EP37: More Listener Questions for DIY Landlords

Welcome to the Landlord Logic Show, hosted by John Tiner. John is the owner and CEO of Tiner Property Management, a three-generation family business since 1976. Tiner Property Management expertly manages over 1,000 properties in the greater Sacramento area to place quality tenants quickly while minimizing your risk. John stays up to date on all the new laws and regulations and shares his knowledge with do-it-yourself landlords each week.

The Landlord Logic Show with the Tiner Property Management Pros. Joining us now, John Tiner, along with his wife and business partner, Jenny Tiner.

Welcome to the Landlord Logic Show. We're so glad to have you with us today. In the studio with me, as always, is my wife, Jenny Tiner. Welcome, Jenny. Thank you.

A little bit about our company here. John's parents started the company, what, almost 50 years ago? 49 years ago, 1976. I was in junior high. Jenny was born the next year, so it's been a while. And then John joined him, joined his parents about 10 years later. And I think you guys started with 30 property management accounts. We're located in the Sacramento area. And then that has now grown to we are almost at 1,300 accounts. So we are a large company, but we are a family business. And even though we are large, some people say, well, you're too large to take our account. No, we're not. Our average owner is. has one to two properties. We have maybe one or two that has over 10, but we are never too big. We never want our clients to feel that we're big. We have a lot of staff. Yep. I got two or three calls this morning for people interested in new accounts, set two appointments to meet with owners and talked to them about our property management services, and they were both surprised. Like, you own the company, and you took my call, you answered my call, and yes, we do.

So we're a full-service property management company. So what does that mean? That means that we do everything residential, Sacramento area. We're fine doing everything from finding the tenants, the screening. We have an in-house leasing team that runs applications. We have a couple... that are in the field that show the properties. And then we find the tenants, we do the move-ins, we take the rents, we take the deposits, we hire any work that needs to be done. Some of our new accounts that come on, they need repairs. So we write over $3 million of work orders a year.

We don't have our own maintenance company. John's always felt that's a conflict of interest. I just feel like if the property manager is empowered to order the repairs, they shouldn't be the repair company. It looks too much like the right hand feeding the left hand. So we have good relationships with independent licensed contractors that have workman's comp if they have employees and we check all that, make sure they're always in compliance, right? But they're independent people. The owners get a copy of their bill and they can call them directly. We don't hide that. There's some property managers that actually hide the bills. We don't do it. We're very transparent. We get quotes if it's, you know, time is of the essence if there's a vacant property. So we often times know what the costs are.

So we just, you know, we might have one vendor out there, but then if it's something where it's a bigger cost or our owner requests it, within a reasonable time, we'll have multiple quotes and then get those to the owner. Like a roof, for example, that's going to be over $10,000, maybe over $20,000. We're not going to take one bid for that. We'll get multiple bids. But it's not beneficial for an owner if you're wanting to save $50 or $100 for a different quote that might come in. It might take an extra week for that. So some of those vary.

Anyways, we do. We get the repairs done, pay those bills, and then at the end of the month, we make it easy and we pay our owners. So most of them are electronic. It gets right into your account. And then some are still paper. We work with that, too. And we take and then at the end of the year, we do a very nice, easy end of year reporting. I know I love it for my CPA. Super easy and breaks it down to what is a tax write off. And our fee is also a write-off, too. So it's basically free if you hire us for a management fee because you can write it off. That's right. And if you'd like to reach out to us, we want to make this easy for you. We'll share the secrets with you, but if you want some help for your own rental property, we would love to answer any questions that you have. We do that in a no-obligation meeting, usually at your property. and we'll tell you what we think it will rent for. We rent about two houses a day, so we know rent values very well. We have all the rental comps from having just done probably another property in your neighborhood. And then we'll give you the rent value and what we charge and leave with you being a lot more informed, maybe better equipped to make a decision about whether you want to keep your rental property as a rental or sell it now in the market. So if you'd like to talk to us about it, we would love to talk to you too. Give us a call at 916- 974-6003. And we will schedule that time and enjoy getting to know you and see your property. Or you can check our website out at Tiner.com. That's T-I-N-E-R.com. And we have a lot of information on there. And also on your cell phone, dial pound 250 and say the word Tiner. We'd love to talk to you. So just a few ways that you can reach us.

