

**At KTB Property Management we specialize in managing single family homes
Duplexes and Fourplexes**

OWNER MANUAL

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WELCOME

Thank you for choosing KTB Property Management to manage your investment. We are aware that you had many choices and we appreciate that you have selected us as your property management company. We specialize in Managing Single Family Homes, Duplexes, Fourplexes and small Apartment Complexes. We take great pride in what we do and you can rest assured your investment will be managed with the utmost in care and integrity.

We have prepared this owner manual to assist you in a successful business relationship with our company. We urge you to take the time to review the information enclosed. We feel this will further clarify many of the procedures for our Property Management services. Please contact us immediately if you have any questions, using the company contact information provided in the following pages.

Special note: the information provided in the KTB Property Management Owner Manual is subject to change. Landlord/tenant laws, personnel, policies, and procedures change from time to time. KTB Property Management works diligently and continually to improve services and personnel training and remain current with all landlord/tenant legislation.

OVERVIEW OF SERVICES AND FEES

Management Fees

- Tenant procurement fee or Rent-Up Fee: 50% of one month of rent
- Ongoing monthly management fee while the property is vacant is \$115.00 per month for Single Family Homes, \$185.00 for Duplexes & \$295.00 for a four unit building.
- Renewal fee: \$150.00 for redrafting the lease. \$99.00 for a Change in Terms.

Electronic Payment

- Owners have the ability to be paid by direct deposit.
- Tenants may pay rent by U.S. postal mail or by electronic check, personal check or Certified Funds

Owner Payments and Statements

- Each owner has a secure folder on our website provider Appfolio. This folder contains photos of the property and downloadable copies of the management agreement, paid invoices, and monthly and annual financial reports.
- Owner funds are disbursed on or before the **10th** of each month, or the next business day.
- Owners receive a 1099 form at year-end for tax preparation. Along with a Year End Cash Flow for tax purposes.

Tenant Screening

- Income verification
- Rental history
- Prior eviction actions
- Credit history
- Criminal background check

State-of-the-Art Internet Marketing

- Each property has a page on our website featuring a professionally taken photos, detailed description of the home along with driving directions and application instructions.

- Rental properties are marketed on a variety of free and paid websites, currently over 35 sites
- Rental applications are received and processed online.
- Application fees, first month's rent and security deposits may be paid online.
- Nearly all our leases are executed via electronic signature.
- Using the Internet, we have leased properties sight-unseen to tenants from out of state applicants a number of times.

Maintenance

- Our vendors/contractors can handle most any repair.
 - We monitor an emergency maintenance hotline 24/7.
- We do not require a reserve account for the repairs required.

Rent Collection and Evictions

- We insist on timely rent payment from tenants by the 3rd of the month.
- We act promptly when rent is not paid.
- When necessary, we handle the entire eviction process.

What is included in the monthly management fee?

For your monthly management fee of \$115.00 KTB Property Management provides the following:

- Collection of the rent
- Disburse owner funds to you by the 10th of the month.
- We keep accurate records for your property and send you monthly reports
- Be the sole point of contact for the tenant about the property
- Deal with the situation when the tenant doesn't pay the rent, all the way through eviction and collections if necessary
- Correspondence with the tenant regarding notices of violation or other problems.
- We available 24/7 to handle emergency repairs at the property

What is not included in the monthly management fee?

- Site visits to the property
- Annual Inspections of the property, interior and exterior
 - Meeting the City or County Inspectors at the property.
- Trips to the property to file police reports or meet insurance adjusters
- Trips to court to handle litigation with tenants.

GETTING STARTED

Initial site visit

A KTB property manager must visit your property before we can price it or agree to manage it. The site visit must include interior access.

PROPOSAL

Immediately following the initial site visit, KTB Property Management will prepare a proposal consisting of a market rent survey of rents for comparable properties in the area, a draft management agreement, and various property intake forms. We will deliver these documents to you by email attachment.

Before we can get started...

We must receive three things to begin the management engagement:

- 1) signed management with intake documents completely filled out.
- 2) key to the property.
- 3) New property intake fee of \$500.00.

PROPERTY SURVEY

When we have received the management agreement, intake fee, and keys, we will survey the property. KTB Property Management does this to ensure that we can accept the risk of placing a tenant in the property and that the property is ready to market. We are not licensed home inspectors, but we do take a very high-level look at the property. When we survey the property we will:

- Test all electrical circuits
- Verify that all light fixtures work and have light bulbs
- Verify that all appliances work

- Verify that the furnace and air conditioner work
- Verify that all plumbing fixtures work
- Verify that windows are operable
- Verify that all utilities are turned on
- Look for obvious structural defects
- Verify that the property is in white glove showing condition inside and out
- Verify that the property meets KTB Property Management's requirements for move-in condition (see page 19).
- Verify that all external doors may be operated by a single key

Necessary work is completed

After the property survey KTB Property Management will send you a report of our findings. Sometimes the property is ready to market and needs no work at all. Sometimes extensive work is needed. If work is needed, we will send you a list of repairs along with our bid to complete the work. You may choose to have KTB Property Management complete the work or you may complete the work yourself. (KTB Property Management's policy is that you may repair the property yourself or with your own vendors while a property is vacant but that we must use our own vendors when the property is tenant-occupied).

Special issues for condominiums

Moving to a new residence is extremely stressful in the best of circumstances. Tenant move-ins for condominiums are especially tricky. Unless great care is exercised, the tenant's move-in can become a nightmare. High-rise condominiums usually require that tenants make an appointment to use the freight elevator to move in or move out. Sometimes a non-refundable fee and a refundable deposit must be paid in advance before a tenant can move in or out. Often use of the freight elevator for move-ins and move-outs is limited to business hours during the week. Great diligence is required on behalf of KTB Property Management and the owner in setting the tenant's expectations for meeting the requirements of the condominium association at move-in. KTB Property Management asks that our condo and association owners be extremely thorough in providing all the information we request in our "New Property Intake" form regarding condo association contact information, pet restrictions, required lease addendums, and move-in policies.

