# WAA News

Wisconsin Apartment Association

Volume 34 Issue 5 • June 2013 • Connecting the Rental Community Right Next Door and Across the State


*Register for this year's Conference and Tradeshow*
*on page 7*

## Top Features of a Profitable Rental Company

*Article on page 16-17*

**(for a full calendar of events go to: http://www.waaonline.org)**

## BOARD MEETING

Saturday, September 14 • 10:00 a.m. - 4:00 p.m. (Lunch served at Noon)
Robbins Restaurant, 1810 Omro Rd, Oshkosh

Please RSVP to Kristy at kristy@waaonline.org or 920-230-9221
no later than **Monday, September 9th**.

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## 2013 WAA Conference & Tradeshow
## "Kick Off Your Landlord Education"

October 11-13 at the Tundra Lodge - 865 Lombardi Ave, Green Bay

Room reservations can be made by calling the Tundra Lodge at 877-886-3725 before September 10th, and mentioning WAA to get the special room rate of $119/night plus tax.

***Registration form can be found on page 7.***

The conference committee is working hard to make this a great conference filled with lots of education, networking, & fun. The committee would also like everyone, individual members and all locals, to consider donating to our silent auction. Any new or like new item, themed basket, or gift cards are welcomed. Please contact Kristy at the WAA office if you would like to make a donation. All proceeds this year will go to the revitalization of the WAA website. We hope you will help support the silent auction and will join us in October!

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## Nominations for 2014 Officers

All positions (President, Vice President, Treasurer, and Secretary) are open at this time. Elections will be held at the September 14th Board meeting. Please contact Deanna Zewen (dzewen@hotmail.com or 262-939-7394) if you are interested in running for an office or have a nomination.

### *PLEASE NOTE:*

The WAA officehas officially moved and all mail should now be sent to:

**PO Box 2922, Oshkosh, 54903.**

Phone number remains the same. I will continue to receive email at any/all of the waaonline.org email addresses (kristy@waaonline.org, admin@waaonline.org, or info@waaonline.org), but please make sure to delete the old waa@ntd.net email address from your address book, as that email is no longer in service.

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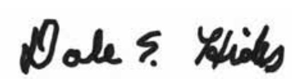
Vendor Associate Members! What are Associate members to us? They are very important to JARPA!! They are reliable business people who offer us service and support. We have found that the service they provide is excellent and the amount of money they contribute is invaluable to our local. They receive very inexpensive advertising from us along with the goodwill we spread to other members. It's a win-win situation.

Once a year, we hold what we call our Vendor Associate Member Trade Show. JARPA does not charge the vendors for this show, as it is our time to do the best we can for them. Plus, we provide them with a meal before the show begins. JARPA wants to bring in as much of the public as we can to showcase our vendors. We promote our vendors through our website and in our newsletter every month. Many of our vendors give some type of discount to our members.

Recently, I had a fire at one of my apartments and, because I have been to WAA conferences and received education on fire recovery, I was able to use our vendor associate members to have this property back up and rented in two months. During this time frame, I used at least five of our vendors and had the work done on time and in a quality way. JARPA picked up a new vendor associate member in ServiceMaster also. ServiceMaster saw the value of our local association and, as a result, they now have good quality people to call on in the future. Folks, this is called networking and it is great!!!!!

On another issue, I want to encourage each one to call your State Representative invite them to breakfast or lunch, so they know who you are and are familiar with your business. Invite them to sign on to any one of the bills WAA is working on. Ask them to contact Senator Frank Lasee's office, as he has the lead on the bills we want to get passed the year. There are 25 new members and at least 55 members that are only two years in the Legislature this year. We need to help them understand and be educated on the rental housing industry.

Enjoy your summer!!!!



Dale Hicks
WAA President

## JARPA Tradeshow - April 18, 2013

Associate member - Conco Paint - John Krueger from Menards and Associate Member - Echo - Karen Lister

JARPA members visit with Associate members during their free tradeshow.

Chad Schneider of ServiceMaster, new associate member, poses with Trudy Hicks

JARPA President Milton Hoesly

Associate member - Marling Home Works - Tim Thompson, JARPA member Ken Buckley, JARPA member - Roz Voegeli, Associate member - Wash Multifamily Laundry - Bill White from the back, JARPA member - Ann Courtney

## Don't Sell a Smelly House

Homebuyers don't want houses that stink. Sellers must identify and remediate odors that make prospective purchasers hold their noses and run for the exits.

A buyer's market is a tough challenge for sellers, says Patti Ketcham, owner of Ketcham Realty Group in Tallahassee, Fla.

"If you're selling," she says, "your house has to look a little better, smell a little better and be priced a little better than the other houses the buyer will look at that same day."

Unfortunately, it's not always easy for sellers to identify familiar smells that might be problematic, says Neeraj Gupta, director of product research and development at ServiceMaster Clean, which performs major cleanups and post-disaster restorations of residential and commercial properties.

"There is no 'odor meter,'" Gupta says. "People get used to the odor of their house and may not notice that something is not pleasant."

**Outside sniffers**

The best way to find out whether a house smells OK is to "ask someone who doesn't live there to come inside and give an opinion," Gupta says.

The obvious "someone" would be the real estate broker hired to sell the home. But not all brokers will point out that a house smells bad, even if they're willing to offer other helpful suggestions.

Ketcham, for one, says she's not outspoken about odor issues. Instead, she offers to pass along any unfiltered "brutal truth" comments she hears from her colleagues who bring buyers to see the property. That way, the message gets delivered with less risk to her cordial relationship with the sellers.

"I will never be the kind that will come out and tell you that your house smells like cat litter or mothballs," she says. "I would rip my tongue out first."

**Pet odors**

The two most common sources of difficult and offensive odors are pets and cigarettes; neither of which, Gupta says, is easy to remediate.

The point might seem obvious, but the first line of defense in any smelly situation is to remove the source of the problem, even if that means a beloved pet must board elsewhere for a while.

"It's kind of cruel," Gupta says, "but if the pet is in the house, you're introducing new odor every day. For people who have pets, over time, it's a losing battle to get rid of the odor."

