



PERCHAK PROPERTIES

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HANDBOOK FOR LANDLORDS

GUIDE TO FINDING & KEEPING GOOD TENANTS

BY

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GUIDE TO FINDING & KEEPING GOOD TENANTS

TOPICS

- 1. PREPARING YOUR PROPERTY FOR RENTAL**
- 2. MARKETING OF YOUR RENTAL PROPERTY**
- 3. SCREENING TENANTS - NEGOTIATING**
- 4. LEASE SIGNING - PROPER FORMS**
- 5. WALK THROUGH AND KEY EXCHANGE**
- 6. AFTER TENANT HAS MOVED IN**
- 7. WALK OUT INSPECTION AND KEY TRANSFER**
- 8. SECURITY DEPOSIT RETURN PROCEDURE**

**THESE PROCEDURES APPLY WHETHER YOU ARE HANDLING THE
MANAGEMENT OF YOUR PROPERTY OR HAVE A MANAGER**



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CHAPTER ONE

PREPARING YOUR PROPERTY FOR RENTAL

It is vitally important that you prepare your rental property in the proper manner to attract a good tenant. The first thing a prospective tenant notices when they drive up to a property is what the exterior of the property looks like. Realtors and Property Managers call this “Curb Appeal”. Have your property present itself in the best light. Make sure it is clean and there is no debris or anything lying around that detracts from the property. If there is landscaping, make sure the grounds are well maintained and the shrubbery and trees are trimmed and presentable. This is very important because there is only one chance for a first impression. Make it a good one.

Next is the interior of the property. Again, it is very important that the interior of the property makes a favorable impression on the prospective tenant. It is very important that the property is clean, well lit and freshly painted (or at the very least touched up). It is also very important that all systems are in working order and the proper smoke detectors are installed as per code. We recommend one in every bedroom and one in or near the kitchen. Of course, if it is a two story structure you need to have smoke detectors on each level. Another tip is to have a couple of deodorizer’s placed around the interior to give it a fresh smell. Also, make sure all window coverings are in good order and are clean. Window screens should be on all windows and free of rips and tears.

To summarize, it is critical to have a well maintained property both in and out to attract the best possible tenant. Good tenants will automatically gravitate towards a property that is well maintained. It’s a win/win situation for both you and the tenant.



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CHAPTER TWO

MARKETING OF YOUR RENTAL PROPERTY

Now that your property is ready to rent the next step is finding a good, qualified tenant. It is very important to get as much exposure for your property as possible. First of all, make sure you have proper signage on the property. Drive by potential tenants frequently call if there is a good, legible sign displayed on the property. The next step is to write a good descriptive ad for the property and place it in the local newspaper. We find weekends to be the best time to run print ads. Also, the internet has become a very important tool in finding good tenants. There are numerous internet sites that you can place an ad for your property. We find Craig's List to be very good. Yahoo is also good, however, there is a charge to place an ad on Yahoo. Just go on to the internet and search for as many free sites that you can list your property on.

Another good source for prospective tenants is your place of work, friend's and business associates and the like. Put up a note on your company bulletin board advertising your rental or on the company internet site if possible. Word of mouth can many times be very helpful.

Next, it is very important to properly price your rental. If you have a property manager, they will assist you in this process. If not, check the local newspaper to see what comparable properties are renting for. Also, check the various internet sites that advertise rentals and compare the properties listed to yours. Try to keep your asking price reasonable. Be willing to negotiate and be flexible. We will discuss this further in the next chapter.



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CHAPTER THREE

SCREENING TENANTS & NEGOTIATING

Once you have begun marketing your property the next step is to begin screening prospective tenants. Have prospective tenants fill out a rental application. Rental applications can be found through rental housing landlord associations, stationary stores, on line etc... Have the tenant fill out the application and sign and date. It is very important that they sign and date the application as this gives you the authority to check out the applicant. First, run their credit report. There are several reporting agencies that will run the credit report for a fee. I would not recommend accepting a credit report from the prospective tenant. In today's computer world, credit reports can be altered. Therefore, make sure you run your own. Next, make sure you call their current employer to insure that they work there. If they work for a company that has a Human Resources division you may ask them to verify employment in writing. Ask for a copy of their W-2 income statement. If the prospective tenant is self employed, ask to see the previous years 1099 income report. Also, ask to see their last three months bank/checking statement to verify what their earnings are.