KTB requirements for keys and remotes

The tenant's reasonable expectation is to enjoy everything they are entitled to in the lease from the first day of their tenancy. Surprisingly, it can take weeks to round up the various keys and remotes required to give the tenant full access to the property they are entitled to, and are paying for, in their leases. Tenants become furious when this happens. Owners frequently take the strategy,

“Let's just market the property now and we'll get all the keys, fobs, and remotes after a tenant has been found.” KTB Property Management has seen this strategy backfire so consistently that we no longer market condominiums until all required keys, fobs and remotes are in our possession.

KTB Property Management requires that one full set of keys, fobs, remotes, clickers, and any other devices require to enter the property and related amenities (such as the mailbox, pool, parking garage, exercise facility, etc.) be provided at owner expense for each tenant named on the lease, plus one complete copy for the KTB office. If two tenants are named on the lease, this means that KTB Property Management needs three complete sets of keys, remotes, fobs, or gate clickers.

The property is marketed

After the property is both safe for tenant occupancy and ready to market, we will take professional photographs, a professional video, place a sign in the yard if permitted by HOA regulations, and begin marketing the property.

OWNER DOCUMENTS

A copy of your management agreement with various intake documents is provided to you along with the KTB Property Management Owner Manual. Refer to it as needed and keep it with this information for a handy reference.

It is important that KTB Property Management receive all critical information as we begin management. You may have completed the documents listed below. If not, we need you to fill out and return the following documents.

Management agreement

Under *California* law we cannot manage your property unless authorized by you to do so in a management agreement.

Owner information

This information enables KTB Property Management to set up your account.

Electronic banking authorization

This form enables KTB Property Management to send your funds directly to your bank.

W-9, Form

This form enables KTB Property Management to send you a Form 1099 for preparation of your taxes.

Insurance authorization

This form requests that your insurer issue a copy of your property insurance to KTB, name KTB Property Management as additional insured on your policy, verify that your homeowner's insurance policy is a landlord policy rather than an owner-occupant policy and also that your coverage is in the amount of at least **\$500,000** if your property is single family detached, **or \$300,000** if it is a condominium. Please see the following section for more information about homeowner's insurance Please send this form directly to your insurance company and forward a copy of your request to KTB Property Management.

Owner's property disclosure statement

This California Association of Realtor's form provides detailed property information for our records.

As management continues, information can change. We have included several forms for your convenience. These forms and a copy of this manual may also be downloaded from the Owner page on the company website.

Notify KTB Property Management of any important change when it happens – address, telephone, fax, email, etc.

Owner work order authorization

For larger projects, this form authorizes us to perform specific work on the property.

Owner vacation notice

This is for notifying KTB Property Management when you will be unavailable for more than two weeks so that KTB Property Management is prepared in the event of an emergency.

HOMEOWNER'S INSURANCE ISSUES

It is very important that owners have proper homeowners insurance.

- Your policy must be a landlord policy rather than an owner-occupant policy.
- KTB Property Management must be named as additional insured.

- The policy needs to be in the amount of at least **\$500,000** if your home is single-family detached, or **\$300,000** if it is a condominium.

You may need to change insurers in order to acquire an insurance policy that meets these requirements.

Since you will not be residing in the property, your insurance policy must be a landlord policy rather than an owner-occupant policy. Failing to change your policy to a landlord policy could be a reason for your insurer to deny coverage in the event you file a claim after a property is tenant occupied.

Owners frequently ask why KTB Property Management must be named as additional insured. The reason is that in our management agreement owners indemnify KTB Property Management from legal expenses if KTB Property Management gets sued in the course of managing your property. If we are additional insured under your policy, your insurer will simply defend us if we get sued. If we are not additional insured under your policy, you will be responsible for our legal expenses. Thus naming us as additional insured can save you a lot of money if there is a lawsuit.

Things have changed a lot in the insurance industry. Homeowners insurance used to be very easy to get. Insurance companies have had to pay out a lot of claims recently and consequently they are looking harder before they issue policies. You may find that your current insurer will not write a policy naming KTB Property Management as additional insured or increase your coverage to **\$500,000** (***\$300,000 for a condominium***).

KTB Property Management is happy to furnish you with referrals to insurance agents and companies who can write the policies that provide the protection you need.

KTB Property Management:

KTB is a property management company operating in California, specializing in full-service property management.

KTB Property Management's mission statement

The mission of KTB is to provide quality service in property management in Sacramento and the surrounding areas, demonstrating integrity and professionalism. We strive to be Sacramento's Premier Property Management Company.

Bob Thomas is the owner and broker of KTB Property Management. He has been a licensed real estate agent since 1992. Bob provides the daily leadership and direction of KTB Property Management. He personally oversees all contracts, policies, and procedures, and works to educate the staff to provide excellent service to our clients.

KTB Property Management Communication

Communication is a key to success in any relationship and the KTB Property Management and our Owner relationship is certainly not an exception. We work constantly to improve communication with all of our clients and prospective clients. This includes everyone – owners, tenants, applicants, vendors, buyers, sellers, and the public.

Company communication

On the next page, you will find all general office information such as addresses, telephone numbers, email address, website, and office hours.