Cat urine, among the worst of the bad odors, can seep into carpet fibers, carpet padding, concrete and wood floors, upholstery fabrics, and furniture cushions and pillows.

"Oftentimes," he says, "you have to remove the carpet, remove the pad and seal the floor, and then replace the carpet and the pad."

Cleaning the carpet might help. But Gupta warns that any humidity will raise the odor from the padding or floor beneath.

**No smoking**

Cigarette smoke can cling to furnishings, drapes and other window coverings and work its way inside walls. Some topically applied solutions can help to reduce the stench, but an ozone generator, hydroxyl generator or air scrubber should be more effective, Gupta says. These approaches are "very effective in absorbing odors," he says, though there is no guarantee that an odor can be eliminated completely.

One more tip: If someone suffers a long illness or dies in a home, a good airing may be adequate to remove any odors. In the case of a violent death, however, professionals who handle what's known as "trauma cleanup" should be called to do the job. The cost could be $1,000 or more depending on the type of remediation and the square footage.

"It's not like buying glass cleaner in a store and cleaning your windows," Gupta says. "If you have that type of situation, it's probably best to call a professional. It may be traumatic for you to do it yourself."

*By Marcie Geffner • Bankrate.com*

# The Hidden Costs Of Renting The Basement

In times of economic uncertainty, renting the basement suite has become an increasingly popular way to generate extra income. Before going after the extra money, be sure to consider the impact of tenants on your property, your finances and your privacy.

**Your Property**

Before making any preparations for tenants, you need to find out if it is legal. Examine your neighborhood's rules or by-laws for provisions regarding rental properties. After examining the rules at the neighborhood level, be sure to check the code in your city. Each city may have different rules regarding multi-family units such as the number of occupants allowed per household.

If it is legal to rent your basement suite, then you can begin making the property physically acceptable for tenants. Some key items that prospective tenants may look for in a rental unit can also benefit you as the landlord. Here are a few qualities the property should possess:

The suite should be finished - This quality may seem obvious, but a basement should be finished, in all aspects (including walls, ventilation, appliances, etc.), before it is advertised as a rental property.

The unit should offer privacy - If possible, the basement suite should have a private entrance, as well as its own kitchen, bathroom and other appliances (such as a washer and dryer) if possible. A personal mailbox and parking spot(s) offer extra convenience, too. If you are extremely sensitive to changes in noise and lighting (like opening and closing doors, or headlights shining in your window), then you should structure your renovations with those issues in mind.

The suite should have adequate lighting - Most basement suites are at least partially underground, so extra light should be added in order to compensate for the lack of sunlight.

**Your Finances**

Undoubtedly, rental income is the largest monetary benefit of having tenants, but there are other financial aspects to consider, too.

If your property is changing from a residence to a rental property, then you should contact your mortgage and insurance companies. Your mortgage may restrict use of the property to being a primary residence instead of a rental. The addition of residents and more appliances increases your risk, and your insurance premium will probably change to reflect the added risk.

Speaking of additional appliances, when making renovations be sure to comply with the rules of your neighborhood and jurisdiction. Mistakes can be costly if they create code violations, you could be fined or the property could be deemed unsuitable for tenants.

Having more occupants also increases utility bills such as electricity and gas. You will need to establish separate accounts for as many utility bills as possible. Be prepared to pay higher bills for some utilities which may remain shared throughout the household, but held in your name only.

Opening your home to tenants will also impact your taxes, so be sure to keep up with the IRS to avoid trouble.

**Your Privacy**

Do not open your house to tenants if you are not ready for housemates! Even with private entrances, kitchens and bathrooms, you are still sharing a home. Consider if common spaces will be shared and if so, how they will be maintained. For instance, if there is a backyard, can your tenants put out patio furniture or use the space for a family barbeque? If there is a lobby or a joint hallway, can your tenant hang pictures?

These items may seem small, but they can add up. If they go unaddressed, these issues can cause confusion as well as inconvenience.

**To Rent or Not To Rent?**

If you are in compliance with all applicable laws and renting doesn't adversely impact your pockets or your privacy, then your basement may be ready for tenants. A word to the wise: choose your tenants carefully!

*Tisa L. Silver is a double graduate of the University of Delaware's Alfred E. Lerner College of Business and Economics, obtaining an undergraduate degree in Finance and Economics and a graduate degree in Business Administration.*

**Registration Form**
**2013 WAA Conference & Tradeshow**
# *"Kick Off Your Landlord Education"*
October $11^{th}$ – $13^{th}$
**at the Tundra Lodge,**
**Green Bay**

- ☐ **MEMBERS:** $200-1 person /$265-2 people from same company (includes all sessions & meals)
- ☐ Saturday Only-$85/person (includes all Saturday sessions, tradeshow, & annual dinner)
- ☐ Saturday Annual Dinner Only-$35/person

- ☐ **NON-MEMBERS:** $240-1 person/$305-2 people from same company (incl. all sessions & meals)
- ☐ Saturday Only-$110/person (includes all Saturday sessions, tradeshow, & annual dinner)
- ☐ Saturday Annual Dinner Only-$40/person

Name of Registrant(s):______________________________

Company Name:______________________________

Address:______________________________ City: ______________

State:________ Zip: __________ Phone: (    ) ______ - ______ Fax (    ) ______ - ______

Local Affiliate:______________________ Email:______________________

☐ First-Time Attendee ☐ Local Officer ☐ Past State Association President

**TOTAL Conference fees** $__________ **Please draft check to "WAA Conference"**

*Sorry no refunds or transfers. Registrants may resell registration if necessary.*

Name on card *(Visa or MasterCard)*: ______________________________

Credit Card #:______________________ Exp. Date: __________ CVV:__________

*Please make your annual dinner choice and list name(s) for each choice:*

( ) *New York Strip* ______________________________
*(Slow roasted NY strip steak, sliced & served with a balsamic mushroom demi glace.)*

( ) *Baked Haddock* ______________________________
*(Haddock drizzled with a citrus herb butter sauce.)*

( ) *Chicken Dijonnaise* ______________________________
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( ) *Portobello Stack* ______________________________
*(Roasted Portobello mushrooms, zucchini, squash, & spinach with a balsamic reduction served over rice.)*

**Registration DOES NOT include hotel reservations . . .**
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Call 877-886-3725 and mention WAA to get
the special room rate of $119/night plus tax.
***Room Block closes on 9/10!***

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# 11 Mistakes Inexperienced Landlords Make

With the housing market collapse many investors who have been fortunate enough to preserve their cash, or maintain access to credit, are snapping up incredible deals on residential properties to try their hand at real estate investing.

