

Chapter 15



Property Management

Chapter 15 Goals:

- Various property management positions
- How to make money as a property manager
- Various property types and how each is managed
- Residential leasing and the necessary paperwork for a lease
- Various residential leasing provisions
- Types of leases
- Eviction process
- Landlord responsibility, tenant responsibility
- Collecting payment

Chapter 15: Property Management

Key Terms

Application to Rent assignment Certified Property Manager (CPM) condominium association management firm Costa-Hawkins Rental Housing Act credit report effective rent eviction exculpatory clause flat fee gross lease habitability holdover clause implied warranty of habitability	individual property manager lease management agreement Month-To-Month Rental Agreement multi-family unit net lease percentage lease property inspections periodic tenancy property manager Property Management Agreement property management company recapture clause record keeping	rent schedule Rental Application resident manager right to entry Section 8 housing security deposit Small Claims Court screening tenants step up lease sublease tenancy at sufferance tenancy at will tenancy for years trust ledger unlawful detainer action writ of possession
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Chapter Overview

After reading this chapter, readers will understand the following:

- Various types of property management
- The qualities of a good property manager
- A property manager's duties
- Various property types and how each is managed
- Types of tenancy
- Types of leases

Property Management Basics

Property management is not a modern concept.

Historically, successful empires and wealthy families would employ professional property managers to manage, protect, and produce food or natural resources on their

land. Property managers had a wide array of knowledge and skills, ranging from defense to construction to farming.

Today, the majority of small property owners manage their own properties. However, property owners with larger investments or multi-unit properties will typically hire property management companies to run them.

Property managers are used to reduce the time and stress associated with owning a property.

Property Management Types

Property owners typically designate a **property management company** for their properties so that they do not have to manage a property's tenants and day-to-day activity themselves.

The type of property manager used depends on the type of property, its size and location, and a property owner's wealth and goals.

A **property manager** is typically a real estate licensee who works at a property management company. Although a manager is not legally required to have a real estate license, certain property management companies require a manager to have one.

One of the most respected titles a property manager can attain is that of **Certified Property Manager (CPM)**. It is not easy to qualify as a CPM, as the coursework and requirements are extensive. One of the qualifications to be a CPM is to hold a real estate license.

An **individual property manager** is responsible for the management of a single property. Individual property managers are typically paid a salary or monthly fees, and are not otherwise employed. Such a manager does not need to be a real estate agent.

A **resident manager** is a property manager who resides on the property he or she manages. Most resident managers are assigned to multi-unit properties with many tenants. This helps a property owner keep a close eye on the property and allows a property manager to be readily available for circumstances that arise.

Qualities of a Property Manager

A property manager's individual qualities play a significant role in his or her ability to effectively manage properties.

A property manager must be able to deal with people from different backgrounds. He or she must treat tenants fairly and with respect. If a tenant feels positive about the

property management, the tenant will likely treat the property with respect and take his or her tenant responsibilities seriously. **Screening tenants** is one of the main job duties of a property manager, therefore the property manager should have the skills to deal with various people.

A property manager must also have a strong personality. He or she should not be difficult to work with or confrontational, but he or she must be prepared to firmly convey a property owner's interests.

For example, a property manager must demand prompt and full rent payments from tenants. If a property manager is not insistent, a tenant might delay making rent payments for as long as possible.

A property manager must also have an understanding of the following areas:

- *Real Estate.* Property managers should understand the real estate market and how properties are evaluated. This allows them to set appropriate rental rates and increase rent when necessary.
- *Sales.* A property manager is responsible for advertising to bring in new tenants. A manager must also sell tenants on a property in order to get them to sign a lease.
- *Leasing.* Property managers must be well informed of the various lease types, their durations, and any differences in pricing prior to speaking with prospective tenants. For example, a tenant who wishes to lease a property for 24 months is more likely to get a favorable deal over someone who wishes to lease a property for eight months.
- *Repairs.* A property manager must identify when repairs are required and make recommendations to the property owner.
- *Additions.* A property manager must recommend changes that will increase a property's value and make it more appealing to current and prospective tenants.
- *Credit.* Property managers must verify the credit worthiness of prospective tenants prior to executing a lease. Selecting reliable tenants will help ensure timely rent payments, which protect a property owner's bottom line.
- *Taxes.* Property managers must understand how income and expenses affect a property owner's taxes and create the most favorable tax circumstances for the owner. If a property manager does not understand a certain tax provision, he or she should talk to the property owner's accountant.

- *Insurance.* Property managers should understand the various insurance types for each kind of property.
- *Record Keeping.* A property manager is responsible for keeping records of all expenses and income related to a property.
- *Budget.* As previously indicated, the role of a property manager is to deliver the highest rate of return for a property owner. Therefore, a property manager must keep a balanced budget.

Management Agreement

A **management agreement** is a contract between a property owner and a property manager that formalizes the property manager's responsibilities.

There is no standard management agreement as each property has different requirements. However, a management agreement typically includes:

- The parties involved (i.e. property owner, property manager)
- The subject property
- The agreement's start and end date
- The property manager's responsibilities
- The property owner's responsibilities
- The property management fee structure
- Other specific instructions

Property Management Fees

Property management fee structures vary based on the property owner, the type of property, and the expectations and duties of a property manager.

Most property managers are paid a percentage of a property's monthly rental income, plus expenses. Other property managers may charge a flat monthly fee.

Most fee structures include:

- *Leasing fee.* Compensates a property manager for the time, effort and cost associated with obtaining a new tenant.
- *Flat fee.* A set fee paid to the property management company for each unit that a property manager rents.
- *Minimum fee.* The minimum amount a property manager is paid per unit or per building (not based on how much the unit rents for)
- *Minimum fee plus leasing fee*

- *Additional fee.* May occur when a management company increases rent or receives a high lease amount.



PROPERTY MANAGEMENT AGREEMENT (C.A.R. Form PMA, Revised 6/17)

Date Prepared:

(“Owner”), and (“Broker”), agree as follows:

1. APPOINTMENT OF BROKER: Owner hereby appoints and grants Broker (hereinafter “Property Manager”) the exclusive right to rent, lease, operate and manage the property(ies) known as

and any additional property that may later be added to this Agreement (“Property”), upon the terms below, for the period beginning (date) and ending (date) at 11:59 PM. (If checked: Either party may terminate this Property Management Agreement (“Agreement”) on at least 30 days written notice months after the original commencement date of this Agreement. After the exclusive term expires, this Agreement shall continue as a non-exclusive agreement that either party may terminate by giving at least 30 days written notice to the other.

2. PROPERTY MANAGER ACCEPTANCE: Property Manager accepts the appointment and grant, and agrees to:

A. Use due diligence in the performance of this Agreement.

B. Furnish the services of its firm for the rental, leasing, operation and management of the Property.

3. AUTHORITY AND POWERS: Owner grants Property Manager the authority and power, at Owner’s expense, to:

A. **ADVERTISING:** Display FOR RENT/LEASE and similar signs on the Property. Advertise the availability of the Property, or any part thereof, for rental or lease in the Multiple Listing Service and other online media.

B. **RENTAL; LEASING:** Initiate, sign, renew, modify or cancel rental agreements and leases for the Property, or any part thereof; collect and give receipts for rents, other fees, charges and security deposits. Any lease or rental agreement executed by Property Manager for Owner shall not exceed year(s) or shall be month-to-month. Unless Owner authorizes a lower amount, rent shall be at market rate; OR a minimum of \$ per ; OR see attachment.

C. **TENANCY TERMINATION:** Sign and serve in Owner’s name notices that are required or appropriate; commence and prosecute actions to evict tenants; recover possession of the Property in Owner’s name; recover rents and other sums due; and, when expedient, settle, compromise and release claims, actions and suits and/or reinstate tenancies. If Landlord permits Tenant to pay rent by direct deposit such as wire or electronic transfer or other online method, Landlord should discuss with a Landlord-Tenant attorney the implications of doing so in the event Tenant defaults and an eviction becomes necessary.

D. **REPAIR; MAINTENANCE:** Make, cause to be made, and/or supervise repairs, improvements, alterations and decorations to the Property; purchase, and pay bills for, services and supplies. Owner agrees that state and local water use restrictions will supersede any obligation by Property Manager or any Tenant to water/maintain gardens, landscaping trees or shrubs. Property Manager shall obtain prior approval of Owner for all expenditures over \$ for any one item. Prior approval shall not be required for monthly or recurring operating charges or, if in Property Manager’s opinion, emergency expenditures over the maximum are needed to protect the Property or other property(ies) from damage, prevent injury to persons, avoid suspension of necessary services, avoid penalties or fines, or suspension of services to tenants required by a lease or rental agreement or by law, including, but not limited to, maintaining the Property in a condition fit for human habitation as required by Civil Code §§ 1941 and 1941.1 and Health and Safety Code §§ 17920.3 and 17920.10.

E. **REPORTS, NOTICES AND SIGNS:** Comply with federal, state or local law requiring delivery of reports or notices and/or posting of signs or notices.

F. **CONTRACTS; SERVICES:** Contract, hire, supervise and/or discharge firms and persons, including utilities, required for the operation and maintenance of the Property. Property Manager may perform any of Property Manager’s duties through attorneys, agents, employees, or independent contractors and, except for persons working in Property Manager’s firm, shall not be responsible for their acts, omissions, defaults, negligence and/or costs of same.

G. **EXPENSE PAYMENTS:** Pay expenses and costs for the Property from Owner’s funds held by Property Manager, unless otherwise directed by Owner. Expenses and costs may include, but are not limited to, property management compensation, fees and charges, expenses for goods and services, property taxes and other taxes, Owner’s Association dues, assessments, loan payments and insurance premiums.

H. **SECURITY DEPOSITS:** Receive security deposits from tenants, which deposits shall be given to Owner, or placed in Property Manager’s trust account and, if held in Property Manager’s trust account, pay from Owner’s funds all interest on tenants’ security deposits if required by local law or ordinance. Owner shall be responsible to tenants for return of security deposits and all interest due on security deposits held by Owner.

I. **TRUST FUNDS:** Deposit all receipts collected for Owner, less any sums properly deducted or disbursed, in a financial institution whose deposits are insured by an agency of the United States government. The funds shall be held in a trust account separate from Property Manager’s personal accounts. Property Manager shall not be liable in event of bankruptcy or failure of a financial institution.

J. **RESERVES:** Maintain a reserve in Property Manager’s trust account of \$

K. **DISBURSEMENTS:** Disburse Owner’s funds held in Property Manager’s trust account in the following order:

- (1) Compensation due Property Manager under paragraph 8.
- (2) All other operating expenses, costs and disbursements payable from Owner’s funds held by Property Manager.
- (3) Reserves and security deposits held by Property Manager.
- (4) Balance to Owner.

Owner’s Initials: () ()

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PROPERTY MANAGEMENT AGREEMENT (PMA PAGE 1 OF 4)

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Owner Name: _____

Date: _____

- L. **OWNER DISTRIBUTION:** Remit funds, if any are available, monthly (or _____), to Owner.
 M. **OWNER STATEMENTS:** Render monthly (or Quarterly or _____), and year end statements of receipts, expenses and charges for each Property.