KTB Property Management staff members communicate by:

- Telephone
- Fax
- Email
- Written correspondence

Company website

KTB Property Management stays current with business technology. The website, www.ktbpropertygmt.com, has proved to be a tremendous asset. Here are a few of the benefits for clients on the website:

- Prospective tenants can search our site for available rentals; all other online advertising links back to the website.
- Prospective tenants may apply online.
- The majority of tenants pay rent online.
- Tenants may make maintenance requests online.
- Tenant forms, such as the tenant handbook and notice to vacate forms, are available online
- Each owner has a secure account on the Appfolio website that includes the management agreement, current leases, monthly reports, approved work orders, all invoices and receipts for which the owner is billed, and any photographic or written reports delivered to the owner.
- To pay for emergency repairs, owners may send KTB, funds instantly via the website by e-check or personal check.

General office information

KTB Property Management
8880 Cal Center Drive
Suite 400
Sacramento, CA 95826
916-217-9180
96-668-7001 FAX

Monthly newsletter

To keep you updated on the property management industry you will receive our client newsletter, the Manager's Report, with your monthly notification by email that owner funds have been disbursed and monthly reports are available for download on the KTB website. This information will enlighten you on many housing issues. Important changes or announcements concerning KTB Property Management are also included in this publication.

Guidelines for reaching us

Owners sometimes ask, "Whom should I contact when I have a question?" Here are our suggestions:

- If you receive communication from the KTB Property Management office, reply directly to Bob Thomas / Owner / Broker.
- Contacting Bob Thomas: As Owner / Broker, Bob is responsible for everything that happen at KTB Property Management. He will be able to answer questions about maintenance, marketing, accounting or showings quickly and efficiently.

OWNER COMMUNICATION

Communication works both ways. It is important that you let us know any significant change that can affect your account. KTB Property Management needs to know when you are moving, if you have a problem with your account, if your social security number has changed to a tax ID, or any questions or other important information. To assist in communicating any changes to us, we have provided the *Change of Owner Information form with* this manual that is easy to use.

Email

KTB Property Management encourages all owners to use email to contact us. It is fast and effective no matter the situation. Please supply us with your email address on all the KTB Property Management forms. We will enter your email address in our database.

Special note: When using email, we request that you put the property address in the subject line.

This helps us identify the importance of your message and avoids oversights or deletions of messages.

Owner vacation notice

KTB Property Management respectfully requests that owners notify KTB Property Management of vacations that are two weeks or more.

Another alternative is to inform your emergency contact listed on the Owner Information Form. The purpose in asking for this information is to ensure KTB Property Management is prepared in the event of an emergency repair or major problem concerning the owner's property and/or tenant. A convenient Vacation

OWNER RESPONSIBILITIES

A successful business relationship must engage both parties. At KTB Property Management, we take our management responsibilities seriously and request that owners do the same.

Owner responsibilities are:

- Maintain property in a condition that is marketable and habitable.
- Keep all utilities at the property turned on during any vacancies.
- Notify KTB Property Management of any ownership change or imminent owner changes for the managed property.
- Supply KTB Property Management with accurate information so KTB Property Management can service the management account properly.
- Review statements monthly and notify KTB Property Management of any discrepancies found as soon as possible.
- If using ACH, review statements monthly for accurate or missing deposits and notify KTB Property Management if there are problems immediately.

- Support Fair Housing Laws and guidelines, as well as all necessary legislation.
- Maintain a current insurance policy for the property.
- Review property insurance yearly and update as needed.

COMPANY POLICIES

It is very important in that professional property managers follow local, state, and federal legislation and guidelines. Our company takes pride in our industry, and we further implement guidelines and policies of several organizations, such as the National Association of Residential Property Managers (NARPM), the National Apartment Association, and the National Association of Realtors (NAR®). Additionally, we train all personnel by requiring them to read and follow the KTB Property Management Policy and Procedures Manual and KTB Employee Manual.

California Real Estate Commission requirements

The California Real Estate Commission requires licensing for all principals conducting property management and real estate sales in our state.

Code of ethics

KTB Property Management follows the Code of Ethics outlined by NARPM, NAR®, and the National Apartment Association. KTB Property Management considers this a top priority in conducting business, and is required of all KTB Property Management personnel.

Drug-free policy

KTB Property Management has a drug-free policy for all personnel, vendors, and tenants. KTB Property Management incorporates this policy into KTB rental/lease agreements, tenant, personnel, and vendor documentation.

Legislation

KTB Property Management adheres to the laws and guidelines of federal, state, and local legislation, and incorporates this into all documentation, policies, and procedures. Here are some examples:

- Fair Housing (HUD) - KTB Property Management supports and follows Fair Housing laws and guidelines; the KTB Property Management office displays Fair Housing signage.

- Equal Opportunity – KTB Property Management is an Equal Opportunity employer.
- URLTA - Uniform Residential Landlord Tenant Act
- FCRA - Fair Credit Reporting Act
- EPA – Environment Protection Agency

Lead-based paint

Lead-based paint became a major issue in the 1990s that prompted mandatory requirements for residential housing and continues today. KTB Property Management follows all mandated federal and state guidelines for lead-based paint. All properties constructed prior to January 1, 1978 require disclosures to all tenants and owners. Tenants sign lead-based paint disclosures prior to renting a property and KTB Property Management provides them with the required EPA Pamphlet, Protect Your Family from Lead in the Home. On April 22, 2008, EPA issued a rule requiring the use of lead-safe practices and other actions aimed at preventing lead poisoning. Under the rule, beginning in April 2010, contractors performing renovation, repair and painting projects that disturb lead-based paint in homes, child care facilities, and schools built before 1978 must be certified and must follow specific work practices to prevent lead contamination.

