

The Backus Bulletin

"Your Management, Your Way"

TENANT DAMAGE

March 2019

A frequent question I get from owners, especially new ones, is "what happens if tenants trash the house?" Surprisingly, this is seldom a problem. We are careful who we rent to, and do regular inspections, but problems do happen.

In California, we can only charge refundable deposits. That means the tenant must be able to get all of their money back if they leave it in good order. About 10% of our tenants do receive all of their deposit back.

The most common reason they do not is that the unit needs cleaning. Our Cleaning Guidelines are very exact and thorough. Very often tenants will tell us "I spent hours cleaning" or "I left it cleaner than I got it." The first is likely true, but it takes an average of 12 hours to clean a three bedroom house, left in good condition. The most common item missed is windows, window tracks and adequate cleaning of appliances. Average cost: \$350.00.

The next most common issues are carpet damage and paint needed. Again, no one has "trashed" the home, but the damage is beyond normal wear and tear. We expect carpet to last 10 years and paint 5, but this is not a law—just fairly normal practice. If a carpet has to be replaced and is 5 years old, the tenant will be charged 50% of the cost of material and labor.

Carpets are professionally cleaned between each occupancy. There is no charge to the tenants if they provide us with a copy of a receipt from a professional carpet cleaning company. Otherwise, we have them

cleaned and charge that amount to the deposit. Usual cost? About \$150.00.

"Yard to standard" is another common charge, usually around \$200.00.

Tenants are required to have fireplace chimneys cleaned at vacancy. If they have not, the usual price is \$125.00.

Hauling of debris is generally about \$75.00.

Altogether, 80% of tenants get some or all of their deposit back, which means that the owner is adequately reimbursed for all expenses. This does not mean that the owners may not have some costs at turnover, but normal wear and tear issues will be at owners' expense.

About 20% of the time, there is not enough deposit to pay all of the tenant charges. This still does not necessary mean that the owner is not covered, because the last expenses to be paid are those due to us such as late fees, service fees, etc. About 15% of the time the deposit does not cover the owners costs for repairs. This still does not mean the property was "trashed," just more repairs then there are funds for.

So what constitutes "trashed" and how often does that happen? When intentional damage is done, excessive debris left, new carpets or paint needs to be carpeted or painted; you could be justified in outrage. This happens once about every three years, or once in about 450 vacancies. It most always is attached to a forced eviction, so these damages are on top of loss of rents and attorney fees, truly a bad situation.

So what happens in that situation? If the tenant owes money after a Deposit Refund Statement, we give them two weeks to pay. At that point, it is turned over to a collection agency that takes 40% of what they collect.

The collection agency collects about 5% of what is owed. So—bottom line—don't expect to get any money from the tenant. It does become a mark on their credit report, so sometimes they pay when they are trying to get a loan and do not qualify.

On the other side, about three times a year a tenant will sue in Small Claims Court because they are not happy with the refund. The case would be heard in about two months. It is quick and quite easy, but seldom follows any real law. The judges or acting judges basically make decisions based on what they think is "fair" and are prone to give each side something.

One provision to be aware of is that if the tenant sues for additional refund, the suit is legally against the owner of the property. We can appear on your behalf, but any judgment will be in your name. For that reason, we encourage owners to give us a lot of latitude when it comes to a pre-trial negotiation.

We keep very careful track of our owners' expenses, and this is how 2013 came out for the 123 turnovers we had:

(Continued on pg. 2)

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Office Hours: Mon-Fri 9am-4:30pm
 Saturday - by appointment
 Sundays & Holidays - closed

Announcements & Services

WHAT CAN WE DO TO MAKE OWNING A RENTAL PROPERTY EASIER FOR YOU?

We won't know unless you tell us! Don't forget we have an "Eviction Protection" plan for \$20.00 per month that covers the \$1,000-\$1500 attorney fees if you have to evict a tenant. We also have "Rent Protection" at 2% additional management fee that means we will pay the rent if the tenant does not pay on time or not at all. Call or email our office: info@backuspm.com or 831-455-2052.

THINKING OF BUYING OR SELLING?

If you are thinking of buying or selling, we can assist you. We specialize in residential and multi-residential units and are experienced in conventional sales, purchases as well as short sales. Just call and ask for Bill and we will help you with your Real Estate needs. There is no obligation. Check out your property value today!

ON-LINE STATEMENTS

Contact our office or e-mail our office at info@backuspm.com to sign up or for further information.

BACKUSPM.COM



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12% of tenants received all of their deposit back, with no damage
 69% of tenants received a partial refund, any damages covered by
 deposit, 19% owed money after the deposit was used. The average
 amount owed to the owner by the tenant is \$1,040.00. Of the 123
 turnovers, that averages \$194 per owner—not bad.

I love to talk numbers—call me anytime.

Sally Backus,
 Broker

