

PROPERTY OWNER

NEWSLETTER FOR PROPERTY OWNERS AND MANAGERS

Pacific Beach • Mission Beach • Ocean Beach • La Jolla • Clairemont • Mission Hills • Hillcrest to Kensington

LEGAL UPDATE

The following are the new laws that took effect January 1, 2003:

Notices:

- If tenant has lived in the premises for one year or longer—serve a 60-Day Notice
- If tenant has lived in the premises for under one year—serve a 30-Day Notice
- Exceptions to above dictate that a 30-Day Notice can be served if all the following are true: a) the owner has the property up for sale, b) the notice is given no more than 120 days after escrow has started, c) no other notice of termination has been previously

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4406 Bayard Street • San Diego, CA 92102
Phone (858) 483-3534 • Fax (858) 270-4066
e-mail: rickt@cal-prop.com

PROPERTY MANAGEMENT IS NOT FOR SISSIES

by Tani Means

Just like real estate sales years ago, when an Offer to Purchase was only one page with no addendums or disclosures, rental agreements and property management has become more complex. Although the Rental Agreement put out by the California Association of Realtors incorporates many of the required disclosures, e.g., Megan's Law, lead-based paint, etc., it is still necessary to give tenants the information regarding these and other hazards, such as asbestos and mold, and make sure the tenant signs as to having received them. Just leaving out the lead disclosure, if discovered by the EPA, can result in a \$10,000 fine, so you want to have all your proverbial "ducks in a row".

Did you know that you're allowed to collect up to \$30 per person to use as tenant screening fees but you are also legally obligated to give the potential tenant a receipt for the funds received? That receipt needs to include date, property address, tenant's name and signature

plus landlord's name and signature, and an itemized accounting of how the funds were used. If the person paying for the credit check requests a copy you are required to give him/her one.

Credit Ratings

If you reject a potential tenant based on their credit rating you are obligated to provide them with a form citing the fact that they have been rejected for that reason. The form should include the credit bureau upon which you based your decision and an address where the tenant can dispute this information.

As of 7/1/98 you are legally obligated to provide deadbolts and locking

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"Then ask yourselves, 'Do we really need all this luxury?'
And your answer, of course, is 'Yes'"

ABOUT CAL-PROP INVESTMENTS AND MANAGEMENT

Cal-Prop Investments and Management has provided high quality service to real estate owners and investors in the premier rental areas of San Diego since 1987. Cal-Prop is a full service source that focuses on providing the results owners and investors desire. Our services include: property management, sales, tenant placing, construction and maintenance, grounds and free consulting. Please explore this issue and feel free to call for back issues or obtain back issues on-line at www.cal-prop.com.

VACANCY REPORT

| AREA* | Units Reporting | Vacancy | | | % of Units Turning Over | | |
|-------|-----------------|---------|-------|-------|-------------------------|-------|-------|
| | | MARCH | APRIL | MAY | MARCH | APRIL | MAY |
| 1 | 479 | 2.80% | 2.77% | 3.14% | 4.17% | 2.71% | 6.47% |
| 2 | 107 | 3.38% | 4.25% | 4.58% | 4.68% | 7.84% | 4.67% |
| 3 | 110 | 2.63% | 2.96% | 3.63% | 2.72% | 1.81% | 4,54% |
| 4 | 49 | 4.17% | 1.29% | 4.01% | 4.21% | 2.04% | 4.08% |
| 5 | 46 | 2.67% | 3.21% | 1.44% | 2.00% | 2.00% | 2.17% |
| 6 | 18 | 0.0% | 2.0% | 4.0% | N/A | N/A | N/A |

* 1. Pacific Beach, Mission Beach, Ocean Beach, La Jolla; 2. Mission Hills, Hillcrest, Bankers Hill, University Heights, Kensington
 3. Clairemont, Mission Valley, Bay Park, Point Loma, Old Town; 4. North Park, College, South Park, Golden Hill, Paradise Hills
 5. La Mesa, Serra Mesa, San Carlos, El Cajon, Spring Valley, Casa De Oro; 6. North County, Scripps Ranch, Encinitas, Chula Vista, Mira Mesa