Mold issues

KTB Property Management regards mold issues as a top priority in property management. Owners should be aware that mold is another leading issue in the property management industry and failure to act if tenants report or discover mold can lead to costly lawsuits. Several cases regarding mold have awarded damages to tenants in the millions of dollars.

This is an area of potential liability and KTB Property Management takes action if a tenant reports mold. KTB Property Management notifies owners as soon as practical of any mold issues so KTB and/or the property owner can take the proper steps.

ANSWERS REGARDING FUNDS

When a new management agreement is established, KTB Property Management creates an account for you and your property. KTB Property Management recognizes the importance of accurately collecting and disbursing funds. The bookkeeping program used by KTB Property Management is specialized software designed to handle the many facets of property management and accurate record keeping, and complies with the requirements of the California Real Estate Commission.

Money flow during the lease cycle

The first 50% of the first month's rent is paid out to KTB Property Management as a tenant procurement fee. For the remainder of the lease, KTB Property Management receives \$115.00 per month as a monthly management fee and the owner receives the balance of the rent, less any expenses KTB Property Management has paid on the owner's behalf, usually for repairs.

KTB Property Management requires that a full month's rent be paid at tenant move-in, regardless of the day of the month the lease begins. If the lease begins on a day other than the first day of the month, the pro-rated rent for the first month is paid in the second month.

Here is an example: Rent and security deposit for a home are \$1,000 each. The lease begins on September 16. The security deposit is held in the KTB Property Management security deposit trust account until tenant move-out, at which time the deposit will be paid-out in accordance with the laws of California. Since the lease begins mid-month, the rent for September is pro-rated by the day; in this case, the pro-rated rent is \$500. KTB Property Management requires that a full month's rent of \$1,000 be paid at move-in for the month of September and the pro-rated rent of \$500 be paid for the month of October. From November through the end of the lease the rent will be \$1,000 paid on the first. In this example, let us assume that the dishwasher fails a few days after move-in and has to be replaced at a cost of \$375.

□ *September 16: \$1,000 is received of which \$500.00 is paid out to KTB Property Management as a tenant procurement fee. A \$115.00 Management fee. Payment to owner for the month of September: 385.00.*

□ *October 1: \$500 is received for the month in rent. Payment is made to KTB Property Management of \$115.00, our monthly management fee. \$375.00 to replace the dishwasher. The escrow is replenished with October's rent. A total of \$490.00 in expenses were incurred. Payment to owner for the month of October: \$10.*

□ *November 1: \$1000 is received for the month. KTB Property Management is paid \$115.00 for the monthly management fee. Payment to owner for the month of November: \$885.00.*

Banking

KTB Property Management holds your account in a trust fund as mandated by the state of California. This account earns no interest as mandated by the California Real Estate Commission. KTB Property Management accounts for each owner's funds separately in the trust account and does not commingle funds with broker monies, following the Real Estate Commission requirements.

Disbursement of monthly funds

KTB Property Management disburses available funds to owners by the **10th** of each month. If these dates fall on a weekend or bank holiday, KTB Property Management issues funds on the next business day. If rent is received too late for owner funds to be disbursed on the **10th**, the owner payment will be made on the **25th**.

KTB Property Management distributes owner funds by Automated Clearing House (ACH) direct deposit. Payments by ACH take two to three business days to post in our owners' bank accounts. This is completely dependent on your banking institution. Payments normally post within one to two business days after release from KTB Property Management.

KTB Property Management does NOT issue owner checks unless there are sufficient funds in the owner's account.

Accounting software

KTB uses a state-of-the-art cloud-based accounting system called AppFolio for owner accounts.

This provides us with a feature-rich package for tracking all owner and tenant ledgers, work orders, and web-based marketing for properties.

Monthly statements

Before the 10th day of each month KTB will upload monthly reports and paid invoices, if any, to each owner's secure account on our website. You will be notified of your user ID and password by email when your account is created. If you have difficulty accessing your account or reading your monthly statement, please contact us. We are happy to assist you and answer your questions.

Sample statement

The following page is an example of the financial statement you will receive each month. The sample statement shows a beginning cash balance of \$400 (the owner's repair escrow), operating income of \$1325 (the rent), operating expenses of \$246 (8% monthly management fee, or \$102, plus a repair fee of \$144), owner payment of \$1079, and an ending cash balance of \$400 (See following page).

End of year procedures

At the end of each year, KTB Property Management is required to file 1099s for owner clients who receive income over \$600.00. Please note that this amount is for total income

received, and not the yearly total of owner disbursements. The Internal Revenue Service dictates the total income received requirement. Security deposits are not included in this amount.

You will need to supply KTB Property Management with your tax ID number (Social Security Number or EIN) so we can issue you a 1099; we include a W-9 form with your management agreement for this purpose. KTB Property Management will send you the 1099 by January 31st for the previous tax year. If there is a change in your tax information such as a changed address or a change in the entity that holds title to the property, please notify us with the Owner Change of Information form.

KTB Property Management also issues 1099s for disbursements to vendors for payments over \$600.00. Therefore, owners do not have to issue 1099s for work completed and paid through the KTB Property Management trust account.

Owners are responsible for issuing 1099s to any vendor paid through the owner's personal account.

KTB Property Management prepares a final year-end statement which reflects total amounts for income and expenses that have transpired throughout the year, such as management fees, leasing fees, landscape, utilities, repairs and maintenance, etc. The amounts will not reflect any funds issued through the owners personal account. Owners may submit their KTB Property Management final year-end statement to their tax preparer along with other information for income tax reporting. KTB Property Management does not issue statements to the owner's tax preparers other than our 1099 and our final year-end statement.

