and no corporate income tax.

California is attractive to many small businesses, according to *Forbes*, because of top talent, a stronger customer base, and great weather. Small businesses make up 99.8 percent of all business in California and employ 48.8 percent of the state’s workforce, according to the release from Allied and Zillow.



“In 2021, residents intensified the trend that began in 2020 of moving to more affordable neighborhoods,” said Zillow senior economist Jeff Tucker. “The combination of rapidly rising home values and more available remote-working jobs has pushed people to seek out parts of the country where their home-buying dollar goes further. But some of 2020’s most popular destinations like Phoenix and Austin have gotten so expensive so quickly that they are losing some of their appeal as affordable options.”

The average interstate mover in 2021 moved to a ZIP code where homes were about \$35,800 cheaper than where they moved from, amplifying a trend that began in 2020, when movers began migrating from pricier to much more affordable locations.


The comparable average ZIP-level price decline in 2020 was about \$29,500. Before the pandemic, people tended to move to ZIP codes with very similar average prices: the average ZIP-level price change was only a decrease of less than \$7,500 in each year from 2016 to

2019. The top destinations for net inbound moves in 2021 were mid-priced growing Sunbelt metro areas, while the top origins for net outbound moves were in places that are colder, more expensive, or both.

The Dallas-Fort Worth metro area topped the rankings for the most net inbound moves in 2021, pulling in movers especially from pricey Los Angeles and chilly Chicago, as well as Phoenix. Chicago tops the list of metro areas that originated the most net outbound moves, sending the most movers south and west to Phoenix, Dallas-Fort Worth, and Los Angeles.


“By combining our moving trend data with housing data from Zillow we are able to provide more robust insights into how people are moving and the importance of housing affordability,” said Steven McKenna, vice president and general manager for Allied. “Our team is proud to have kept America moving safely during the pandemic and we look forward to continued growth and innovation in the New Year.”

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Short-Term Rentals Can Generate 6x Gains

By DAVID PICKRON

Rarely in life can the quick version of anything ever compete with the more time-intensive “real deal.” Think of any instant food and you will quickly realize that I’m telling the truth. The same had held true for real estate investments for at least the last century... but times, they are a changin’. As you look at your portfolio it may be time to consider transitioning some of your long-term holdings into short-term rentals, and here is why: Short-term rentals can generate up to six times the amount of revenue as a long-term hold. My average long-term hold properties cash flow at around \$200 per month; my short-term rentals cash flow just over \$1,200 per month. Does that get your attention?

As you consider transitioning from long-term to short-term rentals, you should examine the following factors to help ensure that the changeover is successful: location, needs, and saturation.

LOCATION

The old mantra of “location, location, location” in relation to real estate has endured because it is true. For short-term rentals, it may even be more important. A friend of mine recently converted his 5,000-square-foot custom home in a regular residential neighborhood in Phoenix into a short-term rental. In his mind, he was already cashing the checks after he listed the home on the popular short-term rental sites. But there was a big problem: there was no draw for potential renters to come to the property, as it wasn’t near any major attractions. That property quickly turned back into his full-time residence, having never once been used as a rental.

Having an attraction or destination near your property makes it ripe for transition to short-term. Whether it is near other resort properties, mountain towns, beachside escapes, or national parks, having a natural draw for people to come to the area instantly makes it an eligible property.

Obviously, warm places in the winter and cooler places in the summer create demand when people are looking for an escape. If you have an extensive portfolio or are just looking to purchase your first investment property, make location a key component of your research process.

NEEDS

Depending on the location of your property, the needs of your potential renters need to be paramount in your conversion decision. I have several properties that are located near a cancer-treatment center. When I originally purchased those properties, I did not know



there would be a severe need for this type of property because the treatment center hadn’t even been built.

My curiosity got the best of me when this facility was built, and I called to inquire if they ever had patients with short-term housing needs. It was after this conversation that I decided to convert these units into what they are today. Most of those renters in these properties are in town for several weeks or months at a time receiving treatment for life-threatening illnesses, and insurance companies are reimbursing their housing expenses. In this case, my short-term rentals cost thousands less than costly overnight hospital stays.

These tenants have very specific needs, whether it be accessible facilities or high cleanliness standards. I have prepared those properties with those specific needs in mind and can market them as such.

In other areas, I have properties that are more vacation-oriented, with access to golf courses, hiking trails and other recreational opportunities. Those homes are equipped to help my renters have the best experience while on the property, with helpful hints on where to play, where to relax and where to eat.

There is an obvious expense to preparing properties to meet the needs of potential short-term renters, but those expenses are recouped quickly with satisfied renters who rebook and share their experiences with others.

