

# Hillside Executive Realty Owner's Manual

## ***Welcome to Hillside Executive Realty Property Management!***

This manual has been prepared to help you answer the most common questions encountered when starting your relationship with Hillside Executive Realty Management. Your Hillside Executive Realty office is organized to address the different needs of your property throughout the life-cycle of renting and managing your home.

We're excited that you've chosen the residential rental property management company to manage your rental property. Our goal is to manage your property so that it can achieve the highest return while being compliant with all governing rules, laws, and regulations. You have a full team behind the management of your home. If we do not have the answer right away, we will get back to as soon as possible.

## ***Marketing and Advertising***

### **Where is the advertising?**

Hillside Executive Realty Management's property management system broadcasts your vacancy to a number of on-line advertisers, and your listing will go worldwide.

Hillside Executive Realty Management's experience has shown that a mix of traditional and Internet advertising yields the best response. While different types of advertising can vary depending on the location of your rental, a sign is generally the best method of advertising accompanied by on-line postings.

### **Rent?**

Your Hillside Executive Realty office can educate you to the trade-offs of holding out for a high rent versus accepting a tenant quickly for a rent that is close to your target price.

One of the first steps in filling a vacancy is to determine a rental amount that the market will support. Hillside Executive Realty uses a proprietary method to conduct market comparisons. We then provide a recommended rental range so you as the owner can make an informed decision on the rental asking price.

### **Pets**

A large percentage of renters have pets. You will need to decide whether or not to allow pets in your rental. The upside of allowing pets is that you open your rental to a larger pool of potential residents. It is legal to refuse to rent to tenants with pets except for pets prescribed by a physician to address a medical condition or pets that serve as service animals. In fact, service animals are not defined as "pets" and are generally exempt from all pet rules or regulations. It is also legal to define the maximum size or type of pet that is acceptable in your rental. For example, we normally do not accept aggressive breed dogs, unless you state otherwise. However, you may want to look into your local and state laws, and your insurance policy regarding aggressive breeds. This list can be found online.

### **Qualifying Residents**

Once an application is in place Hillside Executive Realty uses a national credit reporting provider to obtain a prospect's credit history. A criminal background check is done. Rental references are also checked. Income verification is completed. Credit reports cannot be shared with owners due to the Fair Credit Reporting Act, but you will receive an email when an application is approved based on the Leasing Manager's assessment of the candidate, and full package.

**Leasing:** Our Leasing Department is completely focused on filling vacancies. The Leasing Department helps determine the rent amount, coordinates the advertising, conducts showings, qualifies prospective residents, and completes the lease signing.

Vacancies Filling a vacancy can be an owner's next largest cause for concern. Hillside Executive Realty takes vacancies very seriously and focuses on rapidly filling them with qualified residents.

### **Lease Signing**

Hillside Executive Realty uses a lease that has been approved by city government. Presently, it is 6 pages, and very comprehensive for your protection. Renters are the cornerstone of the success of your rental. Our business model depends on stable, paying renters. The placement of a non-qualified renter can be a time consuming, and a non-profitable problem for both the owner and Hillside Executive Realty Management.

### **Showings**

The majority of calls taken by your Hillside Executive Realty office are from prospects interested in viewing a rental. The leasing consultant conducts a brief phone interview to ensure that ensure they meet the basic requirements, and the rental's attributes, before showing your home. If so, the leasing consultant schedules an appointment. If the prospects are interested in the rental, they are invited to complete an application.

### **Deposits**

Rental security deposits are managed in accordance with state, and federal Hillside Executive Realty estate laws and regulations. In addition, NY City have legislation that mandates how deposits are to be handled and we ensure compliance with those as well.

The security deposit legally belongs to the tenant while the tenant is a resident in your property, or until forfeited in accordance with the law. The security deposit is held in an escrow or trust account by the Hillside Executive Realty office in compliance with the law and remains in this account until the final inspection is completed after the renter vacates the rental. This is one way we prevent potential future legal issues for the property owner as we ensure compliance with local laws regarding proper deposit deductions and the timing of refunds. All security deposits, along with a letter of discrepancies are required to be in the tenants hand within 45 days of the end of the date of lease end responsibility.

### **Resident Already in Unit**

If you come to Hillside Executive Realty with a renter already in place, we will send them an introduction letter welcoming them. We provide them with instructions, explaining the rent payment process, and review how to contact our office to address repair or maintenance issues.

***You will need you to contact your present tenant and let them know you have hired Hillside Executive Realty Management. Please send us a copy of your correspondence with them for our file.***

Hillside Executive Realty will need a copy of your lease, a copy of any application they filed with you, a set of keys, and the tenants security deposit. It would also be helpful if you had any pictures of the home before the tenant moved in, and/or any inspections that may have been completed.

