



CHAPTER 18

Property Management

Property management defined

- **Management of income-producing property for absentee owners**
- Marketing property for lease or rent
- Leasing or renting
- Handling maintenance, repairs & improvements
- Collecting rents
- Disbursing funds for operating expenses
- Bookkeeping activities
- Increase income for the property

Property Management





Property Management

Responsibility

- Obtain the highest possible income while protecting the investment by:
- Maximizing returns without sacrificing resale value
- Reinvesting income into maintenance and improvements
- Compensation
- Flat-fee
- Percentage of gross rents

- Supervise others
- Prepare financial reports
- Understand building systems
- Lease space, space planning, area design and building layout
- Advertise
- Comply with local, state and national codes
- Purchasing
- Be aware of local market conditions
- Construction
- Environmental/ecological issues

A man in a dark suit, white shirt, and striped tie stands against a wall made of horizontal wooden planks. He is smiling slightly and looking towards the camera. His hands are in his pockets.

Property Manager Skills



Property Management

Licensing

- Community Association Manager (CAM)
 - More than 10 units or
 - Budgets in excess of \$100,000
 - Requires a CAM license
 - F.S. 468
- Transient Lodging transactions
 - Hotel, motel managers and desk clerks
 - Exempt from licensing
 - F.S. 509

Licensing

- Apartment employees
 - Salaried employees are exempt
 - Work in an onsite rental office in a leasing capacity
 - F.S. 475.011
- Condo or cooperative building managers
 - Salaried employees are exempt
 - May rent or lease individual units
 - Rentals cannot exceed 1 year
 - F.S. 475.011



Property Management



Property Management Markets

Office Building Management

- Specialized expertise and knowledge
- Dependent on:
 - Building size
 - Number of tenants
 - Type of business involved
- May transfer operating expenses to tenant

Retail Management

- Not as time intensive as residential management
- Collect percentage of sales and base rent

Property Management Markets



Property Management Markets



Residential Management

- Time intensive
- Requires strong communication skills
- May require 24/7 onsite management
- Water front views are desirable
- Transportation routes are important
- High visibility improves occupancy rates

Evaluating the rental market

- Regional analysis
 - Evaluates regional economy
 - Mortgage interest rates
- Neighborhood analysis
 - Evaluates supply and demand
 - Local economy
 - Transportation

The Rental Process





The Rental Process

Property analysis

- Condition and utility of property
- Analyze income
- Analyze expenses
- Project cash flows
- Rate of return
- Recommendations

Marketing rental units

- Advertising
- Internet, social media
- Direct mail
- Other media
- Creating an image
- Promotional programs
- Showing the property
- Screening applicants

The Rental Process



A man in a dark suit and purple tie is shaking hands with another person over a desk. On the desk is a spiral-bound notebook with a brown leather cover, which is open to a page with some handwritten notes. The background is blurred, showing an office setting.

The Rental Process

Tenant Policies

- Tenant:
 - Relations
 - Complaints
 - Conflicts
- Fees, security deposits
- Rent collection
- Delinquent collections
- Trust accounts

Lease contract

- Lease expires – all rights to use & occupy the property revert to the owner.

Leases



Leases

Lease contract

Parties

- Lessor
 - Owner-landlord
 - Has a reversionary interest
- Lessee
 - Tenant
 - Has a leasehold interest





Elements of a Lease

Tenancy at will

- Verbal lease
- To terminate:
- Death of either party
- Sale of property
- Legal notice of termination to the other party

Tenancy for years

- In writing
- Definite beginning and ending date
- Signed by landlord and two witnesses

Tenancy at sufferance

- Tenancy occupies property past the termination date

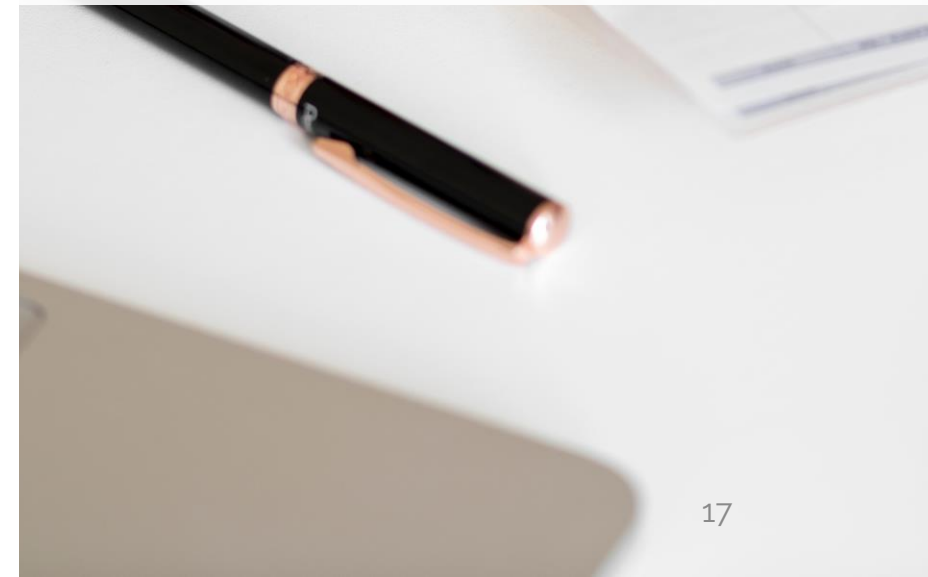
Tenancy at will cancellation

- Frequency of rental period determines required notice to terminate

Tenancy	Residential (days)	Nonresidential (days)
Weekly	7	7
Monthly	15	15
Quarterly	30	45
Annually	60	90



