

Real Property Management Owners Manual

Welcome to Real Property Management!

Welcome to Real Property Management. We're excited that you've chosen the premier residential rental property management company to manage your rental property.

Our goal is to manage your property so that it can achieve the highest return while being compliant with all governing rules, laws, and regulations.

This manual has been prepared to help you answer the most common questions encountered when starting your relationship with Real Property Management.



How our Offices are Organized

Your Real Property Management office is organized to address the different needs of your property throughout the life-cycle of vacancies and rentals. Each office is organized in a "Pod" structure, where specific individuals are dedicated to our clients in that particular area. Team members in the Pod work closely together on their properties, and each is designated to handle specific communications.

Senior Property Manager

Your Senior Property Manager handles all Property Owner communication. All questions regarding accounting, leasing, and maintenance can be directed to the Senior Property Manager. They are able to provide support on a wide variety of issues, and are able to provide updates on activities of all Pod members to Property Owners.

Associate Property Manager

Maintenance begins with a cosmetic inspection and performs on-going periodic inspections thereafter. Our inspections are designed to discover pre-existing or emerging problems, and to help ensure tenant safety. The Maintenance Department also coordinates all property repair and maintenance needs.

Other Specialists

We have other Specialists that work to provide support to our Pod members in areas such as Accounting, Leasing, and Maintenance. Pod members are cross trained and are able to resolve a large majority of issues, but have support from other Specialists on our team that are able to help them address more specific matters.

See Your Property Status On-line at Any Time: The Owner's Portal

The best method to communicate with our office is via our on-line portal. This link allows you to keep a record of your conversations with us. Moreover, you will be able to access financial statements, lease agreements, and maintenance records.

Access

Your email is your user id. You are assigned a password to the portal during the set-up process.

What's Inside

All of your monthly statements and scanned documents regarding your property are easily accessed. In order to reduce the use of paper and to enhance efficiency, paper invoices are not mailed from our office. Instead, your monthly statement serves as your invoice for management fees and any work performed and can be downloaded from the portal at your convenience.

Vacancies

After choosing a property management company, filling a vacancy can be an owner's next largest cause for concern. Real Property Management takes vacancies very seriously and focuses on rapidly filling them with qualified residents.

Marketing/Advertising

How much rent to charge?

One of the first steps in filling a vacancy is to determine a rental amount that the market will support. Real Property Management uses a proprietary method to conduct market comparisons. We then provide a recommended rental range to the owner so that the owner can make an informed decision on the rental amount to be used in advertising. Your Real Property Management office can educate you to the trade-offs of holding out for a high rent versus accepting a tenant quickly for a rent that is close to your target price.

Pets

A large percentage of renters have pets. You will need to decide whether or not to allow pets in your rental. The upside of allowing pets is that you open your rental to a larger pool of potential residents. The downside is that pets inevitably increase rental wear and tear. It is legal to refuse to rent to tenants with pets except for pets prescribed by a physician to address a medical condition or pets that serve as service animals. In fact, service animals are not defined as "pets" and are generally exempt from all pet rules or regulations.

It is also legal to define the maximum size or type of pet that is acceptable in your rental. For example, you may limit dogs to those weighing fewer than 20 pounds. State laws vary in regards to the type of deposit or rent you may charge if a resident has a pet. To determine the applicable law(s) in your state, please check with your Real Property Management office if you are contemplating requiring a non-standard level of deposit/rent for residents with pets.



Where is the advertising?

Real Property Management's experience has shown that a mix of traditional and Internet advertising yields the best response. While different types of advertising can vary depending on the location of your rental, a sign is generally the best method of advertising accompanied by on-line postings. Real Property Management's property management system broadcasts your vacancy to hundreds of on-line advertisers.

Showings

The majority of calls taken by your Real Property Management office are from prospects interested in viewing a rental. The office conducts a brief phone interview to ensure that there is a general match between the prospects' requirements and the rental's attributes. If there is a match, the office schedules an appointment. If the prospects are interested in the rental, they are invited to complete an application.

