

# ULTIMATE LANDLORD GUIDE

## Managing Your Home Like a Pro



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## Introduction

Sacramento landlords have a lot of responsibilities. You need to take care of your rental property, respond to the needs of your tenants, and make decisions that will ultimately help you earn more and spend less.

This isn't always easy.

Whether you have one rental property or an entire portfolio, we can help new and experienced landlords manage their investment homes like professional property managers.

At Peace of Mind Property Management, we are professional property managers. We have spent a lot of time managing homes like yours throughout Sacramento and Placer County, and we want to share our expertise with you.

In this book, we will talk about things like screening and security deposits. We'll help you understand what you're responsible for and what your tenants should do to maintain the property. We'll also dive into issues such as keeping your vacancy rate low, maximizing the amount of rent you can collect, and whether pets are a good idea.

You will find this guide to be a reliable handbook for a successful investment experience. Even if you're a self-managing landlord who thinks he or she has everything handled, remember that you don't have to do all of this alone. You can reach out to professional property managers for resources and advice at any time.

If you have additional questions about any of the topics we covered in this book, be sure to contact us. We can provide some further information, offer additional examples that show you how we do things, and even step in to help out if you find yourself unable to effectively resolve a security deposit dispute or decide whether you should allow a pet.

Rental properties are a great way to earn income and establish long term ROI. They can also be stressful. At Peace of Mind Property Management, we want to help alleviate some of that stress.

## **Chapter 1**

### **How to Properly Screen for the Best Tenants**

Tenant screening is a critical part of being a landlord in Sacramento because the tenant you place in your property will impact your success.

A good tenant will pay rent on time and take care of the property. A bad tenant can cost you money and damage your property.

There are three key screening tips we always share with landlords.

#### **Read the Credit Report**

Spend some time analyzing your applicant's credit report. You aren't just looking at the credit score. While a 700-plus credit score is great to have, it's not always necessary.

Look at the details of the credit report. If they have a bankruptcy, foreclosure or short sale in the past but they have been good since then, you may be able to work with them.

You don't want to see late utility payments and car payments or delinquent rents and judgments from other landlords. While a high credit score is great, as long as there are no recent collections on a tenant's credit report, they will probably be okay.

#### **Review Financial Strength**

The tenant's present financial status is also an important part of screening. Verify income. You're looking for a tenant who earns at least three times the monthly rent in verifiable income. Ask to see pay stubs and bank statements.

Look for reserve funds on the bank statements. You want a stable tenant who can afford to go through some adversity. If they have a stable job and some savings, you know they are in good shape financially.

#### **Consider Rental History**

This is the most important part of your screening process.

Check with current and previous landlord references. If they are consistent, you know that you have a good applicant or you don't. If the current landlord says the tenants are great but previous landlords say they were problematic tenants, you know that the current landlord has the incentive to be less than completely honest.



These three parts of the tenant screening process will help you select and place a resident who can be relied upon to pay rent on time and successfully complete the lease term.

There's more you should do when you're screening, but if you start here, you're in a strong position.



## **Chapter 2**

### **How to Handle a Security Deposit Return**

The security deposit and its return is one of the areas that landlords and tenants are most likely to have disputes. To avoid this, you need to have your move-in and move-out inspections completed and documented.

Good tenant communication will also help. There are strict laws surrounding security deposits in California, so make sure you understand the requirements and the time tables.

#### **Conducting a Move-In Inspection**

Before your tenants move in, you'll need to conduct a thorough inspection of the property so you can accurately document its condition.

Check every detail of the home, from the floors to the window blinds to the closet doors. Take pictures so you'll be able to compare how things look before move-in to how they look after the tenant leaves.

Give the tenant an opportunity to note any pre-existing damages or imperfections. Both you and your Sacramento tenants need to sign the move-in inspection report.

#### **Explain the Requirements in Your Lease Agreement**

Your tenant needs to understand what will be expected in order to get the security deposit back after moving out.

In the lease agreement, list all the move-out procedures that are necessary. For example, you might require that the carpets be professionally cleaned and that all light bulbs and air filters are replaced.

Discuss these things with your tenants when they are signing the lease agreement. When you receive their notice to vacate, send a reminder so they know what they have to do before they leave the property and turn in the keys.

#### **Move-Out Inspections and the Law in California**

You are required to offer your tenants a pre move-out inspection. This is an opportunity for you to walk through the property with the tenants and point out any things that will need to be done before they leave.

Your tenants can then make the repairs and receive their deposit back, or not make the repairs and face the deductions.

