



# Owner Handbook

Larsen Properties  
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## Introduction

The purpose of this manual is to communicate the policies, procedures, and practices that dictate how we intend to manage your property. It will serve as your guide to our management practices. Properly used, this document will enhance communication between us and make our ongoing relationship stronger and more transparent. The Owner's Handbook will be updated annually as we work to keep up with changes in the laws and economics that affect our business practices.

## Welcome from the Owner

Thank you for choosing Larsen Properties to lease and manage your rental property. We appreciate your vote of confidence and will work hard to prove you made the right decision. This handbook is just one of the ways we've developed over the years to set your expectations for our relationship, and communicate to our owners how we manage their property. We look forward to assisting you in every way possible and a long relationship in serving your needs.

## Who We Are

Larsen Properties is a full service Real Estate Brokerage focusing on Property Management, Leasing, and Sales. We have been licensed and conducting business since 2003.

- **Company Byline ... Exceeding Your Expectations**

Striving to exceed your expectations is a big challenge as some set the bar pretty high. We get it, and we will push hard not to disappoint you. When we do let someone down, it's usually because we did a bad job at properly setting expectations. One way or the other, we're out to make you exceedingly happy with us.

- **Motto for Owners ... No Surprises**

Our motto is simple - NO SURPRISES! We strive to keep our owners informed of everything going on in our business, and with their properties. This means that we strive to inform you in advance of what fees you'll pay, what outside costs you'll experience, and when we're dealing with a maintenance request. There's nothing more disheartening than opening your monthly statement and seeing a disbursement from us for less than you expected. We'll work hard to keep that from happening and let our motto "NO SURPRISES" drive our behavior.

- **Mission Statement:**

*Our mission is to handle your property in the most professional manner possible in all aspects, to serve our Investors in helping them acquire properties that perform as expected; our Clients by taking care of their properties as if they were our own; our Residents by providing them with a pleasant rental experience; and our Staff by constantly training them and helping them reach their highest professional potential.*

- **Core Values**

Our Core Values are statements that we designed to measure ourselves by. We hold out these values to ourselves and to our clients to make sure we measure everything we say and print about ourselves.

1. We commit that our marketing material and the information on our web site will accurately represent who we are, what we've accomplished and what we do; no exaggerations.
2. We will hire only the best staff, consistently train them and work at moving them to the best possible position of service to Larsen Properties and our customers.
3. We will always treat customers, vendors, and each other with courtesy, respect and professionalism.
4. We are committed to change — to keep up with the changing marketplace and changing technology without sacrificing our most important priority - delivering great customer service.
5. We are committed to providing our residents with a clean and safe place to live, regardless of the rent, and put their safety at the top of our list of priorities.
6. We will not tolerate unethical behavior by our staff or vendors.
7. We will follow the laws (and codes of ethics) that regulate our industry.
8. We will believe in our staff and create a safe work environment that fosters respect and opportunity for personal and professional growth.
9. We will constantly strive to protect our owners from the liabilities of owning rental properties.
10. We will strive to be a leader in the property management industry in San Antonio and the state of Texas.

- **Code of Ethics**

We are active members of the National Association of Residential Property Managers ([narpm.org](http://narpm.org)), the National Association of Realtors ([realtor.org](http://realtor.org)), the Texas Association of Realtors ([texasrealtors.com](http://texasrealtors.com)), and the San Antonio Board of Realtors ([sabor.com](http://sabor.com)). Each one of them has a code of ethics that we review regularly and measure ourselves by. You can review them at your leisure by going to each of their web sites.

- **Licenses and Affiliations**

We are active members of the National Association of Residential Property Managers ([narpm.org](http://narpm.org)), the National Association of Realtors ([realtor.org](http://realtor.org)), the Texas Association of Realtors ([texasrealtors.com](http://texasrealtors.com)), and the San Antonio Board of Realtors ([sabor.com](http://sabor.com)). We are also affiliated with the Better Business Bureau ([bbb.org](http://bbb.org)).

- **Industry Designations**

Every industry has its trade association who offer designations for their members to demonstrate their knowledge, professionalism and commitment to the industry. Property Management is no exception. The National Association of Residential Property Managers is our trade association and is dedicated to training the professional management community. NARPM offers two personal designations including the Residential Management Professional (RMP) and Master Property Manager (MPM). In addition, there are numerous real estate designations that are common in our company to include, the ABR, CRS, GRI, and Texas Real Estate Broker's License.

- **Company Footprint**

Larsen Properties manages homes in Bexar County, Guadalupe County, Comal County, Wilson County, Medina County, and Atascosa County. Our office location is in North Central San Antonio – nearly in the center of the area we service.

- **Top 5 Reasons People Choose Larsen Properties**

1. **Management Fees:** Larsen Properties offers several programs designed to offer the best services possible to each individual owner. Because all owners are not the same, we have designed a fee structure that can offer select services to the owners at their discretion. For more information regarding this, speak with the property manager who can detail these services for you and provide you with all of the specifics.
2. **Top Notch Marketing to Include Video Marketing!**

Marketing your home on a variety of internet websites is the best way to get tenants through the door. When you market your home with Larsen Properties, we will list your home on the San Antonio Multiple Listing Service (MLS). In doing this, your home will get the absolute most exposure because of all the mirror websites that take information directly from the San Antonio MLS and adding your home onto their site. There are literally thousands of websites that do this! In addition, your home can go onto a variety of websites that can include AHRN.com and MilitaryByOwner.com. The thing that will set Larsen Properties apart from other property managers is our use of video marketing and YouTube.com internet exposure. The end result of this effort is we get numerous applications from out of state, out of country tenants who have not even seen the home in person!
3. **Electronic Disbursements**

Collecting rent when it's due, and disbursing it to owners quickly, is one of our highest priorities. Through our system of online banking and internet software, we disburse funds (and financial statements) to the owner electronically each month.
4. **No Charge Until the Home is Rented!**

Our philosophy is ... we shouldn't get paid until we find the tenant, get the tenant approved, and sign the lease. We do not ask for payment up front. You pay no management fee while the property is vacant or being marketed. In most cases, the fee can be paid out of the first month's rent from the tenant. Conclusion: We don't get paid until you get paid!

## Communicating with Larsen Properties

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San Antonio, TX 78232  
**Office:** 210.497.8686  
**Fax:** 210.247.9571  
**WEB:** [www.SATXPM.com](http://www.SATXPM.com)

## Technology We Use

Larsen Properties has embraced many technological tools to help make us more efficient and enable us to connect with our clients, residents, vendors, staff and colleagues in the business. This changes quite often, but here is a sampling of what we use today.

### 1. **Web-Based Property Management Software**

We use PropertyWare – an internet based property management software system endorsed by the National Association of Residential Property Managers (NARPM).

### 2. **Owner Portal**

PropertyWare allows our owners to link into their own information portal 24/7 to view all financial reports without having to contact us. This allows you to view current and old owner reports all the way back to the date you started with Larsen Properties.

### 3. **Tenant Portal**

Tenants also can view their payment records, current balances, make payments, review documents, give notice to vacate, make comments, submit repair requests, and leave a forwarding address on their portal 24/7. Good software makes all this simple and affordable.

### 4. **Web-Based Property Management Files**

Our property management software, in conjunction with several outside sources such as Dropbox and Youtube, allow us to have off site backup for all pictures, video, and files.

### 5. **Web-Based Phone System**

To drive efficiency in our phone systems we use a web-based phone system that works as a cloud based VOIP (voice over internet protocol) phone system. It allows much more flexibility, functionality, and can even turn emails into voicemails making sure a call is never missed!

