CALIFORNIA WEST
real estate management

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In this issue

The maximum fee that landlords may charge for screening in California is presently $44.51 per applicant; California West charges no more than $25 per applicant.

Tenant screening procedures and fees.

California West has been screening tenant applications for nearly 40 years.

Over that time, we have learned that properly selecting tenants at the outset is one of the best ways to avoid losses and evictions in the long run. In fact, most of the evictions that we deal with at California West are from properties that we take over and tenants whom we “inherit.”

Our screening process includes running credit reports, calling previous landlords, and verifying employment. We also screen cosigners as necessary. For this service, we charge tenants a fee of either $15 or $25, which covers our cost to perform these tasks.

California West’s fees are different depending on whether the tenant is applying to our SLO office or AG office. Since the SLO office rents mostly to students, the fee includes the cost of cosigner screening. This bundled fee makes sense because over 90% of our tenants are students who require cosigners. The AG office charges per applicant and each cosigner must pay a separate processing fee. In markets that the AG office covers, cosigners are less common and typically require greater scrutiny.

The maximum fee that landlords may charge for screening in California is presently $44.51 per applicant and may not exceed the actual cost of screening.

Incidentally, in prior years California West’s screening process was more stringent than what it took to obtain a loan to buy a property. Back when institutions were offering “NINJA” (No Income, No Job, No Assets) loans, we were turning down some tenants who would then respond by purchasing a property instead. That is no longer the case and now lenders have gone to the other extreme of making it very difficult to obtain financing.

Through it all, though, California West continues to screen tenants as we have since 1975.

Rent is not the only income source for many investment properties.

Rent is the primary source of income for investment properties, but there are other potential sources of income as well.

Laundry income, vending income, parking income, and utility billings are all other ways for properties to generate income. Each of these sources is unique:

Laundry income, vending income, parking income, and utility billings are all ways for properties to generate income.

Laundry income: When it comes to laundry machines, property owners need to decide whether to contract with an outside vendor or whether they will be servicing the machines themselves. Contracting with an outside vendor is the easiest solution and the way this usually works is that the outside vendor provides the machines, services the machines, and collects the coins. In this scenario, the property owner usually pays for water, electricity, and/or gas to operate the machines. Depending on the size of the property, the vendor may also pay a one-time bonus if the property owner signs a long term contract. After that, the revenue split is often in the neighborhood of 50/50 or 60/40.

Vending income: Even on large apartment buildings, vending income is very minimal. However, it is sometimes a benefit to tenants and so makes sense in that regard. This generally makes sense only by contracting with a third party who services various machines in the area.

Parking income: At larger properties, parking spaces can be sold individually or included as part of the rent. The decision of whether to do this is really one that must be made in the context of total rent and whether it makes sense from a marketing perspective to include parking with each apartment.

Utility billings: For single family residences, it rarely makes sense (if ever) to pay for a tenant's utilities. It is better for tenants to pay their own utilities so they have an incentive to conserve resources. However, this is not always possible in a multi-family environment. In a perfect world for property owners, each multi-family apartment would be sub-metered. When that is not the case, in some multi-family environments it is sometimes still possible to pass on the cost of utilities to tenants by taking the entire utility bill and then dividing it among the residents and the property owner by certain percentages. This requires additional billing procedures and only makes sense in some situations.

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