RENTING YOUR PROPERTY

Preparing to rent the property

When prospective tenants view your property, KTB Property Management wants the property to look its best and be able to compete with area rentals. A property maintenance report and rental market survey is completed. The KTB Property Management team will contact you to discuss the details of your vacant property and any necessary maintenance.

Requirements for property condition

KTB Property Management markets only homes that are in proper showing condition and are fully repaired. Before KTB Property Management will market a home, the following requirements must be met:

- All of the owner's personal belongings must be removed. The garage, attic and other storage areas must be clear.

- Carpets, if any, must either be professionally cleaned or appear to have been professionally cleaned.
- All interior paint must either be freshly painted or appear freshly painted.
- The home must be in white glove showing condition.
- All major systems must be operating (electrical, plumbing, gas, HVAC).
- All appliances included in advertising must be installed and in operating condition.
- All utilities must be turned on.
- Locks on all exterior doors must be keyed to the same key.
- Landscaping must be in good condition.
- All work identified in the property maintenance report must either be completed.

When a tenant moves into a home that is rent-ready, we have an opportunity to begin the landlord tenant relationship with mutual respect and trust. On the other hand, nothing sets a tenant against the property, the owner, and the manager more than moving into a home that is not ready. It is like checking into a hotel room that has not been cleaned. The relationship with the tenant can become polarized and adversarial from the very beginning. When this happens, the landlord/tenant relationship frequently never recovers.

Tenants who rent with KTB Property Management expect to take possession of a property that is ready to be lived in.

KTB Property Management is committed to delivering to tenants what we promise: a property that is move-in ready.

KTB Property Management key policy

KTB Property Management highly suggest that we installs Kwikset Smartkey locks on all exterior doors on all managed properties at the owner's expense. The Smartkey product line allows us to re-key locks very quickly and inexpensively.

Smartkey locks need be installed only once for the duration of the time KTB Property Management manages a property no matter how many times we need to change the key. The Smartkey product line costs only a few dollars (about \$5) more than a lock without its special features.

KTB Property Management policy is to install one single-cylinder deadbolt and one "passage knob" (a handset without a lock in it) in each exterior door. The security in any door lock comes from the deadbolt not the handset. Eliminating locking handsets at managed properties further reduces the time and expense required to re-key a property: only the deadbolt need be changed. Use of passage knob handsets in combination with

single-cylinder deadbolts has been a standard practice in the multifamily industry for decades.

KTB Property Management never allows double-cylinder deadbolts to be installed in any property we manage. Double cylinder deadbolt locks require a key to operate the lock from both the inside and the outside of the door. Double-cylinder deadbolts pose the risk of loss of life in event of a fire—a tenant might not be able to find a key when needed to open a door and escape. Double-cylinder locks are prohibited in residential properties by federal, state and local ordinances. If a double-cylinder deadbolt is present in a managed property KTB Property Management will replace it with a single-cylinder deadbolt at owner expense prior to allowing tenant occupancy.

Utilities must be on while property is shown

All utilities must be turned while the property is vacant and being shown, including electricity, water, and gas (if property is not all-electric). There are two reasons for this. First, KTB Property Management cannot inspect, repair or clean the property between tenants if utilities are not turned on. Second, properties with no utilities on show poorly, making it difficult to attract a qualified tenant and leading to extended vacancies.

KTB Property Management recommends that owners allow KTB Property Management have the authority to change utilities in and out of KTB Property Management's name during vacancies. In this case, when a tenant moves out, the utilities automatically revert to KTB Property Management and remain turned on. Once the tenant terminates utility service, it is as inconvenient for you, the owner, to get service back in your name as if it never had been in your name at all. If utilities are turned off, it may take a week or more to get them back on in the owner's name, increasing the vacancy cost between tenancies.

Sometimes owners live out of state or out of the country and it is simply impossible for them to resolve utility issues without being personally present. In such cases KTB Property Management has been successful in negotiating with utility companies on behalf of owner clients using a limited power of attorney form which authorizes KTB Property Management to represent the owner to the utility companies.

Transferring utilities to the tenant

All KTB Property Management leases make it the tenant's responsibility to turn on utilities as of the first day of the lease.

Tenants agree to this in writing and are notified of this responsibility when we give them move-in instructions. KTB Property Management will turn off utilities on the third business day of the lease.

We view this as a “customer satisfaction” issue. While it is the tenant’s responsibility to have all utilities turned on the first day of the lease, it is often very cumbersome and sometimes impossible to accomplish this. A family with small children, for example, will be very grateful for a couple of days of utilities at move-in.

On the other hand, we feel that three days is enough time for the tenants to act.

Why has my property been cleaned more than once?

KTB Property Management often finds it necessary to clean a property more than once prior to tenant move-in, and owners sometimes ask why this is necessary. If the property was completely clean and move-in ready six weeks or six days prior to tenant move-in, how could it possibly need maid service again?

Here are some of the reasons:

1. When a property is vacant for an extended period, dust enters and settles and the property simply becomes dirty again.
2. Various kinds of insects become more active at certain times of the year; spiders, for example, are very active in the fall. When a property is vacant, spiders, ants, and many other kinds of insects will make inroads and cause the property to need cleaning.
3. All sorts of cleanliness issues may ensue after agent access however, including dirt tracked in, muddy footprints, trash strewn about and pristine bathrooms left an unsanitary mess. If any of these things happen, KTB Property Management staff may not learn of the problem until shortly before tenant move-in.
4. Even if the home is shown only by KTB Property Management’s staff, frequent showings and occasional use of the bathroom may be enough to create the need for cleaning. Imagine if a popular property were shown five times during a week of heavy rain to groups of people, many of whom use the bathroom.
5. If vendors have been in to repair the home, it may need to be cleaned again. In an ideal world, every vendor would leave a pristine home as clean as he found it. In reality, carpenters, plumbers, electricians, appliance delivery services and the like do not bring maid carts with them and are not prepared to do serious cleaning after they have completed the work they were hired to do.
6. In some cases, the owner has cleaned the home, and the owner’s standard of cleanliness

for move-in is lower than KTB Property Management's standard of cleanliness for move-in. In the event of a disparity, KTB Property Management's standard will prevail and the property will be cleaned again. It is never acceptable to move a tenant into a dirty property.

