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Can One Bad Applicant Spoil Whole Bunch?

By David Pickron

It might seem like an antiquated phrase since most of us no longer buy apples in bulk, but the concerns about one bad apple spoiling the whole bunch are real.

As it applies to our industry, this is becoming a critical issue. Here's why: With the rapid increase in rents over the past few years, more and more of our properties are being shared by more than one tenant in an effort to be able to just afford the rent.

In most cases as we backtrack, having more than one tenant would equate to having more than one applicant for the lease. And when you have more than one tenant potentially on the lease, there are three major questions you need to answer before signing that lease.

Question 1: Will I Get my Rent?

Logically, it is easy to assume that having more tenants in the property

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After Cool-Down, National Rent Growth on Upward Trajectory

Rental Housing Journal

After a few months of cool-down, national rents are now back on an upward trend, according to the March report from Apartment List.

The rent-growth gain of 0.6 percent in February month-over-month in national rents reversed the slowing rents over the past few months, in which total rent growth was just 0.7 percent.

Plus, the most recent month's rent growth was still faster than the pre-pandemic norm for this time of year.

"Even though month-over-month rent growth has moved back into positive territory, it remains substantially cooler than

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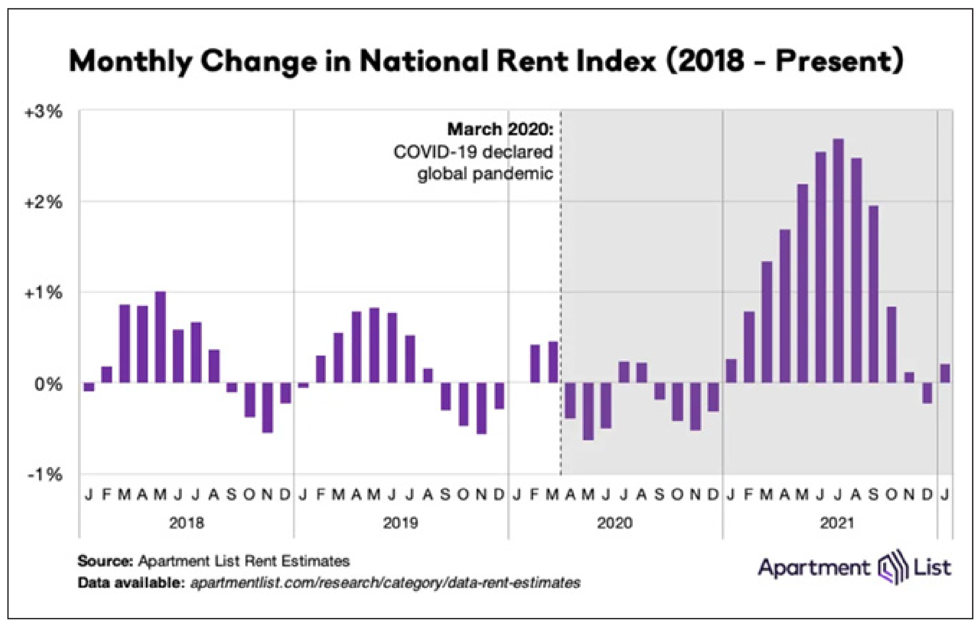

The End of the Grace Period, Part Deux

By Bradley S. Kraus
Partner, Warren Allen LLP

March is upon us, and with it, a renewed sense of normalcy begins to return as of this writing. Many of the COVID-era laws have expired and were not renewed, but some remain. Last month, I discussed some changes that would come as March approached. This article is a continuation of, and expansion upon, some of those topics.

As discussed last month, the biggest change March brings is the ability to pursue debts from the Emergency Period. However, exactly what to put in those notices, given payments likely occurred from July forward, requires an understanding of how payments were applied during COVID-era protections. Those

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Sponsored Content

Six Ways to Ensure Your 1031 Exchange is Successfully Completed

By Steve Haskell
Vice President, Kay Properties

Whether you are an investor or a real estate broker, selling investment or business real estate can be an expensive venture unless you are prepared to conduct a 1031 exchange.

Section 1031 of the federal tax code dictates that no gain or loss shall be recognized upon the sale of a real estate property held for business or investment purposes, as long as the seller purchases a replacement property of equal or greater value. This can be a solid opportunity, potentially, to preserve the gain and accrue additional wealth. However, the 1031 exchange can be a tricky process that has frustrated many amateur and professional real estate investors alike.

So, to help potentially avoid having your 1031 exchange blow up in your face, here are six steps to consider as you advise a client on undertaking and entering into a 1031 exchange:

Step 1: Know the applicable deadlines.

The IRS requires an investor to identify a replacement property within 45 days, and to close on the target property within 180 days of selling the relinquished property. That doesn't leave much time to hunt for the right deal, but it's enough time. Working with an expert 1031 exchange investment firm like Kay Properties can help investors successfully complete their 1031 exchange within these timelines.

Step 2: Get educated about acceptable types of replacement properties.

The IRS requires an exchanger to reinvest in a "like kind" property. However, "like kind" does not necessarily mean the same type of property. There are a variety of options available. For example, if you are selling a duplex in San Diego, that doesn't mean you need to replace it with another duplex. The 1031 exchange allows investors to replace relinquished real estate with a variety of asset types. It can be a medical building, single-family home, multifamily apartment building, raw land, self-storage facility or any other investment real estate. The type doesn't matter as long as it is held for investment or business purposes. Ideally, investors should know what they are looking for in a replacement property well before going into escrow on the property they are selling. Again, working with a 1031 exchange investment firm like Kay Properties can greatly reduce the stress and confusion surrounding 1031 exchanges.

Step 3: Narrow down the options while in escrow.

I cannot tell you how many times I have seen 1031 exchange investors in a desperate panic once they hit day 30 of their 45-day window with not a single replacement option identified for their exchange. This is an extremely stressful position. But don't worry, this article should help spare you the anguish.

One good strategy is to locate five to 10 potential replacement properties as the closing date of the property you are selling gets closer. But be prepared that as you move through escrow, many of the new properties you have identified will likely be acquired by other buyers or will not prove to be satisfactory under the scrutiny of some due diligence. That's why developing a short list of potential replacement properties prior to relinquishing the original asset can be one of the most important strategies for preventing having your 1031 exchange blow up!

Step 4: Make sure your financing is lined up ahead of time.