CURRENT MARKET IS A GREAT TIME TO TRADE UP

In the Spring of 1999 I wrote, "the early phase of a bull market in real estate presents a great opportunity to trade your current property up into a property of higher value." This turned out to be fairly good advice. Here we are in 2003 and there are still some great reasons to utilize your ability to exercise a 1031 tax deferred exchange. The following are a number of reasons and/or circumstances that make this a good market make a trade up:

High Equity to Income Properties

If you own a house or condominium that is substantially paid off or free and clear this is a great time to transfer that equity into an apartment building. You can maintain or sometimes increase your cash flow, limit your management time by hiring management, triple your rate of return (Call me and I can run through the figures with you), set yourself up for

triple the retirement income in ten years, increase your depreciation and do this with downside risk protection. Call for a free appointment to run through the figures and the possibilities.

Interest rates

Interest rates are incredibly favorable with a full range of possibilities including variables that start at 4.5%. Hybrid loans that are fixed for a number of years 3, 5 or 7 and then become variable loans and that start from 4.3 to 5.5 fixed over the initial term. There are even programs available that are fixed for 15 years and amortized over 30 years, but then contain a balloon payment at that time. Borrow money when it is cheap.

Availability of Properties

Many owners are taking advantage of the high prices to sell out making availability of properties very good. Availability is good with the exception of coastal units.

Reposition for the Echo Boom

The Baby Booms children are going to be forming households at a fairly constant and solid clip for the next seven years. Re-positioning now to take advantage of those future gains is a good move high prices or not.

Moving Equity

When moving equity from one property to another it is done in the same market. It is not as if you are selling low and buying high. You are buying and selling at the same relative terms. I did an analysis of customers who purchased at the peak in 1990 and held their property through 2000. Their returns were outstanding 15-20%. Anyone would be satisfied with this type of return.

In conclusion there are many good reasons to pursue a 1031 exchange. Please call Rick Thornton at 858-483-3534 Ext 13 for an free analysis appointment today.

WELCOME TANI MEANS, DIRECTOR OF MARKETING

Cal-Prop Management & Investments is proud to announce that Tani Means has been retained as Director of Marketing. Tani brings with her 25 years of experience in the field of property management. She was a business owner and former Director of the Property Management Division of a large local Real Estate consortium. She brings a large basis of satisfied clients who have worked with her throughout the years.

Her experience in tenant/landlord law with an emphasis on single family residences merges well with Cal-Prop Investments & Management and its current success in the multi-unit rental market.

With broker/owner, Rick Thornton, Tani says, "I plan to make Cal-Prop the most successful management company in San Diego by working with a team dedicated to protecting and serving our rental client's needs in the most diligent and

profitable way possible, preserving local agent's relationships with their clients in need of property management, and in turn watching over tenant's legal rights creating a win-win situation for all."

Ms Means has expressed a delight in being part of this people-oriented business.



MECHANICS AND BENEFITS OF A 1031 EXCHANGE

What Are the Benefits of the 1031 Exchange?

In addition to deferring capital gains taxes, 1031 Exchanges provide the investor with a wide range of non-tax opportunities which can be custom selected for the investor's portfolio. These include:

- Repositioning of assets and/or consolidation or diversification.
- Change property types, for example from Single Family to Multi-Unit.
- Increase leverage.
- Increase depreciation deduction.
- Reduce management obligations.
- Provide for estate and retirement planning.
- Improve cash flow
- Create or eliminate joint ownership
- Defer phantom gain on problem properties.
- Construct improvements on a property.

How Do the Mechanics of a 1031 Exchange Process Work?

Most 1031 Exchanges involve three parties:

- The Investor, or the Exchanger
- The Buyer, who purchases the Investor's property

- The Seller, who sells the Investor a new/replacement property.