After your tenants leave, you can do a full inspection on your own. Take pictures and compare the condition of the property to the way it looked during the move-in inspection. Note any damage that goes beyond wear and tear.

Have the work done quickly so you can collect invoices and send your tenants a detailed accounting with anything that remains from their deposit.

Sacramento investors often put themselves at risk by not understanding the security deposit laws. If you're unsure of the correct and compliant process, ask for help.





## **Chapter 3**

### **Landlord and Tenant Rights: Who is Responsible for What?**

When something breaks at your Sacramento investment property, you want to fix it right away. This will prevent further damage from happening, and it will keep your tenants feeling like their needs are being met.

However, you'll need to establish who is financially responsible for the repairs and replacements. A good lease and ongoing tenant communication can help you understand the rights and responsibilities of each party.

#### **The Landlord Responsibilities**

Regular maintenance will usually be the responsibility of the property owner. When a water heater leaks or a roof gets old or an appliance needs to be replaced, it's the landlord's responsibility.

Landlords need to provide a safe and habitable place for tenants to live. Things are going to break over time, and normal wear and tear from the tenants must be expected.

Unless your lease states otherwise, you need to respond to tenant maintenance requests and make the necessary repairs. If something is a cosmetic fix only, it's obviously not going to be as urgent as other maintenance needs.

#### **Protect Your Investment Home**

If a tenant breaks something, it's their responsibility to fix it.

Things can break due to abuse or neglect. When a tenant's child flushes something down the toilet and causes it to clog, you can require that the tenant pay for the repair. If a tenant kicks a hole into the wall or a door, it's the tenant's job to pay for the damage.

Most tenant damage is identified after move-out, and you can charge the security deposit for the necessary repairs. Regular inspections can also help you ensure the tenant is taking good care of your property.

#### **Go Back to the Lease Agreement**

Your lease should spell out who is responsible for what.

Refer to that document any time the tenant is confused about what he or she needs to pay for. The



lease should also address things like lawn care and pool care, and who is responsible for paying each utility bill and HOA dues.

Go over these things with your tenant during the lease signing so everyone is on the same page upon entering the relationship.



## **Chapter 4**

### **How to Reduce Vacancies in my Sacramento Rental Property**

Finding great Sacramento tenants is a priority, because vacancies are expensive. The rental income you lose on the month or two months that your home is not rented can never be recovered, and it not only depletes your cash flow, it also harms your ROI.

Make sure your Sacramento investment property stays rented by following these tips.

#### **Invest in Upgrades and Updates**

When you have an appealing property to offer prospective tenants, it's easy to avoid a vacancy.

You don't have to spend a lot of money renovating the property every time a tenant moves out. However, you do want to make sure your home is clean, modern, and functional.

Make smart upgrades that are inexpensive. Install tile flooring instead of carpet. It looks better, it's easier to maintain, and it will last longer.

The appliances don't have to be stainless steel, but they do have to be less than 20 years old. Give your prospective tenants a home that they will be eager to rent. That will make you more competitive and reduce the likelihood that your property will be vacant.

#### **Pricing and Marketing**

Pricing has a huge impact on vacancy.

If you price your home too high, you'll drive away good tenants and be left with an empty property. Take a look at comparable prices in your area, and price the home based on what the market will bear.

A lot of Sacramento landlords make the mistake of pricing their home based on what they want to earn, and not what tenants will be willing to pay. You have to know your market.

Advertising and marketing is also important in avoiding long vacancies. Make sure your listing has great photographs and compelling descriptions. Post it on all the rental websites that potential tenants are using.

#### **Tenant Retention**

The most effective way to avoid vacancies is to keep the tenants you have.

When you have a great renter in place who pays on time every month, takes care of the home, and follows the terms of the lease, you want to keep that tenant as long as possible.

That might mean not raising the rent every year, or providing other incentives to keep those tenants in place. It's worth it. Show your tenants that you appreciate them and want to keep them.



## **Chapter 5**

### **How to Get the Maximum Rent for your Rental Home**

Achieving the maximum rent on your investment property is the goal of every landlord, and there are a few specific things you can do to increase what you ask.

However, you first need to completely understand your market comps and analysis. Know the high and low rents in your area. Then, you can assess your curb appeal, general upgrades, timing of the year and appealing to a qualified tenant.

#### **Pay Attention to Curb Appeal**

Depending on the neighborhood, your landscaping will vary. Have an easy-to-maintain lawn and a landscape that is clean and attractive.