Investors will often call me in a panic because they've located their replacement property, but they cannot access the financing necessary to purchase the asset. It is important to make sure that they have the financing lined up before closing on the property being sold to spare themselves from a stressful and potentially expensive predicament. That's one reason fractional ownership structures for 1031 exchanges can be attractive for investors wanting to complete a 1031 exchange. For accredited investors, a Delaware Statutory Trust (DST) investment may be a suitable option. In addition, DSTs have a non-recourse financing component baked-in to each investment so the investor does not need to sign for a loan. A DST may be an ideal opportunity for an investor looking to a 1031 exchange to be a passive, turn-key solution with required financing already established.

Step 5: Have a backup property identified just in case.

The IRS code allows investors to identify replacement properties using different rules. The most common rules used are to either identify three properties for their 1031 exchange or identify real estate valued at up to 200% of the property that's being (or been) sold. This means there is room for back-ups. Take advantage of the opportunity. An exchanger should never leave an empty space on their ID form, which is submitted and filed with a qualified intermediary. More often than not, the exchanger's primary option won't work out … even if it looks like a sure thing! Also, I have often seen unscrupulous sellers exploit the buyer's 45-day time clock in order to press their back against the wall, forcing the exchanger into an inferior negotiating position. Backup property options can strengthen the exchanger's negotiating power by providing additional options.

For accredited investors, a DST can be an excellent option for a backup strategy. DST properties are already purchased, stabilized, and can potentially provide monthly distributions to investors. There is no negotiating and the due diligence is already complete. Additionally, an exchanger can often close on a DST in three to five business days. I often recommend my clients use a DST as a backup ID if there is room in their exchange and it is appropriate for their situation.

Step 6: Make sure to start to negotiate a 1031 contingency in your purchase and sale agreement.

Many buyers are willing to allow a 1031 contingency that will permit the seller to extend escrow on the property being sold if the seller can't find a replacement property. For example, try to negotiate a clause that extends escrow for you by including an additional 30 days if you are unable to identify a suitable replacement property. This can be a quick and easy way to buy additional time should you have difficulty locating the right 1031 exchange investment.

Bottom Line: a 1031 exchange can be a potentially great tool for building and preserving wealth, but it can be a daunting process if not properly prepared. If you decide to do a 1031 exchange, make a point to start early, get educated, narrow down their options, line up financing, have a backup ID, and negotiate for more time in case they need it. When appropriate and if they qualify as an accredited investor, use a DST as part of your 1031 exchange strategy. There are no guarantees in real estate, so it is always best to plan ahead when considering a 1031 exchange.

About the Author:

Steve Haskell serves as Vice President at Kay Properties and Investments working with 1031 exchange and direct investment clients throughout the country. Steve is based out of Kay Properties San Diego office.

Steve comes to Kay Properties and Investments after serving for seven years as an officer in the United States Air Force in the special operations community where he led small teams as well as a large staff of hundreds of military and civilian personnel. He has served in numerous locations around the world, including multiple deployments to Afghanistan and locations throughout Africa. Though Steve has retired from active duty, he still serves in the Air Force Reserves.

Prior to his military service, Steve worked in sales and marketing for multiple businesses, which included providing energy management solutions to REITs and multifamily apartment owners.

Steve holds a Master's degree from the American Military University and a Bachelors in Accounting from Point Loma Nazarene University where he graduated as International Development Student of The Year for his work providing business education to entrepreneurs in impoverished areas in Mexico, Nicaragua, and San Diego.

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Top Metro Areas for Development in the Last 10 Years

Rental Housing Journal

Throughout the past decade, Texas metros acted as powerhouses of real estate construction, with Dallas and Houston taking the first two spots in the top 10 most active metros for new construction, according to a new report from Storage Cafe.

Researchers at StorageCafe analyzed multiple data sources on new construction in the single family, multifamily, self-storage, office, retail and industrial sectors in the 50 largest metropolitan areas.

Here are other major findings from the report:

- Residential construction, arguably the hottest real estate sector, picked up great speed in the second half of the decade with single family additions at the forefront. In the past decade, across the 50 metros, more than four million building permits have been issued for single family construction. The leading metro area was Greater Houston with 392,000 permits.
- For multifamily units, a total of 3.3 million building permits were issued. The New York metro area easily took the crown with more than 410,000 permits issued in the past 10 years, almost double the number of permits issued in Dallas-Fort Worth, which ranked second.
- The self-storage sector, which generally mimics residential construction patterns, has also seen considerable growth over the past decade. It totaled more than 299 million square feet of new construction at the end of the decade. Among the 50 metro areas analyzed, the Dallas-Fort Worth metro area ranks first for self-storage construction with around 22.9 million square feet added to its inventory in the past 10 years.
- The office sector also experienced inventory increases, with 740 million square feet of new office space added in the country's 50 biggest metros over the past decade. The New York metro area was at the forefront once again, with more than 78 million square feet of office space built.
- Overall, the Dallas-Fort Worth metro area ranks as the most active real estate market among the country's 50 biggest metros. It ticked all the boxes when it came to real estate development, from residential to industrial to self-storage.

Allergies and Requests for Accommodation

Best Practices For Addressing Reasonable Requests From Tenants

By The Fair Housing Institute

There has been a noticeable upsurge of residents requesting reasonable accommodations due to allergies. This is likely due to an increase in people suffering from both chemical and environmental sensitivities. A resident requesting accommodation due to allergies can create a challenging situation for the housing provider. This raises two questions:

1. Are properties required to offer reasonable accommodations for allergies?
2. If yes, what are some best practices to follow?

What Criteria Do Allergies Need to Meet?

In order to determine if an allergy meets the criteria for a reasonable accommodation, we must first determine if the allergy qualifies as a disability. The Fair Housing Act defines a disability as a mental or physical impairment that substantially limits one or more major life activities.

For most of us with allergies, while the reactions may be uncomfortable, it is probably reasonable to state that those reactions do not "substantially limit one or more major life activity," thereby rising to the level of a disability.

To help you determine whether the allergies meet the criteria, you need to have reasonable-accommodation request and verification forms that can be filled out by a third-party verifier. It is okay for your reasonable-accommodation forms to highlight the difference between a disability and an impairment. Your forms can also include a section for the verifier to provide pertinent information regarding allergy testing to determine what the tenant is allergic to. It is important to note that only a third-party verifier can make the determination if the allergy is in fact a disability and what accommodations need to be met.