### 6. **Larsen Properties Website – [www.SATXPM.com](http://www.SATXPM.com)**

Websites are not just a tool to communicate with the public; they've become the face of the company. We use ours extensively to attract new customers as well as to serve our existing clients and tenants. We post as much information as possible to our website for easy reference.

# The Management Agreement and Fees

The foundation of our relationship is the management agreement (and housekeeping documents) you executed before you came on board with Larsen Properties. If we can't agree on something during our relationship, we will all rely on these documents to help us sort things out. An expansion of our relationship is outlined in more detail in this Owner Handbook.

## A. Management Fee

The biggest cost you'll incur in the management process is in getting *the property rented*. It requires a lot of manpower, advertising, application processing systems, and move-in procedures. Our business model offers a range of fees designed to work with the owners desires for their level of services provided. We offer the equivalent to a one time management fee to a monthly percentage fee – based upon the owner's wishes. (Minimum \$1,000 per unit). This fee pays Larsen Properties for the day to day routine of answering phones; handling maintenance, unauthorized pets, HOA complaints, rent collection; monthly reporting; accounting for tenant charges; trust account management and handling emergencies.

## B. Leasing Fee

In order to find you the absolute best tenants this market has to offer, we offer a one-time leasing fee of \$200 to all licensed agents in the San Antonio Board of Realtors to bring us their qualified applicants. This fee is only payable to an agent if their client successfully rents your home and moves in. Larsen Properties will handle the payment of this fee and the funds will come out of owner proceeds in certain management packages.

## C. Renewal Fee

If a tenant would like to renew their lease for another 12 month period – Larsen Properties charges the equivalent of one month's rent for that 12 month extension in our Legacy Plan. This fee can be pro-rated to meet lesser extensions. (Minimum \$1,000 per 12 month period). There is no renewal fee with our All Inclusive Plan

## D. Early Termination Fee

If we've started marketing the property, posting it on rental web sites and putting signs and lockboxes on the property, we've already spent some real time and money. If you terminate the agreement with Larsen Properties before we have a chance to lease the home, the management agreement calls for a \$300 marketing fee to recoup those costs.

If you terminate us in the middle of a tenancy, Larsen Properties is not obligated to prorate any part of the management fees or leasing fees back to the owner. This is also stated in the management agreement.

## E. Rehab Admin Premium

The annual management fee pays us to manage "normal maintenance breakdowns," not for overseeing rehabs, renovations, restorations and other large jobs. We differentiate the two by costs (under or over \$500) and how it's done (from the office or with multiple trips to the property). When multiple quotes and trips to the property are needed to

oversee large jobs, an add on charge of 10% of the total cost of the job may be added on as appropriate to help defer the costs of the manpower for that extra effort.

**F. Charges for Tasks Outside Our “Scope of Service”**

We have another document that outlines “what services you get for the fees you pay” and “what you’ll be charged extra for.” The one time management fee does not cover meeting with your HOA, digging out records from five years ago, meeting your appraiser at the property or shipping your riding lawn mower to Denver. Owners often ask us to drive out to the property to see if the hail storm did any damage, see if the neighbor picked up the swing set, pick up and forward their mail, locate the pool keys and see if they left the lights on. We’re happy to make these unscheduled, owner-requested trips, but we pay folks for this and the cost will be passed on to the owner. San Antonio traffic can be brutal and these “short trips” usually take two to three hours and have some hard costs associated with them.

RE: Owner Charges Booklet

# Housekeeping Documents

Below is a list of other documents you signed and their descriptions.

## **A. Lead-Based Paint Laws**

In April of 2010, the EPA changed the rules for anyone doing repairs, painting and basic maintenance of homes built before 1978. Their new law has terms like "one gram of lead, jail time, fines," and other words that make property managers and contractors really nervous. Before anyone disturbs six square feet of painted surface on a property built before 1978, they are required to have a Lead Paint Inspection done to assure that there is no lead-based paint. Local handymen, contractors and even pickup truck workers understand the consequences of working on these homes without having proper testing done first. You are paying us to know and follow the law so that none of us ends up talking to federal officers about how we handled maintenance on your property. We intend to do it by the book and keep everyone safe. If your property was built before 1978, please inform Larsen Properties so the proper disclosures can be put into place.

## **B. Duties of the Owner and Manager**

Throughout the management agreement, Larsen Properties' duties to the owner are laid out, as the owner's duties to Larsen Properties as well. Here is a brief outline.

### **Duties of Larsen Properties to the Owner:**

1. Maintain corporate offices, staff, website, escrow accounts, phone and email systems.
2. Maintain appropriate licenses and trust accounts for owner's and tenant's funds, as required by the Texas Real Estate Commission, and maintain said records for three years.
3. Maintain insurance to include general liability, and errors and omissions.
4. Represent the owner exclusively unless owner gives written authorization to the contrary, such as acting as an intermediary in selling their home.
5. Maintain qualified staff with experience and specialized training in managing residential rental properties.
6. Provide owner with insight and advice regarding the rental market, help with setting asking rent, and help with getting the property rent-ready.
7. Market owner's property for rent; put out signs and install lockboxes; post in the San Antonio MLS, as well as local and national web-hosting sites.
8. Maintain licensed leasing staff to respond to callers and show properties.
9. Receive in tenant applications, pull credit history, employment and residency records, eviction reports (along with other background information) and use good judgment in the qualifying/approving/denying of applicants.
10. Maintain accurate accounting systems in place to know where all deposits are held, where all owner disbursements have gone, and be able to provide monthly statements to all owners.

11. Maintain a maintenance response system to take requests from tenants requiring maintenance.
12. Manage the property for the owner, handling tasks to include the execution, renewal, default, and reinstatement of leases; collecting rent; maintaining the property and making maintenance records available for owner review.
13. Maintain owner's escrow account records, including receiving and recording receipt of rents, handling owner advances, paying expenses on the property, paying vendors and managing emergency situations, distributing collected funds to owner and providing monthly owner financial reports.
14. Manage the eviction process, including filing with the county, negotiating consent agreements, coordinating court appearances, purchasing writs of possession and overseeing the removal of the tenant's possessions from the property on behalf of the owner and at his expense.
15. Manage normal maintenance breakdowns as part of the management fees and managing rehab, renovations and restorations when authorized by owner.
16. Complete a move-out inspection when the tenant vacates the property, and charge the tenant for damages above normal wear and tear as described in the lease, the Texas Property Code, and consistent with industry standards.
17. Only initiate legal actions on owner's behalf with owner's permission, except those related to collecting rent and evicting tenants over rent collection.
18. Refund owner's escrow funds within thirty (30) days of termination of the agreement and consistent with Texas Property Code.

#### **Duties of Owner to Larsen Properties:**

1. Warrant to Larsen Properties that all owners with rights in the property have executed the management agreement.
2. Maintain regular communication with Larsen Properties and respond to inquiries and requests for authorizations.
3. Keep loan payments, property taxes, insurance, and HOA dues current.
4. Investigate and communicate to Larsen Properties any HOA rules governing leasing in the community where the property is located, as well as provide Larsen Properties with any leasing requirements of said HOA.
5. Pay Larsen Properties the fees agreed to in the agreement and all governing documents associated with that agreement.
6. Avoid discrimination of any kind regarding the property while under agreement with Larsen Properties.
7. We recommend avoiding all contact with the tenant while Larsen Properties is managing the property.
8. Pay (reimburse Larsen Properties) for maintenance on the property necessary to maintain habitability, utilities, safety, and health of the resident.
9. Fund, in advance, any repair over \$300 and maintain a minimum owner reserve.
10. Maintain landlord insurance on property naming Larsen Properties as an additional insured party.
11. Keep plumbing, electrical, HVAC systems, appliances and improvements left on the property in normal operating condition during the term of the agreement.