Setting the rent

Supply and demand determine rent. If there are multiple rentals available in the area of your property, it is necessary to be very competitive. If very few are for rent in the same area, it will be easier to rent the property. Markets change and KTB Property Management advises owners on the current rental market.

How long will the property be vacant?

This is the most commonly asked question KTB Property Management receives from owners. Unfortunately, there is no way to predict how long a property will remain on the market, even in the best market conditions.

However, KTB Property Management works diligently to rent the property as quickly as possible. Bear in mind that the most important objective is to obtain a high-quality tenant. It is hard to overstate the high cost of a low-quality tenant.

MARKETING

Signage

KTB Property Management displays For Rent yard signs prominently, unless prohibited by neighborhood covenants, and each sign carries our office phone number and website address. Yard signs promote calls and website visits.

Internet marketing

KTB Property Management prides itself on effective internet marketing. Each rental property has a page on our website, ktbpropertymgmt.com. The KTB website has rich information on each property with photos, maps, property description, and instructions about how to request a showing appointment and how to apply.

In addition to our own website, KTB Property Management markets properties on a variety of paid and free websites. KTB's marketing staff is on the internet every day and pay close attention to which rental home websites attract the most visitors. KTB Property Management markets our rental homes on the most-visited websites.

Trends in internet advertising change rapidly and our selection of marketing websites changes with the market. Please ask about specific websites on which your property will be advertised.

Print Media

KTB Property Management has found that internet advertising is far more cost-effective than print media advertising. We do not recommend print advertising.

Showings and applications

The KTB Property Management conducts showings for each vacant unit. Tenants contact us by email and telephone. We arrange showing times for your property in advance. We do not allow prospective tenants to have unsupervised access to the property.

KTB Property Management has a very easy-to-use online rental application. Supplemental documents, such as recent pay stubs, are faxed to the KTB Property Management office.

We are prepared to execute leases with approved tenants very quickly by FAX and email. Using the internet, we have leased properties sight-unseen to qualified out-of-state tenants many times.

PROCESSING TENANT APPLICATIONS

Tenant screening

Thorough screening is crucial for successful property management. KTB Property Management requires all applicants to fill out a detailed application and submit it for processing and approval.

For each tenant, we examine the following:

- Equifax credit report
- Nationwide criminal background report
- Nationwide report of previous evictions
- Employment
- Income
- Rental history

All applicants must submit verifiable information on their income to show that they can support the rent payment. Rental history or previous home ownership is carefully checked.

The credit report, criminal background report, rental history, and proof of income together provide the criteria to qualify or disqualify prospective applicants. If a pet is allowed on the property, the screening includes the pet.

Cosigners

There are sometimes conditions that may warrant taking a cosigner on a property. For example, we have successfully leased homes to students who had well-funded parental cosigners. If this is the case, KTB Property Management will notify the owner, discuss the reasons, and obtain owner authorization.

Pets

If an owner authorizes a pet, KTB Property Management requires an additional security deposit. KTB does not use the term pet deposit. By avoiding this terminology, KTB Property Management can use the amount of the entire security deposit if there is pet damage.

Many tenants have or want pets. It is legal for property owners to discriminate against pets. You may wish to do so. However, whether you have or have not decided to allow a pet in your property, the KTB Property Management application has a place for prospective tenants to list pets and how many. It is important to encourage full disclosure on pets while evaluating an application. If you do allow pets, KTB Property Management will not place inappropriate pets in a property.

KTB Property Management recommends to owners that when the property is on the market, pets are negotiable. This can solve two problems.

1. First, this encourages prospective applicant to disclose any pets. Then, based on the owner preference on pets, KTB Property Management can automatically notify the applicant that the owner does not allow pets.
2. Second, by listing pets as negotiable, it avoids eliminating an excellent tenant who has an excellent tenant history and owns a pet that is suitable to your property.

Service animals

Service animals for handicapped persons are NOT pets by Federal law, and owners cannot discriminate against handicapped/disabled persons with a service animal. Fair Housing legislation does NOT allow owners or property managers to collect deposits of any kind for service animals.

However, Landlords can still process applicants who are handicapped or disabled on the same criteria as other applicants: income, credit, and tenant history. If they fail to qualify in these areas, the landlord/manager can still deny the application, handicapped or not.

Who approves applications: KTB Property Management or the owner?

KTB Property Management has an excellent track record of placing tenants. Since we screen our tenants so thoroughly we have very few evictions and other tenant problems. KTB Property Management makes the decision of which applications to approve without bringing you, the owner, into the loop. If we have had difficulty finding a tenant for your property and are therefore considering an applicant we regard as high risk, we will consult you and make this decision together.

THE TENANT MOVE-IN

Rent and security deposits

KTB Property Management requires payment of first month's rent and security deposit in certified funds. Tenants must pay a full month's rent and a security deposit usually equal to one month's rent prior to taking possession of the property.

Lease

Once KTB Property Management receives funds, a lease with the applicant is completed. All persons 18 and over, including adult children, are required to read and sign the lease. If the accepted applicants are a foreign nationality and cannot read and understand the documentation, they must supply an interpreter of legal age for signing the rental/lease agreements.