If the allergy is not a disability, then management is not legally required to accommodate the resident. On the other hand, if the allergy results in the resident's throat closing and hives, these symptoms would probably be considered a fairly substantial limitation to major life activities and would meet the criteria for a reasonable accommodation. Now you are faced with how, and to what extent, modifications can be offered. This can be especially difficult in a multifamily setting.

Creating a Reasonable Accommodation Plan

Once a reasonable-accommodation request has been verified, it is time to create a plan that addresses the needs of the resident. The housing provider wants to provide reasonable accommodations, while also not limiting the use of chemicals and products by other residents and staff, particularly those that are critical to building maintenance. This is where open communication to discuss alternatives is critical between the resident, the property owner or manager, and the verifier. HUD and the courts now view the "interactive process" as an essential step by housing providers during the reasonable-accommodation process, whether the property plans to deny or offer the resident an alternative accommodation. Documenting the plan is also a critical best practice and ensures that everyone clearly understands the plan.

Fair Housing Training Is a Must

Dealing with reasonable-accommodation requests can be quite dynamic. Regular Fair Housing training is a must for property-management professionals. Property-management professionals are best served when regularly trained to identify the issues and then discuss them as a team. If you are not clear on the legal requirements, reach out to a qualified fair housing attorney. The more you know, the better you will be when dealing with complex reasonable accommodation requests.

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 at the click of a button.

MULTIFAMILY NW®

The Association Promoting Quality Rental Housing

Short Session, Rental Assistance, and Eugene

By Michael Havlik
Deputy Executive Director, Multifamily NW

Short Session

When this article goes to print, the legislative short session will be over. The short session was frenzied, as expected, and as promised, we worked to prevent substantial changes to ORS 90. It is our expectation that the only bill that will have a material impact on rental housing in Oregon will be SB 1536, which addresses air conditioning in multifamily housing. This legislative concept was crafted after Oregon experienced last summer's "heat dome," which resulted in more that 100 fatalities due to the extreme temperatures. We agreed to work on this bill in advance of the session.

It is worth sharing that the collaborative experience working on SB 1536 is something we've not seen for some time. The author of the bill contacted MFNW early in the process, and welcomed input on both legal and technical issues. Our Government Affairs Committee scoured the early drafts, and identified unintended consequences, which were then corrected. There was give-and-take in good faith, with all parties recognizing the importance of getting the bill right.

Rental Assistance

As you are probably aware, March 1st has passed, and certain eviction protections have now expired. Despite extraordinary resources within the state, programmatic, technical, and communications shortcomings have hampered the distribution of these resources, and both renters and housing providers continue to struggle with the uncertainty of the programs.

Had it not been for MFNW advocating in SB 891 for prompt notification to property owners of rental assistance denials, housing providers would be completely in the dark about the status of their renters. With no outward sense of urgency, the processing rate of assistance payments is slowing weekly, and many payments are misdirected or mislabeled. The new Landlord Guarantee Fund has not provided the help anticipated, as eligibility was "narrowly tailored" to depend entirely on communication from the renter.

One ray of hope for renters and housing providers is that the secretary of state's office has announced an audit of the program. We are hopeful that the findings will include the overarching principle that aid programs are not just "tenant-facing," and that involving housing providers and renters early in the process will always result in improved efficiency and reduced housing uncertainty.

Eugene

The City of Eugene is exploring the adoption of several components of Portland's FAIR Ordinances. As you likely know, Portland's FAIR ordinances have not improved access, pricing, or supply of rental housing. Many indications suggest that FAIR has driven smaller independent rental owners out of the market.

As a percentage of its housing supply, Eugene relies to a greater extent on independent rental owners. With vacancy rates projected to continue well below 2 percent for the next five years, the city can ill-afford to take further action to constrain supply.

On March 16, 2022 at noon, the Eugene City Council will hold a 90-minute work session to discuss the proposed renter protections. We would encourage industry professionals to tune into this work session on the Eugene Public Meeting YouTube channel to gain a better understanding of how our industry is regarded, and how these decisions are made.

FORM OF THE MONTH

M189 OR
Video Surveillance Addendum

This template was created to adopt reasonable restrictions on use of video surveillance in apartment communities. Owner/Agent can opt whether residents may install video surveillance (such as security cameras or video doorbells) that capture property images and sounds outside of the dwelling unit. If allowed, it also denotes where and how the video surveillance may be mounted, powered and where its field of view may be directed.

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

MARCH 7	WEBINAR: OFFRAMP TO THE OFFRAMP - NAVIGATING SB 891	10:00 AM - 11:00 AM
MARCH 8	WEBINAR: CITY OF PORTLAND FAIR - SECURITY DEPOSITS	10:00 AM - 12:00 PM
MARCH 9	NEW DATE: REVERSE TRADE SHOW	1:00 PM - 6:00 PM
MARCH 11	WEBINAR: IT'S THE LAW: FOR CAUSE NOTICES: 'CAUSE YOURS CAN BE BETTER	12:00 PM - 1:00 PM
MARCH 14-18	VIRTUAL CAPS COURSE	
MARCH 15	WEBINAR: WA IT'S THE LAW	12:00 PM - 1:00 PM
MARCH 15	WEBINAR: LEASING WITH CONFIDENCE	1:30 PM - 3:30 PM
MARCH 16	WEBINAR: UTILITY BILLING WORKSHOP	10:00 AM - 11:00 AM
MARCH 16	WEBINAR: HR ANSWERS - HANDLING TERMINATIONS	3:30 PM - 4:30 PM
MARCH 21	WEBINAR: HOW TO SAY NO	10:00 AM - 11:00 AM
MARCH 29	AFFORDABLE AFTERNOONS WITH ADAM-AFFORDABLE HOUSING COVID-19 UPDATE	12:30 PM - 1:30 PM
MARCH 30	WEBINAR: HARASSMENT AND NEIGHBOR V NEIGHBOR DISPUTES	10:00 AM - 11:30 AM

Many COVID-Era Protections Expiring This Month

Continued from Page 1

will also be going back to the old rules as of March 1.

During the COVID-era protections, payments that were received from any source on or on behalf of the tenant were required to be applied in a certain manner. First, they were applied to the current month's rent, followed by utilities, late fees, and finally, any other claims against the tenant. It is important that landlords scrutinize their ledgers to ensure they have applied payments correctly over the past months.