12. Pay attorney and court costs that arise in the process of evicting tenants, but no other legal actions, initiated by the Agent, without owner's first giving permission to file such action.

### C. Landlord Insurance

You must keep your property covered by a landlord policy during our relationship. You also need sufficient liability insurance to cover the increased risk incurred by having a renter in the property. Renters are not a protected class in the courtroom, but they are a favored class when owners or landlords do stupid things. Your policy needs certain limits of coverage and Larsen Properties must be covered as an additional insured.

### HOA Issues

As a whole, home owners associations (HOAs) have an issue with renters and tend to create a lot of heartburn for owners and landlords when they move them into their communities. If owners get behind on their dues, or forget to tell us the rules for leasing in their community, HOAs think nothing of booting cars, suing tenants for the rent until the owners' dues are caught up, turning off utility services, hauling off their cars and evicting them over rule violations. Although we'll handle the process, you'll need to stay in the loop as HOAs don't always communicate very well with third parties (property managers and tenants) regarding their actions. Since they can fine you and lien the title of your property over these issues, you'll need to work with us to resolve these challenges. This is one of the issues you can't turn over to your property manager entirely.

#### a. Amenity Passes, Gate Keys and Pool Keys

We often rent properties in communities that require gate passes, codes, keys and permission from the HOA for access to amenities and entry points. Occasionally, an owner will ask us to call the HOA on their behalf and find out about these restrictions. HOAs typically don't communicate very well with third parties (property managers and renters) and often refuse to speak to anyone but the owner regarding these policies. The HOA, not Larsen Properties, is in control of the community and we, like you, are beholden to them. **It is imperative that you get permission from the HOA to rent your property and provide us with keys, passes and codes for us before we lease the property.** If you don't do this in advance of our leasing the property, be prepared for battles with your HOA and increased expenses (time and labor) in resolving the resulting issues later.

#### b. Personal Property

Owners often leave personal belongings (patio furniture, microwaves, wall mirrors, tables, bar stools, lawn mowers, grills, ladders, etc.) behind when they leave the property, thinking it will be there when they return. It seldom is. Renters often forget what isn't theirs when they move out. You should remove anything you care about when you leave.

#### c. Property Features / Disclosure

Since you know the property better than anyone else, you should help us identify area schools, HOAs, and basic information about the property so we can represent it properly in our advertising. Tenants get really upset when they move into a home and it's not in

the school system they were told it was, so let's get this disclosed right up front and save everyone the headache and potential litigation.

**d. LLC, Land Trust and Corporate Affidavits**

If you hold title in a corporation, limited liability company or land trust you'll have some special documents to execute to address who's authorized to act, receive money, approve maintenance and terminate leases on the property. Investors love to hide title from the public; we get it. Let's just make sure that we know who's who so we are operating under the right authority as the manager.

**e. Hot Tubs**

Owners know that hot tubs require management. Tenants don't and think they are just fun. When hot tubs are not managed properly, motors burn out and water gets green. They can create a hazardous environment for the tenant. We'll manage them with a maintenance contract, but the best way to deal with them is to shut them down before you put the property on the rental market.

**f. Owner's W-9 Form**

Fifteen years ago, the IRS made property managers the cops for reporting income received on behalf of our clients from rental properties. Just like employers, we must report to the IRS (using a 1099 form) the gross rent we collected on your behalf and you must report the expenses of interest, insurance, repairs and other property expenses on Schedule E of your personal tax return. We'll send you (and the IRS) a 1099 reporting the gross rent we received from a tenant by the end of January every year, as required by the IRS.

# Marketing Your Property

Larsen Properties has a very good track record in renting out homes. It's not secret – good marketing is the key to attract the best tenants. We have a very good grasp of what advertising it takes to get the job done quickly.

## A. Pre-Marketing

First impressions are critical when people are selecting a place to live. Utilities must be on, repairs must be complete (or almost complete) and the property must be clean before we start marketing a property. It is aggravating to drive an hour to a property with a prospective renter only to find it dirty, smelly and unsightly. Tenants get turned off by houses that are not move-in-ready and often won't return to see them a second time. Get the property in rentable condition, and then the marketing can begin.

### 1. Rent-Ready Issues

“Go ahead and start marketing the property ... I'll have the rehab done before you get a tenant” just doesn't work. We often rent houses in a few days and trying to move tenants into a half-ready home is painful. Get it ready and we'll market it, but we'll be reluctant to start too early.

### 2. Setting the Rent

We lease numerous homes each month. We know the market and can find lots of rental comps to drive the asking rent. Although it's your call, we'll advise you and report activity. You'll set the rent (and make the mortgage payment until it's occupied) so we're on the path to getting it rented quickly.

## B. Lockboxes and Signs

Lockboxes allow all agents in the market and prospective renters to view homes 24/7. We'll install a high quality lockbox on the front door (or nearby) and start showing the property as soon as it's rent-ready. If your community requires a special sign, the cost of getting it made (and delivered) will be passed along to you. If you don't alert us about special signs required by your HOA and we get fined for using our own, you will absorb the charges.

## C. Utilities

Because utility companies don't like working with third parties (such as property managers), owners will need to keep services on in their name until the property is rented, and if possible between tenants. You can and should set up "continuous service" with each utility company so service is never interrupted. We can't do that for you. We'll let you know when to get utilities turned on and off. Utilities must be on before we start marketing a property.

**D. Keys**

We can't express how important it is for you to provide Larsen Properties all applicable keys: keys to the property, pool, entry gate, clubhouse, mailbox, etc. It is our job to make your property stand out from all the others the potential renter will be considering, and often the decision comes down to the amenities. To put it bluntly, we can't sell what we can't show. We will work diligently to rent your property, and to do that we must have all the keys. We will re-key the property just before a tenant moves in. The tenant will pay the any requested key change if so desired.

**E. Keyless Deadbolts**

In Texas, state property code requires all external doors to have a third locking mechanism. The cleanest and most effective is a keyless deadbolt system. Larsen Properties will have one installed on your home at owner cost within 7 days of the tenant taking possession of your home. For more information – go to: [www.SATXPM.com/texas-property-code](http://www.SATXPM.com/texas-property-code)

**F. Videos**

Videos, like digital photos, can help show the home as well as document the condition of the property prior to move-in and substantiate charges against the tenant after move-out. We have found that videos are better than pictures and help us defend charges for property damages in court. We'll take videos for marketing, move-in and move-out at no additional cost to you. Many of our tenants have rented our properties without personally visiting them because they viewed our virtual tour on YouTube.

**G. Marketing and Showing**

We have full-time, straight commission, licensed agents taking calls from prospective renters and showing houses seven days a week. Two thirds of all our homes are leased by outside agents because we list them in the local MLS service and offer to share our commission with others who help us locate good renters. They often show through the lockbox, and so do we.

# Screening Applicants

Larsen Properties has screening tenants as one of the most important aspects in good property management. As much as we think we have it figured out, applicants are still teaching us things every day. Identity theft is rampant, and it's easy to miss something even when you're watching for it. It's not a cut and dry system and takes lot of experience. We have this experience because we've made many mistakes over the years and have most of our learning behind us. You have the benefit of our experience because we're not learning on your dime. To conform to the Fair Credit Reporting Act and the Red Flag Rules (regarding privacy of personal information), we keep this information locked up and confidential for three years.