SATURATION

While it may seem too easy to look at a booming area where everyone is

converting to short-term rentals and think it would be great to ride the same wave, you would be right. Markets with a lot of short-term rentals are strong for this very reason and should give you the confidence to at least try your hand.

Competition should ignite your creativity, so if you do decide to convert your property in a saturated area it is critical to find a way to make your property stand out. Maybe it’s time to complete those upgrades you’ve been putting off. Or you may need to commit some extra marketing dollars to make sure your property has that “it” factor that makes it more desirable.

If being in a saturated market scares you, maybe you look to create a more rural opportunity experience. I have a friend that has taken a five-acre rural property and created an “Old West” type of experience for their guests, and there is a massive waiting list of people who want to spend their time and money there.

There is no perfect formula for determining how many is too many short-term rentals in an area, but with effort and your expert insight you can successfully make the jump.

A FEW OTHER ITEMS TO CONSIDER:

Always check with your homeowners association (HOA) before you even start down the road to see what the rules are in regard to short-term rentals. I’ve heard too many horror stories about owners spending time and money to prepare a property only to have it shut down by their HOA.

There is no reason to fear the managing/cleaning/scheduling of the property. This is the No. 1 thing I hear from investors, but it really is a non-factor.

In short-term, your renter pays the cleaning fee. You just need to find a cleaning crew you can depend on. Take their bid, add \$50.00 to it to pay for toilet paper, paper towels, and other disposable goods.

A well-paid cleaner is more than happy to go the extra mile for you when needed.

While I am not advocating you run out and convert your entire portfolio today, I do recommend you run through your portfolio to determine which, if any, of your properties are ideal for creating a 6x return over what you are getting now.

It may take a little trial and error to get it right, but with considerable returns on the line, now may be your time to shine in the short-term rental market. If there were such a thing as “instant” housing, short-term rentals would likely fall into that category, and – unlike everything else – can turn out to be better than the original.

David Pickron is President of Rent Perfect, a private investigator, and fellow landlord who manages several short- and long-term rentals. Subscribe to his weekly Rent Perfect Podcast (available on YouTube, Spotify, and Apple Podcasts) to stay up to date on the latest industry news and for expert tips on how to manage your properties.

What’s in Store for Multifamily Industry in 2022?

Continued from Page 1

13.5 percent year-over-year. Rent growth in 2021 was more than double any previous year recorded by Matrix.

- “Although we expect rent growth to decelerate in 2022, it should be a strong year nonetheless by historical standards, closer to the 5 percent annual increases recorded in the middle of the past decade. Demand for apartments remains robust, and the national occupancy

rate has been at or near record highs for the last six months.

- “Single-family rentals also remain in high demand, with the national occupancy rate up 0.4 percent year-over-year through December. Single-family rental asking rents rose 13.8 percent in 2021,” the report says.

The report says the economy should remain strong based on higher wages, the continued opening up of the economy, easing of supply-chain issues and the

wealth built up by some consumers during the pandemic.

At the same time, inflation and a new wave of COVID-19 may keep the growth to a moderate level.

“Consumers’ financial health should continue to feed growth of new households, while the rapid increase in home prices will funnel much of that demand to multifamily and single-family rentals,” the report says.

“The pandemic continues to affect

commerce and travel, and the future of migration remains unknown, but clearly the shift to the South and West will endure.”

Yardi Matrix researches and reports on multifamily, office and self-storage properties across the United States, serving the needs of a variety of industry professionals. Yardi Matrix Multifamily provides accurate data on 18+ million units, covering more than 90 percent of the U.S. population. Contact the company at (480) 663-1149.

5 Strategies to Enhance Leasing Process

Continued from Page 1

inducing work. That is why we strive to make the process as seamless as possible for prospective residents. When a prospective resident shows interest in a Mark-Taylor community digitally or over the phone, our leasing teams get back to them swiftly, prepared with detailed information about the community and neighborhood.

The significance of leasing teams’ response time cannot be underestimated; at times, it can be the differentiating factor in a resident’s living choice. We support the response process through innovative technology that captures, sorts, and pushes leads to our team members.

In addition, our training and development team coaches leasing-team members on best practices for efficiently responding to prospective residents.

2. A WARM WELCOME SETS THE TONE

Creating a place that truly feels like home starts the moment that a guest walks through the front door. Our leasing teams greet our residents and guests as if they have arrived at home, even before they choose to live at the community.

A warm smile and standing approach, combined with a welcoming statement such as, “Good morning and welcome to the community. How may I assist you today?” sets the tone for the community presentation and beyond.

3. GIVE YOUR GUEST UNDIVIDED ATTENTION

Providing guests with full, undivided attention is a simple yet profoundly important to-do for leasing teams. In order to feel welcomed into your community, guests



must feel listened to and attended to during their visit.