As of March 1, the old application of payments method found in ORS 90.220(9) returns. That means that payments received from the tenant are now applied as follows:

(A) Outstanding rent from prior rental periods;
(B) Rent for the current rental period;
(C) Utility or service charges;
(D) Late rent payment charges; and
(E) Fees or charges owed by the tenant under ORS 90.302 or other fees or charges related to damage claims or other claims against the tenant.

The above may provide landlords with additional strategies as it relates to pursuing unpaid balances, even if the tenant tenders payment during the month of March.

Another change as of March 1 is the sunsetting of Senate Bill 282's protections against unauthorized guests. During the COVID-era rules, landlords were unable to enforce unauthorized-guest provisions in their rental agreements. Landlords were required to offer these guests the ability to apply to become temporary occupants, if the guests could satisfy their criminal criteria and enter into a temporary occupancy agreement. As of March 1, landlords are now free to enforce the unauthorized-occupant restrictions in their leases in the normal course. That means, assuming the landlord can prove that an unauthorized possessor is staying at the premises, a Notice of Termination For Cause may be an option.

Finally, landlords should keep in mind that eviction protections related to rent assistance remain in place throughout most of this year pursuant to Senate Bill 891. That means that landlords must continue to serve non-payment notices with the SB 891 disclosures, which can be found in the bill itself. Any notice without these disclosures is defective. If a landlord has non-payment termination rights, even one based upon the emergency balance, a tenant's provision of rent-assistance documentation may still require a landlord to pause termination efforts. Documentation can come in many forms, but if a tenant provides written proof—not simply verbal statements—that they have a pending application for rental assistance, landlords may not serve a non-payment notice or initiate or continue an eviction based upon non-payment.

Bradley S. Kraus is an attorney 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.

Can Landlord Enter Rental if Tenant Moves Out Early?

By Hank Rossi

Dear Landlord Hank: Does a tenant retain possession of their apartment, after they vacate their unit, but before their 30 days' moving-out notice expires?

And does the landlord need to have an authorization to enter the unit, for getting the unit move-in ready (cleaning and painting) for the new tenant, before the 30-day notice expires? — Danielle

Dear Landlady Danielle: It is customary for a landlord to retake possession of a property when the tenant moves out and turns in the property keys unless the tenant has made some other arrangement with the landlord.

We have tenants leave early all the time because it suits their lives better than staying until the last minute.

If the landlord believes a tenant has moved out, then there is no reason to wait to ready your unit for the next resident.

Usually your lease will stipulate under what conditions you have right of entry. A reasonable person would think that when a tenant moves and turns in their keys, they are relinquishing their claim to the property – BUT, that being said, why don't you talk to your tenant and let them know what is on your mind?

Clear communication is the best way for everyone to be on the same page.

You could just ask for the forwarding address for the return of the security deposit and tell the tenant it is OK to turn off the utilities if they've moved, so you can access the unit and prepare it for the next resident.

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. Later, 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.

FCC Cracks Down on Revenue-Sharing Deals in Apartment Communities

Rental Housing Journal

The Federal Communication Commissions (FCC) in a ruling criticized by many multifamily housing operators says it is prohibiting revenue-sharing agreements between broadband companies and apartment-building owners, according to a release.

"The Federal Communications Commission has long banned internet service providers from entering into sweetheart deals with landlords that guarantee they are the only provider in the building. But the record in this proceeding has made it clear that our existing rules are not doing enough and that we can do more to pry open the door for providers who want to offer competitive service in apartment buildings," said FCC Chairwoman Jessica Rosenworcel in a release.

"One third of this country live in multi-tenant buildings where there often is only one choice for a broadband provider, and no ability to shop for a better deal," Rosenworcel said. "The rules we adopt will crack down on practices that prevent competition and effectively block a consumer's ability to get lower prices or higher quality services."

Multifamily buildings are denser than single-family housing, "which should make them less costly to serve. For this reason, the multifamily market should be at the leading edge of competition, but too often, that's just not the case. One reason why is that there is a complex web of agreements between incumbent service providers and landlords that keep out competitors and undermine choice," Rosenworcel said.

The FCC order contains three main requirements

1. Prohibits broadband providers from entering into certain revenue-sharing agreements with a building owner who keeps competitive providers out of buildings.
2. Requires providers to inform tenants about the existence of exclusive marketing arrangements in simple, easy-to-understand language that is readily accessible.
3. Clarifies existing FCC rules regarding cable inside wiring to prohibit so-called sale-and-leaseback arrangements that block competitive access to alternative providers. The FCC said companies have circumvented rules by selling the wiring to the building and leasing it back on an exclusive basis.

Criticism of the FCC Broadband Order for Multifamily

The National Multifamily Housing Council (NMHC) and National Apartment Association (NAA) criticized the move by the FCC.

"The FCC claims its actions will increase competition, lower costs, and promote broadband in apartment buildings," the NMHC and NAA said in a statement.

"Yet, by nullifying existing, legal agreements between broadband providers and property owners, the order may very well discourage investment and harm deployment and maintenance of broadband networks, particularly in already underserved properties most in need of broadband deployment and modernization. Unfortunately, the order does nothing to help Americans living in these communities that lack adequate broadband service, including lower-income, affordable and smaller rental properties.

"The multifamily industry cares deeply about equitable access and providing the highest quality of broadband to our residents. Industry data shows competition and superior broadband service already exists, with 80 percent of apartments surveyed having two or more providers on site," the NMHC and NAA said in the release.

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From the Desk of the Executive Director

Collecting COVID Rent May Be Just as Easy as Riding a Bike

By Ron Garcia
Exec. Director of Public Policy

Was there ever a specific date in your life that you fervently waited for to finally arrive?

My 16th birthday — when I could finally drive! That's the one that comes to my mind. I literally counted down the days for a whole year. I was sure my life would change immediately when I'd be free of my old bicycle and could run around town in my new, souped-up hotrod! True, I didn't own a car and had no money to buy a car, but it was a great and exciting life vision.

I look back now and think how young and naïve I was, and how I can only wish that my happiness today could ever boil down to such a simple and specific milestone.