## **A. Background Checks**

We pull credit, employment history, residency history, foreclosure, bankruptcy, eviction reports, sex offender reports and more. There is no perfect system to qualify applicants, but we take advantage of all the information we can get our hands on. Screening applicants is often a balancing act between the information we gather about them and the money they are willing to put down (security deposit) to secure their fulfillment of the promises in the lease. In some instances, income is king and extra deposits can buy a lot of forgiveness.

## **B. Application Contingencies and Owner Approval**

If the applicant has special requests, offers less than asking rent, has multiple pets, or presents any issues outside of the norm, you will be contacted for final approval. We work hard not to exceed our authority when it comes to this or any other matter during our leasing and management of the property.

## **C. Negotiating the Lease**

The Texas Association of Realtor's lease agreement is a very pro-landlord document. Owners will be involved in negotiating special stipulations for things such as finishing a fence, putting in a refrigerator, having an 18-month lease or allowing multiple pets. Some issues need your input, but most of the time – it can or will be handled on our end.

## **D. Cosigners**

Good credit is required to secure the renter's promises in a lease but it doesn't have to be the occupant's credit. We get lots of folks who have their parents, employers, caregivers and counselors guarantee the lease and we've had great success enforcing cosigner agreements. The cosigner completes an application and is added into the lease agreement.

## **E. Double/Triple Deposits**

Money is a great equalizer when approving an applicant. As we have said before – money buys a lot of forgiveness. If an applicant is willing to put up lots of money (in the form of a security deposit) to secure a lease, we can approve applicants with less than perfect credit. Since Texas courts are owner-friendly and grant evictions quickly, plenty of money in a security deposit is often sufficient guarantee for the promises in the lease.

**F. 24-Month Leases**

Long leases can save you tons of money by preventing expensive vacancies. You'll be a happy camper if we can keep a tenant in your home for 10 years. We often get requests from applicants to be allowed to execute a two to three year lease agreement. Some owners plan to move back into their properties, so we won't allow extended leases (anything over 12 months) without your permission. Please let us know in advance if you approve an extended lease so we're not trying to contact you during the approval process.

## Lease Document Preparation

Larsen Properties will prepare all of the lease documentation for all parties to review. Tenants will sign several documents before they take possession of your property. The lease is the primary document, but there will also be a pet addendum, move out checklist, policies and procedures, lead paint disclosure, pool maintenance addendum and documents that cover property visits, renters insurance, smoke detectors and more.

# Managing the Move-In

When a tenant moves into a home for the first time, there are often “issues” during the first week. It is our policy not to do an initial accompanied walk thru with the tenant prior to move in. Our walk thru is done prior to the tenant moving in. What we have found is that if a walk thru is conducted with a tenant in person – it creates more work and expense for the owner when the tenant points out every little thing they want fixed. We provide the tenant with the required Inventory and Condition form upon move in and they are allowed to fill that out and return it to us within 30 days.

## **A. Re-Key Policy**

Texas Property Code states that all locks will be changed anytime a new tenant takes over a home. It is our policy to get this done within 7 days of the tenant taking possession of the home or prior to that time. A copy of the key will be kept at our office in a locked box. This is an owner expense and will usually run less than \$100 for a re-key. Texas law prohibits this charge to be passed on to the tenant in normal circumstances. The home may also need additional security measures installed to meet Texas Property Code.

## **B. Utilities**

Marketing a property without the utilities on is an impossible task. We’ve tried it many times and always end up at the same place, frustrated and kicking ourselves for trying it. When utilities are off at move-in, there are repercussions and expenses the owner probably didn’t anticipate. Please make sure the utilities are left on through the move-in.

## **C. Uncompleted Repairs / Contingencies**

One of the worst things that can happen when we meet a tenant at the property for a move-in is to find that the property isn’t ready. Owners (or their vendors) don’t always complete work as they promised or clean up thoroughly, and it causes lots of yelling and screaming. Tenants often arrive with their moving van and don’t have the time to clean the home before moving in. We do everything we can to prevent this, including a pre-move-in wipe down (see E below), but it doesn’t always work out the way we hope. When the property isn’t ready, or the contingencies are not done as promised by the owner, we often have to take drastic actions, costing the owner serious money. When a tenant moves into a dirty home, or one that has unfinished repairs, they will hold it against us for the life of the lease. We’ll do everything we can to make it right, but it usually is an expensive process because we’re all scrambling for solutions at the last minute in order to avoid losing the tenant. Remember this: speed always costs more, whether you’re shipping packages or calling a contractor or a cleaner to come immediately and finish a repair or clean the home so we can let the tenants take possession. In these situations, we go to work “making it right” and discuss the costs later.

## **D. Moving in Before the Rent Starts**

We do everything we can to get the tenant to take occupancy as soon as possible even before the actual rent start date. This is good for the owner, so we do it without prorating the rent. Here’s why. An occupied home is less at risk of being vandalized; the tenant

takes over lawn care a move in; they pick up utility costs from the date of move in and there is less of a chance of them changing their mind and not taking the home. The sooner we can get them in the sooner we have their security deposit and locked down. We often allow (and encourage) the tenant to take occupancy before the rent begins.

#### **E. Pre-Move-in Wipe Down**

For many years, it was common for us to get ready to move a tenant in and then find the property was not clean and ready to occupy. Dead bugs accumulate in vacant homes, toilets get rancid, cob webs gather, light bulbs die, vendors fail to clean up after themselves and the property gets stale and musty. Tenants expect hotel (white glove) clean, whether they should or not. If we do this badly, and the home is dirty at move-in, renters get really angry and remember the experience until they move out. No one likes to clean up someone else's dirt. We offer a solution to this problem by scheduling a pre-move-in wipe down just before the tenant is to take occupancy. If the owner agrees to this, we can schedule this a day or two prior to the tenant moving in. Like re-keying, it is done a day or two before the move-in takes place. The cost is generally around \$65 to \$150 depending on just how big (and how dirty) the house is.

**Owner Cleaning Challenges:** Frequently we have owners tell us that they will clean the property before move-in and we don't need to order the previously mentioned wipe down. Everyone wants to save money and the DIY method is often preferred. Here's the problem: everyone has a different idea of what clean is and people are satisfied with different levels of clean. To some, cleaning once a month is good enough while others clean every day. Since we can't attempt to match tenants with owners of the same cleaning standards, we have to use a neutral standard we can all agree with. That standard is "hotel clean." When you check into a hotel room and find dirty mirrors, toothpaste on the counter, Q-tips in the waste basket, and mud on the floors, you demand another room, and so you should. "Hotel clean" means leaving no evidence of the previous occupant.

If you tell us you'll do the cleaning and the property is not "hotel clean" when we arrive to do the move-in inspection, we'll call a crew to make it right before we turn it over to the tenant. Also, if we promised the tenant a move-in on Saturday and the home isn't ready, we may have to put the tenant up in a hotel on your dime until the cleaners can get there on Monday. Most tenants arrive to the move-in inspection with their truck full of stuff and movers ready to set up house.

Having the property clean and ready for the move-in is one of our highest priorities and should be yours as well. The move-in can be a pleasant experience or a horrible one and will set their expectations and attitude toward the home, manager and owner for the rest of their stay. Let's work together to welcome the tenants to a clean and safe place to live.

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**This next section is broken down into Managing the Money, Managing the Owner, Managing the Property, Managing the Tenant and Managing the Move-out.**

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# Managing the Money

One of the main parts of our job is managing the money. As noted above, we do this through our property management software in accordance with the Texas Real Estate Commission.

## A. Security Deposits

Our policy is to offer to hold the owners security deposit. There is no law in Texas that states the property manager must HOLD the security deposit – only account for it. Our property management software allows us to account where every penny is located – no matter who holds it – the owner or the property manager. At the end of the lease, we may ask you for this money – or take those funds out of the incoming tenant to reimburse the outgoing tenant.