While it may sound easy enough - buy a home, make a few renovations and rent it out for more than the monthly mortgage payment - successfully managing your own investment properties requires the mindset of a business professional. Without experience, it can be easy to quickly lose money, time and sleep by making these common new landlord mistakes.

**1. Not running adequate checks on a potential tenant.**
As anxious as you may be to get a tenant in and paying rent, it's not worth rushing ahead without checking your tenant's credentials first. Use a rental application form that will provide you with adequate information, pay the money necessary to obtain a credit report (to check on a history of late payments, delinquent accounts, etc.) and take the time to verify references including employers and former landlords.

Even if the tenant is "desperate" to move in and can make the deposit amount immediately, check out their background first. Don't allow yourself to feel rushed or pressured into making a potentially costly mistake.

**2. Thinking the property will always be rented.**
Before closing on a property you need to do your own financial due diligence and ensure that you can pay the mortgage (if you're taking on a loan) in the event that you have months with no tenant paying rent. Don't risk potential foreclosure and financial ruin because you failed to do a simple cash flow analysis and maintain sufficient funds to cover the mortgage payments when renters are few and far between.

**3. Underestimating the cost of repairs or ongoing property maintenance.**
In order to keep tenants interested in (and paying for) the property you will need to maintain it. Make sure you're charging enough in rent to at least help cover a portion of ongoing maintenance costs (i.e. painting, cleaning and carpet cleaning between tenants).

Also plan on having to pull money either out of the business or your own pocket in the event that you don't have the cash needed to make major one-time repairs (such as repairing structural damage, replacing appliances, etc.).

**4. Viewing it as a hobby.**
Owning rental properties is a business and in order to turn a profit you'll need to operate it as such. That means establishing separate bank accounts for deposits and expenses, using a bookkeeping system and consulting a tax professional to ensure you are correctly handling (and paying!) taxes on your business.

If you don't set yourself up with the necessary resources and relationships you will most likely end up losing money.

**5. Relying on a handshake.**
In business you can't rely on promises. For your own legal protection it's essential that your tenants sign a lease agreement to reside in the property and ensure that he or she understands the terms of the contract. If you run into problems with your tenant you will need written, binding documentation (i.e. a lease) in order for the judge to make a ruling. Know your state's laws regarding leases and ensure that you use an appropriate form for your state. FindLaw.com has compiled a state-by-state listing on lease and rental agreement laws.

**6. Asking illegal interview questions.**
You don't want to run the risk of giving a potential tenant sufficient grounds to sue you for discrimination by asking the wrong questions during the screening interview. The Fair Housing Act of the Civil Rights Act of 1968 requires that you cannot deny a tenant's application based on race, color, religion, national origin, sex, marital status, handicap or family status (i.e. if they plan on having children).

**7. Neglecting tenants.**
The home(s) you are renting out are your responsibility. If you do not regularly check in with your tenants and on the condition of the property you will have no one to blame but yourself if something goes wrong. However make sure that you are not violating your state's laws regarding tenant privacy before stopping by the property unannounced. You may inadvertently give them the right to sue you or be released from the terms of your lease agreement.

**8. Not meeting state and local housing codes.**
As a landlord you're required to make sure the property meets health and safety standards. If you don't take care of your end of the legal bargain your tenants may have grounds to break

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the terms of your lease agreement, potentially sue you and even to be legally entitled to compensation for damage or injury due to your neglect.

**9. Delaying an eviction.**
Not beginning eviction proceedings as soon as legally possible can be a very costly mistake. If you run into problems with a tenant and are unsure about your rights or how to proceed, contact an eviction attorney as soon as possible.

**10. Not enforcing lease terms.**
If you outlined that late rent payments would incur a penalty, charge it. If you noted that no pets are allowed and your new tenant buys a Great Dane, enforce the penalty. If your tenants realize that you lax about the terms of the lease they will likely follow suit. Set - and enforce - the standard you want upheld.

**11. Not writing it down.**
It's essential that you keep written documentation of interactions with your tenants in the event that you ever need to take him/her to court. Note phone conversations and keep copies of emails, voicemails or text messages, etc. to be able to support your allegations.

If you are unsure about how to successfully start your career as a landlord, or fear that you may not have the time necessary to perform the job well, consider working with a professional property management company. Interview several companies, check out their backgrounds and references and ensure that, like your tenants, you understand and agree to the terms of a contractual relationship.

Katie Adams is a freelance commercial writer, marketing and public relations professional with 18 years experience. She has written extensively about financial issues and was previously Director of Regional Communications for Fannie Mae. Adams earned a B.A. from the College of William and Mary and lives with her family in Virginia Beach, Virginia. She is actively involved in international philanthropic work to improve orphan care and accelerate sustainable development in Central America. Visit her website at www.katieadams.homestead.com.


## 5 Preventative Maintenance Tips

**Tip One:** Six month smoke detector check. Use the six-month smoke detector check to watch for habitability issues (ensure residents don't have trash or vermin). Also check plumbing for leaks so that your money isn't literally going down the drain.

**Tip Two:** A/C Units. Check A/C units to make sure filters are clean and air is flowing easily. Quarterly cleaning is recommended. Resident education on how to keep clean is helpful as well.

**Tip Three:** Leaks. Respond to complaints about leaks immediately. The resident is happy and a rapid response can abate damage to your building.

**Tip Four:** Regularly touch up the paint on the front of your building. Curb appeal is vital to prospective residents. Your current residents really appreciate a building that is well-maintained.