Yet here I am, 50 years later, realizing I'd been similarly anticipating another magic date: Feb. 28, 2022. That's the date when all the past-due rent from the Oregon eviction moratorium finally becomes due and payable! The date that our tenants would be back to normal, and our bank accounts would once again be funded. The magic date when the State of Oregon had promised to finally make landlords whole again.

Ah, the whimsy of innocent hope

Instead, on March 1st this month many rental housing providers got a reality-check in place of their rent check. And they want to know what to do next. "Can I demand payment? Can I evict a tenant if they still owe me past rent? What are my rights? How do we get through this maze??"

Let's begin by first understanding that the past-due rent that has now become due and payable is only for that period from April 1, 2020 to June 30, 2021. (I call it "COVID-rent.")

Let's also realize that through the wild joy-riding payment experiences of the Emergency Rental Assistance Program (ERAP), and Landlord Compensation Fund (LCF), and Landlord Guarantee Program (LGP) that have been chaotically distributed throughout the last year, a lot of that COVID-rent has finally been paid.

It may have been paid by any of the three funds. The LGF paid 80 percent of the debt in its first round and 20 percent in its second round. The LGP paid up to 60 days' worth of safe harbor funds in its first round and any amount due since December 2021 in its second round, as long as the tenant has been disqualified for rental assistance or has vacated the unit during that time. The ERAP also had two rounds of payment.

What does that mean?

The bottom line is that there is still a lot of unpaid COVID-rent that remains outstanding; some of it has been "committed" through assistance applications that are processed, but as-yet not paid out. The balance of COVID-rent is seemingly being abandoned by the state and left needing to be collected.

And (oh-by-the-way), many of those uncollected dollars of COVID-rent are owed by past tenants who have long since moved out, and as such, cannot face an eviction.

So "What's the story and what do I do?" we're asked.

To determine what to do about the delinquency requires knowing what months of rent have not been paid, combined with whether the tenant is still occupying the unit, and whether they have supplied a screenshot proving they have applied for rental assistance (and if so, how long ago, and whether any amount has been paid either by ERAP or the LGF since providing that proof).

It's complicated. Here is an example:

Let's say I have a tenant who was horribly affected in April 2020 at the start of the pandemic and unable to pay rent for the next 15 months. I applied for the LCF and received a payment for 12 months of rent (80 percent of what was owed), leaving three months still delinquent.

The tenant had a hopeful start and began paying their rent current in July 2021. Sadly, they became delinquent again in September 2021. At that time, they showed me a screenshot proving they had applied for ERAP. But, after two months I still hadn't been paid, so in November I applied to the LGP and got 60 days of rent paid.

Now, my tenant once again paid January rent current, but fell behind again in February 2022. Their application for ERAP shows the funds are "committed" but no rent check has arrived. What can I do?

If I send them a for-cause termination notice for non-payment of rent, (an eviction notice) all they would need to do to prevent any action from taking place is to send me a screenshot showing once again that they have re-applied for assistance.

If they don't do that and we show up in court, there will be state- or county-paid lawyers present to counsel the tenant on how to avoid the eviction (generally helping them re-apply for assistance). This process will put off all further rent collections until June 30, 2022, by law. So now what?

We have found our way through the maze, and back to that magic date of Feb. 28, 2022.

Unfortunately, it's still a bit of a wild ride. Some attorneys are recommending that landlords file suit for payment in small claims court for the COVID-rent, because an eviction is not practical. Some landlords may choose to ignore that and file a for-cause termination for the COVID-rent due for non-payment. Others are calling collection companies for their assistance. Some rental property owners have decided it's just too much to deal with and have called their real estate agent to sell the property instead.

What about the Tenants?

Many feel betrayed by the state for dragging their heels on promised rental assistance. Many have recovered from the pandemic-era hardships and are asking their landlords to work with them, to help catch up. Some are getting loans to pay the back-owed debt. Some are moving out. Others are waiting to see what happens next, because they still have four months left of the safe harbor.

It is a sad story, all around. There are many victims and no perfect solutions on either side. These are definitely not the results I naively envisioned. Ultimately though, I still believe that if a tenant and housing provider can keep their lines of communication open and trust each other, they may yet find a pathway out of this maze. It could be as simple as finding out what the hold up is on the rental assistance application, and resolving it (like a missing W-9 form, or an incorrect owner email, etc.)

It reminds me of when I was 16 and finally got my driver's license. Here's what took place next: I wrecked my mom's car on the second day of driving. No one was hurt but I ended up riding my bike for the next two years. In hindsight, it was easier for me to just continue holding on to what I already had, even though there was no great satisfaction in it at the time.

Eventually I got a car, and since then I have had a lot of really cool cars, but looking back, they never did give me the great joy I once hoped for.

Sponsored Content

Innovations for the Northwest's Property Management Segment

Rodda Paint, the largest family-owned paint manufacturer in the Northwest, has recently entered the property management segment! Rodda is beginning its second year as a member of both MultifamilyNW and the Washington Multifamily Housing Association (WMFHA)!

Rodda's products have been manufactured in Portland since 1932 and are distributed through 56 company stores in Oregon, Washington, Idaho, Montana and Alaska. Rodda, a service-oriented company, believes in building lasting relationships with customers.

In 2021, Dawn Hirschfelt, an 18-year multifamily paint sales veteran, joined the company and developed a paint program specific to the needs of property management. Her goal is to provide high-quality products that are easy to use and maintain at an affordable price.

Rodda has added 3.5-gallon buckets to their maintenance line, something that has become increasingly popular in multifamily. The 3.5-gallon buckets weigh less than 40 pounds compared to an average of 65 pounds for a 5-gallon container. This weight difference helps reduce back-injuries and lessens leftover paint from gathering in paint shops. These products also have enhanced mold and mildew resistance, a feature very helpful in the apartment environment.

Last year was a challenging one for many suppliers, especially paint companies. "We had many customers come on board after realizing being tied into a national account was not meeting their needs. The supply shortage brought home the importance of buying local. We were fortunate not to be shipping our products across the country and instead added a second shift to our manufacturing facility to increase production," Hirschfelt said.

Rodda continues to build inventory in anticipation of a busy summer; expecting some raw materials could continue to be a challenge, but core interior and exterior paint should be in good supply.

Plan now for exterior paint projects! Many painters are already booked-out for months. Rodda's exterior program consists of a project inspection, written scope-of-work and painting recommendation, bid-procurement and help with color selection and placement. Written warranties are often available, depending on the project and condition of the property.

