

# The Backus Bulletin

*"Your Management, Your Way"*

## AUGUST WILL BE CATCH UP MONTH FOR A FEW ISSUES

August 2020

**First:** What is happening with rents? We are not increasing rents during this Covid 19 moratorium, but will try to catch up when it is over. There is very little activity in the rental market, meaning very few people are moving. Traditionally, we have 10-15 properties available for rent at any given time. For the last four months that has been under 6. They usually rent very quickly and for slightly more rent than the previous tenant was paying.

**Second:** Interior assessments: these have been suspended until restrictions are lifted, for the safety of our staff and the tenants. We are contemplating ways to do the assessments safely and within Covid 19 guidelines and will let you know what we come up with.

**Third:** Are eviction courts open yet? Although this does not affect us as we have no evictions pending, you may have rental properties in other areas of California. Officially, as of August 15, you can go forward with evictions based on non payment of rent. Evictions for other reasons (health and safety, etc) have always been possible. However, it is close to impossible to get a hearing date set. Most counties are extending the non payment of rent eviction moratorium for anywhere from two months to the end of the year. My guess is that it will be extended until there is an obvious relief of quarantine and a preponderance of people are going back to work. I hope none of you are caught in this situation.

**Fourth:** What do we NOT do? Recently one of our institutional clients had an inspection done on a property, which required a lot of work to be done by a licensed contractor. When the work was completed, the bank asked that we certify that the work was done properly and to the specifications of the inspection. Clearly, we are not able to do that, as we are not licensed contractors. Our suggestion was that they contact the person who did the original inspection to do the re-inspection. They will do that but were trying to avoid the cost.

This brought up a discussion in the office of what we are NOT qualified to do. We perform many tasks very well, but these are some of the things for which we are not qualified:

1. Legal advice: we can tell you of our experience. We can tell you the law as we know it, but we are not attorneys. We frequently consult attorneys when we have a legal question and do our very best to follow the law, but always suggest to clients that they seek legal advice if necessary. In California (unlike some other states) Real Estate Brokers/ Property Managers can not file for an eviction; this must be done by an owner or lawyer. The cost for a standard eviction is about \$1500.00.

Luckily, we average about one per year. We also cannot file for an owner against a tenant in Small Claims Court. This must be done by the owner directly. Again this seldom happens (once in ten years) because the amounts owed by the tenants are generally not that great and the matter is turned over to a collection agency. It does happen that the collection agency may have claims from several people against a tenant and will end up filing against the tenant for the total amount.

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

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A “legal” area that we do address is what to charge a tenant for damages on move out. The law is not totally clear on this, so we use recommended depreciation schedules, experiences we have had and conversations with other property managers. If the owner does not agree with our assessment, we will charge what the owner requests but will generally advise them that it will probably not hold up if the tenant sues in Small Claims Court. We have on an average two such cases a year. If the amount charged was our recommendation, we do not charge for appearing on behalf of the owner.

2. Accounting or tax advice: our job is to correctly document the income and expenses on your properties and provide you with that information at the end of the year (or whenever you ask.) Because of our activities in sales, we have general information about such subjects as 1031 exchanges, converting a rental house to a personal residence, converting a personal residence to an investment property and the related tax consequences. Because tax laws (like property management laws) are constantly changing, we will refer you to a CPA for the specifics.

3. Mediate between multiple owners. We manage a number of properties with two or more owners. They may have equal ownership or it can be divided in different ways. All owners are set up in the system and all receive regular statements and disbursement if appropriate. However, occasionally we have owners that cannot agree on such things as repairs, escrow for maintenance, qualification of tenants, etc. These issues must be settled between the owners as we have fiduciary responsibility to all of the owners and cannot favor one over another. If we are getting different instructions from different owners, we will ask that one be appointed as the contact person.

That’s all I can think of. We always do our best to accommodate our owners’ requests and are happy to do so.