**Tip Five:** Doors and Windows. Make sure doors and windows lock properly and that all windows have screens.

*Kari Negri, CEO of Sky Properties Inc., GetSky.net.*

# The Income Property: Your Late-In-Life Retirement Plan

"Income property can be an important bridge to retirement for those without quite enough to retire in the traditional sense," says J. Camarda, a real estate investor, Certified Financial Planner, and Chief Investment Officer of Jacksonville, Fla.-based Camarda Wealth Advisors. Because real estate is such an inefficient market, it's possible to find awesome bargains with a very high return on investment, Camarda says. And if you can manage the property yourself, you can collect more income.

If you purchase the right property at the right price and on the right terms, he says, a rental property can produce significantly more income than traditional passive investments.

This article will describe how much you can expect to invest and earn, how to choose a location for your rental property, and problems that might derail your plans if you aren't careful.

**How Much Money Do You Need?**
If you plan to finance your purchase with a mortgage, you'll need to take action before you retire, says associate broker Janice Leis, who serves the premier residential areas of Philadelphia and South Florida.

Mortgage lending guidelines typically require applicants to be employed and have at least two years of steady employment history in the same occupation.

Lenders also require a substantial down payment, typically 30% or more, if you won't be occupying the property, says John Walters of LeWalt Consulting Groupe in St. Petersburg, Fla.

If you don't have the cash to make such a large down payment, consider using your IRA funds. All equity growth and income from rental receipts will grow inside your IRA tax-free, Walters says. Purchasing the property with funds inside a Roth IRA, on which you've already paid taxes, means all your earnings and equity can grow tax-free forever, he says.

After you've tackled the hurdle of affording the purchase, you need to think about ongoing expenses. Owning residential income property is like owning a principal residence in that there are variable expenses outside the mortgage, says Rob Albertson, a multi-million dollar residential real estate agent with Austin Fine Properties/PLR in Austin, Texas. There are maintenance costs for minor items (like leaky faucets) and major items (like a new roof).

Don't forget about marketing expenses and periods of vacancy and tenant change-over when you won't be earning income. Albertson recommends factoring no higher than a 92% occupancy rate into your calculations, even in a hot rental market. Be conservative in your estimates of expenses and income.

Tax considerations will also play into what you can afford.

"One of the chief benefits associated with rental property is the ability to claim a depreciation deduction on your federal income tax return," Walters says.

Depreciation reduces the value of your property each year to approximate wear and tear and lowers your tax bill each year you claim it. However, it lowers your tax basis, which means you could pay more tax when you sell, if you sell at a profit.

First and foremost, discuss the financial feasibility of your plans with a CPA, a real estate attorney and an insurance agent to see how much everything will cost, recommends Leis.

**Choose a Location**
Purchasing the least expensive property you can find won't help you earn a return on your investment if you can't find renters and produce cash flow, says Jenny Usaj, managing broker and owner of Usaj Realty in Denver, Colo.

"Ask a trusted local professional what the best area is for the rental market," Usaj says. "While the price might be a bit higher in better areas, the time marketing the property will decrease as well as the time it might sit vacant. If you are unsure where to find rentals, start near downtown or near a college campus. Rental residences often follow employment opportunities."

It's also important to take a look around the neighborhood and purchase a property that reflects the area's current demographic, says Usaj.

"Is the area populated with single adults or families? Will a one-bedroom or three-bedroom residence be more appealing to the renters nearby? Again, be careful not to jump at the best bargain on the market. Make sure the property will appeal to the lifestyle of the area," she says.

**What Will You Earn?**
"You want to earn at least 8% from the capital invested in the rental, net of all expenses," says John Graves, managing principal of an independent RIA, editor of the "Retirement Journal" and author of "The 7% Solution: You CAN Afford a Comfortable Retirement." Expenses include the mortgage, taxes, insurance, maintenance, a 10% property management fee and a 10% vacancy allowance.

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If you invest $100,000 in the property, you want to be earning a net income of $8,000 a year, he says. The reasoning behind the 8% is that it compensates you for the risk and lack of liquidity of your investment. If you or your spouse can work on the property by doing repairs and maintenance and/or managing the property, those costs will decline, he says.

**Potential Problems**

Investment property owners could run into a number of problems, including renters who fail to pay, excessive maintenance costs and difficulty finding tenants, says Cameron Novak, real estate broker and owner of the Homefinding Center in Corona, Calif.

Working with a reputable real estate agent with references to find your investment property is also important, he says. Any loss of capital when you're near retirement age can be devastating.

Many municipalities have imposed drastic inspections and fees on landlords who want to turn owner-occupied properties into rentals, says John Braun, a real-estate attorney with Thomas Law Group in Minneapolis and a seasoned real estate investor. Potential investors should look into this issue before committing to a purchase. They should also be aware that homestead exemptions don't apply to investment properties, which can mean higher property tax bills.

Would-be landlords should evaluate their temperaments before jumping into property ownership. The job requires tolerance of other people's personalities and living habits, Leis says.

You should also think about whether you want to do the required work. You'll often hear real estate ownership referred to as a form of passive income, but that description isn't really accurate.

"Owning residential income property is not a hands-free affair," Albertson says. "If you don't want to manage the property, or can't, as in you live out of town, you will be looking at 8% to 10% of your gross rents going to a management company to cover rent collection and repair requests."

Finally, selecting the right tenants is key.

"The best advice I can give to income property owners is to perform as thorough a tenant screening as possible," says Albertson. "This is not the part of the process to get lazy or just be happy to get a tenant in to pay your bills - this is who you are entrusting with your retirement asset, so you'd better be sure you are not setting yourself up for disaster or numerous headaches."

**The Bottom Line**

Owning income-producing property can be a viable resource to provide retirement income and leave a legacy to pass on to your beneficiaries, says Walters.

But it's important to have as much knowledge as you can going into the purchase so you have realistic monetary expectations and are able to preserve your nest egg, Albertson notes.

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*comments powered by Disqus*



# 6 Things You Think Add Value To Your Home - But Really Don't

Every homeowner must pay for routine home maintenance, such as replacing worn-out plumbing components or staining the deck, but some choose to make improvements with the intention of increasing the home's value. Certain projects, such as adding a well thought-out family room - or other functional space - can be a wise investment, as they do add to the value of the home. Other projects, however, allow little opportunity to recover the costs when it's time to sell.