Elements of a Lease





Elements of a Lease

Florida Statute of Frauds

- Lease for more than 1 year
- Must be in writing
- Signed by lessor
- Witnessed by 2 persons
- Lessee must sign, for lessor to enforce lease



Elements of a Lease

Breach

- Either party may sue for:
 - Damages
 - Specific performance
 - Cancellation

Assignment

- Assignable unless prohibited in lease
- Lessee transfers all the leased property
- Entire remaining term

Sublease

- Lessee transfers less than all of property or
- Less than remaining term

Assignment and sublease

- Interest in real estate



Elements of a Lease

Elements of a Lease

Lease Option

- Lessee has right to purchase property
- Specific price
- Specific time period
- Specified terms and conditions

Sale-leaseback

- Owner sells property to investor
- Original owner leases property back simultaneously
- Investor receives tax benefit
- Lessee receives 100% financing
- Usually long-term tenancy



A close-up photograph of a person's hand holding a blue pen, poised to write on a set of architectural blueprints. The hand is wearing a grey, textured sweater. The blueprints are spread out on a wooden desk, showing various lines and shapes. The background is slightly blurred, showing more of the desk and some papers.

Elements of a Lease

Termination of a lease

- Destruction of the property
- Property loss – lien foreclosure
- Eminent domain
- Lease term expires
- Tenant bankruptcy
- Agreement of the parties
- Breach of lease

Fiduciary responsibilities owed by property management company to property owner

- Loyalty
- Obedience
- Accounting
- Diligence
- Skill

Owner-Property Manager Relationship



Owner-Manager Relationship

Management Agreement Provisions

- Property and party identification
- Agreement duration
- Responsibilities – owner and property manager
- Reports
- Accounting
- Insurance – risk management
- Agreement termination

Compensation for Management Services

- No standard compensation
- Salary
- Salary plus leasing bonus
- Commission
- Percentage of Occupancy

Owner-Manager Relationship

Florida Residential Landlord and Tenant Act F.S. 83

Act creates balance of rights between landlord & tenant

Landlord obligations

- Bargain in good faith
- Comply with building, housing & health codes

Other than single family home or duplex – landlord must provide:

- Extermination services
- Locks and keys
- Clean, safe common areas
- Outside receptacle for garbage & removal
- Heat, running water & hot water



Florida Residential Landlord and Tenant Act F.S. 83

Deposit or advance funds

- Landlord must notify tenant within 30 days how deposit is being held:
 - Florida non-interest bearing account
 - Florida interest bearing account and pay the tenant either 75% of the earned interest or 5% simple interest
 - May use the funds by paying 5% interest and posting a surety bond with the circuit court

Deposit or advance funds

- If landlord uses agent, deposits and advance rents must be in escrow account
- Exception to Act – landlords who rent fewer than 5 units not using real estate broker



**Florida Residential Landlord
and Tenant Act F.S. 83**



Florida Residential Landlord and Tenant Act F.S. 83

Tenant obligations

- Maintain dwelling units in compliance with building, housing and health codes
- Maintain unit in a clean and sanitary condition
- Remove garbage
- Maintain plumbing
- Use and operate all systems in a reasonable manner
- Do not destroy or remove any part of the premises
- Do not disturb neighbors, including visitors
- Do not commit a breach of peace, including visitors

Landlord Access

- 12 hours notice for repairs
- 7:30am – 8:00pm
- May not harass tenant
- Enter anytime to preserve premises (fire, flood, etc.)



Florida Residential Landlord and Tenant Act F.S. 83



Florida Residential Landlord and Tenant Act F.S. 83



Tenant vacates premises

- 15 days to return if no claim on deposit
- 30 days notice if there is a claim on the deposit
- Certified mail
- Tenant must object within 15 days after receipt
 - No objection – landlord can deduct claim amount & return balance to tenant within 30 days after notice of claim

Termination of a Lease

- Landlord must maintain dwelling units in compliance with building and health codes
 - 7 days to repair after tenant notice
 - Tenant may deposit rent with the courts
 - If not, tenant can terminate
- Tenant violates lease terms
 - Landlord may deliver written termination
 - 7 days for tenant to move from notice receipt