So what we're going to do today is we have quite a few people since we've been doing this for a little while that write into us and ask questions. John's also very active on a lot of the realtor and landlord sites on social media. So he's getting well known in the area, but more vocally and sharing knowledge. So we have a lot of questions that get thrown at John. So pick some of those out and we're going to go through some of those.

So if an applicant has a substantial cash reserve, is it smart to waive the income requirement? And I think the answer to that is maybe. It depends on the situation. So how much cash reserve for starters, right? Some people say, I've got $5,000 in my savings account. That's not a cash reserve that's going to greatly impact your ability to pay. So if they have a cash reserve that amounts to 36 times the rent, for example, figuring that the rent is only about a third of their income, three times their amount would be really only one year's savings. So that's kind of a minimum to consider, I would think, 36 times the rent. But if someone has 50 times the rent or 100 times the rent, they've been a good saver, right? Some people really are. They've saved a lot of money. Those are the people that you may get to a point where you can either reduce or completely eliminate the income requirement for those applicants because the risk is kind of gone. They've obviously, if they've saved all that money, they're probably going to continue to save and they're going to work out their life such that they're able to. We've had people move into town. They didn't even have a job here yet, but they had $500,000 of savings in the bank. They're going to figure it out, right? They'll do it.

And with saying that, when we rent our properties, we do a tier system and we have a very good income calculator that anybody is free to use. You click on our resource page. It's on there. It's on any of our properties that you can apply for. So if you just want to play around with that, John spent a lot of time on that because a new rule happened the first of the year that we had to change our screening guidelines. So he really focused on how do you do this? Because there's a lot that goes into it. The same thing we've told the story before about. Credit.

Sometimes credit isn't that great if it's great credit. Meaning? A score could be high. Yeah, the score could be high. For example, we have twins. I have twins that are 21 years old. They live with us. And they have my credit score. They don't have exactly my credit score. But I set them up where I added them as an additional user. So I'll brag about myself for a minute. My credit score is 850. It's good. It's good. It's really good because they are on mine. Theirs is and their twins. They go back and forth. They're really close to 800. They might even be a little over it now. They don't pay bills. They might pay a cell phone bill. They live at home with us. But I learned from my investment people, my investment friends, lenders. If you want to help build your kids credit, put them on as an additional user. They're only allowed to use my card, their card, it's in their name, when they go to the store. They don't have to give them Venmo or whatever. So anyways, that being said, they have great credit, but it doesn't mean that they should be the same as somebody that has lived in the world a lot. They don't pay bills. They don't make a lot of money. And so what we've done to develop this income calculator, which anybody's welcome to use it, we take a person's consumer debt into consideration. So our calculator adds the minimum payment for their credit card debt, student loans, even car payments to the income requirement. And so this calculation looks at all those factors, and then it spits out whether they meet our income requirement. So it's a little different depending on how much debt someone has. has. There's a big difference between someone who has no debt and someone who's carrying quite a bit in their ability to pay the rent with the same income. So it looks at that and spits that out. And so if a person has a whole lot of cash reserve, our calculator makes a calculation and that begins to drop off on their requirement. So if they've got a half a million dollars in the bank again, that income requirement has gone all the way to zero for them. So they're going to figure out a way to pay the rent. And it also means when you, depending on whatever your situation of life is, if you're an applicant or you have or you manage your own property and you get an applicant, you know, different phases of life.

Some people have just different kinds of money. They might have retirement income. They might have spousal support, child support. Um, you know, my gosh, my brother now has had like three retirements and started, you know, he was in the military and then he has a retirement from this company and this company. And so he has all those, he's still working, but, um, you know, eventually all those play into account of, um, your savings along with, um, you know, credit. Anyways, we have really good screening guidelines are on our website. They're fantastic.