Move-in inspection

A vital part of the rental agreement is a detailed move-in inspection performed with the tenant, documenting the condition of the property when they move in. Unless extenuating circumstances prevail, the KTB Property Management leasing agent completes the move-in inspection with the tenant before the tenant takes possession of the property.

The move-in inspection documents the condition of the property. When the tenant moves out of the property, there is a sound basis for the security deposit refund. KTB Property Management also documents the move-in with digital photos.

Tenant handbook

Tenants immediately receive the KTB Property Management Tenant Handbook. This detailed booklet gives them additional information on how to report repairs, maintain the

property, make timely payments, how to give proper notice to vacate, leave the property in good condition, and more.

Tenant education and preparation

Taking the time to prepare tenants for their residency is another step toward a successful tenant/landlord relationship. Additional forms that the tenants may need are available on the KTB website. KTB Property Management wants both owners and tenants to be well informed.

WORKING WITH YOUR TENANTS

Collecting rent

Rent is due on the first day of the month and late if received on or after the Third day of the month.

When rent is not paid

If KTB Property Management does not receive rent by the due date, KTB prepares and delivers a demand letter. The demand letter notifies the tenant that their rent is delinquent and asks them to pay in full within three business days.

If KTB Property Management receives the rent prior to issuing owner funds, KTB will contact the owner.

If the rent is not paid by the specified date, we do start the Eviction process by issuing a 3-Day Notice to Pay or Quit. Very few of our 3-Day Notice result in a physical eviction. However, the 3-Day Notice is an effective tool to let tenants know that the rent must be paid. In most cases the tenants simply get current with their account and the 3-Day Notice is dismissed. In the rare event that a tenant does have to be evicted, prompt filing of the 3-Day Notice minimizes the time an owner has to carry a non-paying tenant.

Evictions

If an eviction is necessary, KTB Property Management handles every part of the process. We will file all necessary documents, monitor legal proceedings, attend court if necessary, hire a crew to perform a set-out by the county Sheriff, and prepare the property to be marketed to a new tenant. Professional and correct legal action by a property manager both reduces the owner's expense in an eviction and avoids the risk of a lawsuit for wrongful eviction.

Notices of violation

KTB Property Management serves notices as situations warrant, such as a notice to clean up the landscape, a notice to enter the property, a notice to perform survey/inspections, a notice regarding an illegal pet, illegal tenants, etc. These tenant violations may be in the form of a letter or a legal Notice form. Often, these notices are simply to correct minor tenant problems and most tenants comply. However, if necessary, KTB Property Management contacts the owner with the information to discuss the situation.

Tenant problems

KTB Property Management has years of experience handling the wide range of tenant difficulties that can occur. The KTB Property Management policy is to obtain good tenants, eliminating many tenant problems. However, even good tenants can have problems. KTB Property Management treats each problem with a common-sense approach, follows California landlord/tenant law and uses the appropriate documentation. If the situation is serious, KTB Property Management contacts the owner and works to find a solution for the problem.

MAINTENANCE

Please do not buy or renew a home warranty

KTB Property Management has had consistently poor experience working with home warranty companies to maintain and repair the homes we manage.

We frequently see breakdowns in communication when we attempt to use home warranties. If an owner-occupant orders a repair through a home warranty company, there are three parties to the transaction: the owner, the home warranty company, and the vendor who does the work. Such an arrangement can be ineffective. When we as a property manager order work through a home warranty company, however, two additional parties are added to the transaction: the tenant and the property manager. Now we have a five-way transaction, with the owner and the property manager both being off-site. Our experience is that these deals seldom work.

Ordering a repair through a home warranty company usually takes several hours of KTB Property Management staff time to order the repair and ensure it was actually made, requiring multiple phone calls to follow up, all with very long hold times.

There is no faster and more reliable way to destroy a good tenant relationship than to order important repairs through a home warranty company. We repeatedly see situations where the tenant reports a legitimate repair, we order it through the home warranty company, the repair order falls through the cracks, and the tenant blames us.

If you do not have a home warranty, please do not purchase one. If you do have a home warranty, we request you let it lapse and not renew it.

KTB Property Management includes the following special stipulation in our Management Agreement: “Owner agrees not to add or renew any Home Warranty for the Property. Broker will honor a home warranty policy in effect at the time this Agreement is executed for up to one year. Broker will not use home warranties purchased or renewed by Owner after this Agreement is executed. Owner agrees to pay Broker a \$50 administrative fee for each repair Broker orders under a Home Warranty.”

Selection of vendors

Owners frequently ask if we will agree to use their vendors to maintain the home. Usually the answer is no. Here are some of the limitations to our ability to use an owner’s vendors.

First, all our vendors must carry both general liability and workers compensation insurance. When an owner asks us to use their vendor, we have no way to know if that vendor has proper insurance and we cannot afford to document vendor insurance each time an owner requests it. Second, we have high standards for our vendors. To remain on our vendor list, vendors must be highly responsive, competent, courteous to our tenants, have excellent communication with us, etc. If we send work to an untried vendor we have no idea what to expect and cannot afford to spend time resolving problems.

Owners may select their own vendors if a property is vacant and if the owner orders, supervises and pays for the work. If a property is occupied, KTB Property Management must use its own vendors.

Preventive maintenance

The best approach to maintenance is preventive maintenance, and this is the KTB Property Management policy.

First, KTB Property Management has already started with educating the tenant by:

- Completing a detailed lease which outlines tenant responsibilities regarding maintenance as well as owner obligations
- Completing a move-in inspection documenting the condition of the property before the tenant takes possession
- Supplying tenants with the KTB Property Management Tenant Handbook, which provides additional instructions on the care of the property and how to request maintenance. We want the tenant to know from the beginning of their tenancy how KTB

Property Management expects them to care for the property. This approach can prevent costly maintenance.