Next, it is important to call their existing landlord. We have a form we use that we ask the current landlord to fill out. If that is not possible then we ask them the questions verbally and write the answers down on our form. Some of the questions we ask are what is the tenant currently paying, do they pay on time, how long have they lived there, why are they moving, have you had any problems with the tenant, have you had to serve any notices on the tenant, would you re rent to this tenant. These are all good questions and give you a picture of what the tenant's track record is. Also, I highly recommend contacting the previous landlord where possible. If the tenant no longer resides there, the owner will probably be very candid with you as to whether this was a good tenant or not. There is always the possibility that a current landlord would love to see the tenant move and not be truthful with you.



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CHAPTER THREE - continued

As far as personal references are concerned, we don't put a lot of weight in them. Most friends or relatives of the prospective tenant are going to shed a positive light on them. If they wouldn't comment positively the tenant would not list them. Once you have thoroughly checked out your prospective tenant and feel comfortable with having them as your new tenant, it is time to negotiate a rental agreement with them. Try to be flexible. Sometimes tenant's ask to negotiate the asking rent. If you feel strongly about the tenant you may want to consider a concession.

Move in date is important. Of course you want the tenant to move in as soon as possible. However, I would wait up to a month for a really strong tenant. Most landlord's want a one year lease. Coincidentally, so do most tenants. My feeling is that the longer a good tenant stays the better. However, most attorneys you talk to will probably recommend a month to month agreement. They will tell you that most leases protect the tenant more so than the landlord. While this may be true, especially in California, my feeling is that a lease is better because it helps guard against a tenant moving in and then moving out in a few months. If this happens you will have to go over the same procedure again looking for a tenant while incurring costs of finding a new tenant, vacancy factor and the like.

One other note, we like our leases to come due during the summer months. It is the best time to find a new tenant. Try to structure your leases this way even if this means doing a shorter lease the first time the tenant moves in. In the next chapter we will discuss the lease signing and using the proper forms.



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CHAPTER FOUR

LEASE SIGNING - PROPER FORMS

Once you have properly screened your tenant and have negotiated a lease agreement it is time to sign the lease. It is imperative that you have the proper lease forms in place. A basic lease can be obtained from several sources, ie. the internet, stationary store, landlord associations that you can join etc... Some of the basic leases used are California Apartment Association Lease, First Tuesday Lease, Professional Publishers Form Lease, California Association Of Realtors Lease. Along with the basic lease form you need to have an addendum that covers some of the areas that a basic lease does not address. A copy of this addendum can be obtained through Perchak Properties. Also, there are federal and state law forms that are mandatory whether you handle the property yourself or have a property manager.

Federal law requires a lead base paint disclosure form along with a booklet that must be given to the tenant at lease signing. California State law requires a Megan's Law addendum with the proper terminology signed by the tenant. Also, I highly recommend a mold addendum today. This basically says that you have checked out the property for visual evidence of mold and are making the tenant aware that once they move in to let you know immediately if they detect any leaks or evidence of mold while they reside in the property.

Of course, if you have a property manager, they will make sure that all the proper forms are completed and signed by the new tenant. Once you have the tenant sign the lease and all addendums make sure you give them copies of what they have signed. If they are moving in right away make sure to collect a cashier's check for the rent amount and a security deposit. We normally like rents to be due on the first of each month with a five day grace period. Therefore, you want to collect a first month's rent (or prorated if not starting on the first of the month) along with a security deposit that is at least several hundred dollars more than the monthly rent. California law states that you can collect up to two months rent for an unfurnished property or up to three months rent for a furnished unit.