Even though the current homeowner may greatly appreciate the improvement, a buyer could be unimpressed and unwilling to factor the upgrade into the purchase price. Homeowners, therefore, need to be careful with how they choose to spend their money if they are expecting the investment to pay off. Here are six things you think add value to your home, but really don't.

**1. Swimming Pools**

Swimming pools are one of those things that may be nice to enjoy at your friend's or neighbor's house, but that can be a hassle to have at your own home. Many potential homebuyers view swimming pools as dangerous, expensive to maintain and a lawsuit waiting to happen. Families with young children in particular may turn down an otherwise perfect house because of the pool (and the fear of a child going in the pool unsupervised). In fact, a would-be buyer's offer may be contingent on the home seller dismantling an aboveground pool or filling in an in-ground pool.

An in-ground pool costs anywhere from $10,000 to more than $100,000, and additional yearly maintenance expenses need to be considered. That's a significant amount of money that might never be recouped if and when the house is sold.

**2. Overbuilding for the Neighborhood**

Homeowners may, in an attempt to increase the value of a home, make improvements to the property that unintentionally make the home fall outside of the norm for the neighborhood. While a large, expensive remodel, such as adding a second story with two bedrooms and a full bath, might make the home more appealing, it will not add significantly to the resale value if the house is in the midst of a neighborhood of small, one-story homes.

In general, homebuyers do not want to pay $250,000 for a house that sits in a neighborhood with an average sales price of $150,000; the house will seem overpriced even if it is more desirable than the surrounding properties. The buyer will instead look to spend the $250,000 in a $250,000 neighborhood. The house might be beautiful, but any money spent on overbuilding might be difficult to recover unless the other homes in the neighborhood follow suit.

**3. Extensive Landscaping**

Homebuyers may appreciate well-maintained or mature landscaping, but don't expect the home's value to increase because of it. A beautiful yard may encourage potential buyers to take a closer look at the property, but will probably not add to the selling price. If a buyer is unable or unwilling to put in the effort to maintain a garden, it will quickly become an eyesore, or the new homeowner might need to pay a qualified gardener to take charge. Either way, many buyers view elaborate landscaping as a burden (even though it might be attractive) and, as a result, are not likely to consider it when placing value on the home.

**4. High-End Upgrades**

Putting stainless steel appliances in your kitchen or imported tiles in your entryway may do little to increase the value of your home if the bathrooms are still vinyl-floored and the shag carpeting in the bedrooms is leftover from the '60s. Upgrades should be consistent to maintain a similar style and quality throughout the home. A home that has a beautifully remodeled and modern kitchen can be viewed as a work in project if the bathrooms remain functionally obsolete. The remodel, therefore, might not fetch as high a return as if the rest of the home were brought up to the same level. High-quality upgrades generally increase the value of high-end homes, but not necessarily mid-range houses where the upgrade may be inconsistent with the rest of the home.

In addition, specific high-end features such as media rooms with specialized audio, visual or gaming equipment may be appealing to a few prospective buyers, but many potential homebuyers would not consider paying more for the home simply because of this additional feature. Chances are that the room would be re-tasked to a more generic living space.

**5. Wall-to-Wall Carpeting**

While real estate listings may still boast "new carpeting throughout" as a selling point, potential homebuyers today may cringe at the idea of having wall-to-wall carpeting. Carpeting is expensive to purchase and install. In addition, there is growing concern over the healthfulness of carpeting due to the amount of chemicals used in its processing and the potential for allergens (a serious concern for families with children). Add to that the probability that the carpet style and color that you thought was absolutely perfect might not be what someone else had in mind.

Because of these hurdles, wall-to-wall carpet is something on which it's difficult to recoup the costs. Removing carpeting and restoring wood floors is usually a more profitable investment.

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**6. Invisible Improvements**

Invisible improvements are those costly projects that you know make your house a better place to live in, but that nobody else would notice - or likely care about. A new plumbing system or HVAC unit (heating, venting and air conditioning) might be necessary, but don't expect it to recover these costs when it comes time to sell. Many homebuyers simply expect these systems to be in good working order and will not pay extra just because you recently installed a new heater. It may be better to think of these improvements in terms of regular maintenance, and not an investment in your home's value.

**The Bottom Line**

It is difficult to imagine spending thousands of dollars on a home-improvement project that will not be reflected in the home's value when it comes time to sell. There is no simple equation for determining which projects will garner the highest return, or the most bang for your buck. Some of this depends on the local market and even the age and style of the house. Homeowners frequently must choose between an improvement that they would really love to have (the in-ground swimming pool) and one that would prove to be a better investment. A bit of research, or the advice of a qualified real estate professional, can help homeowners avoid costly projects that don't really add value to a home.

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## Myface and Spacebook

*By Nadeen Green, Fair Housing Council, FHCO.org.*

You may chuckle when you hear less-than-savvy folks talk about social media, but you may not know as much as you think you do when it comes to social media marketing and fair housing. Social media marketing is a form of advertising and therefore there are fair housing considerations. There are numerous and detailed articles out there about this, but here are a few things for you to consider:

- **Use the Equal Housing Opportunity logo:** This is advertising!
- **Watch what you say:** The same words that were taboo in print and online are still taboo in social media.
- **Watch who says it:** Diversity of spokespersons should be your goal.
- **Watch who you show:** For example, "white-only" advertising has been a sin since 1968; the days of Barbie® and Ken® are long over.
- **Weigh your control of your social media site:** More control can mean more fair housing liability.

Fair housing laws will continue to expand and will often be interpreted very broadly to protect the civil rights of those who live with you or wish to do so.

You owe it to them and to yourself to always be aware of and in compliance with those laws that assure equal housing opportunity.

# Top 10 Features Of A Profitable Rental Property

From the first decision to invest in real estate to actually buying your first rental property, there is a lot of work to be done. This task may be daunting for the first-time investor. Owning property is a tough business and the field is peppered with land mines that can obliterate your returns. Here we'll take a look at the top 10 things you should consider when shopping for an income property.