## B. Collecting Rent

Collecting rent is one of the most tedious processes in being a landlord. We take the burden and documentation out of that process for our owners with the assistance of online bill payments and the best software available in the property management industry.

### 1. Due Date

The due date is always the 1st of the month. If the tenant moves in during the middle of the month, their rent will be pro-rated. Texas law requires a grace period for rent payments. They are due the 1<sup>st</sup> – and late the 3<sup>rd</sup>!

### 2. Late Date

Rent is always late the 3rd of the month in accordance with Texas law that states a grace period must be given. Our software allows us to track exactly what day and time the owner has paid rent through our online system. Currently around 90% of our tenants are paying online. We push rent collection hard because most owners are making a mortgage payment and pressing the tenant for the money and getting it to the owner is a high priority.

### 3. Late Fee

The late fee is 10% of the rent and is assessed on the 4th of the month. As stated above – their grace period goes to midnight on the 3<sup>rd</sup> of each month in accordance with Texas law. We make the late fees 10% of the rent so it is uniform across the spectrum of renters. Any late fees collected will go to the property manager as stated in the property management agreement.

### 4. Notice to Vacate

A Notice to Vacate is posted on a delinquent tenant's door between the 5<sup>th</sup> to the 8<sup>th</sup> of the month depending on the timing of rent not being collected. This is the first step in the eviction process as we are required to give the tenant atleast a ONE day notice to vacate, in writing, with a confirmed delivery.

**5. Filing with the County**

Once the Notice to Vacate is posted, the next business day an eviction will be filed with the Justice of the Peace or county where the home resides in. This begins the eviction process and we file this quickly because the process takes time and we don't want the tenant to get too far behind if we have to eventually put them out of the home. The cost is typically \$100 to \$200 depending on the county. Tenants are allowed to pay that cost in an effort to catch up on the rent. You'll see this charge on your owner report until we get it from the tenant, unless you participate in the Larsen Properties Eviction Assurance Program. Ask us about that program for more details.

**6. Attending Court**

Court costs are very reasonable in Texas because we have a good small claims court system. We can attend court on your behalf so you don't have to hire an attorney. We charge a whole lot less and no real legal expertise is required. In most cases, the tenant does not show up – and even if they do show up – non-payment of rent is not tolerated by the courts for any reason. You'll be kept in the loop every step of the way. These costs are also covered by our Eviction Assurance Program.

**7. Writ of Possession**

Once the judge grants the eviction for non-payment of rent, which they always do, the next step is to arrange the Writ of Possession. This is executed by the Justice of the Peace's police force – the Constable, or by the county Sheriff depending on the jurisdiction. The cost of filing the Writ of Possession is between \$100 to \$250 depending on the location of the home and the jurisdiction it is in. Once the Writ is filed, a law enforcement officer will contact us to arrange an appointment to remove the tenant from the home. An occupancy check is often conducted a day prior to that to find out if a crew needs to be hired to assist in removing the tenant. Larsen Properties Eviction Assurance Program covers this cost.

**8. Cash for Keys**

Once the judge has order the tenant to move, it can take one to two weeks for the sheriff or constable to arrange an appointment with us to meet at the home. When they do meet us there, we have to hire a crew to move the tenant's belongings to the curb – but only during good weather! If it rains, the law enforcement officer will delay that appointment as Texas law states we are not allowed to move a tenant's possessions to the curb during any type of bad weather (rain). Often we are able to accelerate the tenant's move out in exchange for some cash. This will be the owner's call to make, but the idea is to get possession under controlled conditions from the tenant instead of waiting for the sheriff to evict them. We find that when we do this, we get the property back in better condition, often weeks before the sheriff or constable can arrive. We also get keys and garage door openers back and know exactly when the outgoing evicted tenant is moving, instead of being surprised. Since we're spending your money to entice them to leave peacefully, this will be your decision to make, not Larsen Properties. Costs generally run \$100 to \$250 for this.

**9. Put-Out**

If a Writ of Possession has to be fully executed, the Sheriff or Constable will make an appointment with us to meet them at the home with a locksmith, and a moving crew. The officer will watch the locksmith break in (or we use our key), and they will then clear the home of any occupants. Whatever stuff left behind of any value, at the officer's discretion, will need to be moved to the curb. The expensive part is having a moving crew ready to empty out the possessions still left in the home. Our Eviction Assurance Program can cover this cost.

**C. Re-Keying**

Immediately after the sheriff or constable has finished the put-out, we will need to rekey the property. This expense can be covered by the Eviction Assurance Program.

**D. Sample Owner Statement – Sent Each Month**

**Management Detail Report**

A detail of all income, expenses, management fees, owner draws and owner contributions over a specified period.

Report Period: 07/01/2012 - 07/31/2012

Portfolio Balance as of 07/07/2012	Mgmt Fees For Period	Held in Escrow
<b>\$0.00</b>	<b>\$0.00</b>	<b>\$200.00</b>
Previous Balance		\$1,501.00
Income	+	\$0.00
Expenses	-	\$1.00
Equity	+	-\$1,500.00
Ending Balance		\$0.00

**Income**

Type	Date	Name	Original Amount	Paid Amount
Total Income				\$0.00

**Expense**

**Convenience Fee**

Bill	Date	Name	Original Amount	Paid Amount
Total Convenience Fee				\$1.00
Total Expense				\$1.00

**Equity**

Type	Date	Name	Original Amount	Paid Amount
<b>Owner Draw</b>				
Total Owner Draw				-\$1,500.00
Total Equity				-\$1,500.00

Generated By:	Brad Larsen
Generated On:	07/07/2012
Run Date:	As of today

**E. Distributing Owner Draws**

Owners will receive their money somewhere around the 10<sup>th</sup> of each month.



**F. Reporting to the IRS (1099's)**

For 15 years the IRS has required that all professional property managers issue a 1099 to them (and you) by January 31st of each year for any money we collected on your behalf from the tenant that year. Much like an employer, we are required to report income we received on your behalf. Your monthly owner's report will account for most of your expenses on the property for that year and you'll show those expenses on schedule E of your tax return.

**G. Anticipating Vacancy Expenses**

We've had enough vacancies over the years to be able to predict pretty closely what it will cost to have a tenant move out. Once you understand the costs involved, it makes sense to keep the property in great condition and help us keep the current tenant there. Property damages are just a part of the vacancy costs. When you add to the expenses rent costs, utilities, lawn care, advertising and pest control you figure out pretty quickly that keeping a tenant in the home is very important.

# Managing Owner Relationships

## A. Authorization

During your time with Larsen Properties, from time to time we will need your authorization to make decisions that are outside our scope of authority. We'll do our best to leave you alone and manage the property, but occasionally we will need you to make a decision about such things as the appropriate action to take when a tenant is discovered to have an unauthorized pet or extra roommates; whether you want to repair the 8 year old dishwasher for \$195, or replace it for \$350; and spending money over the \$200 reserve, to name a few examples. Many times an email is sufficient authorization, but occasionally we'll need something more formal. Most of the management decisions are small and we'll make them ourselves, but when confronted with larger issues, we'll contact you personally.

## B. Renewing Agreements

The real estate licensing board requires that we keep the management agreements current without clearly defining what "current" means. Some managers ask owners to complete new owner agreements every year. Our attorneys have assured us that this isn't necessary. As a general rule, we'll ask you to renew your owner paperwork every three to four years. Generally it's done between tenants. We have the agreement online so it's not a big hassle, but every once and a while we'll need you to update another management agreement. We'll notify you in writing when it's needed.