A profitable 1031 Exchange is arranged such that the "Safe Harbor" protections of the tax code are used, meaning the Investor and Buyer are not penalized by taxes. This requires a "Qualified Intermediary". This person becomes the fourth party in the exchange. The Qualified Intermediary ensures that all requirements are met so that taxes which are normally due in buying and selling transactions are avoided. The steps the Qualified Intermediary takes are:

- The Exchanger signs a contract to sell to the Buyer
- The Qualified Intermediary is retained to act for the Exchanger. This is typically handled by the escrow although some investors choose an attorney to arrange this step. If you choose an attorney the costs go up significantly.
- Upon closing the Qualified Intermediary arranges the transfer of deed.
- A replacement property is purchased within 45 days or identified in writing. You can identify up to three properties as possibilities.
- The Exchanger has up to 180 days to purchase a replacement property.

- The Exchanger contracts with a Seller to purchase replacement property
- Upon closing, The Qualified Intermediary assures transfer of deed from Seller to Exchanger.

Rick Thornton has sixteen years experience helping investors through the 1031 process.

Total Rehab: Strategy for Long-Term Holding and Re-positioning

Properties in older neighborhoods that are rehabilitated by putting in new kitchens and baths command the best rents and the best tenants. Rent premiums are 20% or \$150-225 per unit. In today's market you can re-finance, rehab, re-rent and even increase your net cash flow. Cal-Prop provides turnkey general contracting.



Before



After



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SISSIES

Continued from page 1

devices on all exterior doors and windows. This, if left undone, can be construed as a habitability issue and used as a defense by the tenant in the event of an unlawful detainer.

These are just some of the time consuming details regarding current property management if you want to do it professionally and within the law. Do you have time to deal with these issues and keep your own personal and professional life on track? Do you have time to listen to how "the dog chewed up my rent" or how the toilet got stopped up "acciden-

tally" by the beer can? Did you know, besides keeping you from having to put up with these issues, property management would be a tax write off to you?

With just a phone call you can turn the annoying business of rental management over to the management professionals, Cal-Prop Investments & Management. Give us a call today 858-483-3534. Please ask for the Marketing Director, Tani Means at extension 11.

Take back your life. We will be waiting to hear from you.



1818-32 Hornblend St • Pacific Beach

- ▼ 8 older units
- ▼ Can build 8 new Condominiums
- ▼ Two 50 x 125 lots

\$1,450,000



4970 Collingwood Dr • Pacific Beach

- ▼ 3 Bedroom 2 Bath Home
- ▼ Oversized 11,000 sq. ft. lot
- ▼ Pool
- ▼ Exclusive location

\$875,000



12608 Carmel Country Rd #27

- ▼ 2 Bedroom 2 Bath Condominium
- ▼ Incredibly convenient location
- ▼ Four years new

\$335,000



11292 Carmel Creek Rd

- ▼ 3 Bedroom 2 Bath Condominium
- ▼ No common walls
- ▼ Ocean view
- ▼ Four years new

\$525,000



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SINGING THE LANDLORD BLUES?

Why is it that income properties can turn your life blue? After all, the original idea behind owning income property was to have more leisure time in your life. You were expecting more positive cash flow and time for fun things like golf, fishing, traveling and being carefree; not balancing checkbooks, taking care of tenant problems, finding good tenants, maintenance problems and rent hikes. Owning income property can be a major headache.

Until now ...

By letting Cal-Prop handle your property management needs, all your problems disappear. No more unhappy tenants. No more maintenance problems. No more books or loss of income. Just a check in the mail, every month, with your name on it. Life will be simple again and singing the Landlord Blues will be long-forgotten.

Call Cal-Prop today for time, money and peace of mind.

Attention Owners

Cal-prop has a good list of dozens of highly qualified buyers! If you are looking to sell, let us know how much you want or an offer can be presented. Either way my clients are ready to pay market price and you save big on commissions.