Use attentive nonverbal behavior – make eye contact, remember names, and welcome questions, comments, and concerns.

4. FIT YOUR COMMUNITY TO THEIR NEEDS

Leasing must focus on the guest, not just the community. It our goal to deliver what residents and prospective residents want and need in a home.

To help accomplish this goal, leasing-team members must ask the right questions to personalize their presentation toward the guest’s personal preferences.

If a guest works remotely from home, we make sure to show them our common working spaces. If a guest enjoys exercise, we show them our fitness center and tell them about our on-site exercise classes. This customer-centric mindset is key.

5. SEAL THE DEAL WITH FOLLOW-UP

Following up is another checkpoint in the leasing process that cannot be skipped. Guests return to their busy lives after they visit your community; a prompt and friendly follow-up message is convenient for the guest and keeps the community top-of-mind. If the guest chooses not to live at the community, it is an opportune time to ask for feedback that will make you better than yesterday.

Ciera Moraga is the associate managing director of multifamily investments at Mark-Taylor Residential. She provides strategic direction for a large portfolio of Mark-Taylor luxury communities across Arizona. She utilizes her expertise to lead her communities to achieve optimal operational success, while staying true to Mark-Taylor’s exceptional standards of service.

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For detailed information: ***MultifamilyNW.org***

Senate Bill 891: More Changes to Ring in New Year

By **BRADLEY S. KRAUS**
PARTNER, WARREN ALLEN LLP

Happy New Year to everyone! As we turned the page on another (and hopefully final) year of COVID-related changes, another was made last month. Oregon’s December special session ushered in another set of changes to the landlord-tenant world, this time modifying prior tenant protections with the passage of Senate Bill 891. While many of the rules remain the same, the timelines have been tweaked, meaning more potential delays for landlords.

The largest change made within SB 891 is the changing of timelines related to a landlord’s ability to act. Previously, Senate Bill 278 required a landlord to incur a 60-day stay period (90 days in certain localities) if/when a tenant provided documentation evidencing that the tenant had applied for rental assistance. Once this 60/90-day stay period was up, the landlord no longer had to wait, and could either (a) serve a non-payment notice, or (b) continue forward with an eviction action, depending on the posture of the particular non-payment situation. Those rules have now changed.

Senate Bill 891 now places a stay on the landlord’s ability to act until the tenant’s rental-assistance application is no longer pending. More specifically, if “on or before June 30, 2022,” a tenant has provided documentation to the landlord that they have applied for rental assistance, then a landlord is prohibited from:

- Serving a termination notice for non-payment, or
- Filing or continuing an eviction action based upon non-payment.

These changes once again (and unfortunately) pass the problems related to rent assistance on to landlords. Once a tenant’s application is no longer pending, the landlord thereafter has options depending on the result—either dismiss the case or, if the application was denied, proceed accordingly. But landlords continue to have obligations related to mortgage payments, taxes, etc., and while larger landlords may be able to absorb further



delays, small landlords and business owners cannot.

Another important change made within SB 891 is to the disclosures required in your non-payment notices. Landlords should ensure that their forms are up to date, as old forms containing the old SB 278 disclosures are no longer valid, if served post-SB 891 enactment. Any notices served prior to SB 891, but expiring thereafter, remain valid with the old disclosures, however. The law applies to prospective notices served, not retroactively.

On a positive note, courts are becoming very flexible in dealing with SB 891 issues. At the first appearance in an FED action, many landlords are faced with allegations that they were provided documentation by tenants. Landlords may not know what they received, as they likely expect something more formal from rent-assistance agencies. Many of these documents that qualify as “documentation” look very bare-bones (and, at times, simply thrown together in a Word document).

Due to the same, courts have been very willing to allow the parties more time to explore the facts and do the right thing. I anticipate this continuing as we navigate these new laws.

Non-payment cases in Oregon continue to rise in complexity. The shifting legislative and legal landscape will no doubt contain more changes in the future. For the time being, landlords are encouraged to reach out to competent counsel if they receive any documents from their tenant. While it may look like nothing, the document you have could actually be rental-assistance documentation, which could affect your rights moving forward.

Bradley S. Kraus is a partner at Warren Allen LLP. His primary practice area is landlord/tenant law, but he also assists clients with various litigation matters, probate matters, real estate disputes, and family law matters. You can reach him at kraus@warrenallen.com or at 503-255-8795.



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Criminal History Screening: Implications for Fair Housing

By Fair Housing Institute

Criminal history screening has been a hot topic for many years, and it’s not slowing down. While there are multiple facets to this complicated issue, we will focus on the most common one that leasing professionals come across and need to know how to handle correctly.

I Have a Criminal History – Should I Apply?