Next, we use preventive maintenance techniques when work is required and utilize competent contractors. Often minor expenditures save the most money such as doorstops, new filters, checking appliances, testing smoke alarms, adjusting doors, window latches, deadbolts, and more.

Many small repair items can prevent maintenance that is more expensive.

It is equally important to keep up with maintenance while the tenant occupies the property. Often people think no news is good news; this can be just the opposite. Instead, delayed news can become very bad news.

KTB Property Management will contact owners regarding maintenance above the \$300.00 limit that is listed in the KTB Property Management contract unless the situation is an emergency.

Emergencies

When an emergency occurs, KTB Property Management has policies in place for the property and tenants. KTB Property Management notifies the property owner as soon as practical. The nature of the emergency determines the action needed by KTB Property Management.

There are times when a property manager must act in order to prevent great financial risk to the owner. For example, when a property has flooded, action is necessary, particularly if the property owner is not immediately available.

WHEN THE TENANT VACATES

Communication with owners and tenants

Seventy-five days prior to the expiration of a lease, KTB Property Management notifies the owner in writing. KTB Property Management asks for the owner's instructions: Shall we invite the tenant to renew for another year, or give the tenant notice that the lease will not be renewed? If we do not hear from the owner within two weeks, we assume the owner wishes us to renew the current tenant if possible.

Sixty days prior to the expiration of a lease, KTB Property Management invites the tenant to renew if the tenant's account is in good standing. If neither the tenant nor the landlord gives notice of termination 30 days prior to the expiration of the lease, the lease will automatically go month-to-month and \$100.00 will be added to the rental amount. If KTB Property Management receives no instruction to the contrary from the owner, the tenant will be allowed to stay month-to-month (KTB Property Management has had tenants rent month-to-month as long as six years).

Notice to vacate

When there is a notice to vacate, the move-out procedures with tenants are as critical as when KTB Property Management moves in a tenant. The preparation for this really began when the tenant moved in with a detailed rental agreement, maintenance exhibit, walk-through, and KTB Property Management Tenant Handbook. All of these documents gave instructions to the tenant on how to move out.

Tenant move-out

KTB Property Management conducts a walk-through similar to the one performed when the tenant moved into the property. KTB Property Management records any maintenance required and discloses a list of damages to the vacating tenant. Digital photographs are taken when the tenant moves out to document the condition of the property and support any deductions from the security deposit.

After assessment of the tenant move-out, KTB Property Management advises owners of any tenant damages or any maintenance required to re-rent the property.

Security deposit refunds

Proper handling of the security deposit refund is crucial. Any tenant deductions are determined in a timely manner, and a security deposit transmittal is prepared in accordance with California law.

Owners receive a copy of the transmittal with their monthly statement, showing any deductions and monies refunded.

Collections

If collecting damages is required, KTB Property Management will refer the matter to a qualified consumer collection service at the instruction and authorization of the owner. KTB Property Management does not include recovering tenant damages, but leaves this to companies with expertise in debt collection. KTB Property Management will supply consumer collection companies with the necessary documentation needed.

ADDITIONAL SERVICES

The following are additional services offered by KTB Property Management to each property owner. They are not included in the fees for managing the property.

Annual inspection

KTB Property Management maintains properties as part of their property management services. This inspection goes beyond overseeing normal maintenance. Our agent performs this inspection, and the purpose is to check the property thoroughly each year in order to perform necessary or preventative maintenance.

Extraordinary maintenance

Property management normally includes only routine maintenance. Large repairs and renovations are outside the scope of typical property management. Our goal is to provide a single point of contact for maintaining the property.

Real estate sales

KTB Property Management specializes in property management and does not engage in sales. However, we partner with local real estate agents when our owner clients need to buy or sell property. If you want to sell a tenant-occupied property KTB Property Management is managing or purchase property with the intention of having KTB manage it, please let us know. We will be happy to refer you to a high-performing sales agent who understands how to buy and sell rental property. You are more likely to be successful when you buy or sell rental property if your property manager and sales agent work together effectively as a team.

CANCELLATION OF MANAGEMENT

It is the goal of KTB Property Management to satisfy your management needs and engage in a successful business relationship, but all things do change over time. Owners sell properties; people give notices. When this happens, the KTB Property Management cancellation policy is to resolve your account in a professional, timely, and pleasant manner.

Please review the following policies for cancellation.

Written notice

- The KTB management contract accepts a 30-day written notice by either party. Please refer to Special Stipulation #1 in your management agreement.
- Your written notice must include your signature. You may convey this to us by U.S. postal mail, FAX, or a scanned document by email attachment.

Notice to current tenants

- KTB Property Management will notify current tenants of the date KTB will no longer manage the property and that RPG forwards all security deposits to the owner.
- It is the owner's responsibility to advise tenants where to make future rental payments and work requests after the notice period.

Distribution of documents

- KTB Property Management will supply current tenant documentation to the owner. Most or all of the necessary documents will already be posted to your owner account on the KTB website.
- If the owner has employed new management, KTB Property Management will forward documents, keys, and any other necessary materials to the new management upon request by the owner.

Final distribution of funds KTB Property Management will distribute funds, including security deposits, and final statements to the owner within 30 days of the terminating date of management, as agreed in the management contract KTB Property Management will issue a 1099 for funds collected during the current tax year when the tax year ends.

CONCLUSION

We hope you have found KTB Property Management Owner Manual informative and useful. If you feel there is any other information KTB Property Management can provide, let us know so we can include it in the future.

Thank you for your business. We appreciate it very much.