- N. **PROPERTY MANAGER FUNDS:** Property Manager shall not advance Property Manager's own funds in connection with the Property or this Agreement.

- O. **KEYSAFE/LOCKBOX:** (If checked) Owner authorizes the use of a keysafe/lockbox to allow entry into the Property and agrees to sign a keysafe/lockbox addendum (C.A.R., Form KLA).

4. OWNER RESPONSIBILITIES: Owner shall:

- A. Provide all documentation, records and disclosures as required by law or required by Property Manager to manage and operate the Property, and immediately notify Property Manager if Owner becomes aware of any change in such documentation, records or disclosures, or any matter affecting the habitability of the Property.

- B. Indemnify, defend and hold harmless Property Manager, and all persons in Property Manager's firm, as permitted by law, from all costs, expenses, suits, liabilities, damages, attorney fees and claims of every type, including but not limited to those arising out of injury or death of any person, or damage to any real or personal property of any person, including Owner, (i) for any repairs performed by Owner or by others hired directly by Owner; (ii) for those acts relating to the management, leasing, rental, security deposits, or operation of the Property by Property Manager, or any person in Property Manager's firm, or the performance or exercise of any of the duties, powers or authorities granted to Property Manager; or (iii) from any incorrect or incomplete information supplied by Owner, or from any material facts that Owner knows but fails to disclose including dangerous or hidden conditions on the Premises.

- C. Maintain the Property in a condition fit for human habitation as required by Civil Code §§ 1941 and 1941.1 and Health and Safety Code §§ 17920.3 and 17920.10 and other applicable law.

- D. Pay all interest on tenants' security deposits if required by local law or ordinance.

- E. Carry and pay for: (i) public and premises liability insurance in an amount of no less than \$1,000,000; and (ii) property damage and worker's compensation insurance adequate to protect the interests of Owner and Property Manager. Property Manager shall be, and Owner authorizes Property Manager to be, named as an additional insured party on Owner's policies.

- F. Pay any late charges, penalties and/or interest imposed by lenders or other parties for failure to make payment to those parties, if the failure is due to insufficient funds in Property Manager's trust account available for such payment.

- G. Immediately replace any funds required if there are insufficient funds in Property Manager's trust account to cover Owner's responsibilities.

5. OWNER REPRESENTATIONS:

- A. Owner represents that, unless otherwise specified in writing, Owner is unaware of: (i) any recorded Notice of Default affecting the Property; (ii) any delinquent amounts due under any loan secured by, or other obligation affecting, the Property; (iii) any bankruptcy, insolvency or similar proceeding affecting the Property; (iv) any litigation, arbitration, administrative action, government investigation, or other pending or threatened action that does or may affect the Property or Owners ability to transfer it; and (V) any current, pending or proposed special assessments affecting the Property. Owner shall promptly notify Property Manager in writing if Owner becomes aware of any of these items during the term of this Agreement.

- B. Owner represents that any and all residential rental unit(s) on the Property contain all permits and government approvals needed to lawfully lease or rent any such unit as a dwelling, except:

6. TAX WITHHOLDING:

- A. If Owner is not a California Resident or a corporation or LLC qualified to conduct business in California, Owner authorizes Property Manager to withhold and transmit to California Franchise Tax Board ("FTB") 7% of the GROSS payments to Owner that exceed \$1,500 received by Property Manager, unless Owner completes and transmits to Property Manager FTB form 589, nonresident reduced withholding request, FTB form 588, nonresident withholding waiver, or FTB form 590, withholding exemption certificate.

- B. If Owner is a nonresident alien individual, a foreign entity, or other non-U.S. person, (Foreign Investor) Owner authorizes Property Manager to withhold and transmit to the Internal Revenue Service (IRS) 30% of the GROSS rental receipts unless Owner elects to treat rental income as "effectively connected income" by submitting to Property Manager a fully completed IRS form W-8ECI, Certificate of Foreign Person's Claim for Exemption From Withholding on Income Effectively Connected With the Conduct of a Trade of Business in the United States. A Foreign investor Owner will need to obtain a U.S. tax payer identification number and file a declaration with the IRS regarding effectively connected income in order to complete the form given to Property Manager. Further, the Foreign Investor Owner will be responsible for making any necessary estimated tax payments.

7. OWNER DISCLOSURE:

A. LEAD-BASED PAINT:

- (1) The Property was constructed on or after January 1, 1978.

- OR (2) The Property was constructed prior to 1978.

- (i) Owner has no knowledge of lead-based paint or lead-based paint hazards in the housing except:

- (ii) Owner has no reports or records pertaining to lead-based paint or lead-based paint hazards in the housing, except the following, which Owner shall provide to Property Manager:

- B. **POOL/SPA DRAIN:** Any pool or spa on the property does (or does not) have an approved anti-entrapment drain cover, device or system.

- C. **MOLD:** The Property was treated on (month) (year) for elevated levels of mold which was previously detected in the following location(s):

- Owner has no reports or records pertaining to elevated levels of mold in the Property, except:

- Owner has no knowledge of elevated levels of mold currently in the Property, except:

- D. **ASBESTOS:** Asbestos was removed from the Property in (month) (year) in the following location(s):

Owner's Initials

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Owner Name: _____

Date: _____

Owner has no reports or records pertaining to asbestos in the Property, except:
 Owner has no knowledge of asbestos currently in the Property, except:

- E. **PEST CONTROL:** Owner has entered into a contract for periodic pest control treatment of the Property. Owner, within 3 days, will provide Property Manager a copy of the notice originally given to owner by the pest control company.
- F. **METH CONTAMINATION:** Owner has received an order from a health official prohibiting occupancy of any part of the Property because of methamphetamine contamination. Owner, within 3 days, will provide Property Manager a copy of the order. Contamination specified in the order has or has not been remedied.
- G. **BED BUG DISCLOSURE:** Owner acknowledges that beginning July 1, 2017, for new tenants and by January 1, 2018, all tenants must be provided a notice regarding bed bugs (C.A.R. Form BBD). Owner further acknowledges that it is unlawful to show, rent, or lease a property if there is a known current bed bug infestation. Owner knows of a current infestation.
- H. **WATER SUBMETERS:** The Property contains two or more units served by a single water meter and Owner has installed a submeter to measure and charge each individual unit for water usage. Effective January 1, 2018, Owner agrees to comply with Civil Code §§ 1954.201 through 1954.219 and authorizes Property Manager to provide the required Water Submeter Addendum (C.A.R. Form WSM).
- I. **CARBON MONOXIDE DETECTORS:** The Premises has a fossil fuel burning heater, appliance, or an attached garage. Landlord has has not installed carbon monoxide detector devices in accordance with legal requirements.
- J. **SMOKE ALARMS:** Owner has has not installed smoke alarm(s) in each bedroom, in the hallway outside of each bedroom and on each floor whether or not a bedroom is located on the floor in compliance with legal requirements.
- K. **WATER CONSERVING PLUMBING FIXTURES:** The Premises was built prior to January 1, 1994. The Owner has has not installed water conserving plumbing fixtures (toilets, shower heads, interior faucets, urinals) as per Civil Code section 1101.1 et seq effective as of 1/1/2017 for single family residential properties and 1/1/2019 for multifamily residential properties.
- L. **WATER HEATERS:** Water heater has has not been braced, anchored or strapped to resist falling or horizontal displacement due to earthquake motion.
- M. **PROP. 65 WARNING NOTICE:** Owner has has not posted a Proposition 65 warning notice on the Property.
8. **COMPENSATION:**
- A. Owner agrees to pay Property Manager fees in the amounts indicated below for:
- (1) Management:
 - (2) Renting or Leasing:
 - (3) Evictions:
 - (4) Preparing Property for rental or lease:
 - (5) Managing Property during extended periods of vacancy:
 - (6) An overhead and service fee added to the cost of all work performed by, or at the direction of, Property Manager:
 - (7) Other:
- B. This Agreement does not include providing on-site management services, property sales, refinancing, preparing Property for sale or refinancing, modernization, fire or major damage restoration, rehabilitation, obtaining income tax, accounting or legal advice, representation before public agencies, advising on proposed new construction, debt collection, counseling, attending Owner's Association meetings or

If Owner requests Property Manager to perform services not included in this Agreement, a fee shall be agreed upon before these services are performed.

- C. Property Manager may divide compensation, fees and charges due under this Agreement in any manner acceptable to Property Manager.
- D. Owner further agrees that:
- (1) Property Manager may receive and keep fees and charges from tenants for: (i) requesting an assignment of lease or sublease of the Property; (ii) processing credit applications; (iii) any returned checks and/or if checked late payments; and (iv) any other services that are not in conflict with this Agreement.
 - (2) Property Manager may perform any of Property Manager's duties, and obtain necessary products and services, through affiliated companies or organizations in which Property Manager may own an interest. Property Manager may receive fees, commissions and/or profits from these affiliated companies or organizations. Property Manager has an ownership interest in the following affiliated companies or organizations:

Property Manager shall disclose to Owner any other such relationships as they occur. Property Manager shall not receive any fees, commissions or profits from unaffiliated companies or organizations in the performance of this Agreement, without prior disclosure to Owner.

(3) Other:

9. **AGENCY RELATIONSHIPS:** Property Manager may act, and Owner hereby consents to Property Manager acting, as dual agent for Owner and tenant(s) in any resulting transaction. If the Property includes residential property with one-to-four dwelling units and this Agreement permits a tenancy in excess of one year, Owner acknowledges receipt of the "Disclosure Regarding Agency Relationships" (C.A.R. Form AD). Owner understands that Property Manager may have or obtain property management agreements on other property, and that potential tenants may consider, make offers on, or lease through Property Manager, property the same as or similar to Owner's Property. Owner consents to Property Manager's representation of other owners' properties before, during and after the expiration of this Agreement.
10. **NOTICES:** Any written notice to Owner or Property Manager required under this Agreement shall be served by sending such notice by first class mail or other agreed-to delivery method to that party at the address below, or at any different address the parties may later designate for this purpose. Notice shall be deemed received three (3) calendar days after deposit into the United States mail OR

Owner's Initials () ()

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Owner Name:

Date:

11. DISPUTE RESOLUTION:

- A. **MEDIATION:** Owner and Property Manager agree to mediate any dispute or claim arising between them out of this Agreement, or any resulting transaction before resorting to arbitration or court action. Mediation fees, if any, shall be divided equally among the parties involved. If, for any dispute or claim to which this paragraph applies, any party (i) commences an action without first attempting to resolve the matter through mediation, or (ii) before commencement of an action, refuses to mediate after a request has been made, then that party shall not be entitled to recover attorney fees, even if they would otherwise be available to that party in any such action. **Exclusions from this mediation agreement are specified in paragraph 11B.**
- B. **ADDITIONAL MEDIATION TERMS:** The following matters shall be excluded from mediation and arbitration: (i) a judicial or non-judicial foreclosure or other action or proceeding to enforce a deed of trust, mortgage or installment land sale contract as defined in Civil Code §2985; (ii) an unlawful detainer action; (iii) the filing or enforcement of a mechanic's lien; and (iv) any matter that is within the jurisdiction of a probate, small claims or bankruptcy court. The filing of a court action to enable the recording of a notice of pending action, for order of attachment, receivership, injunction, or other provisional remedies, shall not constitute a waiver or violation of the mediation provisions.
- C. **ADVISORY:** If Owner and Property Manager desire to resolve disputes arising between them rather than court, they can document their agreement by attaching and signing an **Arbitration Agreement (C.A.R. Form ARB)**.