This question has led to many fair housing lawsuits. A prospect is interested in a unit but informs the leasing agent that they have a criminal record and asks whether it will affect their approval. Should they even bother filling out the application and paying the fee? It may seem benign and a reasonable question to ask, especially when an application fee is involved, but answering the wrong way can lead to a discrimination claim.

Many may feel that telling a prospect that they probably won’t be accepted based on this and not to waste their time or money would be the kind or fair thing to do. These exact responses are the ones being used in lawsuits

that claim discrimination and call into question a company’s policy regarding criminal-history screening. Dissuading a prospect from completing an application based on their criminal history can be misconstrued as discrimination, even if it’s with the best intentions.

Fair Housing Best Practices

It is never a good idea to discourage anyone from completing a rental application. It’s helpful to remember that it’s not up to the individual leasing agent whether that person will be accepted or not. It’s not their call. Most companies use a third-party screening service to determine eligibility, which helps take the pressure off the leasing agent. So when staff is asked whether they think the application will be approved, the reply simply needs to be: “I don’t know, it’s not up to me, but I hope so!”

A note of caution when answering these types of questions on the phone: Criminal-history inquiries are a favorite for fair housing testers. It’s easy to get flustered and start rattling off your company’s whole criminal history policy.



Resist the urge to over-explain. Staff should respond the same way they would in person. Inform the caller that everyone is welcome to apply and that the final decision is again not up to the leasing agent.

Fair Housing Final Takeaway

- Be careful when answering questions about your criminal-history policy.
- Don’t offer an opinion about whether an application will be accepted.

- Don’t simplify your policy and state that your property doesn’t accept people with a criminal history.


Instead, encourage everyone to apply, and the screening process will determine whether they qualify. Following these simple steps can help ensure fair housing compliance regarding criminal history screening.

In 2005, The Fair Housing Institute was founded as a company with one goal: to provide educational and entertaining fair housing compliance training at an affordable price, all at the click of a button. Visit their website at www.fairhousinginstitute.com.



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Parent Died and Left Rental to Sell; How Do I Get Tenant Out?

BY HANK ROSSI

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 tenants? — Dave

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

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

Your 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 tenants' 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 tenants 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 tenants are against your plan, as the condition may not be optimal if the tenants are trying to discourage the sale



(dirty dishes in the sink, unmade beds, etc.).

Good luck!

CAN TENANTS DICTATE WHEN I NEED TO ENTER MY RENTAL?

Dear Landlord Hank: My tenants won't put Bio Rooter in their sinks monthly to keep them flowing. So I volunteered to do it once a month on the same day. I've given them a week's notice.

They want to be there. I'm making it convenient for myself and for them with the one-week notice and a time easy for me to drive (2 p.m.). They want to change the day and time. If not the day, then the time.

Can they do this? I am always respectful of their apartment and have been there many times before without them.

Can they dictate the day or time when I enter my rental? — Jennifer

Dear Jennifer: This situation all boils down to your lease.

In most leases, there is a "right-of-entry" clause that basically states that with reasonable notice you have the right of entry for any reason.

The tenants don't dictate the timing – you are the boss, so you decide when you are coming.

You have an immediate right of entry in cases of emergency to protect the premises (fire, flood, etc.).

If the tenants agreed in writing to use Bio Rooter on a monthly basis and they don't do it and a clog develops, then the repair costs would be their responsibility.

These tenants are adults and they should be expected to be responsible and do what they've agreed to in the lease or bear the consequences.

SHOULD I TURN ON THE UTILITIES AND POWER FOR NEW TENANT MOVING IN?

Dear Landlord Hank: I have someone moving in on Saturday and coming here from out of state. The tenant is saying that with the move, all the driving, etc., he hasn't had time to contact the power company to open a new account in his own name.

He asked if I could keep the power on until next week and he would open a new account and pay me for power used. This seems understandable; what do you think? — Bill

Dear Bill: I know you'd like to be a nice guy here and help out a struggling new tenant but this is a big red flag.

Your lease should require the tenant to initiate a new account for electricity, in his own name, beginning with the first day of the lease, and require that power

be on during the entire tenancy.

In many states, once the tenant moves in and the power is on, you as the landlord can't just turn it off because the tenant hasn't gotten around to opening up his own account or any other reason.

If this went to court the tenant could say you had a verbal agreement to supply power, etc.


Make sure the power is off prior to tenant moving in or lease start date, sometimes two different dates, or that the account is active and NOT in your name.

I'd think in this case the tenant would have loads of time to contact power company while driving or at least being in the vehicle.

I don't know any power companies that don't start service easily and often with just a phone call, unless an applicant has poor credit, then normally a deposit is required up front.

Don't get suckered in here. Be firm and insist that tenant abide by the lease and have power on in his name at start of lease. No legal advice intended here.

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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