

MRLANDLORD.COM Tips on Management

By Jeffrey Taylor

THE "HAPPY CLAUSE"

We have about 50 units managed by an outside property management firm. These rentals are our harder-to-deal-with assets; the lower end family rentals, student rentals - the ones that need a lot of hand holding.

The firm recently hired a new property manager that was assigned to our properties. She had NO management experience, but she has been a broker for years and is picking things up quickly and she IS on the ball.

She called me the day before yesterday kind of whining about a new tenant that SHE had selected. The tenant was demanding, demeaning and came with a LAUNDRY list of repair requests (this is a VERY nice, but 100 year old home). My manager wants me to play good cop, bad cop with her, but after I heard that the tenant slammed the door in her face because the property manager said NO to a few repairs, I offered the following: It's time to invoke Sean's Happy Clause! It's a simple rule really - get ready to write it down, so you can repeat it to the tenant. Here are the words: "You don't seem to be happy here, and I feel that nothing I do is going to make you happy, so I am invoking the happy clause that wasn't written into your lease. ***I will tear up your lease and you can GO BE HAPPY SOMEWHERE ELSE.***"

The manager asks, "Can I do that?" "Sure you can", I replied. Of course I took a little ribbing from the investor's partner later that day at lunch when he asked me, "They are moving out you know, what is all this happy stuff?" My reply to that was, "Hey.. It's Spring, that is a great house and I just saved all of us 12 months of aggravation."

Lesson: Do not keep or put up with problem tenants. Even if they have good jobs and good credit, if they are a pain, invoke the "Happy Clause".

NEW QUESTIONS TO ASK RENTAL APPLICANTS

One question that is extremely relevant in today's economic climate is: "Do you own any real estate?" With the growing number of foreclosures and people having difficulties making their mortgage payments, I would encourage you to ask every rental applicant the question about any real estate ownership. Not only is this question helpful in the screening process, but you may discover that they have a property which you can buy at a great price, perhaps by simply paying the amount past due and taking over the payments. Or the mortgage holder may be willing to accept some other type of favorable financial arrangement, and might be willing to sell you the house at a discount rather than have it taken back in foreclosure.

Whatever additional questions you ask rental applicants, always encourage prospects and tenants to talk at length by asking open ended questions. I have had a couple recent applicants tell me about lawsuits they are pursuing. One landlord shared how a previous

tenant told her that she was arrested for disorderly conduct over the weekend and would be suing the police. These are all good things to know!

COMMUNICATE EVICTION PROCEDURES BEFORE RESIDENT MOVES IN

Make it crystal clear to a new tenant the exact procedures that would be implemented immediately concerning the notice to quit if a payment is not made on time....and do this with a smile on your face!

During the new resident orientation, I spend a lot of time explaining to my new residents EXACTLY what would happen if the rent was not paid. I explained what being jointly and severally liable means, and the notice they would receive on a specific day of the month. I have them initial related clauses in the rental agreement and every page of the lease, so they can't cry "she never explained this".

COSMETIC IMPROVEMENTS PAY OFF

A little cosmetic work and some upgrades can go a long way. We have tried to slowly upgrade our units, for example: changing old lights to nice brushed nickel fixtures (still cheap, from Sam's Club), adding ceiling fans, putting down faux sandstone tile (peel-n-stick) over ugly old linoleum (even did ceramic tile in one, tile was on sale and, we did it ourselves for less than \$250).

The moral of the story is that we have been able to 1) increase our rents \$20-\$50 per month, 2) get our units rented within days and 3) attract a much better clientele. Our units are in an area where few landlords do any upgrades (many fixtures from the 1970s), they haven't discovered air fresheners (places smell musty), and they pay little attention to detail (walls covered with marks, holes, burn marks, holes abound). So for us, the small changes that we make stand out to those looking for a rental. We often make up what we spent within the first six months; if not, definitely within the first year. From then on, it's just gravy. If your places look respectable, you will attract applicants with self-respect. If your units are run down, sloppy, and not well taken care of - that's what your applicants will look like.

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