Qualifying Residents

Real Property Management uses a national credit-reporting provider to obtain a prospect's criminal and credit histories. References may also be checked in certain situations. Credit reports cannot be shared with owners due to the Fair Credit Reporting Act, but you will receive a recommendation based on the Senior Property Manager's assessment of the candidate.

Lease Signing

Real Property Management uses a template lease written in simple language that has been tested nationwide and has been reviewed locally by a real estate attorney.

Deposits

Rental security deposits are managed in accordance with federal real estate laws and regulations. In addition, most states have legislation that mandates how deposits are to be handled and we are in compliance with those as well.

Security Deposit

The security deposit belongs to the tenant while the tenant is a resident in your property, or until forfeited in accordance with the law. Typically the security deposit is held in an escrow or trust account by the Real Property Management office in compliance with the law and remains in this account until the final inspection is completed after the renter vacates the rental. This is one way we prevent potential future legal issues for the property owner as we ensure compliance with local laws regarding proper deposit deductions and the timing of refunds.



Residents

Renters are the cornerstone of the success of your rental. Our business model depends on stable, paying renters.

Resident Already in Unit

If you come to Real Property Management with a renter already in place, we have a simple initial communication with them. We provide them with a Resident's Manual, explain the rent payment process, and review how to contact our office to address repair or maintenance needs. The Real Property Management office will also review the existing lease to determine whether or not if any adjustments may be required.

Communications

Some property owners want to communicate directly with their renters: we strongly discourage this. We want to do all we can to ease your mind from the concerns that arise from being a landlord. However, we cannot effectively do the job that you have hired us to do if you are communicating directly with the renters. The renters may interpret your communication(s) as further contractual obligations that may cause you to incur legal liability. By keeping the lines of communication clean between Real Property Management and the tenant, the potential for ambiguity can be eliminated. We are happy to work with you to relay information to the renters if necessary.

Housing Choice Voucher (Section 8)

What are housing choice vouchers?

The housing choice voucher program is the federal government's major program for assisting very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market. Since housing assistance is provided on behalf of the family or individual, participants are able to find their own housing, including single-family homes, townhouses and apartments.

A family that is issued a housing voucher is responsible for finding a suitable housing unit of the family's choice where the owner agrees to rent under the program. This unit may include the family's present residence. Rental units must meet minimum standards of health and safety, as determined by the public housing authority (PHA).

A housing subsidy is paid to the landlord directly by the PHA on behalf of the participating family. The family then pays the difference between the actual rent charged by the landlord and the amount subsidized by the program.

Roles - the tenant, the landlord, the housing agency and HUD

Once a PHA approves an eligible family's housing unit, the family and the landlord sign a lease and, at the same time, the landlord and the PHA sign a housing assistance payments contract that runs for the same term as the lease. This means that everyone -- tenant, landlord and PHA -- has obligations and responsibilities under the voucher program.

Tenant's Obligations: When a family selects a housing unit, and the PHA approves the unit and lease, the family signs a lease with the landlord for at least one year. The tenant may be required to pay a security deposit to the landlord. After the first year the landlord may initiate a new lease or allow the family to remain in the unit on a month-to-month lease. When the family is settled in a new home, the family is expected to comply with the lease and the program requirements, pay its share of rent on time, maintain the unit in good condition and notify the PHA of any changes in income or family composition.

Landlord's Obligations: The role of the landlord in the voucher program is to provide decent, safe, and sanitary housing to a tenant at a reasonable rent. The dwelling unit must pass the program's housing quality standards and be maintained up to those standards as long as the owner receives housing assistance payments. In addition, the landlord is expected to provide the services agreed to as part of the lease signed with the tenant and the contract signed with the PHA.

Rent Disbursements

This is the most common area of concern after the Management Agreement is signed: you will want to know "Where's my money?" Disbursements to owners are labeled "Owner Draw" on your monthly statement. The timing of disbursements is directly related to when the rent is received at the Real Property Management office.