## C. Foreclosures

When owners can't make their mortgage payment, they usually don't call us and tell us to stop collecting rent. They usually take the rent and hope the lender takes a long time to complete the process. As unfair as this is, people do funny things when they are financially stretched. Usually we find out about a foreclosure when the tenant calls screaming about the letter they got from the lenders attorney demanding they move and threatening eviction. Since the tenant's only contact regarding the property is Larsen Properties, we get the brunt of the anger and accusations. They often accuse us of protecting the owner and cooperating with them in scamming the renter. Their life is turning upside down and they want to vent, file grievances with the real estate commission, the Better Business Bureau, and say nasty things about us on the internet. We get beat up; the owner gets to keep the money and the tenant has to move.

In May of 2009, in response to all the foreclosures on rented property, congress passed the "Renters Rights in Foreclosure Act" mandating that the tenant be allowed to stay in a foreclosed property until the end of their lease term. Lenders are ignoring this law and ordering their representatives (the foreclosure attorneys) to get the tenant out, whatever it takes. Renters are not strong enough to fight the attorney so they pack up and move out, mad at the world, the owner, but particularly at Larsen Properties. There is nothing fair about any of this. The owner's credit is destroyed, Larsen Properties reputation is trashed, the renter is in upheaval, and the lender takes a bath on the property. There is no upside and there's nothing we can do to change it. Larsen Properties charges a \$650 termination fee on foreclosed properties.

# Managing the Property

## A. Managing Maintenance Issues

Managing the physical condition of the property is one of our biggest tasks. This is where most of the stress comes from as we balance habitability and money issues. We have to be sensitive to mold, electrical problems, plumbing, ceiling fans, septic tank backups, rodents, dishwashers, A/C systems and the quality of the air, the water, the gas and power. Judges and court systems hold us to a high standard when it comes to our duties to provide a safe and habitable place to live, as do the people living in these houses. In their minds, safety of people overrides safety of the property and cost to the owner, so we manage with that standard in mind. Tenants are not a protected class, but they are a favored class when it comes to managers keeping their safety as a high priority.

## B. Maintenance Priorities

Resident maintenance issues are handled in the order in which they are submitted with the following response times as guidelines. Here is how we present this to our residents.

### Category 1: Emergency Maintenance

**Emergency defined:** Anything relating to the property under the lease that is threatening to life, health, or the property. Fire (please call 911), flood, sewage back-ups, gas odors (please call gas company), broken water pipes, tree falling on house. **Target: 5 to 8 hours**

**Note:** during peak seasonal months, target response times for heat and air may be subject to delays due to contractor overload.

### The Following are NOT Emergencies

Refrigerator out; locking yourself out of the house; power or gas off; a/c out and the property has two (2) a/c units; oven not working; water heater out. These issues may be inconvenient, uncomfortable, and aggravating, but they are not emergencies. Larsen Properties is not liable for loss of food caused by appliance breakdown or for damaged belongings due to water leaks. Please make sure that you have adequate renter's insurance to cover unforeseen personal losses.

### Category II: Urgent Maintenance

Broken windows; plumbing repairs (not clogged toilets... see notes below); loose railings; wobbly decks; electrical problems. **Target: 2-4 business day service**

**Note:** during peak seasonal months, target response times for heat and air may be subject to delays due to contractor overload.

### Category III: Normal Maintenance

Appliance repair, garage repairs, leaky faucets. **Target: 4-8 business day service**

**Category IV: Non-Essential Maintenance**

Fence repair, gutter cleaning, garage door remotes. **Target: 30 day service**

**Category V: Not a Habitability Issue**

Screens; broken lattice; power washing; broken window shade; broken tree limb; missing door stopper; missing door knob; all light bulbs including stove, chandelier, and refrigerator; and fireplace gas keys. **Target: Point these items out during next property visit or bring up at lease renewal time. These items may not be approved for repair by the owner.**

**C. Maintenance Spending Limitations**

No one wants to give their property manager an open check book, and we don't want one. That being said, we also can't contact the owner every time something needs to be repaired. The management agreement has a \$200 ceiling on repairs we can order without waiting for your response. We'll let you know by email when a maintenance request comes in, but often just as an FYI. Where we get into trouble with this limit is during weekends, holidays, and on A/C units. As a practical matter, we exceed that limit from time to time out of necessity to save the owner money in the long run. A great example would be an after hours plumbing call, or a Sunday A/C call.

**Note: This spending limit does not apply to emergencies, move-in contingencies (cleanliness), or habitability issues.** Occasionally, not often, there is a heavy storm, burst water pipes, flood, fire, A/C out in 95 degree weather, heat out in 35 degree weather, sewer backup, etc., and we must respond immediately. We will sometimes have to make a "command decision" based on the information we have, and the situation in which it comes up. We know we are ultimately accountable to you for using good judgment. However, sometimes we just have to use common sense when managing your property. The day we abuse this is the day you'll find another manager, so we understand our limits and want to handle your home as best we can.

**D. Minor Maintenance Issues**

Before the tenant moves in, they agree to handle regular, everyday issues around the house themselves like flipping GFCI switches, changing out light bulbs in two-story foyers, resetting garbage disposals, etc. Some tenants are accustomed to living in an apartment community with maintenance personnel around to change their light bulbs and help them move the grill. We've dealt with this long enough to know what we can pass on to them and what we should respond to.

**E. Lawn Care**

We would love to assure you that tenants will keep the lawn manicured like you did, but in reality we cannot. The lease calls for them to provide their own lawn care, but most tenants do not think like owners in this regard. Getting them to mow is about all you can expect, and sometimes it is difficult to get them to do that. The real problem is when there is an active HOA going around counting weeds and taking photos a sidewalk line that was not perfectly edged. Generally, lawn care isn't a problem as much as, trimming shrubs, edging and watering.

**F. Property Visits and Charges**

We do an annual visit to the property by appointment with the tenant. This is completed AFTER a property survey has been done by an inspector and before any sort of lease extension is approved. The owner will receive a complete report from this inspection and that cost is passed along to them (\$65 per inspection). If you ask us to make a special trip (owner-requested trips) to meet an appraiser, a relative, your contractor, the HOA manager, etc., to check on utilities, to see if your vendor is finished, to see if the hail storm did any damage, to pick up your mail, or to see if you left your lights on, there will be a trip charge. San Antonio traffic often causes a "quick property visit" to take about an hour each way, plus time at the property and gas. We try hard to avoid unscheduled trips, but we don't want to say no when asked by the owner to do something special.

**G. Emergency Maintenance Phone System**

Occasionally a tenant calls with a true maintenance emergency, which requires immediate attention. When they call into our system, they can leave a voicemail which is immediately turned into an email and sent to ALL of our staff. This way, it will get addressed quickly by the staff member assigned to weekend duty in monitoring the maintenance phone line. When the home is flooding from a burst pipe, or the AC unit has quit working in 98 degree heat, we need to provide on-the-spot service. Weekend service calls are pricey, but some things just can't wait until the next business day.

**H. Handling Your Own Maintenance**

Most owners hire a manager because they don't want direct involvement with the tenant in the property. However, some owners have a tool belt and like to tinker around the house to save a little money. When the property is vacant (and anytime on exterior issues) you are free to do whatever you like. While the tenant is occupying the property, we will handle all interior maintenance. There are liability and common sense issues that drive this policy. We understand your neighbor is your best friend and can fix that leaky toilet – but what if the tenant's purse comes up missing, or the neighbor hurts himself while in your home fixing your toilet? Can you see the potential pitfalls in this? We can.