**Starting Your Search**

Although you may want a real estate agent to help you complete the purchase of a rental property, you should start searching for your investment on your own. Having an agent can bring unnecessary pressure to buy before you have found a property that suits you. The most important thing is to take an unbiased approach to all the properties and neighborhoods within your investing range.

Your investing range will be limited by whether you intend to actively manage the property (be a landlord) or hire someone else to manage it. If you intend to actively manage, you should not get a property that's too far away from where you live. If you are going to get a management company to look after it for you, your proximity to the property will be less of an issue.

Let's take a look at the top 10 things you should consider when searching for the right rental property.

**Neighborhoods**

The quality of the neighborhood in which you buy will influence both the types of tenants you attract and how often you face vacancies. For example, if you buy in a neighborhood near a university, the chances are that your pool of potential tenants will be mainly made up of students and that you will face vacancies on a fairly regular basis (during summer, when students tend to return back home).

**Property Taxes**

Property taxes are not standard across the board and, as an investor planning to make money from rent, you want to be aware of how much you will be losing to taxes. High property taxes may not always be a bad thing if the neighborhood is an excellent place for long-term tenants, but the two do not necessarily go hand in hand. The town's assessment office will have all the tax information on file or you can talk to homeowners within the community.

**Schools**

Your tenants may have or be planning to have children, so they will need a place near a decent school. When you have found a good property near a school, you will want to check the quality of the school as this can affect the value of your investment. If the school has a poor reputation, prices will reflect your property's value poorly. Although you will be mostly concerned about the monthly cash flow, the overall value of your rental property comes in to play when you eventually sell it and retire someday.

**Crime**

No one wants to live next door to a hot spot for criminal activity. Go to the police or the public library for accurate crime statistics for various neighborhoods, rather than asking the homeowner who is hoping to sell the house to you. Items to look for are vandalism rates, serious crimes, petty crimes and recent activity (growth or slow down). You might also want to ask about the frequency of police presence in your neighborhood.

**Jobs**

Locations with growing employment opportunities tend to attract more people - meaning more tenants. To find out how a particular area rates, go directly to the U.S. Bureau of Labor Statistics or to your local library. If you notice an announcement for a new major company moving to the area, you can rest assured that workers will flock to the area. However, this may cause house prices to react (either negatively or positively) depending on the corporation moving in. The fall back point here is that if you would like the new corporation in your backyard, your renters probably will too.

**Amenities**

Check the potential neighborhood for current or projected parks, malls, gyms, movie theaters, public transport hubs and all the other perks that attract renters. Cities, and sometimes even particular areas of a city, have loads of promotional literature that will give you an idea of where the best blend of public amenities and private property can be found.

**Building Permits and Future Development**

The municipal planning department will have information on all the new development that is coming or has been zoned into the area. If there are many new condos, business parks or malls going up in your area, it is probably a good growth area. However, watch out for new developments that could hurt the price surrounding properties by, for example, causing the loss of an activity-friendly green space. The additional condos and/or new housing could also provide competition for your renters, so be aware of that possibility.

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**Amount of Listings and Vacancies**

If there is an unusually high amount of listings for one particular neighborhood, this can either signal a seasonal cycle or a neighborhood that has "gone bad." Make sure you figure out which it is before you buy in. You should also determine whether you can cover for any seasonal fluctuations in vacancies.

Similar to listings, the vacancy rates will give you an idea of how successful you will be at attracting tenants. High vacancy rates force landlords to lower rents in order to snap up tenants - low vacancy rates allow landlords to raise rental rates.

**Rents**

Rent will be the bread and butter for your rental property, so you need to know what the average rent in the area is. If charging the average rent is not going to be enough to cover your mortgage payment, taxes and other expenses, then you have to keep looking. Be sure to research the area well enough to gauge where the area will be headed in the next five years. If you can afford the area now, but major improvements are in store and property taxes are expected to increase, then what could be affordable now may mean bankruptcy later.

**Natural Disasters**

Insurance is another expense that you will have to subtract from your returns, so it is good to know just how much you will need to carry. If an area is prone to earthquakes or flooding, the extra insurance can add up and eat away at your rental income.

**Getting Information**

Talk to renters as well as homeowners in the neighborhood. Renters will be far more honest about the negative aspects of the area because they have no investment in it. If you are set on a particular neighborhood, try to visit it at different times on different days of the week to see your future neighbors in action.

**The Physical Property**

In general, the best investment property for beginners is a residential, single-family dwelling or a condominium. Condos are low maintenance because the condo association is there to help with many of the external repairs, leaving you to worry about the interior. Because condos are not truly independent living units, however, they tend to garner lower rents and appreciate more slowly than single-family homes. (For more insight, read Buying A Condo and Does Condo Life Suit You?)

Single-family homes tend to attract longer-term renters in the form of families and couples. The reason families, or two adults in a relationship, are generally better tenants than one person is because they are more likely to be financially stable and pay the rent regularly. This owes to the simple fact that two can live almost as cheaply as one (as far as food, rent and utilities go) while still enjoying dual income. As a landlord, you want to find a property and a neighborhood that is going to attract that type of demographic.

When you have the neighborhood narrowed down, look for a property that has appreciation potential and a good projected cash flow. Check out properties that are more expensive than you can afford as well as those within your reach - real estate can often sell below its listing price. Watch the listing prices of other properties and ask buyers about the final selling price to get an idea of what the market value really is in the neighborhood. For appreciation potential, you are looking for a property that, with a few cosmetic changes and some renovations, will attract tenants who are willing to pay out higher rents. This will also serve you well by raising the value of the house if you choose to sell it after a few years.

As far as cash flow, you are going to have to make an informed guess. Take the average rent for the neighborhood and subtract your expected monthly mortgage payment, property taxes (divided by 12 months), insurance costs (also divided by 12) and a generous allowance for maintenance and repairs. Don't lie to yourself and underestimate the cost of maintenance and repairs or you will pay for it once the deal is done. If all these figures come out even or, better yet, with a little left over, you can now get your real estate agent to submit an offer and, if everything goes well, order business cards with Landlord emblazoned across the top.

