Episode 59

Landlord Logic: Choosing a Property Manager and Avoiding Common Pitfalls
With John and Jenny Tiner

Announcer: Welcome to the Landlord Logic Show, hosted by John Tiner, owner and CEO of Tiner Property Management, a family business spanning three generations since 1976. Tiner Property Management manages more than 1,000 properties in the greater Sacramento area, helping place quality Tenants quickly while minimizing risk. Each week, John shares his knowledge of property management, laws, and regulations with Landlords who manage their own properties.

Joining us now are John Tiner and his wife and business partner, Jenny Tiner.

John: We're so glad you're with us today. I'm in the studio with my wife, Jenny. I'm glad you always join me as a cohost. Welcome!

Jenny: Thanks!

John: Tiner Property Management is a local firm celebrating 50 years in business this year. We started in 1976, so we're experienced, to say the least.

We've had more than 10,000 Tenants, receive more than 2,000 applications a year, and place about two Tenants a day. We handle a lot of volume while maintaining a high level of service.

With nearly 1,400 properties under management, we average about one eviction a year for Tenants we place. That's because we're careful about screening Tenants and the properties we manage. We serve the greater Sacramento area, focusing on homes around or somewhat below the median price range.

If you have a property you'd like us to manage, call 916-974-6003. From your cell phone, you can also dial #250 and say “Tiner.” You'll receive helpful information and be connected with us. Our website, tiner.com, has blogs, resources, and explanations of how we manage properties.

Today, we're talking about problems we sometimes discover when taking over new accounts. Some come from Owners who managed their properties themselves, and others come from property managers who weren't doing a good job or weren't operating ethically.

We want to help you evaluate property managers and find a good one. Hopefully, that will be us, but the purpose of Landlord Logic is to help property Owners understand how to manage their rentals better and avoid common pitfalls. Sometimes people hear what is involved and realize there's more to it than they expected. That's when they call us, and we're happy to help.

Jenny, we've had a few accounts come in lately that really surprised us.

Jenny: We have, especially accounts coming from other management companies. We thought it would be helpful to go over what we're seeing. John, what challenges are we finding when we take over accounts managed by Landlords themselves or by poor property managers?

John: One recent situation was shocking. The account came from someone who was supposedly a professional property manager, but the Tenant living in the property was also the property manager. He had rented the property to himself.

That could have been acceptable if he met all the criteria and everything was handled properly. But there were problems. The rent was late, the deposit hadn't been paid, and the Owner sometimes received money months late. There were also bad checks.

We checked the California Department of Real Estate website and discovered that the manager didn't have a current, active license.

You need to evaluate a property manager as carefully as you would a Tenant. A bad manager can create serious problems for the Owner. If your manager violates someone's civil rights, for example, you could face financial consequences.

We've had two civil rights complaints over the years. One was dismissed because there were no grounds for it. In the other, one of our employees had made a mistake, and we settled the matter for $10,000. I paid that on the Owner's behalf because I felt it was the right thing to do. Our team made the mistake, and I wanted to take responsibility.

Make sure a property manager is licensed and has the financial strength and errors and omissions insurance to help make things right if a mistake occurs.

Jenny: You can visit dre.ca.gov to verify a license. There are a few ways to find the license lookup, including through the consumer section. You can search by the company name and review the available public records.

When this new account came in, several of us checked the records. The broker's license had expired at the beginning of August. It reinforced how important it is to research the company you're considering.

John: Over our 50 years in business, we've been audited by the DRE at least four or five times. We've received positive feedback about our books and the condition and balance of our trust accounts.

Checking the DRE's public records is a good starting point when evaluating a property management company.

There are many good property managers in Sacramento. I meet with them regularly. They're competitors, but they're also friends. We learn from each other, share information, and make referrals.

If an account isn't a good fit for us, such as an apartment property outside our specialty, we refer it to someone who handles that type of property. Other managers refer accounts to us when they fit our niche.

You can reach us at 916-974-6003, dial #250 and say “Tiner,” or visit tiner.com.

Jenny: Another issue we recently encountered involved a property we're selling. The prior Landlord didn't have a report documenting the property's condition when the Tenant moved in.

John: That report establishes the property's condition at the beginning of the tenancy. If there is existing damage, such as a crack in a window or a broken floor tile, it should be documented.

That gives you a baseline when the Tenant moves out. You can compare the condition and determine what damage was already there and what may be chargeable against the security deposit.

Missing condition reports and required photos create problems when trying to support deductions for damage or cleaning. Whether you manage the property yourself or hire a company, the documentation needs to be handled properly.

At the property we're selling, the Tenant had vacated, and there were items that we would normally consider for damage or cleaning deductions. But without the original

condition documentation and required photos, we couldn't support those charges. In that case, the deposit wasn't useful for those expenses.