When the Owner Draw is Disbursed

Deposits are typically made the same business day as the rent check is received. Owner Draws are processed in batches on the last business day of the month. Your Owner Draw will be sent to you by either check, or by Automated Clearing House (ACH). ACH disbursements can take two-to-three business days to clear through the banking system. Your receipt of a check is dependent upon the postal service delivery times.

A short comment on Owner Draws:

Please understand that you will not be able to use the renter's rent payment to make your mortgage payment in the same month that the renter's payment is received. It is recommended, therefore, that you have two (2) months of mortgage payments in reserve to be prepared for this. As long as the tenant's payment is received before the last business day of the month, you'll be able to count on your Owner Draw being received around the first of the next month, which allows plenty of time to comply with most mortgage payment due dates.

How the Owner Draw is Calculated

The calculation for the Owner Draw is fairly simple:

Monthly rent received *minus* management fee, *minus* maintenance expenses (if incurred), *minus* other expenses, *minus* minimum balance equals Owner Draw.

Examples of "other expenses" may include, but not limited to, additional advertising expense, utility bills, emergency maintenance costs, and mortgage payments that some owners request Real Property Management pay on their behalf.

What If the Rent Is NOT Received?

The renters are aware that their rent payments are due no later than the 5th of the month. While most renters pay on time, there are some who pay late. This can be due to a one-time event or can be a recurring issue. The steps that Real Property Management takes to resolve late or non-payments are consistent, but can be stopped at any stage. These steps include:

1. Email/Phone call to renter – this is usually all that is required to find out why the rent is late and to establish a commitment as to when it will be paid.
2. Pay or Quit Eviction Notice – if the late payment of rent is a recurring problem or if the rent is severely late, it may be appropriate to start the first step in the legal eviction process by initiating a Pay or Quit Eviction Notice in accordance with state law. Your Real Property Management office may write this notice on its own letterhead or use an eviction attorney. Fees may be incurred in order to begin this process.
3. If the renter hasn't cured the Pay or Quit Eviction Notice, then the eviction process continues, which in most cases must involve an attorney. Please see the section on Evictions.

How are Late Fees Handled?

Late fees are incurred by renters, in accordance with the lease agreement and state law, when they do not pay their rent on time. When the rent is finally paid, it is applied to the resident's account in the following order:

1. Late fees are paid
2. The remaining balance is applied to the rent past due

Late fees are administered in accordance with your Management Agreement with Real Property Management.

Maintenance

Real Property Management's rental strategy is that a well maintained rental with curb appeal rents faster, yields the highest rent, attracts the best renters, and presents fewer problems. Once a renter moves in, the renter is renting a home, not just a property. One way you can keep renters happy and paying on time is to ensure that your rental is in good working order, to keep the rental habitable in accordance with the law, and to respond quickly to repair requests when your Real Property Management office calls you for approval. By signing a rental agreement, a warranty of habitability is implied and required by law. This means that we are promising that your rental is suitable to live in.

Periodic reviews and visits to the rental as well as routine maintenance are an essential part of this strategy.



Budgeting for Maintenance

There are many ways to budget for maintenance. Some owners use a multiple of monthly rent (1.5% – 2% is common. Therefore, if the rent is \$1,000 per month, you should consider keeping 1.5%-2.0% x of \$1,000 or \$1,500-\$2,000 in reserve to pay for potential emergency repairs that are required by state law). Alternately, some owners use a percentage of the property value such as 2%-3%. If you adopt this strategy, and if your rental's value is \$100,000.00, you should consider keeping \$2,000-\$3,000 in reserve. Whatever strategy you adopt, what is important is that you have a maintenance and repair budget. This budget is a part of being in the business of owning rental property.

Risk = Potential for Financial Loss

One of the reasons owners like you have chosen Real Property Management is to help protect them from financial risk. Maintenance is one of the most common areas of risk exposure. One maintenance risk area is compliance with applicable laws, rules, and regulations. In order to respond intelligently to maintenance requests, Real Property Management stays current on all residential rental real estate and housing laws at the federal, state, county, and municipal level. We do the reading so you do not have to.