Take the Cal-Prop California Landlord/Tenant Law History Quiz

- Which California city enacted the first rent control law?
 - a. Berkeley
 - b. Oakland
 - c. Santa Monica
 - d. Los Angeles
- Civil Code Section 1941 was passed in 1873 requiring landlords to keep their rental property in good condition?
 - True
 - False
- What year did California Law require rental property owners to provide tenants with information about the California sex offender database?
 - 1998
 - 1999
- Owners can use an income standard that fails to account for the aggregate income of persons residing together or proposing to reside together.
 - True
 - False
- 1996 was the year owners were explicitly granted the right to collect a screening fee.
 - True
 - False
- All water heaters should be braced, anchored and strapped since what year?
 - 1979
 - 1989
 - 1999
- Rental owners were specifically given the right to terminate a tenant upon 30 days written notice in 1872. For how many years was this the law until it changed?
 - 51
 - 100
 - 131
- What year was gold discovered in California?
 - 1850
 - 1844
 - 1848
- Owners are responsible to install and maintain one working phone jack per unit.
 - True
 - False
- If a person died on your property two years ago of HIV and you were selling, you would inform the buyer.
 - True
 - False

Answers on page 6



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RENTAL REPORT BY COMMUNITY

| Dwelling Type | | Apartment | | | | | Condo | | | House | |
|---------------|-------|-----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| AREA* | BR/BA | S/1 | 1/1 | 2/1 | 2/2 | 3/2-3 | 1/1 | 2/1-2 | 3/2-3 | 2/1-2 | 3-4/2-4 |
| 1* | RANGE | 400-895 | 750-1350 | 850-1700 | 1450-1800 | 1450-2525 | 850-1105 | 850-2000 | 1650-2200 | 995-2200 | 1650-4075 |
| | AVG | 733 | 967 | 1318 | 1644 | 1950 | 1025 | 1750 | 2009 | 1540 | 2350 |
| 2* | RANGE | 675-750 | 655-1850 | 795-1175 | 815-1195 | 675-1100 | • | 1200-1800 | 1500-1700 | 1400-1500 | • |
| | AVG | 716 | 844 | 1007 | 1112 | 1475 | • | 1450 | 1600 | 1497 | • |
| 3* | RANGE | 480-650 | 725-865 | • | 950-1025 | 900-1140 | 721-975 | 791-1575 | 1250-1350 | • | 1200-2350 |
| | AVG | 539 | 825 | • | 980 | 920 | 845 | 1181 | 1350 | • | 1728 |
| 4* | RANGE | 450-705 | 625-895 | 615-895 | 975-1050 | 975-1050 | • | • | • | 945-1700 | 1200-1495 |
| | AVG | 605 | 695 | 890 | 910 | 1020 | • | • | • | 1072 | 1350 |
| 5* | RANGE | • | • | 600-950 | 725-950 | 1550-1700 | 825-875 | 1010-1150 | 900-1325 | 950-1600 | 1400-2095 |
| | AVG | • | • | 812 | 838 | 1625 | 850 | 1091 | 1192 | 1166 | 1789 |
| 6* | RANGE | • | • | • | • | • | 1200-1800 | 1495-1495 | 1700-1700 | • | 1695-3200 |
| | AVG | • | • | • | • | • | 1275 | 1495 | 1700 | • | 2550 |

*See Vacancy Report on page 2 for key to areas

Is Your On-Site Manager Providing You With Results?

When we here at Cal-Prop frequently come in contact with rental property owners who have on-site managers at their properties with the aim of saving themselves time and energy. Many property owners feel their properties are better cared for if there is a manager on site. These on-site managers typically get free or reduced-rent apartments in exchange for services performed at the property. Sometimes they are paid in addition. But did you know that in most cases, on-site management is not only unnecessary but also costs these property owners time, energy, and money?

The law provides that properties of sixteen or more units have on-site managers. But what our experience at Cal-Prop has been is that as nice, trustworthy and vigilant as these on-site managers are, they are not actually doing the job they are paid to do: save the owners time, energy and money by solving the everyday problems that arise at residential properties. Over time the on-site manager realizes that keeping rents low makes less work for him or her.

This means maximum rent value is not being achieved. Further, the on-site manager does not make the tough decisions about the property that need to be made but instead passes these decisions onto the owner. Again, this means the on-site manager is not doing the job he or she is paid to do, and is actually costing the owner time, energy, and money all while receiving reduced or even free rent. Additionally, many aspects of tenant-landlord interaction are not handled in a professional manner—usually because of the “neighbor” relationship that develops between the manager and the tenants. This can result in deterioration of the property and increased risk for tenant claims.

