

Start the New Year Off With a Rental Operations Manual **By Robert L. Cain**

Can your rental property business run without you? What if you wanted to take a three-month vacation, could you rest assured that your business would function just fine in the hands of a substitute landlord? What if you wanted to retire and sell off your investment properties, would their value be higher if you had a system in place so that anyone could step in and run them successfully?

If you answered "no" or "maybe" to these questions, what you read here will be of interest to you. Every year, about 20 percent of small businesses go out of business – that's excluding franchises. Franchises have a failure rate of about five percent a year.

That's right, 95 percent are successful. What is the difference between your ordinary run-of-the-mill business and a franchise? The system. Every franchise business has a system in place for the operation of the business. There is never any question about what to do in any given situation, the operations manual has it all spelled out.

Many landlords go out of business every year, some without knowing it. They give up control of their rental properties to their tenants, and then complain about how hard it is being a landlord what with not getting any rent from the bad tenants they rent to over and over again.

There is no reason in the world you can't put together an operations manual in your rental property business. It will require some work and concentration to think through all the procedures you use to buy, manage and sell your properties, but once they're thought through and written down, you will be able to do the same things the same way every time – even if you only do it once a year or so.

And when you are done, you will be able to go away for three months at a time and rest assured that whoever substitutes for you will know how to and be able to do every job the way you intend it to be done. A business with a well-crafted operations manual is, in the words of Michael Gerber, author of The E Myth, a "systems-dependent business, not a people-dependent business."

The Reason for an Operations Manual

John C. Koski wrote in the May/June 2003 issue of *Franchising World*, "Operations manuals are not only critical to the operation of a ...business, but also are critical in the resolution of any number of different types of legal disputes. Operations manuals are often a focus of lawsuits ..., and can contain relevant evidence in a wide range of claims, including personal injury claims". With rental property, that can also include such things as Fair Housing claims.

The first thing your attorney will ask for if you are faced with a legal action of any kind is to see your operations manual. If you have one that is complete and you can show that you have followed procedures carefully and possibly used checklists for each operation, you will go a long way towards showing that you have done nothing that you or your company should be held liable for.

The key is to create a system for each of the processes you perform in managing your real estate investments. See the accompanying list of possible sections for the operations manual. You don't need to do all of them necessarily, or not now, but there are several that you definitely will want to do immediately.

Most important, of course, are the procedures for marketing your property, answering the telephone, interviewing, showing the property, taking the application, screening applicants and move-in. Those procedures are where landlords too often drop the ball or completely blow the formula. **Other procedures can come later, but those are absolute musts.**

Items to Include.

Let's take a sample section and look at what should be included in it. The section that causes many landlords grief is the one that covers getting the unit rented. In that section there should be at least the following procedures:

How You Advertise

- Names and contact information of ad salespeople at the newspapers
- Newspaper rate cards and deadlines
- Ads you have run
- Procedures for calling in ads
- Flyers you have created
- Flyer templates
- Instructions for printing flyers
- Flyer distribution service contact information
- Rate sheets for flyer distributors
- Rate sheet from the printer or printers you use
- Fair housing terms that may and may not be used
- Names and contact information for sign companies
- Sign company procedures, such as length of time required to place a sign, etc.
- Lockbox information if you put one on a vacant unit so Realtors can show them
- Addresses of real estate offices in areas of properties
- Online advertising addresses
- Online ads you have run
- Open house procedures

Property Preparation

- Property preparation checklist
- Photos of properties
- Curb appeal checklist

How You Screen

- Scripts for answering the telephone
- Property fact sheets
- Sample contact forms
- Procedures for showing properties
- Questions to ask prospective tenants
- Rental application
- Rental policies and standards
- Contact information of screening service
- Rejection form

That is the information you will definitely need to include in your operations manual for those sections. You may be able to think of some more based on your individual circumstances.

How Long do These Sections Need to be?

The length of the individual procedures will vary, depending on the amount of information that is included. Regardless of how long, though, every procedure needs to begin on a new page even if it is only a few lines long. That makes it easier to locate and to change out if your procedure changes.

For example, if you had a page for the contact information for the newspaper salesperson in your area, it would probably look something like this:

NEWSPAPER CONTACT INFORMATION

Our Town Times:

Salesperson: Joan Jones

Phone: 555-555-1237

Email: jjones@ottimes.com

Hours she works: Mon-Fri, 8 am to 5 pm

That would be all the information you would need so you could get in touch with Joan. Other things you could include would be personal information she had related to you such as children, spouse, if she owns property, etc. That way when you call her, you are her friend in the business, not just another customer.

The Format

George Allen, CPM, who publishes *The Allen Letter*, suggests the following format in his manual, *Manufactured Home Community Management*.

“The most common SOP (Standard Operating Procedure) format is a three-ring binder with conventional-sized (8 ½ by 11”) paper. The size binder (1” to 3” rings) depends on the volume of material to be included ... the loose-leaf binder allows for the easy addition of updated material, removal of obsolete information and inclusion of appropriate reprints from relevant publications. Each section of the binder is clearly identified with tab pages.”

All checklists you use need to be included. Those could be originals from which you would make copies. The best way to handle those would be to insert them in the plastic sheet protectors that will fit in a three-ring binder – the ones that allow you to insert a sheet without punching holes in it. That way, the copies will not have holes showing in them and the original will be protected from damage.

You can also use originals of the rental policies and standards for each property, though you will probably want to update them each time a property comes available with the date, higher rent and security deposits, etc. Those are best stored on your computer.

Conclusion

Your operations manual will take the guesswork out of taking and keeping control of your rental property. Every step will be documented. Every procedure will be done the same way every time. You will remain in control of your properties.

Official Operations Manual Suggested Headings

- IMAGE
- COMMUNITY RELATIONS
- RENTAL MARKETING
- APPLICATION PROCEDURES
- SCREENING PROCEDURES
- TENANT MANAGEMENT PROCEDURES
- CUSTOMER RELATIONS
- MEDIA RELATIONS
- EMPLOYEE RELATIONS
- VENDOR RELATIONS
- BUSINESS COMMUNITY RELATIONS
- LOCAL GOVERNMENT RELATIONS
- COMPETITION RELATIONS
- MAINTENANCE
- INTER COMPANY PROCEDURES

- ACCOUNTING AND BILLING
- BANKING AND CREDIT CARDS
- FINANCING
- COMPUTER PROCEDURES
- SUPPORT (COMPUTERS)
- SCHEDULING TIPS
- QUALITY CONTROLS
- EMERGENCY PROCEDURES
- ASSOCIATIONS
- INSURANCE
- SAFETY
- WASHING PROCEDURES (VEHICLES)
- INDUSTRIAL AND SPECIALIZED SERVICES
- RECORDS TO BEAT

(These are only suggestions. Obviously, you can arrange them and write them in the order that works best for you.)

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