12. **EQUAL HOUSING OPPORTUNITY:** The Property is offered in compliance with federal, state and local anti-discrimination laws.13. **ATTORNEY FEES:** In any action, proceeding or arbitration between Owner and Property Manager to enforce the compensation provisions of this Agreement, the prevailing Owner or Property Manager shall be entitled to reasonable attorney fees and costs from the non-prevailing Owner or Property Manager, except as provided in paragraph 11A.14. **ADDITIONAL TERMS:** Keysafe/Lockbox Addendum (C.A.R. Form KLA); Lead-Based Paint and Lead-Based Paint Hazards Disclosure (C.A.R. Form FLD)

15. **TIME OF ESSENCE; ENTIRE CONTRACT; CHANGES:** Time is of the essence. All understandings between the parties are incorporated in this Agreement. Its terms are intended by the parties as a final, complete and exclusive expression of their Agreement with respect to its subject matter, and may not be contradicted by evidence of any prior agreement or contemporaneous oral agreement. If any provision of this Agreement is held to be ineffective or invalid, the remaining provisions will nevertheless be given full force and effect. Neither this Agreement nor any provision in it may be extended, amended, modified, altered or changed except in writing. This Agreement and any supplement, addendum or modification, including any copy, may be signed in two or more counterparts, all of which shall constitute one and the same writing.

Owner warrants that Owner is the owner of the Property or has the authority to execute this Agreement. Owner acknowledges Owner has read, understands, accepts and has received a copy of the Agreement.

REPRESENTATIVE CAPACITY: This Property Management Agreement is being signed for Owner by an individual acting in a Representative Capacity as specified in the attached Representative Capacity Signature Disclosure (C.A.R. Form RCSD-LL). Wherever the signature or initials of the representative identified in the RCSD appear on this Agreement or any related documents, it shall be deemed to be in a representative capacity for the entity described and not in an individual capacity, unless otherwise indicated. Owner (i) represents that the entity for which the individual is signing already exists and (ii) shall Deliver to Broker, within 3 Days After Execution of this Agreement, evidence of authority to act (such as but not limited to: applicable trust document, or portion thereof, letters testamentary, court order, power of attorney, corporate resolution, or formation documents of the business entity).

Owner Owner Print Name				Date
Address			City	Social Security/Tax ID # (for tax reporting purposes)
Telephone	Fax	Email		State Zip
Owner Owner Print Name				Date
Address			City	Social Security/Tax ID # (for tax reporting purposes)
Telephone	Fax	Email		State Zip
Real Estate Broker (Firm) By (Agent) Address			City	Cal BRE Lic. #: Cal BRE Lic. #: Date
Telephone	Fax	Email		State Zip

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Property Manager Duties

A property manager's duties depend on the particular property owner and the property itself.

Some property owners rely on a property manager to manage everything related to a property, including acting as a liaison between a property owner and a property's tenants, paying bills, and answering tenant questions. Other property owners only assign limited roles to a property manager, such as collecting rent.

Typically, a property manager's duties include:

- Representing a property owner's interests
- Advertising
- Screening and closing prospective tenants
- Executing and managing tenant leases
- Establishing and collecting rent
- Managing repairs/additions
- Accounting/record keeping
- Conducting property inspections
- Providing security
- Increasing growth
- Managing complaints & disputes
- Terminating leases

Representing a Property Owner's Interests

A property owner who purchases an investment property ultimately wishes to make a profit and recoup his or her investment.

A property manager must understand the financial implications placed on an owner (i.e. paying monthly mortgage payments and property taxes) and maximize the owner's rate of return.

A property owner's goals affect the income objective of a property. Some owners may prefer to risk vacancy by increasing rent prices, while others may prefer to offer reduced rent prices in order to keep a property at full occupancy. A property manager must balance the need to maximize income with the need to keep the vacancy rate low, based on the property owner's goals.

One of the ways in which a property owner does this is by reducing a property owner's liability. This involves properly screening and managing tenants, treating tenants fairly, properly securing and maintaining a property, and verifying that all city codes are met.

Advertising

One of the primary responsibilities of a property manager is to solicit new tenants and keep a property as full as possible. To do this, a property manager must advertise available spaces as widely as possible.

Property management companies commonly advertise a property's:

- Building
- Location
- Prestige, potential, and appearance
- Functionality, services, and amenities
- Property management company

A property manager may also make an appealing offer, such as: "First month rent is free!" or "Two months free!" or "Rock bottom rental rates!"

Advertising methods may include:

- Targeting a particular market (i.e. business professionals, young families)
- Targeting small businesses and start-ups
- Advertising in newspaper ads
- Creating brochures with quality photographs
- Creating a professional website
- Using personal connections
- Approaching leasing agents

Screening and Closing Prospective Tenants

A property manager is responsible for selecting tenants that will provide consistent rental income and follow the terms set forth in a lease agreement. Failure to select good tenants may result in a loss of income, property damage, and/or a loss of time for a property manager and a property owner.

Therefore, one of a property manager's main responsibilities is to properly screen prospective tenants.

A property manager must use the same protocol for all prospective tenants, regardless of gender, race, ethnicity, disability, or familial status. Failure to do so may result in a violation of fair housing laws and possible legal action.

A property manager should do the following before renting a unit to a prospect tenant:

- Have a prospective tenant submit a rental application

- Conduct a background check
- Order a credit report
- Collect a security deposit
- Collect the first and last month rent payment

**A property manager may require a tenant to pay an application fee that covers the cost of a background check and a credit report.*

Rental Application

A prospective tenant should fill out a rental application. A **rental application** includes information pertaining to a tenant's income, employer, and references that can verify those claims.

To verify a prospective tenant's stated income, a property manager may also require three month's worth of paystubs and/or bank statements.

To verify a prospective tenant's employment, a property manager may contact a prospective tenant's employer.

Conduct a Background Check

A background check verifies a prospective tenant's rental history, work history, and criminal record.

A property manager may use online websites such as ciadata.com or databackgroundcheck.com to conduct a background check.

A property manager should compare a prospective tenant's driver's license records with a credit report to ensure that the tenant is who (s)he says (s)he is.

Order a Credit Report

A credit report provides a prospective tenant's credit history. This includes whether a tenant has bad credit, has been late in making rent payments at previous properties, or whether the tenant has ever been evicted.

A property manager has the ability to deny an applicant based on current and past financial circumstances.

If a tenant is below the age of 18 and/or has little credit history, a property manager may require a co-signer on the tenant's application.

Security Deposit

A **security deposit** is a refundable down payment paid by a tenant to a property manager in order to secure the tenant's rental of a property.

A security deposit shows that a tenant is a serious applicant. It also protects a property manager's interests throughout the lease period in the event that a tenant fails to pay rent, causes damages to the property, or violates the lease terms. In other words, a security deposit acts as an insurance policy.

It is against the law for a security deposit to be non-refundable.

The maximum security deposit a property manager can charge is two month's rent for an unfurnished residential property and three month's rent for a furnished residential property. There is no limit for commercial properties.

If a tenant upholds all of the lease terms, his or her security deposit must be returned at the expiration of the lease term or applied to the final rental payment.

A property manager has 21 days to return a security deposit to a tenant after he or she has moved out. Failure to do so may result in fines of up to double the original security deposit amount.

First and Last Month's Rent Payment

A property manager may also require that a tenant pay the first and last month's rent before approving his or her rental application. Securing these rental payments upfront provides a property manager with more financial security in the event a tenant fails to make future rent payments.



CALIFORNIA
ASSOCIATION
OF REALTORS®

APPLICATION TO RENT/SCREENING FEE
(C.A.R. Form LRA, Revised 12/15)

I. APPLICATION TO RENT

THIS SECTION TO BE COMPLETED BY APPLICANT. A SEPARATE APPLICATION TO RENT IS REQUIRED FOR EACH OCCUPANT 18 YEARS OF AGE OR OVER, OR AN EMANCIPATED MINOR.

1. Applicant is completing Application as a (check one) tenant, tenant with co-tenant(s) or guarantor/co-signor.

Total number of applicants

2. PREMISES INFORMATION

Application to rent property at _____ per _____ Proposed move-in date _____ ("Premises")
Rent: \$ _____

3. PERSONAL INFORMATION

A. FULL NAME OF APPLICANT _____

B. Date of Birth _____ (For purpose of obtaining credit reports. Age discrimination is prohibited by law.)

C. 1. Driver's License No. _____ State _____ Expires _____

2. See section II for Social Security Number

D. Phone Number: Home _____ Work _____ Other _____

E. Email _____

F. Name(s) of all other proposed occupant(s) and relationship to applicant _____

G. Pet(s) (number and type) _____

H. Auto: Make _____ Model _____ Year _____ License No. _____ State _____ Color _____

Other vehicle(s): _____

I. In case of emergency, person to notify _____

Relationship _____ Address _____ Phone _____

J. Does applicant or any proposed occupant plan to use liquid-filled furniture? No Yes Type _____

K. Has applicant been a party to an unlawful detainer action or filed bankruptcy within the last seven years? No Yes

If yes, explain _____

L. Has applicant or any proposed occupant ever been convicted of or pleaded no contest to a felony? No Yes

If yes, explain _____

M. Has applicant or any proposed occupant ever been asked to move out of a residence? No Yes

If yes, explain _____

4. RESIDENCE HISTORY

Current address _____

City/State/Zip _____

From _____ to _____

Name of Landlord/Manager _____

Landlord/Manager's phone _____

Do you own this property? No Yes

Reason for leaving current address _____

Previous address _____

City/State/Zip _____

From _____ to _____

Name of Landlord/Manager _____

Landlord/Manager's phone _____

Did you own this property? No Yes

Reason for leaving this address _____

5. EMPLOYMENT AND INCOME HISTORY

Current employer _____

Current employer address _____

From _____ To _____

Supervisor _____

Supervisor phone _____

Employment gross income \$ _____ per _____

Other income info _____

Previous employer _____

Prev. employer address _____

From _____ To _____

Supervisor _____

Supervisor phone _____

Employment gross income \$ _____ per _____

Other income info _____

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LRA REVISED 12/15 (PAGE 1 OF 2)

APPLICATION TO RENT/SCREENING FEE (LRA PAGE 1 OF 2)

Phone: _____ Fax: _____

Produced with zipForm® by zipLogix 18070 Fifteen Mile Road, Fraser, Michigan 48026 www.zipLogix.com



Property Address:

Date:

6. CREDIT INFORMATION

Name of creditor	Account number	Monthly payment	Balance due
Name of bank/branch	Account number	Type of account	Account balance

7. PERSONAL REFERENCES

Name _____ Address _____
 Phone _____ Length of acquaintance _____ Occupation _____
 Name _____ Address _____
 Phone _____ Length of acquaintance _____ Occupation _____

8. NEAREST RELATIVE(S)

Name _____ Address _____
 Phone _____ Relationship _____
 Name _____ Address _____
 Phone _____ Relationship _____

Applicant understands and agrees that: (i) this is an application to rent only and does not guarantee that applicant will be offered the Premises; (ii) Landlord or Manager or Agent may accept more than one application for the Premises and, using their sole discretion, will select the best qualified applicant, and (iii) Applicant will provide a copy of applicant's driver's license upon request.