**I. Home and Builder Warranties**

Home warranties are a curse to professional property managers. When an owner puts us in charge of maintenance and then transfers repair issues to another company (a warranty company), the outcome is often a stressful situation that is impossible for us to manage. Home warranties were designed for owners who live in the property and who will cooperate with the warranty company vendors. Tenants aren't quite as responsive, so warranty company vendor calls are hard to manage and cause lots of tenant hostility. You're paying us to manage maintenance, so let us do it for you. Buying a home warranty just makes it more difficult. If an owner demands to work with a home warranty, we can accommodate as much as we can – but we will have to charge an additional fee for the added work. See our FAQ's for further real-life stories on the failings of these home warranties for landlords.

**J. Tenant vs. Owner (Manager) Responsibilities**

We take pains at the move-in to clarify exactly what the tenant can expect from us in the way of maintenance response. Sending a vendor to the property is expensive, so this is not an option for every call. For example, a dead limb hanging over the fence is relevant, but

it probably doesn't justify a special visit. In most cases, we assure the tenant that we'll address these minor issues at the anniversary date or that we'll look at it next time we're at the property. Keep in mind, every time someone goes to the home – it incurs cost. We try to mitigate that cost by deferring the very minor requests to a later date such as during the annual walk thru.

**K. Regular Maintenance vs. Replacements, Renovations and Remodeling**

Clearly we are responsible to oversee normal maintenance breakdowns and regular repairs as a part of our management fee. We separate these issues from the larger projects of renovations, full paintings, replacing carpet, roofs, siding and appliances. All property managers put limits on what they do for their monthly fees. Larsen Properties has established \$500 as our benchmark of what we do with no extra fees added. For anything over that amount (large jobs), we add 10% to cover the cost of getting multiple quotes and project oversight.

# Managing the Tenant

A major part of our job is interacting with the tenant. We believe the more you know about how we manage tenants, the better you'll appreciate and enjoy the benefits of your anonymity. Our motto for the tenants is "clean and safe." Here are just a few topics for discussion.

## A. 30 day Auto Renewal

Unless the tenant is given a 30 day notice by the landlord, or vice versa – the lease is extended automatically on a month to month basis until an extension is signed or one party provides the other party with a 30 day notice to end the lease. Keeping a renter in the property and paying rent for a long time is an important strategy, and we work hard to make that happen. If you want to move back in or sell the property, you need to be careful to put your wishes in writing to us long before the 30 day timeframe from lease end so we can offer plenty of warning to the tenant.

## B. Rent Increases

We recommend 12 month leases at a time that will fit into giving the owner flexibility in a number of different ways: 1) They can raise the rent 2) They can move back in 3) They can sell the home 4) They can kick the tenant out and look for another tenant. If a rent increase is being considered, the past 12 months will need to be reviewed to get a feel for what type of tenant has been in your home. In addition, we will look at market conditions, vacancies, and needed repairs in making that decision.

## C. Lease Renewal Process

The last thing you want is a vacancy. Therefore it makes sense to reward your property manager for keeping the renter for another year. We start earning the renewal fee the day we move the tenant into the property. We work all year to get our tenants to renew and we celebrate when they do: Mission accomplished!

## D. HOA Challenges

One of the more recent challenges with renters is having an overactive HOA manager. If owner dues are not paid, or if someone violates their rules, they can fine owners, harass them with constant letters, and even try to file liens against an owner. Some HOA managers are convinced that renters are the curse of the community and bring down property values for other owners. They love to harass tenants and do what they can to drive them (and their landlords) out of the community. We have to work together on this so you must stay involved. We'll need your help if your HOA gets ugly.

The most common occurrence we see from HOA's are letters sent to owners for one of the following: 1) The lawn needs to be mowed and trimmed. 2) The trash cans are still in sight from the street on non-trash days. 3) There is a trailer / boat parked in the driveway on a weekday.

# Managing the Move-Out

The next part of the management process is the move-out. The state Landlord Tenant Act has a lot to say about the move-out process. Legislators obviously have had a lot of complaints from renters over the years, because there is a lot about tenants moving out, charges for damages, and security deposits in the law. Here is a description of the process.

## A. Before the Move-Out

In managing rentals there are five kinds of move-outs depending on the circumstances:

### 1. Normal Scheduled Move-Outs

Normal Scheduled Move-Outs account for about 90% of our business. Once they give us notice to move we will be communicating with them, and with you, right up to the day of the move-out inspection to make sure they keep utilities on; return keys, garage door openers, community keys and passes; and remove all personal property. We give them lists of things to think about so they can avoid fines and earn back their security deposit. Our priority is to get the property back in rent-ready condition. Most renters want their deposit back and pay close attention to these issues.

### 2. Early Terminations

Occasionally people get transferred, or buy another home, before their lease ends. There is an early termination stipulation in the lease (Para 28) that allows the tenant to move early by paying a one month's rent penalty up front. This will allow us to put the home on the market again on the tenant's behalf. During the time the home is on the market to find another tenant – the current tenant is still under the lease agreement and is obligated to pay rent, keep the utilities on, and the home maintained. Once a suitable replacement tenant is found, the old tenants lease can be terminated early with their security deposit being refundable. We'll notify you immediately if a tenant would like to exercise the Early Termination Clause. Bottom line for the owner – it is an exact wash. The owner does not lose or gain anything when this happens because the outgoing tenant pays our fees, and all costs involved in crossing over to a new incoming tenant.

### 3. Coordinated Skips

Occasionally renters call us in the middle of their lease term and just tell us they're moving for any number of reasons. They lose jobs, get divorced, can't get along with their roommate or just can't afford the rent anymore. They're not skipping, but they're also not offering to pay the early termination fees; they just want to notify us of their intent to move and want to do it under controlled conditions. We'll notify you immediately and will handle all the charges according to the lease and state law.

#### **4. Skips and Abandonment**

Every now and then, we find a property abandoned. Usually we discover it when we're doing a drive-by due to unpaid rent or an imminent eviction. Often the utilities are off and there's plenty of personal property left behind. When this happens we'll make a decision about whether we take immediate possession or need to go through the eviction process to gain back control of the home. We will notify you immediately upon discovering your property vacant, and keep you in the loop throughout the process.

#### **B. During the Move-Out**

We try not to have the tenant present during the move-out inspection, as their presence often turns it into a highly combative event. They usually want to argue about the damages for which we are charging them, claiming the issues were there when they moved in. We will charge for all damages unless we see it on the move-in inspection, or it is normal wear and tear. When they are not present, we mail conduct a detailed inspection of the home to include pictures and video. This procedure puts us in a good position to defend any necessary charges, and protects the owner from too much conflict which could worsen into a lawsuit. The move-out inspection in most cases will take less than 30 minutes, depending on how much damage needs to be recorded. If the home is in bad condition and we predict a number of big charges – we will often call for a third party assessment similar to the property assessments mentioned earlier. This third set of eyes and new pictures will assist in documenting the issues at hand. If we are charging the tenant thousands of dollars for damages, we need to go overboard to document it. The more eyes the better. Everyone will take their photos (and videos) in preparation for proving the charges to the tenant, or if a lawsuit follows that - the judge.

#### **C. Photos and Videos**

For years we have sought to document our charges to the tenant by taking digital photos of damages just in case the tenant disputes the charges. Often, carpet stains or excessive damages to the walls don't show up well on photos. Videos have become more popular and can be stored on YouTube as "Owner Walk Thrus" with no shelf life. This method augments the pictures and will usually highlight things a lot better than pictures alone.