They worked for us. We have one less than 1% eviction rate. and we really stand by our screening guidelines. Tiner.com, that's T-I-N-E-R.com, and you can find all that information out on there.

So Tiner Property Management is a family owned business. We've been doing this for nearly 50 years. We're good at it and we are glad to help you. We will make it seamless for you, easy for you, turnkey we say. So you hire us and then we deal with the tenants, we collect the rents, we do the paperwork, we address all the new compliance and all the new laws and we do it smart for you. Take all the photos that are now required and help you with rent control if you've got a rent-controlled property or maybe you don't even know the difference.
Sometimes it's hard to know which way it is, a wobbler property. So we help you navigate all those things and make it easy for you to own rental investment property. And that's our niche in the market, our narrow focus, but we're good at it and we'd love to help you. If you'd like to reach out to us, you can reach us at 916-974-6003 or from your cell phone, dial pound 250, say the word Tiner. That'll get you some information and ring through to us. And of course, our website is a great place to find more information about Tiner Property Management. And that's Tiner, T-I-N-E-R dot com.

So this is another good one that somebody wrote in about. And we actually sold a house kind of like this. I want to sell my rental property, but my tenants are paying significantly below market rates and are protected by rent control. What is the worst that can happen if I just give them a 60 day notice to vacate? Right. So just cause requirements, selling your property is not one of them. It's not a legal reason to give a tenant notice to vacate. So if a person wanted to sell their property, it was covered by rent control and they gave them a notice to vacate. And even if the tenant just said, okay, and they moved out. And then later on a written contract, the statute of limitations is four years. So they would have four years to maybe figure out that the notice I got to move out was not valid. It's not legal. They shouldn't have asked me to leave. They could sue the landlord for wrongful eviction. And we've seen some wrongful eviction cases from the Bay Area that amount to between $100,000 and $300,000 awards because tenants were way below the market. So I advise follow the law. Know the law very carefully and be careful about giving a tenant notice. Make sure you do it the right way and do it the legal way. And if you have a tenant that's way below the market, you'll have to make a business decision. At some point, with the rent caps, it may take you 10 or 12 years to catch up to the rent if it's below rent value enough. So it may be a better business decision to remove that property from the rental market for a year. Which is legal. That's a legal reason to ask a tenant to leave. So if they're in there and they're paying $400 a month rent on a property that's worth $1,600 a month, I've seen that happen on a duplex. They had a family member in there and they were selling the property and they said, well, they're going to leave anyway. Well, if they don't leave and the buyer inherits that tenant, they're stuck with them. So it would have been smarter for a buyer of that property to just remove it from the rental market for a full year And then put it back on them, maybe do the rehab and then put it back on the market at the current value rather than try to catch up by the minimal rent increases that are allowed under the rent control laws.

One benefit with that, too, is when I have a vacancy at my rental, the one good thing when you do because you're out money, but then it's also less money that you have to claim on your income taxes. So if you're vacant for a year, then, you know, you don't have to claim that you got rental income that year. you've got to tax right off because you have a loss. Bad news is good news at tax time. That's the truth, right? Yeah, my Pollyanna making lemonade out of lemons there. And with saying that too is one important thing. You want to keep up on your rents. So don't be the nice landlord. We've sold properties before. It does impact the value of the property if you don't keep up on the rents, because if it is under rent control, it's going to take a buyer years to go up. And so it does impact the value of the property.

I always encourage owners to treat their rental properties like an investment. It's a business, essentially, and not a business where you're a partner with the tenant. You're in business for your own self and your family and your heirs. So you can either run a charity and give away money to the tenants, or you can run it more like a business and have more to give to your own heirs. You're a lot of times taking away from your own family. what they're going to inherit because if you have a property that is way below market value and then your family inherits it needs to sell it they're going to devalue that. I'm meeting with an appraiser next week and we're going to be doing a seminar with a bunch of other appraisers about how much do you devalue a property a rental property based on being way below market value on the rental side. So it's important to keep up with the rent values, important for your own family, important to treat it like a business, in my opinion.