If you have a present property manager, Hillside Executive Realty will contact them directly to obtain all of the above. We will need you to let them know to expect our correspondence, and would appreciate a copy of that correspondence for the file.

### **Renter Communications**

Some property owners want to communicate directly with their renters: we strongly discourage this. We want to do all we can to ease your mind from the concerns that arise from being a landlord. However, we cannot effectively do the job that you have hired us to do if you are communicating directly with the renters. The renters may interpret your communication(s) as further contractual obligations that may cause you to incur legal liability. By keeping the lines of communication clean between Hillside Executive Realty and the tenant, the potential for ambiguity can be eliminated. Sometimes we have to say no to the tenants. They will try to contact you to get around this, and it is often exaggerated. Please let them know not to contact you further, and to contact us for any needs they may have. We are happy to work with you to relay information to the renters if necessary.

### **Maintenance**

Maintenance begins with a visual inspection and performs on-going periodic inspections thereafter. Our inspections are designed to discover pre-existing or emerging problems, and to help ensure tenant safety. The Maintenance Department also coordinates all property repair and maintenance needs. We perform inspections before a new tenant moves in that serves as a baseline inspection. We also perform a move out inspection as a comparison to the move in condition. Periodic reviews and visits to the rental as well as routine maintenance are an essential part of this strategy.

Hillside Executive Realty Management's rental strategy is that a well maintained rental with curb appeal rents faster, yields the highest rent, attracts the best renters, and presents fewer problems. Once a renter moves in, the renter is renting a home, not just a property. One way you can keep renters happy and paying on time is to ensure that your rental is in good working order, to keep the rental habitable in accordance with the law, and to respond quickly to repair requests.

***By signing a management agreement, a warranty of habitability is implied and required by law.***

This means that you are promising that your rental is suitable to live in.

### **Budgeting for Maintenance**

There are many ways to budget for maintenance. Some owners use a multiple of monthly rent (2.5% – 3% is common. Therefore, if the rent is \$1,000 per month, you should consider keeping 2.5%-3.0% x of \$1,000 or \$2,500-\$3,000 in reserve to pay for potential emergency repairs that may be required by state law. Alternately, some owners use a percentage of the property value such as 2%-3%. If you adopt this strategy, and if your rental's value is \$100,000.00, you should consider keeping \$2,000-\$3,000 in reserve. Whatever strategy you adopt, what is important is

that you have a maintenance, and repair budget. This budget is a part of being in the business of owning rental property.

**Risk = Potential for Financial Loss**

In order to respond intelligently to renter maintenance requests, Hillside Executive Realty stays current on all residential rental Hillside Executive Realty estate and housing laws at the federal, state, county, and municipal level. We do the reading so you do not have to.

One of the reasons owners like you have chosen Hillside Executive Realty is to help protect them from financial risk. Maintenance is one of the most common areas of risk exposure. One maintenance risk area is compliance with applicable laws, rules, and regulations

It is Hillside Executive Realty Management's policy that all legal violations, must be corrected – no exceptions. As an owner, you may face legal liability if certain repairs are not made. Hillside Executive Realty can provide vendors, and manage the repairs for you.

Refusing to fund repairs may be grounds for termination of the management agreement as Hillside Executive Realty must comply with state and federal laws governing Tenant & Landlord Law.

The other maintenance risk area is in performance of repairs or maintenance. Hillside Executive Realty only uses in-house personnel or contractors who are licensed when required, certified as necessary, and who carry the proper insurance.

Additionally, Hillside Executive Realty gives preference to vendors who have a history of being timely, providing quality repairs, and being safe on the job.

## **Inspections**

A initial cosmetic inspection is performed after the Management Agreement is signed, and before a new tenant moves in. The purpose of the inspection is to ensure that there are no visible issues that represent a hazard to the renter or that may develop into a hazard in the future. Any discrepancies found are shared with you and a plan is established to correct them. Priority is given to habitability and legal concerns.