Cal-Prop has a solid history of immediately creating better all-around performance of income properties after taking over for on-site managers. In 1998 we took over 20 units on Chalcedony Avenue in Pacific Beach and immediately increased rents \$100,000 per year. The next year we took over 14 units on Felspar Street and increased rents \$35,000. A few years

before that, we fully doubled the rents at an 8-unit property on Sapphire Street. In every case, the net effect for the owners included not only higher income on their properties, but fulfillment of the reason these owners had rental property to begin with: to earn additional income so they could enjoy their lives more. Often a manager has been there for a long time and has served the owners well. But it may be time for a change. This may be true at one of your properties. Call us for a thorough analysis of how your building can perform at its best.

Answers to Landlord/Tenant Law History Quiz (page 5)

- | | |
|----------|----------|
| 1 - A | 6 - 1989 |
| 2 - T | 7 - 131 |
| 3 - 1998 | 8 - 1848 |
| 4 - F | 9 - T |
| 5 - T | 10 - F |

*Please check out Cal-Prop's real time rental list on the web site:
Real time updates, pictures, maps and more!!! www.cal-prop.com*

LEGAL UPDATE

Continued from page 1

given, d) the property is a single-family dwelling, and e) the potential buyer is an individual and plans to live in the property for at least 1 year.

- Upon termination by either the owner or the resident, owner must notify the resident of his or her right to an initial inspection (see below).

Security Deposit:

- If the deposit is not returned within the 21-day period (or 14 days if this is what lease states) and the resident can prove bad faith, the resident could be awarded punitive damages up to two times the amount of the deposit. Additionally, the owner has the burden of proof to show that the deductions were reasonable.

Notice to Enter Dwelling:

- Owner may serve the resident a Notice to Enter Dwelling by mail; however, the notice must be mailed 6 days prior to the intended date of entry.

Fee Increases:

- The court is increasing the filing fee for the Unlawful Detainer Complaint as follows:

Filing Fee:

Rent demanded is \$10,000 or less \$122.30

Rent demanded is \$10,000, but less than \$25,000 \$130.00

Rent demanded is over \$25,000 \$227.50

Make sure your lease is in conformity with the continually changing laws: Megan's Law, Lead-Based Paint Disclosure, Asbestos, New Walk-through Procedures and the Mold Addendum. Cal-Prop uses its own Party Addendum.

PRELIMINARY ITEMIZED MOVE-OUT STATEMENT

Resident(s) _____
 Address _____
 Address _____

CLEANING

0-2 Hours _____ 4-8 Hours _____
 2-4 Hours _____ 8-12 Hours _____
 12+ Hours _____ Approx. cost = _____ X \$18.25/hour = \$ _____
 Carpet: yes/no Clean: yes/no Replace: yes/no \$ _____

Circle areas of concern: Blinds, Baseboards, Light Fixtures, Under Stove, Under Refrigerator, Top of Refrigerator, Screens, Windows, Window Tracks, Door Jambs, Heater Cover, Closets, Sinks, Toilet, Tub/shower, Floors, Carpets, Mirrors, Cupboards, Walls, Other _____

PAINTING

Months resided _____/36 = _____ = _____% earned credit
 1. _____ Very good
 2. _____ Good
 3. _____ Average Areas of concern: _____
 4. _____ Poor
 5. _____ Very Poor Approx cost= \$ _____

MAINTENANCE

| | | |
|----------|-----------|---------------------------------|
| 1. _____ | 7. _____ | Approx Maint Total: \$ _____ |
| 2. _____ | 8. _____ | |
| 3. _____ | 9. _____ | |
| 4. _____ | 10. _____ | |
| 5. _____ | 11. _____ | |
| 6. _____ | 12. _____ | |

Total approx. deductions: _____

Disclaimer: These ratings are preliminary and are based on an occupied unit. It is difficult to ascertain and predict the exact condition of the unit once completely vacated. These ratings are to be used as a guide and may not reflect actual charges. An itemized Disposition of your Security Deposit will be mailed along with any refund due.

| | | | |
|-------------|------------|--------------|------------|
| AGENT _____ | DATE _____ | TENANT _____ | DATE _____ |
|-------------|------------|--------------|------------|

Attention Real Estate Agents

We love referrals! Your business is real estate sales and we're sure you are great at it. Cal-Prop is great at property management. If you refer a property to us for management, once we retain the management and it is rented, you will receive the first month's management fee. Most important to you, you will retain your client. You will receive in writing our promise to return your client to you once he/she expresses an interest in selling.