So as a property manager, when we handle a property for an owner, It's our job to keep up with the rents. An owner could overwrite us and say, hey, I really want to keep that tenant's rent low. We're going to advise them. We're going to talk about these things. We'll do what they say. We work for them. But it's our job to be advocating to keep up with the market rents. So we're always doing that. We raise rents on our tenants most every year.

This last year, we've seen a little softening. So it wasn't as much as we have in other years. But when the markets were going up quickly, we were raising rents and keeping up with the maximums allowed by law and doing it regularly. Yeah, when we look at lease renewals, we're looking at them about 90 days beforehand. We get our property inspector out there to look at it, and that's when the conversations happen with the tenants. Do they want to stay? Owners, do you want to keep renting it? And we're looking at the market, and we're advising them what the market is. We do a market analysis and recommend something to the owner on where the rent should be, and then move forward with their approval to renew the lease at a newer price. Mm-hmm.

So if you want more information on our property management services, real estate services, go ahead and give us a call. Our phone number, 916-974-6003. Or you can check our website out at Tiner.com. And that's T-I-N-E-R.com. We have a lot of fantastic resources on there. Or you can also hit, if you're listening from your cell phone, then you can hit pound.com. 250 and say the word Tiner, and then we'll give you a call back.

As we talk through some of these new laws and best practices, some of you do it yourself landlords are going great. You're taking notes and you're going to implement a lot of these kinds of things in your own properties. But other landlords are hearing this and you're going, this is just too much to keep track of. I'd really like to hire a professional who's vested and does this every day, reads all the legal blogs and stays up to date on all that. Well, if you wanna call us for that, we're ideal for you. So we'd be happy to help you out with your own property. We collect your rent every month from the tenant. We place great tenants for you in the first place, screen them out really carefully. We turn down about four out of five and we are doing less than one eviction for every 1000 properties. So we're good at what we do. then on an ongoing basis we help coordinate the repairs we do all the accounting for you so that you have everything you need for your tax person we just make it really turnkey for you and easy you get a check deposited directly into your account every month and then you don't worry about anything, you worry about your life you do what's best for you. On your mobile phone dial pound 250 and say Tiner leave your name and number, and we'll provide you with a free ebook with 16 questions you should ask your next property manager. Again, dial pound 250 and say Tiner. Learn why a good property management company doesn't cost, it pays. Here again are your hosts, John Tiner, along with Jenny Tiner on the Landlord Logic Show.

Welcome back to the Landlord Logic Show. We are a property management firm. We do a little bit of real estate sales too, but predominantly we are a property management firm and we are managing almost 1300 properties. Today we saw 1295. So we're just about to cross that threshold. We started this show about a year ago, and we were just over 1,000 at the time. So we're growing quickly. A lot of people who can't sell are renting, so we have a lot of people coming to us for that. If you're doing it yourself, that's fine. You should do it very knowledgeably, and that's why we're sharing today. But a lot of people also say, hey, I would just like to hire somebody that can take care of that for us, and that's what we're here for. And so we have nearly 1,300 properties. We're doing less than one eviction a year, but it's more than that. We also find the very good vendors that can do repairs for the properties, coordinate all that for owners. We handle all the tenant complaints and issues that come up. And you know, with that many properties, there's a lot of them. And then handle all the accounting for you, both on a monthly basis and on a year-end basis for your tax accountant. Everything you need to know is wrapped up. And then we also do a lot of compliance. A lot of the show ends up being about new laws and new things that we have to comply with, and we share those things. But we do all that for owners who hire us.

So if you want to reach out to us, please call 916-974-6003. Or from your cell phone, dial pound 250, say the word Tiner. That'll send you some information and will also ring through to us. And of course, our website is tiner.com. There's a lot of valuable information on there that you can check out too.