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CHAPTER FOUR - Continued

If the tenant is moving in a few weeks or so, make sure to collect a partial, non-refundable deposit to hold the property until they move in.

In the next chapter we will be discussing the walk through inspection of the property when you turn over keys to your new tenant. To summarize, it is very important to have a proper lease signed along with all accompanying addendums to insure that you and the tenant are on the same page with what is required of their tenancy and what they can expect from you, their landlord.



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CHAPTER FIVE

WALK THROUGH AND KEY EXCHANGE

The lease is signed and you have collected all monies in the form of a cashier's check. You are ready to turn over the keys and do an initial walk through inspection. There are two schools of thought on the walk through inspection.

The first is that you meet the tenant at the property and go through it with them, filling out a written walk through inspection room by room. Once this inspection is completed you then have the tenant sign and date the inspection while you do so as well. Once completed you then turn over all appropriate keys to the tenant. It is a good idea to have the tenant sign for the keys and give them a receipt for the number of keys they have received and what the keys were for. Also, if garage door mechanisms are involved have them sign for them and the number received.

The second school of thought is to give the walk through checklist to the tenant when they are ready to move in along with all appropriate keys which they sign for. Then require that they return the walk through checklist within two weeks of occupancy, signed and dated. The reason for this approach is that many times when you do the walk through with the tenant before they move in, invariably they find items to add to the list once they have lived there for a week or so. Both approaches work, it just depends on which method you find works better for you.

Finally, don't forget to remind the tenant to turn on all utilities in their name with the appropriate entity. You may want to call the various utility companies a few days later to make sure this was done. Perchak Properties has a list of appropriate utilities that we give to the tenant along with phone numbers for their use.

You now have a tenant residing at your property. Up next, "Now what"?



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CHAPTER SIX

AFTER TENANT HAS MOVED IN

Congratulations, you are now a landlord. The IRS says you are running a business. That's how they look at it, and in my opinion that's how you should look at it. By this I mean, take good care of your property. Don't be a SLUMLORD. During the tenancy, if your tenant calls with a normal repair request, take care of it in a timely manner. Don't look at it as a nuisance, but as a way of maintaining your investment in top condition. Also, if you are doing the repair yourself, this gives you a chance to see how the tenant is taking care of the property. If you have a maintenance guy, or your property manager has a maintenance team, ask them to casually look around when their representative is there doing a repair to check the general condition of the property. Ask them to report anything out of the ordinary to you.

If you rarely hear from the tenant, it is probably a good idea to schedule an appointment once or twice a year to go by and check out the inside of the property. At that time you can ask the tenant if there is anything that they feel needs attention. We have found that preventative maintenance is usually cheaper than fixing or replacing an item once it has broken down or deteriorated. Generally, property managers will check your property once or twice a year and do a written inspection of the property that they send to you.

If during the tenancy it comes to your attention that something is wrong, or the tenant is not maintaining the property, or has committed a violation and the like, it is important to contact the tenant right away. We like to do this in writing. This establishes a 'paper trail' that could be very important down the road should you need to take action against the tenant. Once you have written the tenant it is a good idea to follow up with a phone call to address the matter. Hopefully, it can be resolved to everyone's satisfaction. If a follow up letter is required, do so, and always keep a copy of all correspondence.



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CHAPTER SIX - Continued

If you do encounter a problem that can't be resolved via a letter(s) and/or phone communication, you may need the services of a good real estate attorney. Again, if you have a property manager, they will definitely know a good real estate attorney that they can engage.

To conclude, try to maintain good rapport with your tenants. This is really important. If something breaks, fix it. A well maintained property will cost less in the long run and be worth more when you go to sell it or trade it (good lesson for another time is IRS 1031 Exchange).

GOOD LUCK WITH YOUR INVESTMENT PROPERTY.