"Rodda has some amazing products," Hirschfelt explains. "Repaints are expensive and the great majority of this cost is labor. Asset managers are realizing that spending a little bit more upfront using a better-quality paint can extend the repaint cycle by a few years. That really adds up on buy-and-hold investments, especially in this inflationary environment."

Rodda's exterior products are all 100% acrylic formulations and have "cross-linking" resins for superior performance and fade resistance. They are moisture-tolerant and can be applied even if rain is expected within two hours. "Our national competitors charge a huge premium for this type of performance, but as a Northwest regional company, we build-in this feature automatically into our exterior formulas. Our paint is made in the Northwest for the Northwest!"

If you would like assistance on an upcoming repaint or want to set up an interior paint program for your company, contact Dawn Hirschfelt at dhirschfelt@roddapaint.com, 503-319-2716.

Can One Bad Applicant Spoil the Whole Bunch?

Continued from Page 1

would up the odds that you are going to get paid in full and on-time. More people and more income should add up in the landlord's favor, but that isn't always true. Proper screening, including criminal, civil and credit checks, is critical if you want to protect your investment. Let's consider that you have three individuals who are friends apply to rent your property. They each complete an application and upon review, you find that one of them has a history of evictions, has credit below the standard you normally require for this property, and is currently unemployed.

What do you do? You have a few options and things to consider.

- How are the credit and eviction histories of the other applicants?
- How long ago was the eviction for the affected applicant?
- Was it affected by COVID or other outside circumstances?
- What kind of history does the applicant have with the other applicants who have good credit?

In essence, you have to rely on your criteria and your calculated trust in the other applicants on the lease to pull through with payments, even when or if the poorly qualified tenant can't fulfill his portion of the lease payment.

This by far is the easiest of the three questions to answer because the additional tenants can always help carry the payments if needed. The next question is much more difficult as it deals with the complexities of personality and behavior.

Question 2: Will My Property be Taken Care Of?

This question is where a careful review and analysis of each applicant's criminal history is critical in ensuring the value of your property.

It's been said that we become the sum of the five people we spend the most time with. If one or more of your applicants has a criminal history, the likelihood of them having friends and associates with similar history grows exponentially.

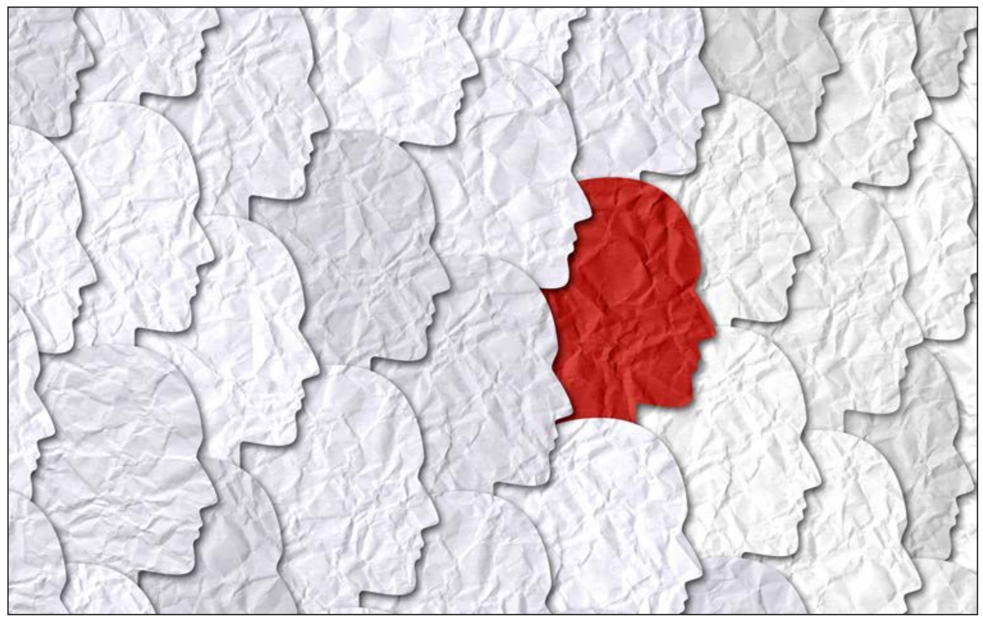
Let's say you have an applicant with a history of drug-related arrests. While it's not a guarantee, the odds of that applicant having friends with similar histories are high.

Any seasoned landlord will testify that the criminal crowd has a history of destroying property, either through their own negligence or the negligence of the people they invite over. So while you may have two tenants who are law-abiding and take great care of your property, you have to be on the lookout for the one that can bring destruction.

Again, having and applying a strict criteria on each applicant can help save you and your property.

Question 3: Is My (and the Neighbors') Safety Compromised?

This may seem like an outrageous question, but my experience says that it's much less far-fetched than you might believe. The last thing a landlord wants is



to compromise their safety and the safety of the surrounding neighbors.

We've all heard the news stories where the neighbor can't believe that their neighbor was involved in (fill in the blank) and that they seemed like such "a nice guy." It's only when the reporter unveils the laundry list of criminal offenses and past disturbances that the neighbors and the general public see what the offender was really like.

Having a criteria and using the background check results to measure against it for each and every applicant is paramount in keeping all involved in a safer situation. If I have to go to the home to collect unpaid rent, I'd rather go in knowing my safety wasn't in question when I knock on the door.

Let me reiterate, you need to look at each applicant individually. Then take that individual analysis, add it all together, and make your rental decision.

I always invite you to reach out with questions you have regarding applicants. While we don't offer legal advice, we can provide you with practical solutions that we have discovered over the last 30 years in managing properties and performing applicant background checks.

Our goal is to help ensure you get paid and that your property is taken care of, all while keeping you safe.

David Pickron is president of Rent Perfect and a fellow landlord who manages several short- and long-term rentals. He is a private investigator and teaches organizations across the country the importance of proper screening. His platform, Rent Perfect, was built to help the small landlord find success. You can reach David at david@rentperfect.com.

How to Handle Noise Complaints the Right Way

By James Durr

If you are the landlord of a property that is home to multiple tenants, or if the building you own is located close to other properties, it is possible that you will receive noise complaints. These complaints may be from members of the local community about your tenants or vice versa, or from different tenants about one another.