So here's another question. Should a landlord ever accept partial rent during an eviction process? Yeah, that's a good question. And the answer is maybe, right? It makes sense sometimes to do it. But when you do accept any rent, any amount of rent during an eviction process, so you've already served the tenant a notice and summons and started the eviction process, as soon as you accept any amount of rent, you kill the eviction process. It stops it. So if a tenant were to owe you, say, $12,000 in back rent, And then they came in and you started eviction. They said, well, I have $6,000. I'd like to pay that today. Well, if the rent was only $2,000, $6,000 represents three months. So if you accept that money from them and then serve them a new pay or quit for the new balance, you're going to be starting from a much lower point. They owe you less money. It might make sense to do that. But you've already had attorney fees and now... You know, there's going to be some overlap and some extra attorney fees. So you have to do the kind of do the math and figure out if it makes sense. But be really careful about accepting any rent because you need to understand that as soon as you do that, you're stopping the eviction process and you'd have to start all over. So strategically, if it makes sense, reserve a new three day pay or quit for the balance. And if they don't pay that, then you might be able to move forward, you know, at a better spot. Mm hmm. Yeah. And we know all the rules and regulations with evictions.

And I've said this before, but John, he likes to be more of an expert with property management and not evictions, because we have less than one percent eviction rate. We have a good screening guideline. So but we evictions happen. You know, we've had them before. We've gone to court with them. So they do happen. We've had to come one a year and I've been doing it for 40 years in the first year. The first 10 years we did it, we had a lot of evictions because I was still learning myself, and we managed a lot of properties that we wouldn't manage anymore now. And then occasionally we take over an account that needs to be evicted. So we only do one a year, roughly one a year for the accounts that we manage. But sometimes we take on a new account that requires an eviction. So we have a few more than one a year that we end up doing, but not on our own tenants that we selected. Yeah, we do a fantastic job on the tenants that we select. But yeah, some we have do-it-yourself landlords that want help getting a tenant out of a property. So we do assist with that. So another question.

When a tenant leaves owing the landlord money, is it best to get a money judgment or just turn them in for collections? And that answer could go either way. There are definitely advantages to having a money judgment. I just saw a legal blog from Kimball Tyree and St. John's very good on this topic. And they were talking about the benefits of having a judgment. And there are some. They last longer. For example, a judgment is 10 years and can be renewed. Whereas a collection, that's the other option, only lasts for seven years on their credit report. So it's a shorter term and you can't be renewed. So there's that. And then there's several reasons why the judgment is stronger. If you're evicting a tenant, there's two parts to an eviction. And usually the service from the attorney will include both parts, which is A writ of possession, meaning that they're going to lock the tenant out and give you possession back. And the other side of that is a money judgment for whatever they owed you. So they have more collection options with a money judgment. They can garnish wages and do a bunch of things that you couldn't do with just a collection. But the money judgment is more powerful.

So in the eviction process, I think you should always get one. But in the case of someone, a tenant who vacated, not evicted, but vacated, owed more than the security deposit, they owe you money or they add some back rent, in those cases, sometimes it's better to go ahead, I think, and just have a collection. You can turn a person into a collection and you don't have to go through a court process. You don't have to get to a judge to agree with you. So if a tenant were to dispute when you were trying to get a money judgment and they were to dispute it, the judge may not agree with you on maybe normal wear and tear on something on a deposit or something else. So if they didn't agree, you would essentially be lessening the amount that you felt the tenant owed you. Whereas if you just turn them in for a collection, it's the amount that you turned them in for. You don't have to have a judge agree to it.

Again, if you have questions, please write into us either to John's email, john@tiner.com. You can also send it to info@tiner.com. And check out our website. We have great resources on there. John's written a ton of blogs. All these new laws are on there. All of these shows are on there, which then turn into podcasts. So great information. And we're here to share the information. So anything that you see on our website, you're welcome to use it, share it. But if you do find that this is a lot of information and a lot of laws to keep up on, a lot of changes, which it is, and you're in the Sacramento area and you need property management, then give us a call, 916-974-6003. Or if you're on your cell phone, you can also dial pound 250 and say the word Tiner and we will give you a call back. We sure appreciate you being here today and listening with us and hope to be able to talk to you again next week. Remember, professional property management doesn't cost. It pays.