Applicant represents the above information to be true and complete, and hereby authorizes Landlord or Manager or Agent to: (i) verify the information provided; and (ii) obtain a credit report on applicant and other reports, warnings and verifications on and about applicant, which may include, but not be limited to, criminal background checks, reports on unlawful detainers, bad checks, fraud warnings, employment and tenant history. Applicant further authorizes Landlord or Manager or Agent to disclose information to prior or subsequent owners and/or agents.

If application is not fully completed, or received without the screening fee: (i) the application will not be processed, and (ii) the application and any screening fee will be returned.

Applicant _____ Date _____ Time _____

Return your completed application and any applicable fee not already paid to:
 Address _____ City _____ State _____ Zip _____

II. SCREENING FEE**THIS SECTION TO BE COMPLETED BY LANDLORD, MANAGER OR AGENT.**

Applicant Social Security Number: _____ Applicant has paid a nonrefundable screening fee of \$ _____ applied as follows: (The screening fee may not exceed \$30.00, adjusted annually from 1-1-98 commensurate with the increase in the Consumer Price Index. A CPI inflation calculator is available on the Bureau of Labor Statistics website, www.bls.gov. The California Department of Consumer Affairs calculates the applicable screening fee amount to be \$44.50 as of 2012.)

\$ _____ for credit reports prepared by _____
 \$ _____ for _____
 \$ _____ for processing.

Type vendor name here

(other out-of-pocket expenses); and

The undersigned has read the foregoing and acknowledges receipt of a copy.

Applicant Signature _____ Date _____

The undersigned has received the screening fee indicated above.

Landlord or Manager or Agent Signature _____ CalBRE Lic. # _____ Date _____

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LRA REVISED 12/15 (PAGE 2 OF 2)

APPLICATION TO RENT/SCREENING FEE (LRA PAGE 2 OF 2)

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Executing and Managing Tenant Leases

A lease agreement – more commonly referred to as a **lease** – is a written contract that grants a tenant an exclusive, possessory interest in a property owner's property for a specific period of time.

A property manager is responsible for drawing-up and initiating leases with prospective tenants.

Lease provisions are at the discretion of individual property owners; therefore, all leases are different. However, the following provisions are included in most leases:

- Parties involved (i.e. tenant, property manager, property owner)
- The subject property
- Beginning and end dates of lease agreement
- Terms (including schedules payment date and amount)
- Rent payments (authorized method of payment and payment schedule)
- Late payments (circumstances, charges, fees)
- Security deposit
- Renter's insurance
- Utilities (what is and is not included in the rent payment)
- Occupants (maximum occupancy)
- Pets
- Parking
- Possession
- Maintenance
- Alterations (the right of tenant to alter property)
- Damages
- Noise
- Termination
- Right of entry and inspection
- Credit report (tenant authorizes a credit check)

Tenant Responsibilities

A tenant is responsible for the following:

- Paying rent on time
- Keeping the property clean and sanitary
- Disposing of waste
- Using the property for its intended purpose
- Avoiding actions that may result in damages to the property

- Maintaining fixtures, including toilet, sinks, and showers
- Providing 30-day notice prior to vacating the property (for month-to-month leases)
- Returning keys when vacating the premises

Property Manager Responsibilities

When a tenant leases a residential property in California, it is done with an implied warranty of habitability. An **implied warranty of habitability** promises that a property is habitable in its current condition.

Habitability means that a property meets the minimum standards of living for a reasonable person. Generally, this means a property must be safe, provide shelter from the elements, and be free from pests and harmful elements.

A property manager's specific responsibilities for ensuring habitability include:

- Safe, functioning gas facilities
- Safe, functioning heating and cooling system
- Safe, functioning electrical system (including wires)
- Functioning plumbing facilities
- Functioning smoke detectors
- Flooring, railing, and staircases are built and maintained to city codes
- Functioning water system
- Roof does not leak
- No pests, mold, toxins, or other potentially harmful elements
- Property maintenance (such as trees, brush)
- Windows are sealed and have a lock mechanism

If a property manager breaches the implied warranty of habitability, the property manager must promptly resolve the issue. If he or she fails to do so, a tenant can seek an unlawful detainer against the property manager.

Exculpatory Clause

Parties in a lease can be relieved of their contractual obligations by mutual agreement.

An **exculpatory clause** is a lease provision that relieves one or multiple parties of liability from the other party's error or wrongdoing. For example, an exculpatory clause would relieve a property manager of any damages sustained by a tenant leasing a property.

Assignments

An **assignment** refers to when a tenant forfeits his or her rights to a property by transferring them to another party. In this case, the new tenant typically becomes fully liable for the property.

Subleases



A **sublease** involves a tenant leasing a property to another tenant (the "subletter") while still being liable for the terms of the original lease.

In this case, the original lease remains intact and the original tenant acts as a middle person between the property manager and the subletter to uphold its terms. The original tenant is responsible for facilitating all communication and ensuring all repairs and rent payments are made. A subletter is expected to pay rent, although the original tenant is ultimately responsible if the subletter fails to do so.

Some lease agreements prohibit subleases. If a lease does not explicitly prohibit subleases, however, a tenant has the right to use one.

Establishing and Collecting Rent

Collecting rent is a property manager's main responsibility.

The **effective rent** is the cost of renting real property after all concessions and discounts.

A lease must clearly indicate the rent amount, the monthly due date, late charge amounts, and when a late charge will be used.

If a tenant fails to pay rent on time, a property manager usually drafts and sends out late notices. These notices put pressure on a tenant to pay his or her agreed-upon monthly rent. If a tenant continues to be late on rent, a property manager has the right to enforce late charges or to use a tenant's security deposit.

A property manager cannot require a tenant to pay rent in cash unless the tenant's previous checks bounced.

Establishing Rent Schedule

A **rent schedule** refers to a schedule of a property's proposed rental rates. A property owner and property manager are responsible for establishing a rent schedule that yields the maximum income and/or lowest vacancy.

Rental rates are based on a property's estimated expenses, a property owner's long-term goals, and supply and demand in the market.

In order to determine unit availability in the market, a property manager must conduct a detailed analysis of neighborhood real estate activity. This involves comparing a subject property to other properties nearby (typically within a half-mile to one-mile radius).

This comparison includes:

- Inventory on the market, including sales price range and new constructions
- Character of the properties
- Property amenities, including available on-site recreational facilities and parking spaces
- Trends in the number of occupants per unit
- Vacancy rate
- Lease lengths
- Neighborhood amenities
- Neighborhood demographics (i.e. economic level, family size, average age)
- Neighborhood growth and expansion
- Availability of transportation, recreation, shopping, churches, and schools
- Range and growth of local industries

Property managers compare properties by using the MLS or by contacting local real estate agents. To verify that a property is similar to a subject property, a property manager may visit properties and compare them to the subject property.

Rent Control

Each city has different regulations that affect the real estate market. One such ordinance is rent control.

Rent control laws are aimed at promoting affordable housing by maintaining particular rent levels. Courts and legislatures determine rent control laws by:

- Imposing rental prices
- Making it difficult to evict tenants

- Requiring property owners to spend money on repair or maintenance that would otherwise not be necessary

Rent control laws are the subject of much controversy as some see them as a violation of free market rules.

Property managers must be aware of all local rent control laws or specific regulations that prevent rent increases.

Increasing Rent

In the past, it was difficult for property managers to increase rents. Certain geographical markets still ban property managers from doing so beyond the standard cost of living.

However, California passed legislation in 1995 to change this. The **Costa-Hawkins Rental Housing Act** gives property managers the legal right to increase rental rates for new tenants upon the departure of old tenants, even in rent-controlled markets.

When local rental rates increase, it is a property manager's responsibility to inform a property owner. With the owner's approval, the property manager will increase rent prices based on the specifications within existing leases with tenants.

For example, some leases may indicate that an owner can only increase rent by a maximum of 3.5% per year. If a tenant's lease period ends and a property manager wishes to raise the rent, the property manager must inform the tenant. If the tenant agrees, the property manager will draft a new lease with the new rental rate.

Section 8 Housing

Section 8 housing is a government-sponsored program that pays all or a portion of a tenant's rent directly to a property manager.

This program is intended for disabled individuals and/or low-income families who could otherwise not afford safe or decent housing. Section 8 participants are free to choose any housing that meets the program's requirements.

Managing Repairs/Additions

Should any repairs be required, a property manager should inform the property owner and follow his or her instructions. Some property owners will give a property manager the freedom to make repairs on behalf of the owner, including purchasing necessary items or hiring repair services.

A property manager does not need to be a contractor, but he or she must be equipped to do the following:

- Provide repair recommendations to a property owner
- Create a cost breakdown of various repairs and/or additions
- Perform a background check on contractors
- Recommend licensed contractors to a property owner
- Manage contractors and contractor payments

As a property begins to age and diminish in appeal, additions will likely be needed. A property manager should recommend changes that will make a property more appealing to current and prospective tenants. Additions can increase a property's value, which leads to higher rental rates and a higher rate of return for a property owner.

A property manager should consider additions by:

- Evaluating the location and quality of a property
- Comparing the interiors and exteriors of a subject property with similar nearby properties
- Considering the size and makeup of every unit
- Looking out for special features, vanities, or expensive décor that may distinguish the property from others

Accounting/Record Keeping

A property owner's rate of return is based on the amount of money that comes in and goes out. Keeping track of all accounting figures is also crucial for a property owner's tax return. **Record keeping** is the process of managing and accounting for all dollars sent or received.

Although a property manager is not expected to provide tax or accounting advice, he or she is responsible for keeping records and documenting all income and expenses related to a property.

Property managers utilize computer-based applications such as QuickBooks or Microsoft Excel to maintain accounting records. These programs track income, expenses, and even recommend rental rates.

Among the income and expenses related to a property are:

- Rental income
- Security deposits
- Late charges

- Missed payments
- Cost of maintenance/repairs/additions
- Cost of inspections
- Cost of credit reports and background checks
- Cost of advertising
- Property management fees
- Association fees (i.e. H.O.A.)
- City fees

Records should be organized and easily traceable. A property manager should keep a copy of all receipts, including small and large items, as a property owner can deduct expenses on his or her taxes.

According to Section 2830 of Real Estate Commissioner's regulations, a property owner must create a trust ledger. A **trust ledger** is a file that records all economic data relating to a property. A trust ledger is organized into credit and debit columns and provides a snapshot of a property's financial situation.

Included in a trust ledger are any expenses incurred by a property manager on behalf of a property (i.e. costs of repair, receipts for rented equipment). These expenses will be used against a property's income and paid out in addition to a property manager's management fee.

Keeping track of income and expenses provides the property management company with a property's cap rate. In the event an owner wants to sell a property, a prospective buyer would use the cap rate to determine whether to buy the property.

If a property owner owns several properties, their income and expenses cannot be commingled. Every property must have separate records.

Conducting Property Inspections

A property manager must perform a **property inspection** on a property after a tenant leaves and before a new tenant arrives. A property's condition should be noted in the lease between a property owner and a tenant. A tenant should be given a copy of the assessment.