Jenny: When we take over a new account from another manager or an Owner, our property manager or property inspector goes in and inspects it. Even if the original condition report is missing, we can document how the property looks when we take over.

John: Right. If the Tenant has lived there for three years when we take over and moves out a year later, we at least have documentation from the end of that third year. It doesn't establish the condition at the beginning of the tenancy, but it gives us a record from that point forward.

Even when we receive an existing condition report, we usually inspect the property so our team has its own baseline.

Some condition reports are thorough, and others aren't. We've received reports where someone wrote “OK” at the top of a column and drew a line all the way down. The report might say a ceiling fan was fine even though there wasn't a ceiling fan in the room. That kind of sloppy documentation can be a problem in a security deposit dispute in small claims court.

Jenny: Another important issue is a missing exemption notice for the Tenant Protection Act.

John: Yes, we're seeing that quite often. For properties that qualify for an exemption, the required notice needs to be provided. There were notice deadlines for existing tenancies, and for later rentals, the exemption language should be included in the lease as required.

If that notice is missing, it can affect whether the Owner can rely on the exemption. There may be things that can or can't be done to address it, but you shouldn't assume the property is exempt just because it's a single family home.

That can affect both rent increases and the reasons you can end a tenancy. For example, wanting to sell a property isn't itself a just cause reason under the Tenant Protection Act. The missing exemption notice can create a real problem for an Owner who planned to sell.

Jenny: And we receive quite a few new accounts where that notice was missed.

John: In those cases, we have to be careful about treating the property as subject to rent control. Rent increases are limited to the allowable amount, which can change each year based on the Consumer Price Index. I believe we're at 7.7% this year, but the amount varies.

You don't want to exceed the allowable increase. If you overcharge in one year and then calculate later increases using that incorrect rent, the later increases are built on a bad foundation. That can lead to disputes and repayment issues. It's important to get these details right.

Jenny: Other problems include missing leases, missing security deposits, and missing documents altogether.

John: You can still face a situation where a Tenant isn't paying rent and there is no written lease, but it makes things harder. Without documentation, you don't have a clear record of the terms. Having no security deposit is another significant mistake. We see those issues most often with Owners managing their own properties.

If you're listening and recognizing some of these issues with your own rental, we'd love to hear from you. Call 916-974-6003, dial #250 and say “Tiner,” or visit tiner.com.

Jenny: Another issue is a Tenant paying a rent amount that isn't supported by the lease or a notice changing the terms.

John: We sometimes receive paperwork showing that a Tenant is paying $2,000 a month, but the lease says $1,800 and the only documented increase is to $1,900. We can't find anything documenting the increase to $2,000.

The Tenant has been paying that amount, but the paperwork supporting it is missing. That's a problem.

Jenny: Could the Owner have to return that money if the Tenant challenged it?

John: Potentially, yes. One approach would be to discuss the missing documentation with the Tenant and ask whether they're willing to sign something accurately confirming the agreed rent. Often, a cooperative Tenant will help clarify the record.

Jenny: Another issue is Owners not receiving their money for months.

John: There can be legitimate reasons for a delay, such as a banking problem with an automatic transfer. I'm talking about something different: a property manager who stops communicating and doesn't send the Owner money for three, four, or five months. We've taken over accounts that were that far behind or even farther.

Jenny: There are requirements around handling and disbursing the Owner's money, correct?

John: Yes. You can't simply hold the money indefinitely. The management agreement matters, and funds need to be deposited and disbursed properly.

Sometimes an Owner authorizes us to retain a reserve for repairs. That's different from failing to send the monthly proceeds without an explanation.

An Owner might know that a Tenant of 20 years is leaving and that the property will need substantial repairs. They might ask us to hold rental proceeds in advance to help pay those expenses. The key is that there's an agreement and an explanation. There shouldn't be silence about why the money hasn't been sent.

Jenny: I recently had a situation with my own duplex where one side was vacant. The payment I received was less than I expected, so I asked our office where the rest of the money was.

I had been paying most of the repair expenses myself, but some bills had also gone through the office. Once they explained the expenses and how the funds had been applied, it made sense.

John: And it was all accounted for. That's what's important.

If a property manager owes you months of payments, won't return your calls, and won't explain where your money is, you should consider reporting the situation to the Department of Real Estate. Misuse of trust funds can lead to serious licensing consequences.

Rent money goes into a trust account, and funds are disbursed to the Owner. The DRE has specific rules about handling consumers' money, and those rules need to be followed carefully.

Jenny: That brings up the word “commingling.”

John: Yes. Don't do it.

Occasionally, we hear from someone who wants to sell a property management company while facing a DRE audit and a shortage in the trust account.

Jenny: Over the years, when managers have approached John about selling, he's asked about their trust accounts and whether they've recently been audited.

