

# Monthly Newsletter

June 2012

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## Refunding security deposits: tenant charge or owner charge?

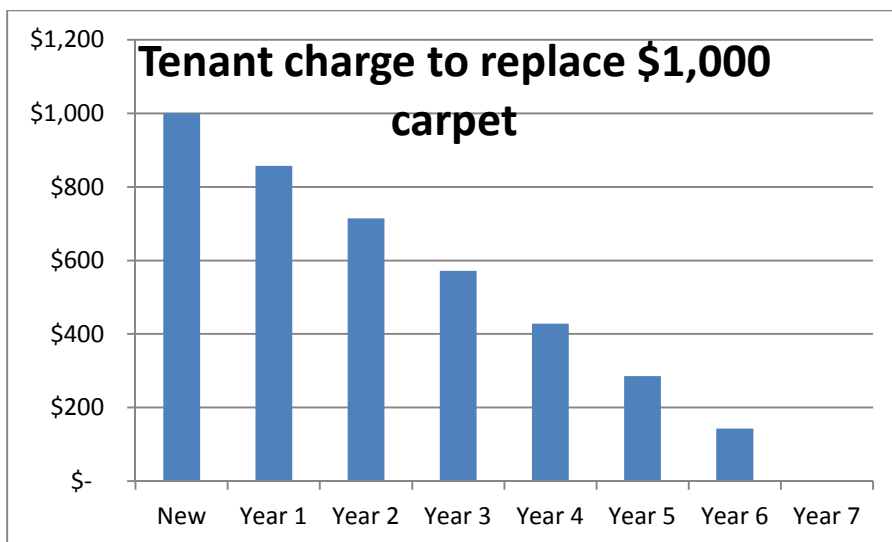
Former tenants rarely leave properties in rent-ready condition. One of the jobs that California West does for its property owners is to arrange repairs, make sure that properties are in rent-ready condition before we turn over keys to new tenants, and charge former tenants for any damage that they caused at the property.

Sometimes, though, a difficult issue arises when we must determine whether and how much to charge a former tenant if what they damaged is not totally new.

California Civil Code § 1950.5 provides that a landlord may not charge a tenant for “ordinary wear and tear” and may only charge for expenses that are “reasonably necessary” to reimburse the landlord for costs associated with a tenancy.

Unfortunately, these terms “ordinary wear and tear” and “reasonably necessary” are not defined by statute. Therefore, we must use certain rules-of-thumb that usually withstand challenge. A couple rules of thumb are that carpet generally has a useful life of 5-7 years and paint has a useful life of 3 years.

Therefore, when calculating how much to charge a tenant for damage, we apportion it over the remaining useful life of the carpet or paint.



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## Utility notices in Nipomo and Oceano are being sent directly to owners.

South County Sanitary has had a policy change in Nipomo and Oceano. Anytime a tenant has a past due balance, the reminder notice is sent directly to the property owner. In other words, South County Sanitary is no longer willing to send such notices directly to a property management company.

If you own property in Nipomo or Oceano and receive one of these notices, please simply forward it along to California West and we will then notify the tenant.

*This time of year, owners of property in San Luis Obispo need to budget for direct expenses such as cleaning, painting, hauling, etc. as well indirect expenses such as vacancy.*

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## Beware of summer expenses in San Luis Obispo.

In San Luis Obispo, California West is almost done pre-leasing its student units for next year. We began with 219 units available at the beginning of the season, and as of June 25 we have only 32 units remaining.

The next step in the process is preparing those units for new residents, which is expensive for owners. Property owners in San Luis Obispo need to expect to pay for both direct and indirect expenses at this time of year. Direct expenses may include cleaning, painting, hauling, floors, appliances, window coverings, landscaping, and other problems depending on the property. Some of those direct expenses can be recouped as tenant charges, but not all. In light of these expenses, we encourage our San Luis Obispo owners to carefully review their monthly financial statements at this time of year.

The biggest indirect expense is from vacancy.

To illustrate vacancy expense, on a \$1,000 unit, every day of vacancy equals \$33.33 in lost rent (\$1,000 divided by 30 days), which is money that will never be recovered. Delaying the turnover for even a few days can get very expensive, especially on higher priced units. A mere five days of lost rent on a \$2,000 per month rental equals \$333.33.

The popular expression that “time is money” is very true.

That said, the average number of days that California West needs to turn over a unit – and what owners need to budget for – is 7-10 calendar days.

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