Property managers should also perform annual or semi-annual inspections on each unit to verify conditions. Inspections should check for safety hazards, immediate or future repairs, contract breaches, and code violations.

Right to Entry

A property manager must provide a tenant with a reasonable notice of at least 24 hours prior to entering a unit. Such a notice must be issued prior to repairs, improvements, or for the purpose of showing the unit to prospective buyers, lenders, appraisers, contractors, inspectors or other real estate professionals (Civil Code Section 1954).

The property manager has the legal right to enter a tenant-inhabited unit under the following circumstances:

- A tenant consents to the entry
- An emergency requires the property manager to enter a tenant's unit. The property manager does not need to provide reasonable notice if there is an emergency that requires immediate attention. For example, a medical emergency or a fire.
- A court has issued an order for the property manager to enter the property
- A tenant has surrendered or abandoned the property

Providing Security

Property managers must provide tenants with a safe and secure property experience. This requires a property manager to implement and/or manage the following security measures:

- *Side building exits.* Both side exits of a property must be accessible in the event of an emergency.
- *Marked Exits.* There should be exit signs on each floor indicating the closest exit door.
- *Emergency Plan.* A property manager should create an emergency plan and inform tenants of what to do in the event of an emergency.
- *Exterior Lighting.* A property's exterior should be illuminated at night. Lighting must also be implemented in any parking garages on the property to avoid automobile accidents.
- *Door Locks.* Door locks should be high quality and equipped to withstand a break-in.
- *Windows.* All windows should be reinforced to prevent outside access and/or a break-in.

- *Entrance.* A property's entrance should feature a formidable door and solid windows to prevent intruders from entering.
- *Alarm System.* A property should have a working alarm system in the event of a break-in.

Larger Buildings

Providing security for larger buildings requires consultation with professional security companies and advisors.

Larger buildings might utilize the following security measures:

- Keycards to gain access to the property
- A security sign-in that may require a photo ID
- Keycards to utilize a property's elevator or access certain floors
- Tenants may be prevented from accessing a property's elevator without security assistance
- Lobby is closed after certain hours
- Security guards

Increasing Growth



The ultimate objective of every investment property is to maximize profit while minimizing expenses.

A property manager is responsible for maximizing a property's growth. Property managers should evaluate current local data and market shifts in order to recommend new strategies to increase a property owner's rate of return.

Managing Complaints and Disputes

At some point, a tenant or a property owner will inevitably have complaints. These may be tied to:

- The property's condition
- Rent increases
- Property damages

A property manager must be prepared to address complaints and provide solutions to amend the situation.

In the event of an emergency or a large-scale problem, a property manager should have a property owner dictate a course of action.

Although a property manager is not a lawyer, he or she should have a basic understanding of real estate law in regards to disputes. In the event of a legal dispute between a tenant and a property owner, a property manager should advise the property owner on the proper course of action. A property manager should also be in a position to recommend various real estate attorneys, if necessary.

Small Claims Court

In the event that a tenant and a property manager cannot amicably resolve a dispute, a **small claims** court may provide the best course of action.

Small claims court is used for any claims that fall below \$7,500. For example, a tenant may bring a property manager to court over the property manager's refusal to reimburse a security deposit, or a property manager may bring a tenant to court to collect back rent or damages to a property.

Small claims court cases do not involve attorneys.

In order to file suit in small claims court, a defendant must:

- Visit the small claims court corresponding to the property address under dispute.
- Fill out an application form. It should include all parties involved in the dispute, including the property manager and the tenant.
- Pay the court fee to initiate the process.
- Serve a court order directly to the plaintiff or hire a third party to do so.
- Gather material facts that help establish his or her case. For example, if a tenant is continually behind on payments, a property manager should make a copy of all rent checks and document when they were received. Typically, a small claims court will not grant either party a second trial date unless new items affect the outcome of the case. Therefore, it is critical for both sides to present the best argument possible.
- Contact any witnesses that can assist in his or her case and inform them of the date of the trial. Should a witness refuse to attend voluntarily, a defendant can obtain a subpoena from the court clerk to force the witness to do so.
- Verify that he or she is in the correct building and courtroom for the case.

- Use material facts to argue his or her case. This includes documented actions by both parties.
- Provide the court clerk or judge with the amount he or she believes the plaintiff is liable for.

Terminating Leases

A lease agreement can be terminated for the following reasons:

- Lease period expires
- Tenant breaches the terms of the lease
- Property manager breaches the terms of the lease
- Tenant abandons property, or surrenders his or her rights to the property
- Property manager evicts tenant
- Property is foreclosed/sold/transferred/merged into another entity
- Public entity takes over the property (such as through eminent domain)
- Property is destroyed

Eviction

Eviction occurs when a property manager expels a tenant from a property. Evicting tenants is one of a property manager's most difficult responsibilities.

The following are valid reasons for a property manager to evict a tenant:

- Tenant fails to make timely rental payments
- Tenant uses property for illegal or unauthorized activity
- Tenant damages the property
- Tenant endangers other tenants and/or guests

The steps in the eviction process are:

- Property manager provides tenant with a 30-day written notice of eviction. This orders a tenant to remove all personal property and vacate the premises within a certain amount of days. The letter should also state: "Failure to remove all items and vacate the premises may result in jail, fines, or both."
- Property manager provides tenant with a three-day "Cure or Quit" notice.
- Should tenant fail to respond to the notice within three days, the property manager will file an unlawful detainer action against the tenant. An **unlawful detainer action** is a court hearing where a property manager and a tenant have the right to present their cases in front of a judge.

- If an unlawful detainer action is granted, a judge may issue a judgment against the tenant. A **writ of possession** grants a property manager the ability to evict the tenant and orders a guilty tenant to vacate the property.
- If tenant does not respond to the writ of possession, the property manager may request that a Sheriff sends an eviction notice on his or her behalf. If the tenant does not respond to the Sheriff's eviction notice, the Sheriff can physically remove the tenant from the property.

California Department of Real Estate

The California Department of Real Estate lays out the specific duties of a property manager:

1. Establish the rental schedule that will bring the highest yield consistent with good economics.
2. Merchandise the space and collect the rent.
3. Create and supervise maintenance schedules and repairs.
4. If applicable, insure independent contractor license status and insurance coverage.
5. Set up payroll system for all employees.
6. Develop a tenant/resident relations policy.
7. Supervise employees and develop employee policies, including an Injury Prevention Plan.
8. Maintain proper records and make regular reports to the owner.
9. Qualify and investigate a prospective tenant's credit.
10. Prepare and execute leases.
11. Obtain decorating specifications and secure estimates.
12. Hire, instruct, and maintain satisfactory personnel to staff the building(s).
13. Audit and pay bills.
14. Advertise and publicize vacancies through selected media and broker lists.
15. Recommend alterations and modernization as the market dictates.
16. Inspect vacant space frequently.
17. Keep abreast of the times and competitive market conditions.
18. Obtain and pay insurance premiums and taxes.
19. Be knowledgeable about and comply with applicable Federal, State and local laws.

Types of Managed Property

Whether a property requires property management depends on a property owner's income, schedule, distance from the property, the amount of properties owned, and how much he or she is willing to pay a property management company.

Residential Properties

Single-Family Homes

Due to the relative ease of managing one property, most single-family homes are managed directly by the property owner.

There are instances, however, in which a property owner will hire a property manager to manage a single-family home. For example, if a property owner chooses to rent out his or her home to tenants, the owner may hire a property manager to find new tenants and collect rent.

Multi-Family Units

Multi-family units typically require a property manager to manage them.

Many property owners hire property management companies to avoid the hassle and time that comes with managing multiple tenants. This allows the property owner to focus on investing in more properties.

Examples of multi-family units include:

- Apartment buildings
- Condominiums
- Public housing

Condominiums

Almost all condominiums hire a professional property management company to care for their properties.

Condominium association management firms have grown significantly as a larger portion of the overall property management industry. The responsibilities of such firms include:

- Issuing and collecting fees from property owners
- Hiring contractors when repairs or additions are needed
- Maintaining the condition of the property
- Enforcing covenants, conditions, and restrictions (CC&Rs)
- Managing payments, fees, and record keeping
- Insuring the property
- Handling tenant/property owner disputes
- Attending board of director meetings and making recommendations

Unlike other property types in which a property manager is typically expected to create and enforce policy, condominium association property managers are only expected to enforce policy.

Condominium association policy is created and voted upon by a board of directors.

Each board member has different motives that affect their personal situation. For example, a board member who has children living in the building may propose additional safety measures, which will increase H.O.A. fees. Conversely, a retired board member's goal might be to decrease H.O.A. fees.

It is not a property manager's responsibility to choose sides. However, the property manager should always be prepared to offer suggestions and provide valuable insight regarding how certain decisions will affect everyone involved.

Public Housing

The government is one of the largest employers of property management companies. The government hires property management companies to care for public housing properties and make the best decisions on behalf of their tenants.

Commercial Properties

The most common commercial properties that require property management are:

- Office buildings
- Retail space

Office Buildings

Office buildings make up the majority of commercial real estate activity. The continuous need to expand and build more office space for current and new companies creates a significant demand for commercial property managers.

After the 2008 real estate collapse, many companies went out of business and an influx of available office building spaces became available. This increased inventory brought lease rates down, which meant a significant loss of revenue for property owners. Many property owners subsequently hired property management companies who specialized in advertising and finding new tenants to drive revenue back up.

An office building property manager must have the necessary knowledge to manage an office building. This includes:

- Managing cleaning efforts to maximize a property's appeal
- Coordinating vital services and equipment, including toilets, sinks, electrical, and water
- Maintaining elevators and elevator servicing
- Providing appropriate security methods
- Keeping the lobby and entrance presentable
- Updating technical components when necessary
- Meeting city health and fire codes

Retail Space

Managing a retail space requires many of the same skills as managing an office building. However, a property manager must be able to find suitable tenants for the available retail spaces.

Industrial Properties

Industrial management is a specialized field of property management that requires managers to be equipped with a specialized skillset.

This skillset may include:

- Understanding a property's floor, wall, and ceiling capacities
- Recognizing the precautionary measures required when dealing with a chemical company that uses and disposes of hazardous material
- Understanding fire-suppression systems
- Understanding water capacity in relation to the size of specific structures
- Zoning laws knowledge
- Knowing which insurance policies are best equipped to protect a property
- Implementing safety measures to secure a property
- The ability to read blueprints and manage maintenance

A property manager may specialize in one or all of the above skills when managing an industrial property. This is determined based on the type of business that is leasing the property.

Types of Tenancy

A property manager negotiates the tenancy terms between a property owner and a tenant.

There are four common types of tenancy:

- Tenancy for years
- Periodic tenancy
- Tenancy at will
- Tenancy at sufferance

Tenancy for Years

A **tenancy for years** – also known as an “estate for years” or a “fixed-term lease” – is a lease with a clear beginning and end date. They are typically used for short-term or seasonal leasing.

A tenant will pay rent to a property manager on a specified payment schedule. Following the end of the lease period, the property manager controls the power to renew the agreement. If the property manager chooses not to renew, the lease ends automatically and no formal written agreement is required.