#### **D. Normal Wear and Tear**

Landlord Tenant Laws prevent landlords from charging renters for "normal wear and tear" on the move-out inspection. Most of the conflict comes from this. This is very subjective and we know for a fact that different property managers will come up with uniquely different assessments looking at the same property. We do this with one eye on explaining it to you (and if needed the judge) if the tenant disputes the charges, as the judge has the final say as to charging damages to the tenant. Some owners think the tenant should return the property in the same condition in which they found it or in a rent-ready condition. While some states allow this standard, Texas is not one of those states. Abuse this process and the judge will not go lightly on you when looking over the charges. The Texas Property Code has exact formulas for "normal wear and tear" and judges will often use that as their guide in addition to the length of stay from the tenant.

**E. After the Move-Out**

Texas law gives landlords thirty days to identify charges and get the information to the tenant for review. Refunding the balance of their security deposit, or sending them a bill with the detailed charges satisfies this requirement. Texas Law also requires that we disburse the security deposit within 30 days of lease end. We will send the tenant a document detailing all the charges they owe, including unpaid rent, late fees, NSF charges, warrant charges, and damages to the property.

**F. Disbursing the Security Deposit**

If the tenant disputes any charges, we work aggressively to provide them the information we have gathered with pictures and video, vendor receipts, quotes, and or estimates for work that needs to be done. If we think the outgoing tenant is going to be difficult past this point, we may need an additional inspection to document (third party) the condition of the home. We must still abide by the 30 day requirement to notify the tenant in writing what charges were incurred and refund any balances left in their account. The dirty little secret that most other property managers fail to mention – and we are very clear about this point – tenants are not allowed to sue property managers over a deposit – they have to sue the OWNER of the home. No owner wants to get served papers for a lawsuit at their residence or place of work for a few hundred dollars – so we are very aware of this when recommending a deposit refund or any withholdings.

## Legal Pursuits

If the tenant owes money to Larsen Properties once they vacate the home, this is called a “collection” effort. This unpaid debt from the tenant is a difficult thing to collect on. It can be reported to the credit agencies, but this does little to get them to pay in most circumstances as those outgoing tenants often don’t have the means to pay. The good tenants, which we focus on getting into our homes, are the ones who don’t have issues like this from their past – which is often a good indicator of their future performance.

The only real way to collect a debt on a tenant is by getting a judgement granted for any outstanding debt. To do this, an attorney would need to be hired, and the tenant would need to be sued through the small claims courts. The tenant would be served and the case would go in front of a judge. Assuming the case can be won, the judge will grant a “judgement” of a certain dollar amount to the owner. This judgement can be filed with the county, and the collection agencies that will tie to that person until the case can be settled. That person would not be able to buy a home with a lender until that judgement is settled along with several other deterring factors. Employers would also see that on their record and asked questions about it.

More or less – this process is like squeezing blood out of a turnip. If the tenant has done less than \$1,000 worth of damage – that whole process of pursuing a tenant would be nullified by any attorney and court costs. But – as the saying goes here – you can sue anyone over anything with a simple small claims suit.

# When It's Time to Sell

Around half of our clients buy the house as an investment property and intend to hold for a long time. The other half used to live in it and could not sell it when they needed to move. When it's time to sell, there are some options.

## A. Selling to the Tenant

The most efficient sale you will ever have is when you can sell the property to the existing tenant. Everybody loves the idea of selling to the tenant because there is no vacancy between the time the tenant moves out and a new buyer moves in. This is the best of all worlds for the owner. So, if it is good for the owner, why doesn't it happen very often? As a broker, we would love to sell to current tenants every time. It's an easier sale, and there is no move-in or move-out to manage. From the outside looking in – one would think that tenants would buy houses they are living in. They do, just not the one they rented. Why? Here's what we discovered in the managing and selling rentals for our clients: when tenants choose a rental they make compromises in the house, the community and the area. They don't take the time buyers generally take to select just the right house for their family. They aren't thinking ten years, but two; it's just a temporary place to live until they figure out where they want to buy. We do sell homes to renters, but not many.

Secondly, it's a hard sale. Here's the problem; tenants don't do home inspections before renting a home. When people live in a property for a while, they figure out what's wrong with it. They learn the upstairs does not cool in the summer and the neighbor is a crab. They know what needs to be fixed; they know the problems with the property, and often they won't buy it because they know too much about it. This sounds strange, but for some reason they would rather buy something they know nothing about than buy something they've lived in and know everything about. Stupid as that sounds, we've heard it all before. That being said, if you want to sell the property and it's occupied with a tenant – consult with Larsen Properties and we can best advise you on the strategy to get the home sold.

## B. List for Sale

When our clients are done with leasing the property we often sell the home for them. We have been licensed brokers for 30 years and have a dynamic staff of listing agents who know how to get the job done. Because we know a lot about the property, and we have a relationship with the occupant, we are able to get it on the market before they move out and we don't need much from you to make it happen. When you get notice from us that they're moving, let us know if you want to sell.

## C. Short Sales

It's a common misconception that a short sale is the best way to get rid of a property in a hurry. What people don't understand is that the owner must be several months behind in the mortgage payments (which is damaging to their credit rating) before their lender will even talk to them about taking a discount on the loan payoff (paying it short). They also won't talk to you if the property is rented. The lender thinks if the property is rented, you

should be able to make the payments. Short sales are a common phenomenon of the current real estate market which means three things: the lenders are all doing them differently, the rules are changing weekly, and the fad will be over soon. If you think your property is upside down for market value in comparison to the current mortgage, and want to investigate this option, contact your lender and get the story *before* you call Larsen Properties about offering it to the renter. We've closed a few, but it's a lot harder than it looks.

# Managing the Separation

There will come a day when we decide to part ways. Eventually everyone does. Since it is inevitable, we want it to be a smooth and orderly transition. Because there are license laws and security deposit funds involved, we have to do this very carefully. We have forms and checklists for this process so we don't miss a thing. If there is a tenant in the property this is a little sticky, but we have done it before and know exactly what the issues are. Some owners decide to manage their own property. Some want another property manager, while others want to sell and be done with leasing. Whatever the reason, we will always be willing and cooperative to make the transition smooth. Here is more on the final process of our relationship:

## **A. Separating in the Middle of a Tenancy**

Either party can initiate a separation. In doing so, the party that wished to terminate the relationship is obligated to provide a 30 day written notice. If a tenant is already in the home under a current lease agreement, all documents and funds can be handed over to the owner, or to a new property manager. There are no refunds offered for early termination. The best time to terminate is between tenants to cause the least amount of confusion for all parties involved with security deposits and other funds.

## **B. Separating with Cause and without Cause**

Either party can initiate a separation. However, there are two sets of circumstances that generate a separation. One is "for cause", meaning one of us is unwilling to fulfill their agreement and the other is unwilling to continue to tolerate it. As an example: if we don't manage as we agreed, and you call us on it, we must be given the opportunity to correct the problem. If we don't, then you should be able to sever our relationship without penalty. The second is "without cause", meaning there is no contractual reason to separate, just a need to part company. If that takes place, there may be some consequences as we are both counting on each other to fulfill the agreement.

# Conclusion

Property management is a lot more complicated than it looks. There are few trainers, workshops and books to read on the topic so most of the lessons come from the school of hard knocks. Fortunately, you won't be paying for our learning curves as we've been doing this since 2004.

Our staff is committed to exceeding your expectations as we manage your property as if it were our own, and strive to manage your home in such a way that there are no surprises.

Once we move a tenant into your property, we'll give you access to more information on our web site designed to increase your knowledge of our processes and systems. Our goal is to set expectations thoroughly so neither of us is surprised or disappointed in our relationship.

Welcome to Larsen Properties!

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