### **Periodic inspection**

In addition to an inspection that occurs when a renter initially occupies the rental and vacates the rental, periodic inspections are conducted in-between. The timeline of regular inspections is about every six months. These regular inspections are conducted to ensure that the rental remains in good order. Should you desire inspections above this, there is a charge of \$125

## **EMERGENCIES**

What is considered an emergency? Generally, state or local laws define an “emergency” as anything that must be fixed immediately so that the renter can safely live in the rental. Some examples include:

- clogged toilet when the unit only has one toilet (even though it may be a tenant charge)
- security issues (damage from a break-in, inoperable lock, or from a natural disaster)
- Legal notices from housing or city inspection departments (treated as emergency)
- no heat during winter months or air conditioning during hot summer months
- loss of power/water due to mechanical issues within the home
- flooding, due to mechanical issues within, or on the perimeter of the home

## **Evictions**

The eviction process can vary by the county, and situation with your renter. You can depend on Hillside Executive Realty to have the expertise and legal professionals to make the process as humane and expedient as possible. Every eviction is different. Your Hillside Executive Realty office will coordinate with you if you are confronted with the possibility of having to evict a renter.

Always the elephant in the room, evictions are a reality in the residential rental industry. Although you may never have to have a renter evicted, it is possible that you may have to experience this process. The best defense against having to evict a renter is to have a quality selection process, a strong maintenance program, and a responsive property management office. Hillside Executive Realty provides you with all three of these resources in order to mitigate the possibility of eviction.

### **Eviction Protection Plan**

Some owners elect to purchase an Eviction Protection Plan when they sign their Management Agreement. If you have chosen this option, be sure that you understand it clearly. While it is a good plan designed to cover the majority of circumstances, it does have its limitations. Your Hillside Executive Realty office can review those limitations with you.

## **Fees Incurred**

There are three general categories of fees you can expect to encounter in an eviction. Although the timelines and specific processes may vary, and the actual costs will differ based on legal requirements, you can expect the following fees:

### **1) Legal Fees**

Your Hillside Executive Realty office has already identified professional, competent, and reasonably priced legal counsel that it prefers to use if an eviction is necessary. Alternately, you can use your own legal counsel if you prefer, but must tell us prior to filing for an eviction. Legal fees generally begin with the attorney drafting proper notices, and continue through final judgment by the Judge. These fees can be reduced by participation in the Eviction Protection Plan for uncontested evictions.

### **2) Sherriff Requirements**

The Sherriff has a minimum requirement to perform evictions. Depending on how many bedrooms and type of home, the Sherriff can require a minimum of eight people, and up to 12 people, and a truck to remove furnishings, to empty a home. This cost falls initially to the owner, and then is added to what the tenant owes. The second level of our Eviction Protection plan will cover this cost.

### **3) Ready to Rent Expenses**

Vacancy loss is your largest cost. Generally, an evicted renter will leave the property in a condition that requires additional cleaning, maintenance, or repairs. Although the evicted renter is ultimately responsible for such repairs, we cannot depend on the renter to pay these fees immediately. Provisions should be made to set aside funds when it is initially identified that an eviction process is going to be necessary.

**How long does an eviction take?** The answer depends on several factors. Some common factors include state or local laws, the renter avoiding service of the summons, and the renter contesting the eviction.

Rest assured that your Hillside Executive Realty office is well versed in executing the eviction process in conjunction with local **laws**. In general, the process **starts with** the service of a Pay or Quit Eviction Notice that informs the renter that he or she violated the lease and needs to pay the balance due and correct any violations, or surrender possession and return the keys. If the renter does not comply, then the case is filed **between the 15<sup>th</sup> and 19<sup>th</sup>** with the appropriate court and **they will notify us with the next available hearing date**. Following the initial legal proceedings, the renter is generally provided a time to move prior to a lock out. All things considered, the process can average anywhere from sixty (**90**) days to One Hundred Twenty (**120**) days on average. NY City carries the "Right of Redemption" law. This means the tenant can pay the amount of the Judgment, and have the eviction canceled. This can be done right up until the Sherriff knocks on the door to do the actual eviction. They can do this three times during a 12 month period. The fourth time in any 12 month period, they can be evicted, payment or not. The cost to do an eviction for our owners that are not protected by our Eviction Protection Plan is \$2000-2500. This cost covers the legal fees and the required Sherriff's fees. It also includes the cost of one lock change.

**Accounting:** The Accounting Department is responsible for the financial management of your unit including rent collection and financial statements. You will receive a statement at least once per month.

**When the Owner's Draw is Disbursed?** This is the most common area of concern after the Management Agreement is signed: you will want to know "Where's my money?" Disbursements to owners are labeled "Owner's Draw" on your monthly statement. The timing of disbursements is directly related to when the rent is received at the Hillside Executive Realty office.

**Rents received** are recorded the same business day as the funds are received. All rents are due on the 1<sup>st</sup> and late on the 6<sup>th</sup>. All rents collected between the 1<sup>st</sup> and the 6<sup>th</sup> of each month are disbursed to owners on the 10<sup>th</sup> business day of each month. This is done to ensure funds clear both the tenant's bank, and our bank. In addition, State law prohibits us from advancing funds to owners.