Periodic Tenancy

Periodic tenancy – also known as an “estate from period to period”, “tenancy from year to year”, or “tenancy from month to month” – is a lease that automatically renews until a tenant or property manager terminates it in writing. Most periodic tenancies are month-to-month. A **month-to-month rental agreement** is a type of lease that is ongoing until either the landlord or tenant cancels the agreement.

A property manager can adjust periodic tenancy with a 30-day notice for tenants who have used a property for less than 12 months, or a 60-day notice for tenants who have used a property for more than 12 months.

For tenants of Section 8 Housing or other government agencies, a property manager can only adjust or end terms with a 90-day notice.

Tenancy at Will

A **tenancy at will** – also known as an “estate at will” – is a flexible lease in which a tenant occupies a property without a formal written agreement. Typically, this type of agreement is verbal in nature and has no definitive beginning or end date; rather, a property manager agrees to lease to a tenant “until further notice”.

A property manager must provide a tenant with a 30-day notice to terminate a tenancy at will.

Tenancy at Sufferance

A **tenancy at sufferance** is when a tenant whose lease has expired continues to lease a property without signing a new agreement. This “holdover” tenant typically continues to uphold the terms of the original lease until a new one is created.

Types of Leases

There are four basic types of leases:

- Gross lease
- Net lease
- Percentage lease
- Step up lease

Gross Lease

A **gross lease** is a type of lease in which a payment amount is fixed for a specified period of time. Any repairs, additions, and/or the cost of maintenance are the property manager’s responsibility.

This is the most common type of lease.

Typically, a gross lease will include a holdover clause provision. A **holdover clause** states that a property manager has the ability to raise rental payments at the end of a lease term.

Net Lease

A **net lease** – also called a “triple net lease” – is a type of lease in which a tenant is responsible for all expenses, including water, electric, taxes, and the cost of repairs/maintenance.

A net lease typically lasts longer than 12 months. This locks a tenant and a property manager into a mutually beneficial, long-term agreement.

Typically, this type of lease is used for a property that is specifically constructed for a tenant’s business. It is also a common lease type for a leaseback.

Percentage Lease

A **percentage lease** is a commercial lease in which a tenant pays a base rent, plus a percentage of the gross income derived from the property. A property manager will typically provide tenants with a lower base rent under this form of lease.

With a percentage lease, the more successful a tenant's business is, the more income a property manager earns. This allows a property manager to maximize his or her earnings.

Critics of percentage leases claim that it is unfair for a tenant to pay a property manager for his or her success. However, supporters claim that the lower base rent helps tenants who would otherwise not have the ability to rent a space start a business.

Most percentage leases have a recapture clause. A **recapture clause** states that in the event that a tenant does not meet a minimum gross income amount, a property manager has the right to evict the tenant from the property.

Step Up Lease

A **step up lease** allows a property manager to increase rent payments incrementally.

These rent increases are based on a property manager's specifications as long as both parties agree to the lease terms.

For example, say a tenant and a property manager agree to a lease that starts at \$1,200 a month with rental payments increasing every year by 3.5%. This means that a tenant's rent would increase by \$42 the first year, \$43 the second year, and so on.



CALIFORNIA
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**RESIDENTIAL LEASE OR
MONTH-TO-MONTH RENTAL AGREEMENT**
(C.A.R. Form LR, Revised 6/17)

Date

("Landlord") and
("Tenant") agree as follows:

1. PROPERTY:

A. Landlord rents to Tenant and Tenant rents from Landlord, the real property and improvements described as:

("Premises").

B. The Premises are for the sole use as a personal residence by the following named person(s) only:

C. The following personal property, maintained pursuant to paragraph 11, is included:

or (if checked) the personal property on the attached addendum.

D. The Premises may be subject to a local rent control ordinance

("Commencement Date"). If Tenant has not

paid all amounts then due; (i) Tenant has no right to possession or keys to the premises and; (ii) this Agreement is voidable at the option of Landlord, 2 calendar days after giving Tenant a Notice to Pay (C.A.R. Form PPN). Notice may be delivered to Tenant (i) in person; (ii) by mail to Tenant's last known address; or (iii) by email, if provided in Tenant's application or previously used by Tenant to communicate with Landlord or agent for Owner. If Landlord elects to void the lease, Landlord shall refund to Tenant all rent and security deposit paid.

(Check A or B):

A. **Month-to-Month:** This Agreement continues from the commencement date as a month-to-month tenancy. Tenant may terminate the tenancy by giving written notice at least 30 days prior to the intended termination date. Tenant shall be responsible for paying rent through the termination date even if moving out early. Landlord may terminate the tenancy by giving written notice as provided by law. Such notices may be given on any date.

B. **Lease:** This Agreement shall terminate on (date)

at AM/ PM.

Tenant shall vacate the Premises upon termination of the Agreement, unless: (i) Landlord and Tenant have extended this Agreement in writing or signed a new agreement; (ii) mandated by local rent control law; or (iii) Landlord accepts Rent from Tenant (other than past due Rent), in which case a month-to-month tenancy shall be created which either party may terminate as specified in paragraph 2A. Rent shall be at a rate agreed to by Landlord and Tenant, or as allowed by law. All other terms and conditions of this Agreement shall remain in full force and effect.

3. RENT: "Rent" shall mean all monetary obligations of Tenant to Landlord under the terms of the Agreement, except security deposit.

A. Tenant agrees to pay \$ per month for the term of the Agreement.

B. Rent is payable in advance on the 1st (or) day of each calendar month, and is delinquent on the next day.

C. If Commencement Date falls on any day other than the day Rent is payable under paragraph 3B, and Tenant has paid one full month's Rent in advance of Commencement Date, Rent for the second calendar month shall be prorated and Tenant shall pay 1/30th of the monthly rent per day for each day remaining in prorated second month.

D. **PAYMENT:** (1) Rent shall be paid by personal check, money order, cashier's check, made payable to , wire/electronic transfer, or other

(2) Rent shall be delivered to (name)

(whose phone number is)

at (address)

(or at any other location subsequently specified by Landlord in writing to Tenant)

(and if checked, rent may be paid personally between the hours of and on the following days).

(3) If any payment is returned for non-sufficient funds ("NSF") or because tenant stops payment, then, after that: (i) Landlord may, in writing, require Tenant to pay Rent in cash for three months and (ii) all future Rent shall be paid by money order, or cashier's check.

E. Rent payments received by Landlord shall be applied to the earliest amount(s) due or past due.

4. SECURITY DEPOSIT:

A. Tenant agrees to pay \$ as a security deposit. Security deposit will be transferred to and held by the Owner of the Premises, or held in Owner's Broker's trust account.

B. All or any portion of the security deposit may be used, as reasonably necessary, to: (i) cure Tenant's default in payment of Rent (which includes Late Charges, NSF fees or other sums due); (ii) repair damage, excluding ordinary wear and tear, caused by Tenant or by a guest or licensee of Tenant; (iii) clean Premises, if necessary, upon termination of the tenancy; and (iv) replace or return personal property or appurtenances.

SECURITY DEPOSIT SHALL NOT BE USED BY TENANT IN LIEU OF PAYMENT OF LAST MONTH'S RENT. If all or any portion of the security deposit is used during the tenancy, Tenant agrees to reinstate the total security deposit within five days after written notice is delivered to Tenant. Within 21 days after Tenant vacates the Premises, Landlord shall: (1) furnish Tenant an itemized statement indicating the amount of any security deposit received and the basis for its disposition and supporting documentation as required by California Civil Code § 1950.5(g); and (2) return any remaining portion of the security deposit to Tenant.

C. Security deposit will not be returned until all Tenants have vacated the Premises and all keys returned. Any security deposit returned by check shall be made out to all Tenants named on this Agreement, or as subsequently modified.

D. No interest will be paid on security deposit unless required by local law.

E. If the security deposit is held by Owner, Tenant agrees not to hold Broker responsible for its return. If the security deposit is held in Owner's Broker's trust account, and Broker's authority is terminated before expiration of this Agreement, and security deposit is released to someone other than Tenant, then Broker shall notify Tenant, in writing, where and to whom security deposit has been released. Once Tenant has been provided such notice, Tenant agrees not to hold Broker responsible for the security deposit.

Tenant's Initials () ()

Landlord's Initials () ()

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RESIDENTIAL LEASE OR MONTH-TO-MONTH RENTAL AGREEMENT (LR PAGE 1 OF 7)



Premises:

Date:

5. **MOVE-IN COSTS RECEIVED/DUE:** Move-in funds shall be paid by personal check, money order, or cashier's check, wire/electronic transfer.

Category	Total Due	Payment Received	Balance Due	Date Due	Payable To
Rent from to (date)					
*Security Deposit					
Other					
Other					
Total					

*The maximum amount of security deposit, however designated, cannot exceed two months' Rent for unfurnished premises, or three months' Rent for furnished premises.

6. **LATE CHARGE; RETURNED CHECKS:**

- A. Tenant acknowledges either late payment of Rent or issuance of a returned check may cause Landlord to incur costs and expenses, the exact amounts of which are extremely difficult and impractical to determine. These costs may include, but are not limited to, processing, enforcement and accounting expenses, and late charges imposed on Landlord. If any installment of Rent due from Tenant is not received by Landlord within 5 (or) calendar days after the date due, or if a check is returned, Tenant shall pay to Landlord, respectively, an additional sum of \$ or % of the Rent due as a Late Charge and \$25.00 as a NSF fee for the first returned check and \$35.00 as a NSF fee for each additional returned check, either or both of which shall be deemed additional Rent.
- B. Landlord and Tenant agree that these charges represent a fair and reasonable estimate of the costs Landlord may incur by reason of Tenant's late or NSF payment. Any Late Charge or NSF fee due shall be paid with the current installment of Rent. Landlord's acceptance of any Late Charge or NSF fee shall not constitute a waiver as to any default of Tenant. Landlord's right to collect a Late Charge or NSF fee shall neither be deemed an extension of the date Rent is due under paragraph 3 nor prevent Landlord from exercising any other rights and remedies under this Agreement and as provided by law.

7. **PARKING: (Check A or B)**

- A. Parking is permitted as follows:

The right to parking is is not included in the Rent charged pursuant to paragraph 3. If not included in the Rent, the parking rental fee shall be an additional \$ per month. Parking space(s) are to be used only for parking properly registered and operable motor vehicles, except for trailers, boats, campers, buses or trucks (other than pick-up trucks). Tenant shall park in assigned space(s) only. Parking space(s) are to be kept clean. Vehicles leaking oil, gas or other motor vehicle fluids shall not be parked on the Premises. Mechanical work, or storage of inoperable vehicles, or storage of any kind is not permitted in parking space(s) or elsewhere on the Premises except as specified in paragraph 8.

OR B. Parking is not permitted on the Premises.

8. **STORAGE: (Check A or B)**

- A. Storage is permitted as follows:

The right to separate storage space is is not, included in the Rent charged pursuant to paragraph 3. If not included in the Rent, storage space fee shall be an additional \$ per month. Tenant shall store only personal property Tenant owns, and shall not store property claimed by another or in which another has any right, title or interest. Tenant shall not store any improperly packaged food or perishable goods, flammable materials, explosives, hazardous waste or other inherently dangerous material, or illegal substances.