Let's explore how to resolve these complaints and ensure that tenants and local residents are able to enjoy a peaceful and relaxing experience in and around your property.

Preventing Noise Complaints

Ideally, you should already have taken steps to prevent major sound bleed between and from your rental properties.

If possible, when renovating a property, extensive soundproofing should be included in the budget. You should consider installing acoustic insulation in walls, floors and ceilings, and selecting soundproof doors and windows.

It is also highly advisable to include a noise clause in any tenancy agreement you produce. This means that, upon signing the document, a tenant agrees that if they are to make excessive noise – particularly during any specified hours – they will be in breach of their contract.

What to Do if You Receive a Noise Complaint: 7 Steps

1. Accept the Complaint Graciously and Act Immediately

It's important that your building is able to maintain a good reputation, and that the tenants who live there – and the residents of the local area – are able to enjoy a positive relationship.

"To this end, if someone comes to you with a noise complaint, show that you are sympathetic to their problem. You should also let them know that you will take steps to resolve the issue straight away," comments auctioneer and fast home buyer James Durr of Property Solvers.

It may be that the individual making the complaint has already spoken to the "perpetrator." It's a good idea to check whether this is the case before doing so yourself. After all, this will give you a clearer idea of how they are likely to respond to you.

2. Check with Other Neighbors and Tenants

It's best to corroborate any claims of excessive noise with others who may be affected before taking action.

If you receive a complaint, you may consider checking with other residents nearby to see if they too have been disturbed by the same incidents.

Of course, different people are affected by noise in different ways – and sound travels differently from space to space – so some individuals may be less troubled by the situation than others.

3. Look into the Cause of the Noise

If there is a specific type of sound that is causing problems, there may be a way to resolve the matter in a manner that suits all parties.

Some loud sounds, such as a baby crying or a dog barking, can be difficult to prevent. However, if it appears that the repeated noise is the result of neglect or abuse, this must be reported to the relevant authorities immediately.

In many cases of animal abuse, the owner may be prevented from keeping pets for a number of years in the future. This means that not only will the current animal be spared any further cruelty, but also that the tenant will not be permitted to replace it.

Of course, it's extremely important that you do not make baseless claims of neglect or abuse just to resolve a noise complaint. Look into the issue as much as you can yourself before deciding to take action of this kind.

4. Ask the "Noisy" Party to Make Changes

This step is easier to take if you have already included a noise clause in your tenancy agreement, as you can remind the problem tenant of this fact and reiterate that they are currently in breach of their contract.

Explain to them that, if this continues to be the case, you would be within your right to ask them to remove the source of the noise from the property. Be sure to speak politely and allow them the opportunity to explain themselves; after all, there may be another side to the story.

5. Get in Touch with a Mediator

If the individual in question refuses to make any changes or to discuss the matter with you in a civil manner, you may need to contact a professional tenancy mediator in order to resolve the problem.

Be sure you select an established and experienced specialist, and go to the meeting with an open mind.

6. Report to Your Local Authority

By getting in touch with your local Environmental Health Department, you may be able to make a formal complaint and get a noise-abatement notice issued.

This course of action may be particularly helpful if you have neglected to include a noise clause in your tenancy agreement, but it is also applicable if your own tenants have made noise complaints about other residents of the local area.

7. Eviction

If the tenant in question is the repeated subject of noise complaints, you may be within your right to evict them.

This may only be the case, however, if you have included a noise clause in the tenancy agreement, and if you have evidence of repeated breaches of that clause.

It is worth remembering that landlords themselves are not responsible for the noise made by their tenants, so no action can be taken against you unless you are the source of the disturbance.

However, in order to ensure that your property is a pleasant place to live and to build positive relationships with other local residents, it is always worth doing what you can to resolve problems of this kind.

By carefully vetting tenants, including a noise clause in your tenancy agreement and soundproofing your building, you may be able to avoid any noise complaints whatsoever.

James Durr has been a property buyer and developer for almost two decades. As one of the co-founders of a leading United Kingdom homebuying firm, he knows how to speak effectively and empathetically with property owners and business owners to find genuine win-win solutions.

Welcoming Pets is a Smart Financial Move

By Judy Bellack

According to the American Pet Products Association, 70 percent of American households own a pet, and pet owners in the United States spent more than $100 billion on their animals in 2020. The popularity of pets and the amount of money we are willing to invest in them indicates that the traditional definition of a pet has changed dramatically from a cute and cuddly addition to the household to a treasured member of the family who is an integral part of our emotional well-being.

It's a happy coincidence that multifamily communities can embrace this reality while also boosting their bottom lines significantly. The 2021 Pet-Inclusive Housing Report, which was conducted by Michelson Found Animals and the Human Animal Bond Research Institute, reveals the powerful financial and operational benefits operators can experience by making their communities as pet-inclusive as possible.

The Gains from Being Pet-Friendly

When pet owners find a welcoming environment, they want to stay. According to the PIHI report, residents in pet-friendly rental housing stay about 21 percent longer than those in non-pet-friendly housing (the report defined pet-friendly housing as any housing that allows residents to have at least one pet, regardless of other restrictions). Residents tend to become familiar and dependent on their pet-friendly neighbors and communities, particularly as 72 percent of renters say pet-friendly housing is hard to find. When residents know their neighbors and communities support their pets, why make a change?

If residents are staying longer, that's fewer units for the leasing team to fill, which means reduced marketing and turn costs. And even when these units are vacated, they're not on the market for long, resulting in significantly lower vacancy loss. In the PIHI report, 83 percent of surveyed owner/operators state that pet-friendly units are filled faster, and 79 percent say that they are easier to fill. These dynamics free up leasing managers and teams to support and grow communities in other beneficial ways. All of this adds up to more net operating income.

The Losses from Restrictions and Not Being Pet-Friendly

Apartment communities can really shoot themselves in the foot if they're not hospitable to pets. For starters, if a potential resident encounters any issue with being a pet owner, there's little chance they'll rent from that community. This is an issue that very few pet owners are flexible on since nobody wants to give up a member of their family.

Furthermore, communities often are housing unauthorized pets when they have restrictive pet policies and, in turn, are losing out on potential pet-driven income. According to the PIHI report, about 11 percent of pet owners reported leasing with unapproved pets. As a result, owner/operators are missing out on more than $1.5 billion in potential revenue each year in the form of pet fees and deposits from pets already residing in the community.