You don't want deferred maintenance on the outside of the building. Whether you have a house or a multi-family property, you need to keep the property up.

You'll want your tenant to maintain it, so make sure you do as well. Curb appeal drives up rental value.

#### **Upgrades and Renovations**

Not every property needs granite counters and stainless steel appliances. Some properties do, so look at the market and the neighborhood. If you see those things, they can maximize your return. Some properties will just need new paint and clean carpets to achieve a higher rental value.

#### **Seasons Matter**

To maximize what you earn, you want to rent your property during the summer and late spring months.

Don't rent out in fall and winter if you can help it.

If you do find yourself placing your property on the market then, rents may be a little lower. In these cases, do a six or eight-month lease so your renewal comes up in the summer. If the tenants vacate, at least you are releasing them in the summer, and finding new tenants will be easier.

#### **Placing Quality Tenants**

You'll earn more money with good tenants.



Make sure you're screening for acceptable credit, income requirements and rental history. Look at payment history and how they took care of properties previously.

If they wear it down, that will cost you a lot when they vacate. If you have to evict or service notices to vacate, you're going to have higher turnover and you won't be maximizing your rent.

Find a quality tenant who understands caring for a home instead of calling for everything that they should be responsible for – like light bulbs and air filters.



## Chapter 6

### Should You Allow Pets in your Rental Home?

We all love our pet companions – dogs, cats, rabbits, fish, hamsters, and even reptiles serve as faithful friends to many people across the country. Pets aren't always a welcome sight to landlords, though, who may be concerned about property damage, safety, and cleanliness.

#### Balancing Tenant Needs Against Property Protection

Many landlords are banning pets from their rental properties to save their apartment units, rental houses, and property grounds from damage.

Pet owners, though, would often rather live in a petfriendly building than abandon or give their animals away. What is a responsible landlord supposed to do in this situation?

Pets can provide varying benefits to landlords, including a wider tenant pool and extra income, but the potential damages caused by some pets can be expensive and dangerous.

Like all property management decisions, there are pros and cons of allowing pets in your rental property.

#### Benefits of Being Pet-Friendly

Allowing pets in your rental property provides you with several unique benefits that other landlords do not enjoy.

Operating a pet-friendly property allows you to:

- Attract responsible tenants. Keeping an animal alive and well cared for is a sign of responsibility and loyalty. Pet-owning tenants who treat their animals well will also treat your property well.
- Have a larger tenant pool. Many properties are not pet friendly and pet owners have a harder time finding a place to live. Pet-friendly properties are in high demand!
- Charge higher rent. You can collect pet rent from pet owners in addition to regular rent. You can also charge a pet deposit along with the security deposit.
- Keep your tenants for longer. Pet-friendly properties are relatively rare, so pet owners have a harder time finding a place to live. They'd rather stay at your pet-friendly property than abandon their pet for an unfriendly rental.

#### Drawbacks of Being Pet-Friendly

Pets may also pose significant headaches and challenges to landlords. The cons of renting to people with pets include:

- Damage to the apartment, including stains, chewed up carpets, and animal waste
- Pet odors, due to fecal matter and urine
- Liability to other tenants if the pet bites another person
- Loud noises, such as barking or squawking
- Loss of tenants who are allergic to or afraid of certain pets.

### **Protecting Against Pet Problems**

Consider taking steps to regulate the animals with which you allow your tenants to live if you are worried about pet damage in your property. Certain situations can increase your property's risk of damage, such as animal hoarding and larger pets.

Best practices for mitigating pet damage include:

- Only allowing one or two pets per unit
- Having size and breed restrictions on dogs, typically 75 pounds or less
- Only allowing small indoor pets, such as hamsters, guinea pigs, and indoor-only cats
- Collecting a pet deposit and using this deposit to repair the unit, if necessary
- Collecting a monthly pet rent
- Require cats and dogs to be spayed or neutered



## Conclusion

While we covered a lot of the property management basics in this eBook, we know there's still a lot to learn, even if you've been managing rental property for years.

Hopefully, you found this information relevant and timely. We expect it helped you decide how to find a great tenant, what you need to do with security deposits, and how to protect your property against pet damage. You should be more comfortable with the breakdown of what you're responsible for and what your tenant needs to do and maybe you even have some new ideas about how to reduce vacancy and increase rental income.

If you'd like some more professional advice, contact our team at Peace of Mind Property Management. We have some talented leasing agents and property managers who are ready to answer your questions and help you have a positive rental experience.



Contact us at 916-936-2000