**The Bottom Line**

Every state has good cities, every city has good neighborhoods and every neighborhood has good properties, but it takes a lot of footwork and research to line up all three. When you do find your ideal rental property, keep your expectations realistic and make sure that your own finances are in a healthy enough state that you can wait for the property to start producing cash flow rather than needing it desperately. Real estate investing doesn't start with buying a rental property - it begins with creating the financial situation where you can buy a rental property.

*Andrew Beattie has spent most of his career writing, editing and managing Web content in all its many forms. He is especially interested in the future of search and the application of analytics to the business world. In addition to being a long-time contributor to Investopedia.com, Andrew has been working on ForexDictionary.com.*

# WAA Newsletter Dates & Procedures

1. Items for newsletter should be forwarded to jodi@sugarcoatdesign.com, electronically whenever possible.

2. Please submit news articles in the following formats: MS Word, Html copy, PDF, MS Works, eps, jpeg, tiff or text format.

3. Your articles, either by email, fax, or US mail must be received by the 3rd of the preceding month.

   Please send your articles to:

   Jodi Heiting
   Sugarcoat Design LLC
   Jodi@SugarcoatDesign.com
   Questions? Call 608.216.6063

## Avoiding a Craigslist Rental Scam

A few months ago I listed a Mundelein house for rent, and a prospect contacted me for information. She decided that the rent was too high for her budget. But then she contacted me about a Craigslist ad for the same property, at a lower rate.

It turns out that a scammer had "cloned" my ad, and created a new for-rent ad, for the same property, at a lower rate, and with completely different contact information. When I searched for the scammer's ad it had already been taken down.

Now I subscribe to a Google service that notifies me of any web pages where the address of my rental property appears. If I see anything suspicious I can investigate it right away. You can do the same. Go to: Google.com/Alerts and start creating your own search.

**What you need to do if you are a victim of a Craigslist rental scam:**
If you are a victim of a Craigslist rental scam:

1. Make a screen shot of the listing ASAP. Scammers often post a listing very briefly then take it down as soon as they get a response.

2. Alert Craigslist by flagging the post as "prohibited."

3. Send details to abuse@craigslist.org. Be sure to include the URL (or 10-digit post 10 number) in your message.

4. Follow-up on Craigs!ist and review the site to ensure that the faulty posting is removed.

5. Go to forums.craigslist.org and tell the community about this scammer. You may be able to help someone else.

6. Do NOT attempt to contact or "set up" the scammer or jeopardize your safety.

You should report the issue to the Internet Crime Complaint Center and file a complaint with the Federal Trade Commission (FTC). To report fiaud to the FTC, go to the FTCComplaintAssistant.gov site and fill out the information online.

*Mel Metts, appearing in publication of Memphis Area Association of Realtors, MettsPartners.com.*


## 7 Tips for Resident Retention in a Lessee's Market

**1. Invest to avoid functional obsolescence.** Spending on upgrades may hurt the bottom line over the short term, but improvements will pay dividends in long-term residents.

**2. Educate residents about what the market is doing.** Market knowledge about vacancies and any new properties in the area will help keep rent negotiations realistic on both sides.

**3. Avoid guessing games.** Offer a fair deal, use comps to explain your offer, and communicate your position clearly.

**4. Don't slack on face time.** It's not enough simply to provide a lot of services to residents. Having someone available in person can sway the renewal decision.

**5. Never go on the defensive.** When a resident calls to complain, you should listen, empathize, and solve the problem. Don't make excuses.

**6. Treat an existing resident the way you'd treat a new one.** Take an interest in each resident's business and stay in touch with residents regularly, not just when they complain or when it's time for a renewal.

**7. Put the real estate first.** If a property is well maintained, it gives residents a reason to stay.

*Mariwyn Evans, Lake County Property Investors Association, LCPIA.orq.*

# The #1 Most Vital Property Tool is an Emergency Calling List

If you are in the industry of caring for properties, leasing properties, or even selling properties, there is one tool you should never be caught without. It's the Emergency Calling List! This is the one tool that does many things for anyone charged with caring for a property. When you think about the word "emergency" it connotes visions of fires, floods, crime, etc. However, when you think of the words "crisis" or "disaster," it sounds much more evil and sinister. The difference to me is that you can have an emergency, but if you are not prepared, it can quickly become a crisis or a disaster. There is a huge difference.

Being prepared, like Boy Scouts are always known to be good at, is an incredible skill. It takes thought, the ability to anticipate and plan. On top of that, it does require testing from time to time and many "what if?" scenario considerations.

The first step to being prepared for any emergency, at the most basic level, is to start an emergency calling list. The list needs to be from the top down, and include all things you would need to know or people you can count on at 2 a.m. on Christmas Eve. Yes, can you reach these people at the worst possible time you can think of? How about 5:30 p.m. on a Monday night? Everyone is in rush hour driving home and all of the businesses you rely on are closed! That is what an emergency calling list can and should do for you.

Creating the emergency calling list is the first thing I do when I take on a new property.

I create my emergency calling list before anything else is even considered. Why? Because I have been there and done that in my career, and extreme emergencies can hit when you least expect them. The emergency calling list should start with the local and/or public authorities and work itself down through the chain of command, including vendors, neighbor properties, and key information you will most certainly need when you least expect it.

The emergency list should contain phone numbers, email addresses, home phones, relative phones, cells, pagers, and whatever means necessary to reach individuals, as well as options if those fail. Just keep thinking, "What if this fails?" and "What if that fails?" If you keep thinking about "Plan B," then "Plan C," you are doing a great job in building your emergency calling list. Do not just accept a number for an office of a vendor either!

Be sure you ask for the after-hours numbers! I have been there, done that. I know from years of practice that you must ask all vendors who are on your list what the procedure is for contacting their technicians on weekends and evenings.

Formatting an emergency calling list is something to consider as well. In my sample provided (Please see an adapted sample on page 21), I have always kept my emergency calling list in alphabetical order by incident type, combined with sections for in-house personnel, public services, and neighbor properties. But this is just a sample!

There are so many styles and layouts in how you create your form. The emergency calling list should be a daily event. Are there changes? Are people on vacation? Are there new vendors to add? New phone numbers? When you learn of a change, make it immediately! Do not procrastinate.