To prove to our fellow realtors how great Cal-Prop really is at managing

rental properties and also to free up your time for all your important sales, we have a special rate we are offering to licensed agents for allowing us to manage their own personal income properties.

For further information on either one of these opportunities just for realtors, please call Tani Means, Director of Marketing at 858-483-3534 Ext. 11. We're sure you will be convinced that specializing in one field of real estate is the only way to go. Stop wasting your precious time. Call now!

Cal-Prop is a full-service source for all your real estate needs.

- Property Management
- Property maintenance (LIC# 756126)
- Vacation Rentals
- Sales: Single & Multi-family
- Groundskeeping
- Advice and Consultation

Use one or all services. Call Rick Thornton at (619) 483-3534 ext 13 or e-mail rickt@cal-prop.com

www.cal-prop.com



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San Diego, CA 92109

PRESORT STD.
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PAID
MEDIADIRECT.

5 Reasons to List with Rick Thornton

• *Sell Your Home at Top Value*

Forget the agent that has sold the most. Find the one that has sold the best.

• *Provide a Turnkey Solution*

Most properties need some repairs or improvements prior to marketing. Cal-Prop provides one-stop service. We even credit some of the repairs to the commission.

• *Sell Investment Property for Top Value*

Maximize the rent and your return. Our track record is outstanding.

• *Sell Your Condominium for Top Value*

Three identical condominiums in Pacific Beach sold at the same time. One for 295k one for 299k and the one I sold at \$305,000. Which owner was best represented?

• *Sell Your Home Despite Obstacles*

Every real estate transaction has obstacles. Overcoming them is my specialty.



Call Rick Thornton at (619) 483-3534 ext 13 or e-mail rickt@cal-prop.com

ASK THE MAINTENANCE MAN!

What are slab leaks and what do they mean for my property?

Water is your property's enemy. A slab leak is a situation where worn pipes break and flood the slab, or the foundation, of the property. Sorry to say, but this is only the tip of the iceberg when it comes to slab leaks. Other kinds of damage can occur even before the actual pipes break, and still other destruction can ensue if the problem is not thoroughly addressed. These other problems include not only very sizable water losses and wasted electricity used to heat water, but serious cracks in the perimeter foundation, gaps in the slab itself, insidious mold and very significantly, angry tenants. No one wants any of these things happening to his or her property. Worse yet, insurance companies are now excluding water damage and mold claims from their policies.

Heat and water velocity are the major factors contributing to pipe leaks. The pipes in older buildings are often undersized for the demand placed upon them. The high degree of demand on these pipes increases the water velocity, which increases the frictional wear on the pipe. In addition, the recirculating pump is frequently too large and moves the water too fast. In plumbing contractor speak, as the water velocity doubles, the frictional coefficient increases 4x. Adding insult to injury, there are other stresses on the

outside of the pipe, such as acidic soil, rocky backfill and concrete abrasion.

Slab leaks are a sure indicator that pipes are worn out to a very serious degree. One can be certain that where there is one leak, there will be two. Or more. When I get a call about a slab leak, I usually check the hot water recirculating lines first, as very often these are the cause of all the commotion. If I do not find the problem there, I check the hot water supply lines. These are the two most common starting places for water leaks. Finally, if no detectable breakage or degeneration of the recirculating or supply lines is found, I check the cold water lines. It is very often quite difficult to find the actual problem, even utilizing professional leak detection services, due to the reinforced concrete used in construction, pooling water, and rocky debris in the soil.

The good news is that slab leaks and the damage they bring about can be avoided. If your property is over forty years old, you might consider taking a proactive stance to avoid this problem by re-routing the pipes to the exterior of the building. Cal-Prop provides complete service from re-routing the pipes to the new drywall to the finish painting.



Joe Trudeau
Senior Maintenance Foreman