Florida Residential Landlord and Tenant Act F.S. 83

Florida Residential Landlord and Tenant Act F.S. 83



Non-Residential Tenancies

- Landlord has more protection than residential
- Tenant doesn't pay rent
 - Landlord can take immediate possession
- Tenant refuses to give up possession after lease expiration
 - Landlord can collect double rent

Civil Rights Act of 1866

- Prohibits discrimination on the basis of race only
- Relates to right to inherit, purchase, lease, sell, hold and convey real and personal property
- Applies to everyone, all the time with no exceptions

Jones v. Mayer

- 1965 Supreme Court decision
 - Prohibits all racial discrimination
 - Private & public
 - Sale or rental of property



Fair Housing Laws



Civil Rights Act of 1968 (Federal Fair Housing Act)

Prohibits discrimination in sales, leasing, advertising, financing or brokerage services based on:

- Race
- Color
- Religion
- Sex
- National Origin

Civil Rights Act of 1968

- **Blockbusting** - inducing owners to sell based on the entry of members of a protected class moving into neighborhood
- **Steering (Channeling)** – people into or away from a neighborhood or advertising using catchwords suggesting protected classes.



Fair Housing Laws

Handicap definition:

- A physical or mental impairment which substantially limits one or more major life activities
 - Visual, speech, and hearing
 - Autism
 - Epilepsy
 - Cancer
 - Heart disease
 - HIV

1988 Fair Housing Amendments Act





1988 Fair Housing Amendments Act

Handicap definition:

- A physical or mental impairment which substantially limits one or more major life activities
 - Mental retardation
 - Emotional illness
 - Drug addiction (unless currently using) illegal drugs
 - Alcoholism

Housing covered by the act include

- **Single family homes**
 - Not privately owned
 - Privately owned if broker is involved
 - Privately owned if owner has more than 4 units
 - Privately owned if owner has sold 2 or more in last 2 years not owner occupied
- **Multifamily**
 - 5 or more units
 - 4 or less unless owner occupies one



Civil Rights Act of 1968

Familial status

- Families with children
- Pregnant women
- People with children under 18
- People in the process of securing legal custody of a child
- Housing occupied by persons 62 years of age and older
- Housing with 80% of the units are occupied by persons over the age of 55
- Housing for elderly or poor that are financed or subsidized by state or federal government agencies



Family Status Exemptions

Civil Rights Acts / Protected Classes

Year Added

Protected Classes

Memory Aid

1866

Civil Rights Act

Race

Realtors

1968

Title VIII of the Civil Rights Act (Fair Housing Act)

Color

Can

Religion

Really

Sex

Sell

National Origin

Nice

1988

Fair Housing Amendment Act

Handicap


Houses

Family Status

Fast

Equal Housing Opportunity

U. S. Department of Housing and Urban Development



EQUAL HOUSING OPPORTUNITY

We Do Business in Accordance With the Federal Fair Housing Law
(The Fair Housing Amendments Act of 1988)

It is illegal to Discriminate Against Any Person Because of Race, Color, Religion, Sex, Handicap, Familial Status, or National Origin

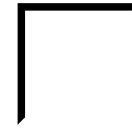
■ In the sale or rental of housing or residential lots	■ In the provision of real estate brokerage services
■ In advertising the sale or rental of housing	■ In the appraisal of housing
■ In the financing of housing	■ Blockbusting is also illegal

Anyone who feels he or she has been discriminated against may file a complaint of housing discrimination:
1-800-669-9777 (Toll Free)
1-800-927-9275 (TTY)
www.hud.gov/fairhousing

U.S. Department of Housing and Urban Development
Assistant Secretary for Fair Housing and Equal Opportunity
Washington, D.C. 20410

Previous editions are obsolete

Form HUD-928.1 (6-2011)



All brokerage offices
must display

HUD's Equal Housing
Opportunity poster



A man in a dark suit, white shirt, and patterned tie is shown in profile, talking on a black mobile phone. He is wearing a black watch on his left wrist. The background is a solid red color.

Civil Rights Act of 1968

Exemptions from the Civil Rights Act of 1968

- Lodging owned or operated by a private club for noncommercial purposes for use by members
- Dwellings owned by religious organizations
 - Noncommercial purposes
 - To persons of same religion
 - Religion membership is nondiscriminatory

Family Status Exemptions



Familial status exemptions

- Housing occupied by persons 62 years of age and older
- Housing with 80% of the units are occupied by persons over the age of 55
- Housing for elderly or poor that are financed or subsidized by state or federal government agencies
- Complexes of 4 or less units & single family homes
 - Sold or rented by owners who own no more than 3 houses

Prohibits discrimination of the basis of:

- Employment
- State and local government
- Public accommodations
- Commercial facilities
- Transportation
- Telecommunications



Americans with Disabilities Act of 1990 (ADA)

Americans with Disabilities Act of 1990 (ADA)



Public accommodations must comply with:

- Architectural standards for new and altered buildings
- Reasonable modifications to policies, practices & procedures
- Effective communication with people with disabilities
 - Hearing
 - Vision
 - Speech
 - Other access requirements



Coffee Break

15 Minutes