Restrictions on size and breed continue to be one of the biggest struggles pet owners face. While 76 percent of owner/operators say their units are pet-friendly, only 8 percent of those are free of restrictions. That stance can definitely have a negative impact on a community's revenue. Consider this: of the top 10 breeds in the United States according to the American Kennel Club, six would be excluded due to typical multifamily weight and/or breed restrictions.

Broadly speaking, it's time for operators to consider relaxing their breed and weight restrictions. Many restrictions are based on decades-old research that has been denounced even by the organizations that conducted it. In addition, there are services available that run background checks on specific pets and owners to give communities a better understanding of the individual animals renters are bringing with them.

Ways to Make Communities More Pet-Inclusive

Even with many communities considering themselves pet-friendly, more than 70 percent of pet-owning residents reported difficulty in finding suitable housing, largely due to restrictions. Clearly, this presents a huge opportunity for rental-housing operators.

To maximize appeal to today's pet owners and to enjoy the resulting financial benefits, consider the following steps:

- **Rework pet deposits.** Fewer than 10 percent of pets cause any damage, so consider using regular security deposits, or raise them slightly, to pay for the relatively little damage they do cause. And if you can't entirely eliminate these fees, offer to waive the pet deposit or offer a free month of pet rent for first-time residents.
- **Remove/reduce breed and weight restrictions, and consider increasing the number of pets permitted in each unit.** This is not to suggest allowing a resident to have 12 dogs, but it could be beneficial to increase your allowable pets to two per household, for instance. To pave the way for changes like these, check with your insurance company and secure a policy that is more pet-friendly. On the resident side, mandatory renter's insurance policies can help with any pet-related claims. Again, there are many misconceptions about large dogs and certain dog breeds; the rule of thumb is that concerns are associated with individual dogs, not a category.
- **Implement an easy-to-use screening process.** New services make it easier for communities to screen individual owners and pets for issues. Using these technologies also assures all residents that you're working to have a community with safe and well-behaved pets. Make sure your process is easy to use. Furthermore, getting residents to sign agreements that outline acceptable pet (and owner!) behaviors, policies and disciplinary action can protect the overall well-being of the community and ensure that any pet-related issues are handled promptly.
- **Embrace pet amenities.** There are countless amenities that create a more pet-friendly community. Dog parks, washing stations, waste stations and pet events are all great ways to let residents know you care. Consider partnering with a local shelter to connect your residents with opportunities to adopt or foster pets and waive any pet fees if they do.

Apartment owners and operators are always looking for an edge over the competition and the next thing that's going to boost a community's performance. In today's pet-obsessed world, creating a truly welcoming environment for pets is a great way to attract and retain residents and boost the bottom line.

Judy Bellack is the industry principal for the non-profit Michelson Found Animals Foundation, helping to advance the Pet-Inclusive Housing Initiative. She is a 30-year veteran of the multifamily industry, holding various executive leadership positions with some of the foremost supplier companies. Judy has served both as Chair of NAA's National Suppliers' Council and NMHC's Supplier-Partner Alliance and was the recipient of NAA's Outstanding Supplier in 2010. She currently operates a consulting practice advising start-up technologies in the multifamily space.

U.S. Rent Growth Back on Upward Trajectory

Continued from Page 1

last summer, when rents grew by more than two percent per month for four straight months," the report says. "As we enter the spring and summer months, it's likely that rent growth will speed up amid increased moving activity. Even if prices don't rise as rapidly as they did in 2021, we're already seeing signs that 2022 will be another year of above-average growth."

The report says the vacancy rate has continued to climb but that increase "has been modest and gradual."

Vacancy still remains historically tight. "Over the past six months, our vacancy index has been increasing by an average of 0.1 percent per month. If that pace continues, we won't hit a vacancy rate of six-percent – the pre-pandemic norm – until next summer. Nonetheless, the gradual increase in vacancies in recent months has likely been contributing to the slowdown in rent growth."

Apartment List reports that while rent growth has cooled from last summer's peak, "it continues to exceed pre-pandemic trends. While the apartment market has shown some signs of easing, our vacancy index still sits at 4.5 percent.

"As we enter the spring and summer months, rental activity is likely to pick up, and rent growth is likely to accelerate … Many American renters are likely to remain burdened throughout 2022 by historically high housing costs."

Apartment List is a technology-driven rental marketplace with over 5.5 million units on the platform, reaching millions of renters on their path to find their next home each month. Apartment List was founded with the mission to deliver every renter a home they love and the value they deserve. Apartment List offers a unique success-based business model with aligned incentives - connecting renters who want a curated concierge experience with properties that want flexible marketing solutions.

Cities with the Fastest and Slowest YoY Rent Growth

	Rent Growth: January 2021 - January 2022			
Rank	Fastest Growth		Slowest Growth	
1	**New York City, NY**	**33.5%**	**Oakland, CA**	**0.5%**
2	Tampa, FL	31.4%	Detroit, MI	2.6%
3	Scottsdale, AZ	31.1%	Minneapolis, MN	4.8%
4	Orlando, FL	30.1%	Des Moines, IA	5.4%
5	Mesa, AZ	29.5%	Cleveland, OH	6.0%
6	St. Petersburg, FL	29.3%	St. Louis, MO	7.1%
7	Irvine, CA	28.0%	Milwaukee, WI	8.2%
8	Phoenix, AZ	27.9%	Louisville, KY	8.3%
9	Glendale, AZ	27.5%	Norfolk, VA	8.6%
10	North Las Vegas, NV	27.4%	Lubbock, TX	8.8%
11	Miami, FL	27.0%	Fremont, CA	8.9%
12	Las Vegas, NV	26.5%	St. Paul, MN	9.2%
13	Henderson, NV	26.4%	Portland, OR	9.4%
14	Chandler, AZ	26.3%	New Orleans, LA	9.7%
15	Jacksonville, FL	26.0%	Lincoln, NE	9.8%
16	Gilbert, AZ	25.8%	Omaha, NE	10.0%
17	Boston, MA	25.7%	Madison, WI	10.0%
18	Austin, TX	24.3%	Kansas City, MO	10.2%
19	Paradise, NV	23.9%	Corpus Christi, TX	10.5%
20	Greensboro, NC	23.2%	Tulsa, OK	10.6%

Source: Apartment List Rent Estimates
Data available: *apartmentlist.com/research/category/data-rent-estimates*

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