All funds (rents) received after the 6<sup>th</sup> require 5 business days to clear, and then disbursed each Monday thereafter.

As the date of disbursement can vary, we do advise our owners to self maintain at least one month in reserve in case the current month's rent payment is not disbursed to you in time for you to pay any expenses you may have, such as a Mortgage Payment.

#### **How the Owner's Draw is Calculated?**

The calculation for the Owner's Draw is fairly simple:

Monthly rent received *minus* management fee, *minus* maintenance expenses (if incurred), or other expenses, equals Owner's Draw

#### **What If the Rent Is NOT Received?**

The renters are aware that their rent payments are due no later than the 5<sup>th</sup> of the month. While most renters pay on time, there are some who pay late. This can be due to a one-time event, or can be a recurring problem. The steps that Hillside Executive Realty take to resolve late or non-payments are consistent, but can be stopped at any stage. These steps include:

1. Email/Phone call to renter – this is usually all that is required to find out why the rent is late and to establish a commitment as to when it will be paid.
2. Letter to renter – a written letter from Hillside Executive Realty is the first step in formally documenting the lateness of the rent. This letter is sent to the renter on the 6<sup>th</sup> of the month if the rent has not been received before then.
3. If the renter hasn't cured the Pay or Quit Eviction Notice, then the eviction process continues, which in some cases must involve an attorney.
4. Pay or Quit Eviction Notice – As a precaution, the letter sent to the tenant on the 6<sup>th</sup> is also a legal notice known as a Pay or Quit Eviction Notice in accordance with state law. This is actually the beginning step in a legal process that opens the gateway for an eviction procedure.

### **How are renter's funds handled?**

Late fees are incurred by renters in accordance with the lease agreement when they do not pay their rent on time. When the renter sends in funds, it is applied to the resident's account in the following order:

1. Late fees
2. Legal Fees
3. Damages or other amounts previously owed
4. The remaining balance is applied to the rent

### **Financial Statements**

Many owners enjoy having access to their financial statements at their convenience. These statements are useful in making projections for the upcoming year as well as providing documentation for tax purposes.

### **Monthly Statements**

Monthly statements are available via your portal, typically between the 16<sup>th</sup> and 21<sup>th</sup> of each month. These statements provide a quick way to understand how the rent money was applied. There are four general areas where rent money is applied.

### **Management Fee**

The management fee is deducted from the rent received in accordance with your Management Agreement.

### **Maintenance Expenses**

Maintenance expenses are itemized and deducted from the rent received in accordance with your Management Agreement.

### **Other Expenses**

Other expenses such as Eviction Protection Plan payments or expenses that you have asked Hillside Executive Realty to submit on your behalf are itemized and deducted.

### **Owner Draw**

The Owner Draw is the amount paid to you after expenses are deducted.

### **Year-End 1099**

An IRS Form 1099 is sent to you in February for the previous calendar year. This form is for your tax records and is used to help complete your tax filing for the previous year. You will also receive a statement encompassing the entire year

## Complaints

Please email your Hillside Executive Realty Office with any concern, however small. We ask for it in writing so it becomes written record, and we can properly respond. Your feedback is used to improve our communications, customer service, and processes. If your concern is a complaint, here is how we'll handle it:

Although we are a part of a franchise system, your Hillside Executive Realty Office is locally owned and operated. It is a service oriented business, and we strive to provide to you the best customer service possible. If you have any issues that you would like to discuss with us, please call or email. We honestly believe that hearing from you is the only way that we can resolve issues, and work to make the systemic changes to prevent the issue from reoccurring.

1. We may need some time to look into the issue. If that is the case, we will commit to you that we will respond within an amount of time that is reasonably acceptable.
2. We will ensure that we clearly understand the situation from your perspective.
3. When we respond, we will (1) ask what you would like for us to do to resolve the issue, or (2) clarify and resolve the issue, or (3) provide options as to how the issue can be resolved.
4. We will then agree upon a plan of action that will resolve the issue.

We are committed to working together honestly and reasonably toward our mutual goal of delivering a great owner experience. We try to get back to you within 24 business hours with an answer. Some problems may be more complicated and require extra time. If so, we will let you know this.

### **MOVE IN READY:**

Your home must be move in ready on the day the tenant is supposed to move in. If it is not ready or clean, there will be issues with the new tenant. Sometimes these issues turn into a legal arena. Therefore, if you are giving us your home for the first time, please make sure all repairs are done, everything mechanical is working properly, and the home is properly cleaned. It will cost much less than paying for an attorney to defend you in court. If you need help in getting this accomplished, we have a service staff that we can send over.