OR B. Except for Tenant's personal property, contained entirely within the Premises, storage is not permitted on the Premises.

9. **UTILITIES:** Tenant agrees to pay for all utilities and services, and the following charges: except which shall be paid for by Landlord. If any utilities are not separately metered, Tenant shall pay Tenant's proportional share, as reasonably determined and directed by Landlord. If utilities are separately metered, Tenant shall place utilities in Tenant's name as of the Commencement Date. Landlord is only responsible for installing and maintaining one usable telephone jack and one telephone line to the Premises. Tenant shall pay any cost for conversion from existing utilities service provider.

A. **Water Submeters:** Water use on the Premises is measured by a submeter and Tenant will be separately billed for water usage based on the submeter. See attached Water Submeter Addendum (C.A.R. Form WSM) for additional terms.

B. **Gas Meter:** The Premises does not have a separate gas meter.

C. **Electric Meter:** The Premises does not have a separate electrical meter.

10. **CONDITION OF PREMISES:** Tenant has examined Premises and, if any, all furniture, furnishings, appliances, landscaping and fixtures, including smoke alarm(s) and carbon monoxide detector(s).

(Check all that apply):

A. Tenant acknowledges these items are clean and in operable condition, with the following exceptions:

B. Tenant's acknowledgment of the condition of these items is contained in an attached statement of condition (C.A.R. Form MIMO).

C. (i) Landlord will Deliver to Tenant a statement of condition (C.A.R. Form MIMO) within 3 days after execution of this Agreement; prior to the Commencement Date; within 3 days after the Commencement Date.
(ii) Tenant shall complete and return the MIMO to Landlord within 3 (or) days after Delivery. Tenant's failure to return the MIMO within that time shall conclusively be deemed Tenant's Acknowledgement of the condition as stated in the MIMO.

D. Tenant will provide Landlord a list of items that are damaged or not in operable condition within 3 (or) days after Commencement Date, not as a contingency of this Agreement but rather as an acknowledgement of the condition of the Premises.

E. Other:

Tenant's Initials

Landlord's Initials

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RESIDENTIAL LEASE OR MONTH-TO-MONTH RENTAL AGREEMENT (LR PAGE 2 OF 7)

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Premises:

Date:

11. MAINTENANCE USE AND REPORTING:

- A. Tenant shall properly use, operate and safeguard Premises, including if applicable, any landscaping, furniture, furnishings and appliances, and all mechanical, electrical, gas and plumbing fixtures, carbon monoxide detector(s) and smoke alarms, and keep them and the Premises clean, sanitary and well ventilated. Tenant shall be responsible for checking and maintaining all carbon monoxide detectors and any additional phone lines beyond the one line and jack that Landlord shall provide and maintain. Tenant shall immediately notify Landlord, in writing, of any problem, malfunction or damage with any item including carbon monoxide detector(s) and smoke alarms on the property. Tenant shall be charged for all repairs or replacements caused by Tenant, pets, guests or licensees of Tenant, excluding ordinary wear and tear. Tenant shall be charged for all damage to Premises as a result of failure to report a problem in a timely manner. Tenant shall be charged for repair of drain blockages or stoppages, unless caused by defective plumbing parts or tree roots invading sewer lines.
- B. Landlord Tenant shall water the garden, landscaping, trees and shrubs, except:
- C. Landlord Tenant shall maintain the garden, landscaping, trees and shrubs, except:
- D. Landlord Tenant shall maintain
- E. Landlord and Tenant agree that State or local water use restrictions shall supersede any obligation of Landlord or Tenant to water or maintain any garden, landscaping, trees or shrubs pursuant to 11B, 11C, and 11D.
- F. Tenant's failure to maintain any item for which Tenant is responsible shall give Landlord the right to hire someone to perform such maintenance and charge Tenant to cover the cost of such maintenance.
- G. The following items of personal property are included in the Premises without warranty and Landlord will not maintain, repair or replace them:

- H. Tenant understands that if Premises is located in a Common Interest Development, Landlord may not have authority or control over certain parts of the Premises such as roof, electrical, gas or plumbing features inside certain walls, and common areas such as shared parking structure or garage.

- I. Tenant shall not use the premises to plant, grow, cultivate or sell marijuana.

- 12. NEIGHBORHOOD CONDITIONS:** Tenant is advised to satisfy him or herself as to neighborhood or area conditions, including, but not limited to, schools, proximity and adequacy of law enforcement, crime statistics, proximity of registered felons or offenders, fire protection, other governmental services, availability, adequacy and cost of any wired, wireless internet connections or other telecommunications or other technology services and installations, proximity to commercial, industrial or agricultural activities, existing and proposed transportation, construction and development that may affect noise, view, or traffic, airport noise, noise or odor from any source, wild and domestic animals, other nuisances, hazards, or circumstances, cemeteries, facilities and condition of common areas, conditions and influences of significance to certain cultures and/or religions, and personal needs, requirements and preferences of Tenant.

- 13. PETS:** Unless otherwise provided in California Civil Code §54.2, no animal or pet shall be kept on or about the Premises without Landlord's prior written consent, except as agreed to in the attached Pet Addendum (C.A.R. Form PET).

14. NO SMOKING:

- A. (i) Tenant is responsible for all damage caused by smoking including, but not limited to stains, burns, odors and removal of debris; (ii) Tenant acknowledges that in order to remove odor caused by smoking, Landlord may need to replace carpet and drapes and paint the entire premises regardless of when these items were last cleaned, replaced or repainted. Such actions and other necessary steps will impact the return of any security deposit.
- B. The Premises or common areas may be subject to a local non-smoking ordinance.
- C. NO SMOKING of any substance is allowed on the Premises or common areas. If smoking does occur on the Premises or common areas, (i) Tenant is in material breach of this Agreement; (ii) Tenant, guests, and all others may be required to leave the Premises. Smoking of the following substances only is allowed:

15. RULES/REGULATIONS:

- A. Tenant agrees to comply with all Landlord rules and regulations that are at any time posted on the Premises or delivered to Tenant. Tenant shall not, and shall ensure that guests and licensees of Tenant shall not, disturb, annoy, endanger or interfere with other tenants of the building or neighbors, or use the Premises for any unlawful purposes, under federal, state, or local law including, but not limited to, using, manufacturing, selling, storing or transporting illicit drugs or other contraband, or violate any law or ordinance, or commit a waste or nuisance on or about the Premises.

B. (If applicable, check one)

1. Landlord shall provide Tenant with a copy of the rules and regulations within days
or

OR 2. Tenant has been provided with, and acknowledges receipt of, a copy of the rules and regulations.

16. (If checked) CONDOMINIUM; PLANNED UNIT DEVELOPMENT:

- A. The Premises are a unit in a condominium, planned unit development, common interest subdivision or other development governed by a homeowners' association ("HOA"). The name of the HOA is . Tenant agrees to comply with all HOA covenants, conditions and restrictions, bylaws, rules and regulations and decisions ("HOA Rules"). Tenant shall reimburse Landlord for any fines or charges imposed by HOA or other authorities, due to any violation by Tenant, or the guests or licensees of Tenant or Landlord shall have the right to deduct such amounts from the security deposit.
- B. If applicable, Tenant is required to pay a fee to the HOA to gain access to certain areas within the development such as but not necessarily including or limited to the front gate, pool, and recreational facilities. If not specified in paragraph 5, Tenant is solely responsible for payment and satisfying any HOA requirements prior to or upon or after the Commencement Date.

C. (Check one)

1. Landlord shall provide Tenant with a copy of the HOA Rules within days
or

OR 2. Tenant has been provided with, and acknowledges receipt of, a copy of the HOA Rules.

- 17. ALTERATIONS; REPAIRS:** Unless otherwise specified by law or paragraph 32C, without Landlord's prior written consent, (i) Tenant shall not make any repairs, alterations or improvements in or about the Premises including: painting, wallpapering, adding or changing locks, installing antenna or satellite dish(es), placing signs, displays or exhibits, or using screws, fastening devices, large nails or adhesive materials; (ii) Landlord shall not be responsible for the costs of alterations or repairs made by Tenant; (iii) Tenant shall not deduct from Rent the costs of any repairs, alterations or improvements; and (iv) any deduction made by Tenant shall be considered unpaid Rent.

Tenant's Initials () ()

Landlord's Initials () ()

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RESIDENTIAL LEASE OR MONTH-TO-MONTH RENTAL AGREEMENT (LR PAGE 3 OF 7)

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Premises:

Date:

18. KEYS; LOCKS:

- A. Tenant acknowledges receipt of (or Tenant will receive prior to the Commencement Date, or key(s) to Premises, remote control device(s) for garage door/gate opener(s), key(s) to mailbox, key(s) to common area(s)).
- B. Tenant acknowledges that locks to the Premises have, have not, been re-keyed.
- C. If Tenant re-keys existing locks or opening devices, Tenant shall immediately deliver copies of all keys to Landlord. Tenant shall pay all costs and charges related to loss of any keys or opening devices. Tenant may not remove locks, even if installed by Tenant.

19. ENTRY:

- A. Tenant shall make Premises available to Landlord or Landlord's representative for the purpose of entering to make necessary or agreed repairs (including, but not limited to, installing, repairing, testing, and maintaining smoke detectors and carbon monoxide devices, and bracing, anchoring or strapping water heaters, or repairing dilapidation relating to the presence of mold); providing decorations, alterations, or improvements, or supplying necessary or agreed services; or to show Premises to prospective or actual purchasers, tenants, mortgagees, lenders, appraisers, contractors and others (collectively "Interested Persons"). Tenant agrees that Landlord, Broker and Interested Persons may take photos of the Premises.
- B. Landlord and Tenant agree that 24-hour written notice shall be reasonable and sufficient notice, except as follows: (1) 48-hour written notice is required to conduct an inspection of the Premises prior to the Tenant moving out, unless the Tenant waives the right to such notice. (2) If Landlord has in writing informed Tenant that the Premises are for sale and that Tenant will be notified orally to show the premises (C.A.R. Form NSE), then, for the next 120 days following the delivery of the NSE, notice may be given orally to show the Premises to actual or prospective purchasers. (3) No written notice is required if Landlord and Tenant orally agree to an entry for agreed services or repairs if the date and time of entry are within one week of the oral agreement. (4) No notice is required: (i) to enter in case of an emergency; (ii) if the Tenant is present and consents at the time of entry; or (iii) if the Tenant has abandoned or surrendered the Premises.
- C. (If checked) Tenant authorizes the use of a keysafe/lockbox to allow entry into the Premises and agrees to sign a keysafe/lockbox addendum (C.A.R. Form KLA).

20. PHOTOGRAPHS AND INTERNET ADVERTISING:

- A. In order to effectively market the Premises for sale or rental it is often necessary to provide photographs, virtual tours and other media to Interested Persons. Tenant agrees that Broker may photograph or otherwise electronically capture images of the exterior and interior of the Premises ("Images") for static and/or virtual tours of the Premises by Interested Persons for use on Broker's website, the MLS, and other marketing materials and sites. Tenant acknowledges that once Images are placed on the Internet neither Broker nor Landlord has control over who can view such Images and what use viewers may make of the Images, or how long such Images may remain available on the Internet.
- B. Tenant acknowledges that prospective Interested Persons coming onto the Premises may take photographs, videos or other images of the Premises. Tenant understands that Broker does not have the ability to control or block the taking and use of Images by any such persons. Once Images are taken and/or put into electronic display on the Internet or otherwise, neither Broker nor Landlord has control over who views such Images nor what use viewers may make of the Images.