Also, when you physically print the list, consider how many you need to print and distribute. How many do you need to hand out to your key personnel? Remember this is a tool and we must distribute physical lists, even with our high-tech world.

One of the most severe emergencies you may experience may be loss of power. Without power there are no computers or Internet!

Since we printed our emergency calling lists constantly, we simply added the number of copies next to each member of the team, and even that information was maintained on the emergency calling list. This would indicate next to each key contact name type how many to distribute physically. Yes, physically. Remember, if there is no power, all computers are down. Once printed and distributed, think about where you want to maintain the physical lists. The emergency calling list needs to be maintained in several locations. Here are my locations:

1 . Refrigerator
2. Car/trunk/glove compartment
3. Briefcase/laptop bag
4. Computer
5. Cell phone

In other words, I have physical, online versions and cell phone access to the data. If I am driving in traffic, I have one in my vehicle. For home use, I have a clipboard with a magnetic back that adheres to the side of my refrigerator. Believe it or not, it is the most often used list. Most emergencies happen after hours and in the late night hours. In other words, everywhere I go, I am prepared. It is such a relief when you receive an emergency call and you have your list ready. It can make the difference when you get your next emergency call and it helps to prevent any emergency from becoming a crisis or disaster. Why? Because you are prepared! Do you and your team have the #1 most vital property tool ready? If not, stop now and get it done.

*Article adapted from the Clark County Rental Association, ccrawa.org.*

*cont'd on page 21*

cont'd from page 20

## EMERGENCY CALLING LIST

**PROPERTY ADDRESS:** ______________________________

| CITY AGENCY | NUMBER |
|---|---|
| FIRE DEPARTMENT | |
| FIRE DEPARTMENT (NON-EMERGENCY) | |
| POLICE DEPARTMENT | |
| POLICE DEPARTMENT (NON-EMERGENCY) | |
| AMBULANCE | |
| CITY INFO. | |
| ALDERMAN/COUNCILMAN OFFICE | |
| NEIGHBORING PROPERTIES | |

| SERVICE VENDORS | CONTACT NUMBER | AFTER HOURS |
|---|---|---|
| DISASTER SERVICE | | |
| ELECTRIC UTILITY | | |
| GAS UTILITY | | |
| WATER UTILITY | | |
| ELECTRICIAN | | |
| HVAC CONTRACTOR | | |
| PLUMBER | | |
| ROOFER | | |
| LOCKSMITH | | |
| WINDOW REPAIR | | |
| SERIOUS MILDEW | | |
| CARPET REPLACEMENT | | |
| CARPET CLEANING | | |
| LARGE DEBRIS REMOVAL | | |
| TREE/LIMB REMOVAL | | |

**ADDITIONAL PERSONNEL — Emergency Calling Order**

| Management or Maintenance | Contact Numbers | After Hours |
|---|---|---|
| Contact Name: | | |
| Contact Name: | | |
| Contact Name: | | |

Sample form adapted from the *Clark County Rental Association.*

**Wisconsin Apartment Association**

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# WAA MEMBERSHIP BENEFITS

## WAA RENTAL HOUSING CERTIFICATION CLASSES

### Rental Housing Certification 100 Series

The Basics, is devoted to keeping rental property owners informed and education on new laws. Comprised of seminars on basic property management aimed at the new rental property owner, property manager, leasing agent; it is also suggested as a refresher series for those who have been in the business a number of years. Classes in this module are:

* 101 The Law and the Landlord I: Wisconsin Statute Chapter 704
* 102 The Law and the Landlord II: Consumer Protection (ATCP) Chapter 134
* 103 Fair Housing Laws
* 104 Lead Paint Awareness
* 105 Credit Reports
* 106 Basic Recordkeeping
* 107 Screening Your Applicants
* 108 Screening Workshop
* 109 Nuts and Bolts of Eviction
* 110 Bonding and Garnishment

## Why Join WAA?

The WAA is your portal to the rental housing business in Wisconsin. Membership gives you access to what you need to know and what you need to do to run your rental properties successfully, ethically, and responsibly.

### 10 things every successful landlord needs to know. Do you?

- Fair housing information
- Applicant screening and processing
- Eviction procedures
- Rental forms specific to Wisconsin
- Lead based paint requirements
- Rental disclosures required by law
- Bills and rental housing policies under discussion at the Capitol.
- Best rental housing management practices
- Document storage, security, and disposal
- Property marketing techniques

## The Advanced Guide to Real Estate Investing:
### How to Identify the Hottest Markets and Secure the Best Deals
*by: Ken Mcelroy*


### Overview

If you're interested in real estate investing, you may have noticed notice the lack of coverage it gets in mainstream financial media, while stocks, bonds, and mutual funds are consistently touted as the safest and most profitable ways to invest. According to real estate guru Ken McElroy, that's because financial publications, tv and radio programs make the bulk of their money from advertising paid for by the very companies who provide such mainstream financial services. On the other hand, real estate investment is something you can do on your own--without a large amount of money up front! Picking up where left off in the bestselling The ABC's of Real Estate Investing, McElroy reveals the next essential lessons and information that no serious investor can afford to miss. Building on the foundation of real estate investment 101, McElroy tells readers:

- How to think--and operate--like a real estate mogul
- "The Top Ten Real Estate Markets to Watch"
- How to identify and close expert deals
- Why multifamily housing is the best real estate investment out there
- How to surround yourself with a team that will help maximize your money
- How to avoid paying thousands in taxes by structuring property sales wisely
- Important projections about the future of real estate investment

Kick Off Your Landlord Education
2013 WAA Conference & Tradeshow
October 11–13 • Tundra Lodge, Green Bay

TUNDRA LODGE

## 2013 WAA Conference & Tradeshow
## "Kick Off Your Landlord Education"

October 11-13 at the Tundra Lodge - 865 Lombardi Ave, Green Bay

Room reservations can be made by calling the Tundra Lodge at 877-886-3725 before September 10th, and mentioning WAA to get the special room rate of $119/night plus tax.

**See registration form on page 7.**



[redacted]

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