John: People can get into trouble by thinking they'll borrow a little money and pay it back. Then they can't repay it, the shortage grows, and an audit exposes the problem. Misusing trust funds is serious.

Jenny: I recently spoke with someone who had been referred to us but lived outside our service area, in Volcano. We keep a list of other managers for referrals, but we didn't have someone listed for that area.

Instead, we talked through what to look for in a property manager. First, check the DRE website and review the company's license and disciplinary history.

Another resource is the National Association of Residential Property Managers, or NARPM. Its website has a directory of property managers and the areas they serve. We're listed there, and I think it's a good place to start.

John: I agree. NARPM is a professional association for residential property managers. It offers classes, brings in attorneys to discuss new laws, and gives managers opportunities to support and learn from each other.

The idea is that we all do better when we share information, understand the laws, and commit to professional ethics. It's a great organization, and I think membership is something to look for when evaluating a property manager.

Jenny: NARPM conferences are another way managers stay informed. Once you've identified a few companies, look at their Google reviews. Some of our negative reviews come from applicants who weren't approved or Tenants who disagree with security deposit deductions. Read the responses, too.

John: We decline a lot of applications because we're careful about who we place. Sometimes that disappoints applicants.

Jenny: With security deposits, we're also protecting the Owner. We don't want to keep anyone's deposit. Ideally, the property would be returned in the same condition in which it was rented, allowing for normal wear and tear.

John: If there is damage beyond normal wear and tear or the property needs cleaning, we address those issues and make appropriate deductions. Some Tenants disagree about what qualifies as normal wear and tear, so we need to know the law and be careful in how we handle it.

Jenny: I also told the person who called about our booklet, “16 Questions You Should Ask Before You Hire a Property Manager.” John created it, and it's available under Resources at tiner.com.

Let's go through some of those questions. First: How many residences do you manage?

John: That number gives you an idea of the company's size and structure. If a company manages fewer than 100 properties, I'd want to know more about its experience and resources.

A company managing 100 to 300 properties may be a smaller business operated by its Owner. Those companies can do a very good job. We operated at that size for several years, and there can be advantages to working directly with the Owner of the management company.

Larger companies can offer more specialized roles. Tiner manages nearly 1,400 accounts, and we have specialists in property inspections, Tenant screening, maintenance coordination, bookkeeping, and leasing, along with our Executive Property Managers.

I like that model. I believe we do a better job now than when we managed 100 or 200 properties because we have people focused on specific responsibilities.

Jenny: We also invest in good software, which is important.

The next question is: How many evictions have you performed in the past five years?

John: Consider that answer alongside the number of properties the company manages. You want to understand how often evictions occur relative to the size of the portfolio.

We average about one eviction a year with nearly 1,400 properties. It's rare for us. Asking about both portfolio size and evictions helps you understand how the company screens Tenants.

Jenny: Do you specialize in a geographic area or a certain type of property?

John: You want a company that specializes in the kind of property you own and the area where it's located. That might mean higher priced homes, properties with multiple units, or another specialty.

Our service area is generally within 30 to 45 minutes of our Carmichael office.

Jenny: How many people work for your management company? We have about 30 people and manage nearly 1,400 properties.

John: That gives you a sense of staffing relative to the portfolio. A company needs enough people to keep up with the work. If one person is responsible for too many properties without adequate support, it's difficult to handle everything well.

Jenny: If you combine the years of property management experience for everyone in the company, how many years would that be?

John: That question helps you understand the team's experience and longevity. A manager may need to add it up rather than answer immediately, and that's fine. You're looking for a team with enough experience to do the job well.

Jenny: How many of your employees have a real estate license?

John: That's important because certain property management activities require a license. Negotiating on an Owner's behalf is one example. If a Tenant asks whether the Owner would accept less rent, the person handling that negotiation needs the appropriate license.

Jenny: Who at Tiner has a license? John does, I do, our Office Manager does, and all of our Executive Property Managers do. Most of our assistants are licensed, along with some other team members.

John: We give employees a pay increase when they obtain a real estate license. I believe the more they know, the better equipped they are to do their jobs.

We have more important questions to cover, and we'll continue next week.

If you'd like to talk with us, call 916-974-6003 or dial #250 from your cell phone and say “Tiner.” You can also visit tiner.com and find “16 Questions You Should Ask Before You Hire a Property Manager” under Resources.

We're glad we could share this information with you. Tune in next week at the same time on the same station. Remember, professional property management doesn't cost. It pays.

Announcer: Would you like to learn more about the services provided by the Tiner Property Management team? They can help care for your rental home from start to finish. Dial #250 and say “Tiner,” or visit tiner.com. Join us again next week for the Landlord Logic Show with John Tiner.