21. SIGNS: Tenant authorizes Landlord to place FOR SALE/LEASE signs on the Premises.**22. ASSIGNMENT; SUBLETTING:** A. Tenant shall not sublet all or any part of Premises, or parking or storage spaces, or assign or transfer this Agreement or any interest in it, without Landlord's prior written consent. Unless such consent is obtained, any assignment, transfer or subletting of Premises or this Agreement or tenancy, by voluntary act of Tenant, operation of law or otherwise, shall, at the option of Landlord, terminate this Agreement. Any proposed assignee, transferee or sublessee shall submit to Landlord an application and credit information for Landlord's approval and, if approved, sign a separate written agreement with Landlord and Tenant. Landlord's consent to any one assignment, transfer or sublease, shall not be construed as consent to any subsequent assignment, transfer or sublease and does not release Tenant of Tenant's obligations under this Agreement. B. This prohibition also applies (does not apply) to short term, vacation, and transient rentals such as, but not limited to, those arranged through AirBnB, VRBO, HomeAway or other short term rental services. C. Any violation of this prohibition is a non-curable, material breach of the Agreement.**23. JOINT AND INDIVIDUAL OBLIGATIONS:** If there is more than one Tenant, each one shall be individually and completely responsible for the performance of all obligations of Tenant under this Agreement, jointly with every other Tenant, and individually, whether or not in possession.**24. LEAD-BASED PAINT** (If checked): Premises were constructed prior to 1978. In accordance with federal law, Landlord gives and Tenant acknowledges receipt of the disclosures on the attached form (C.A.R. Form FLD) and a federally approved lead pamphlet.**25. PERIODIC PEST CONTROL: (CHECK IF EITHER APPLIES)**

- A. Landlord has entered into a contract for periodic pest control treatment of the Premises and shall give Tenant a copy of the notice originally given to Landlord by the pest control company.
- B. Premises is a house. Tenant is responsible for pest control.

26. METHAMPHETAMINE CONTAMINATION: Prior to signing this Agreement, Landlord has given Tenant a notice that a health official has issued an order prohibiting occupancy of the property because of methamphetamine contamination. A copy of the notice and order are attached.**27. BED BUGS:** Landlord has no knowledge of any infestation in the Premises by bed bugs. See attached Bed Bug Disclosure (C.A.R. Form BBD) for further information. Tenant shall report suspected bed bug infestation to Landlord or, if applicable, property manager and cooperate with any inspection for and treatment of bed bugs. Landlord will notify tenants of any units infested by bed bugs.**28. MEGAN'S LAW DATABASE DISCLOSURE:** Notice: Pursuant to Section 290.46 of the Penal Code, information about specified registered sex offenders is made available to the public via an Internet Web site maintained by the Department of Justice at www.meganslaw.ca.gov. Depending on an offender's criminal history, this information will include either the address at which the offender resides or the community of residence and ZIP Code in which he or she resides. (Neither Landlord nor Brokers, if any, are required to check this website. If Tenant wants further information, Tenant should obtain information directly from this website.)**29. RESIDENTIAL ENVIRONMENTAL HAZARDS BOOKLET:** Tenant acknowledges receipt of the residential environmental hazards booklet.**30. MILITARY ORDNANCE DISCLOSURE:** (If applicable and known to Landlord) Premises are located within one mile of an area once used for military training, and may contain potentially explosive munitions.Tenant's Initials Landlord's Initials **LR REVISED 6/17 (PAGE 4 OF 7)****RESIDENTIAL LEASE OR MONTH-TO-MONTH RENTAL AGREEMENT (LR PAGE 4 OF 7)**Produced with zipForm® by zipLogix 18070 Fifteen Mile Road, Fraser, Michigan 48026 www.zipLogix.com

Premises: _____

Date: _____

31. POSSESSION:

- A. Tenant is not in possession of the Premises. If Landlord is unable to deliver possession of Premises on Commencement Date, such Date shall be extended to the date on which possession is made available to Tenant. If Landlord is unable to deliver possession within 5 (or _____) calendar days after agreed Commencement Date, Tenant may terminate this Agreement by giving written notice to Landlord, and shall be refunded all Rent and security deposit paid. Possession is deemed terminated when Tenant has returned all keys to the Premises to Landlord.

- B. Tenant is already in possession of the Premises.

32. TENANT'S OBLIGATIONS UPON VACATING PREMISES:

- A. Upon termination of this Agreement, Tenant shall: (i) give Landlord all copies of all keys and any opening devices to Premises, including any common areas; (ii) vacate and surrender Premises to Landlord, empty of all persons; (iii) vacate any/all parking and/or storage space; (iv) clean and deliver Premises, as specified in paragraph C below, to Landlord in the same condition as referenced in paragraph 10; (v) remove all debris; (vi) give written notice to Landlord of Tenant's forwarding address; and (vii)

- B. All alterations/improvements made by or caused to be made by Tenant, with or without Landlord's consent, become the property of Landlord upon termination. Landlord may charge Tenant for restoration of the Premises to the condition it was in prior to any alterations/improvements.

- C. **Right to Pre-Move-Out Inspection and Repairs:** (i) After giving or receiving notice of termination of a tenancy (C.A.R. Form NTT), or before the expiration of this Agreement, Tenant has the right to request that an inspection of the Premises take place prior to termination of the lease or rental (C.A.R. Form NRI). If Tenant requests such an inspection, Tenant shall be given an opportunity to remedy identified deficiencies prior to termination, consistent with the terms of this Agreement. (ii) Any repairs or alterations made to the Premises as a result of this inspection (collectively, "Repairs") shall be made at Tenant's expense. Repairs may be performed by Tenant or through others, who have adequate insurance and licenses and are approved by Landlord. The work shall comply with applicable law, including governmental permit, inspection and approval requirements. Repairs shall be performed in a good, skillful manner with materials of quality and appearance comparable to existing materials. It is understood that exact restoration of appearance or cosmetic items following all Repairs may not be possible. (iii) Tenant shall: (a) obtain receipts for Repairs performed by others; (b) prepare a written statement indicating the Repairs performed by Tenant and the date of such Repairs; and (c) provide copies of receipts and statements to Landlord prior to termination. Paragraph 32C does not apply when the tenancy is terminated pursuant to California Code of Civil Procedure § 1161(2), (3) or (4).

- 33. BREACH OF CONTRACT; EARLY TERMINATION:** In addition to any obligations established by paragraph 32, in the event of termination by Tenant prior to completion of the original term of the Agreement, Tenant shall also be responsible for lost Rent, rental commissions, advertising expenses and painting costs necessary to ready Premises for re-rental. Landlord may withhold any such amounts from Tenant's security deposit.

- 34. TEMPORARY RELOCATION:** Subject to local law, Tenant agrees, upon demand of Landlord, to temporarily vacate Premises for a reasonable period, to allow for fumigation (or other methods) to control wood destroying pests or organisms, or other repairs to Premises. Tenant agrees to comply with all instructions and requirements necessary to prepare Premises to accommodate pest control, fumigation or other work, including bagging or storage of food and medicine, and removal of perishables and valuables. Tenant shall only be entitled to a credit of Rent equal to the per diem Rent for the period of time Tenant is required to vacate Premises.

- 35. DAMAGE TO PREMISES:** If, by no fault of Tenant, Premises are totally or partially damaged or destroyed by fire, earthquake, accident or other casualty that render Premises totally or partially uninhabitable, either Landlord or Tenant may terminate this Agreement by giving the other written notice. Rent shall be abated as of the date Premises become totally or partially uninhabitable. The abated amount shall be the current monthly Rent prorated on a 30-day period. If the Agreement is not terminated, Landlord shall promptly repair the damage, and Rent shall be reduced based on the extent to which the damage interferes with Tenant's reasonable use of Premises. If damage occurs as a result of an act of Tenant or Tenant's guests, only Landlord shall have the right of termination, and no reduction in Rent shall be made.

- 36. INSURANCE:** A. Tenant's or guest's personal property and vehicles are not insured by Landlord, manager or, if applicable, HOA, against loss or damage due to fire, theft, vandalism, rain, water, criminal or negligent acts of others, or any other cause. **Tenant is advised to carry Tenant's own insurance (renter's insurance) to protect Tenant from any such loss or damage.** B. Tenant shall comply with any requirement imposed on Tenant by Landlord's insurer to avoid: (i) an increase in Landlord's insurance premium (or Tenant shall pay for the increase in premium); or (ii) loss of insurance. C. Tenant shall obtain liability insurance, in an amount not less than \$ _____, naming Landlord and, if applicable, Property Manager as additional insured for injury or damage to, or upon, the Premises during the term of this agreement or any extension. Tenant shall provide Landlord a copy of the insurance policy before commencement of this Agreement, and a rider prior to any renewal.

- 37. WATERBEDS/PORTABLE WASHERS:** Tenant shall not use or have waterbeds on the Premises unless: (i) Tenant obtains a valid waterbed insurance policy; (ii) Tenant increases the security deposit in an amount equal to one-half of one month's Rent; and (iii) the bed conforms to the floor load capacity of Premises. Tenant shall not use on the Premises Portable Dishwasher Portable Washing Machine.

- 38. WAIVER:** The waiver of any breach shall not be construed as a continuing waiver of the same or any subsequent breach.

- 39. NOTICE:** Notices may be served at the following address, or at any other location subsequently designated:

Landlord: _____

Tenant: _____

- 40. TENANT ESTOPPEL CERTIFICATE:** Tenant shall execute and return a tenant estoppel certificate delivered to Tenant by Landlord or Landlord's agent within 3 days after its receipt (C.A.R. Form TEC). Failure to comply with this requirement shall be deemed Tenant's acknowledgment that the tenant estoppel certificate is true and correct, and may be relied upon by a lender or purchaser.

41. REPRESENTATION

- A. TENANT REPRESENTATION; OBLIGATIONS REGARDING OCCUPANTS; CREDIT:** Tenant warrants that all statements in Tenant's rental application are accurate. Landlord requires all occupants 18 years of age or older and all emancipated minors to complete a lease rental application. Tenant acknowledges this requirement and agrees to notify Landlord when any occupant of the Premises reaches the age of 18 or becomes an emancipated minor. Tenant authorizes Landlord and Broker(s) to obtain Tenant's credit report periodically during the tenancy in connection with the modification or enforcement of this Agreement. Landlord may cancel this Agreement: (i) before occupancy begins; upon disapproval of the credit report(s), or upon discovering that information in Tenant's application is false; (ii) After commencement date, upon disapproval of an updated credit report or upon discovering that information

Tenant's Initials () () ()

Landlord's Initials () () ()

LR REVISED 6/17 (PAGE 5 OF 7)**RESIDENTIAL LEASE OR MONTH-TO-MONTH RENTAL AGREEMENT (LR PAGE 5 OF 7)**Produced with zipForm® by zipLogix 18070 Fifteen Mile Road, Fraser, Michigan 48026 www.ziplogix.com