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CHAPTER SEVEN

WALK OUT INSPECTION AND KEY TRANSFER

Your tenant has given you proper notice in writing that they will be vacating your property. This should be received in writing. When the lease expires or you are on a month to month agreement, the tenant is required to give you 30 days notice to vacate if the frequency of payment is on a 30 day basis. However, if you want your tenant to vacate, the law in the State of California has recently changed to a 60 day notice in all instances except if you plan to sell the property, then 30 day notice is still appropriate.

Once your tenant gives you notice to vacate you must give them the opportunity to have a pre-walkout inspection prior to their moving. Generally, this is done approximately a week or two before move out. The reason this law was passed in the State Of California is that the tenant is given the opportunity to fix anything that you indicate is not “normal wear and tear” during your inspection so that the tenant can potentially remedy this situation and get their full security deposit back after moving. The form for this is called “Notice of Resident Option to Request Initial Inspection of the Rental Unit”. This form must be sent to the tenant a few weeks or so before vacating and signed and dated by you, or your property manager, with a request for them to sign and fill out the appropriate box if they desire the pre-move out inspection. If they do not sign it and return it to you then you can assume that they do not want it and will turn over the keys to you when the unit is vacant. This form can be found through the California Apartment Association or through internet outlets or through your property manager, of course.

Once you have made an appointment with the tenant to meet at the property, collect the keys and inspect the property, your are ready to have a smooth transition back to you. When you meet the tenant, make sure you have the walk through checklist from when the tenant moved in. This is important, because you will be able to highlight any



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CHAPTER SEVEN - Continued

discrepancies that may occur during your walk out inspection. If the inspection goes smoothly and you are satisfied, collect all appropriate keys from the tenant, get a forwarding address, and let them know that you will send their deposit back within three weeks (State Of California law). If you notice an item that in your opinion is not normal wear and tear, let the tenant know that you will get it fixed and send the balance of the deposit back to the tenant along with an accounting of what was done within three weeks. If you like, you can give the tenant the opportunity to correct the condition in a timely manner and then re-inspect. If corrected properly, and in a timely manner, then you can return their entire deposit. However, this must occur within three weeks of the tenant turning the keys and possession of the property over to you.

Congratulations, you have successfully taken back possession of your property.



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CHAPTER EIGHT

SECURITY DEPOSIT RETURN PROCEDURE

Once the property is vacant and the tenant has turned over all appropriate keys, garage door mechanisms, appliance operating manuals and the like, you are ready to process their deposit return. In the State of California, you have 21 days to return the security deposit from the time the tenant turns over the keys to you and the property is vacant. If you plan to make any deductions you must do it within this 21 day period. Any deductions debited should be accounted for in writing along with a net check sent to the tenant to the forwarding address that they provided to you when they turned over the keys. Make sure you keep a copy of any deductions that you subtract from the tenant's security deposit.

A question that comes up during deposit return is "Do I pay interest to the tenant on their security deposit"? If your property is located in a rent control city you should check with that city to see what the procedure is. You probably owe interest. If you are not located in a rent control city and there is nothing mentioned in the lease about interest paid on security deposit's then you probably don't owe any interest.

Another question often asked is what happens if the tenant does not receive their deposit back within 21 days of turning over possession to the owner. The answer is that if the tenant takes the owner to small claims court and can show that they did not receive their deposit back and the owner did not send their deposit back or any written explanation why, the tenant will almost always get a judgment against the owner for their deposit return plus damages.

Finally, how do you send the security deposit back to the tenant. If it is a full refund, it is probably okay to send it first class mail. However, if you are making deductions from the security deposit I would recommend that you send the correspondence by registered mail so that you can establish a time line for when it was mailed.



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SUMMARY

Thank you for taking time to read this “Handbook For Landlords”. Hopefully, it gave you some insight into the handling of your investment property and the choice of the tenant that you entrust to live there. I think the best advice I can give you is to always maintain your property in good condition and do the best you can to keep an open line of communication with your tenant. This will help you maximize the potential of your investment property.

GOOD LUCK WITH YOUR INVESTMENT