It is Real Property Management's policy that all legal violations (cited or not yet cited) must be corrected – no exceptions. An owner may face legal (including criminal) liability if certain repairs are not made. You may choose to

initiate repairs using your own licensed and insured contractor(s) to make repairs provided that the repairs can be completed in a timely and competent manner. Alternately, Real Property Management can provide vendors at your expense if you prefer.

Refusing to fund repairs may be grounds for termination of the management agreement, as Real Property Management must comply with state and federal laws governing Tenant & Landlord Law.

The other maintenance risk area is in performance of repairs or maintenance. Real Property Management only uses contractors who are licensed when required, certified as necessary, and who carry the proper insurance. Additionally, Real Property Management gives preference to vendors who have a history of being timely, providing quality repairs, and being safe on the job.

Inspections

Initial inspection

An initial cosmetic inspection is performed after the Management Agreement is signed. The purpose of the inspection is to ensure that there are no visible issues that represent a hazard to the renter or that MAY develop into a hazard in the future. Any discrepancies found are shared with you and a plan is established to correct them. Priority is given to habitability and legal concerns.

Periodic inspection

In addition to an inspection that occurs when a renter initially occupies the rental and vacates the rental, periodic inspections are conducted throughout the year. These regular inspections are conducted to ensure that the rental remains in good order.

Repairs/Maintenance

What is considered an emergency? Generally, state or local laws define an “emergency” as anything that must be fixed immediately so that the renter can safely live in the rental. Some examples include:

- no heat during winter months or air conditioning during hot summer months
- loss of power/water
- flooding
- clogged toilet when the unit only has one toilet
- security issues (damage from a break-in or from a natural disaster)
- Legal notices from housing or city inspection departments

Evictions

Evictions are a reality in the residential rental industry. Although you may never have to have a renter evicted, it is possible that you may have to experience this process. The best defense against having to evict a renter is to have a quality selection process, a strong maintenance program, and a responsive property management office. Real Property Management provides you with all three of these resources in order to mitigate the possibility of eviction.

The eviction process can vary by the state and situation with your renter. You can depend on Real Property Management to have the expertise and legal professionals to make the process as humane and expedient as possible.

Every eviction is different. Your Real Property Management office will coordinate with you if you are confronted with the possibility of having to evict a renter.



Fees Incurred

There are three general categories of fees you can expect to encounter in an eviction. Although the timelines and specific processes may vary, and the actual costs will differ based on legal requirements, you can expect the following fees:

Legal Fees

Your Real Property Management office has already identified professional, competent, and reasonably priced legal counsel that it prefers to use if an eviction is necessary. Alternately, you can use your own legal counsel if you prefer. Legal fees generally begin with the attorney drafting a Pay or Quit Eviction Notice and continue through final judgment by the Judge.

Service Fees

These include the cost of the initial process server to serve the summons and complaint, the Constable or Sheriff's Deputy, and the moving company.

Ready to Rent Expenses

Generally, an evicted renter will leave the property in a condition that requires additional cleaning, maintenance, or repairs. Although the evicted renter is ultimately responsible for such repairs, we cannot depend on the renter to pay these fees immediately. Provisions should be made to set aside funds when it is initially identified that an eviction process is going to be necessary.

How long does it take?

The short answer is that it depends on several factors. Some common factors include state or local laws, the renter avoiding service of the summons, and the renter contesting the eviction. Rest assured that your Real Property Management office is well versed in executing the eviction process in conjunction with local attorneys. In general, the process requires the service of a Pay or Quit Eviction Notice that informs the renter that he or she violated the lease and needs to pay the balance due and correct any violations, or surrender possession and return the keys. If the renter does not comply, then the case is filed with the appropriate court and a hearing date may be set. Following the initial legal proceedings, the renter is generally provided a time to move prior to a lock out. All things considered, the process can average anywhere from three (3) to eight (8) weeks on average.



California Franchise Tax Board

For out-of-state owners, the state of California requires that 7% of monies collected be withheld to send in quarterly payments to the Franchise Tax Board. This applies to non-residents of California who receive income from sources within the state (e.g.-Rents). Under special circumstances, a waived or reduced withholding may be awarded depending on the form submitted to the Franchise Tax Board.

There are three main forms of which one must be kept on file and submitted to the Franchise Tax Board. These are:

- *Form 588 – Nonresident Withholding Waiver Request*
 - This form is used for taxpayers who have tax returns on file for the past two years and no outstanding payments.
- *Form 589 – Nonresident Reduced Withholding Request*
 - This form is used to itemize expenses for the property for a reduced withholding
- *Form 590 – Withholding Exemption Certificate*
 - This form is used when filing state taxes from a California address

These forms will be supplied to you once the Management Agreement is signed, and they can always be obtained online at <https://www.ftb.ca.gov/forms/search/index.aspx>. Real Property Management is required to withhold the 7% up until one of these forms are received and approved by the Franchise Tax Board.

Financial Statements

Many owners enjoy having access to their financial statements at their convenience. These statements are useful in making projections for the upcoming year as well as providing documentation for tax purposes.

Monthly Statements

Monthly statements are available via your portal, typically by the 1st of the following month. These statements provide a quick way to understand how the rent money was applied. There are four general areas where rent money is applied.

Management Fee

The management fee is deducted from the rent received in accordance with your Management Agreement.

Maintenance Expenses

Maintenance expenses are itemized and deducted from the rent received in accordance with your Management Agreement.

Other Expenses

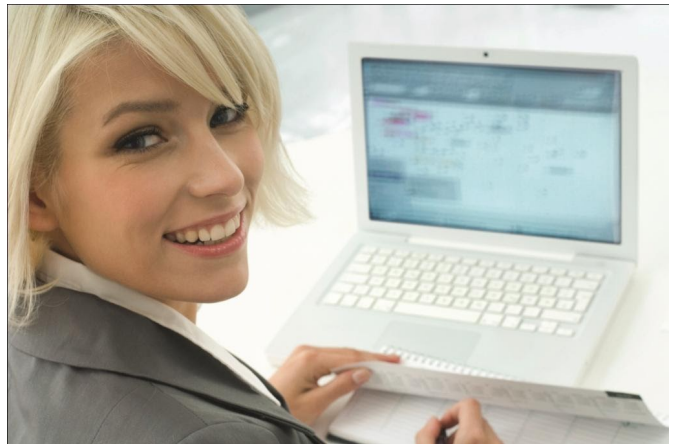
Other expenses such as utility payments, Franchise Tax Board payments, or expenses that you have asked Real Property Management to submit on your behalf are itemized and deducted.

Owner Draw

The Owner Draw is the amount paid to you after expenses are deducted.

Year-End 1099

An IRS Form 1099 is sent to you within 30 days of the end of the calendar year. This form is for your tax records and is used to help complete your tax filing for the previous year. You will also receive a statement encompassing the entire year.



Complaints

Although we are a part of a franchise system, your Real Property Management Office is locally owned and operated. It is a service-oriented business, and we strive to provide to you the best customer service possible. If you have any issues that you would like to discuss with us, please call. We honestly believe that hearing from you is the only way that we can resolve issues, and work to make the systemic changes to prevent the issue from reoccurring.

How they are handled

Please call/email your Real Property Management Office with any concern, however small. Your feedback is used to improve our communications, customer service, and processes. If your concern is a complaint, here is how we'll handle it:

1. We will ensure that we clearly understand the situation from your perspective.
2. We may need some time to look into the issue. If that is the case, we will commit to you that we will respond within an amount of time that is reasonably acceptable.
3. When we respond, we will (1) clarify the issue to your satisfaction, or (2) ask what you would like for us to do to resolve the issue, or (3) provide options as to how the issue can be resolved.
4. We will then agree upon a plan of action that will resolve the issue.

We are committed to working together honestly and reasonably toward our mutual goal of delivering a great owner experience.

Disclaimer

Your Management Agreement will ultimately govern our relationship. Please utilize this manual only for reference purposes only.

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