

Funding Vacancy Expenses

As trust account managers, the law does not allow us the luxury of incurring expenses on a property and presenting them to you for payment. A trust account is one in which the money belongs to someone other than the account holder. The Georgia Real Estate Commission can impose serious penalties for violations. Without the funds on hand, we cannot incur the expense.

We cannot order work, receive an invoice, and then present it to you for payment. As trust account managers, we must anticipate the expense, get your authority to take action, receive the money into our trust account, and then order the work. It's not that we don't want to, or that we can't afford it. It's that the trust account laws of Georgia demand we have the money before we incur expense. Some of the issues that we face during the vacancy time:

Utilities

If we are going to re-rent the property we will put the utilities in our name at time of move out. You need to keep money in your escrow account in anticipation of this monthly expense. No one wants to pay for utility bills on vacant properties but turning them off is not an option. We can't clean, paint, or show a property without utilities. We may not need natural gas service for most, but electricity and water are musts. An owner must have and keep 2 months of utility reserves (\$200.00) in the trust account before we put utilities in our name. We will manage and pay them, but they must be funded in advance. We are happy for you to have utilities on in your name, but the only way we will put them in our name is with money in your account to fund the anticipated cost.

Lawn Care

Regarding lawn care, the same rules apply as with utilities. If we are responsible for lawn care during Vacancies we need reserves to cover the expenses. We may have lawn service going on 15 to 20 vacant properties at any one time and can include your property on the list *if escrow reserves are adequate to fund the expense*. During summer months we mow every 10-15 days and costs run from \$35 to much more per mowing, depending on the size of the yard. In the winter months we normally stop lawn maintenance until spring after fall cleanup. You need \$150 in your escrow account at all times for lawn care during vacancies. We are happy to let you make arrangements for your own lawn care during vacancies. In fact we prefer it. Street appeal is critical during showing times for rentals or sales, and you may get notices and possible fines from HOA's or city/county personnel if lawn isn't maintained. Cutting corners here is not the way to save money.

Rental Rate

The rental market must be re-evaluated before marketing for a new tenant. Just because a property has rented for a certain amount for the last few years doesn't mean it will rent to a qualified tenant at the same rate today. We will give you a range within which we think the property can be rented to the best tenants. We may, at times, consider a higher amount but please keep in mind that we lease many houses a year within our market area and we have a very good feel for what the market is at any given time based on time of year, neighborhood and condition. If you want to list for more money than we recommend, we may get lucky, but be prepared for the property to sit a little longer which will usually cost you money in the long run.

Turnkey supervision and rent-ready work

If we are over-seeing the turnkey issues such as cleaning, repairs, and painting, to get the property ready for the next tenant, we need funds to do it. We may have up to 10 or 12 houses like this going at any one time and funding the project for the owner is not an option. We will get either estimates or quotes, depending on what is necessary, put the job on hold till we receive funding, and then order the work. As always, we prefer that you handle the turnkey, and try to save some money, but we are willing to manage it with your full control and funding. Just let us know what part you want to play in the process.

Marketing the property

Every owner wants another tenant in the property paying rent as soon as possible after a vacancy. It is natural for owners to push us to start marketing the property as soon as the tenant moves out, or before. We constantly hear owners say "I'll finish the rehab work when you get an application." No one wants to wait until the property is in perfect condition to start the marketing, especially Bluebird. This creates a natural tension, but we all need to understand the realities that are pressing us. Showing a property while the tenant is still occupying it can be difficult. Our lease gives us the right to show 30 days prior to tenant move out, but sometimes the reality of the situation prevents showing. The outgoing tenant does not always keep the house in good showing condition; the dog does not always cooperate, the tenant does not always cooperate, and the house often needs paint and clean up before it is in showable condition. Every situation is different. We will begin showing as soon as it is practical to do so. Showing a property while it is being rehabbed is difficult. Some prospects want to see a property as it will be the day of move-in before making application, while others may just need us to confirm what will be done. Showing it with carpets pulled out, paint cans everywhere, lingering pet odors from the last tenant, and sheetrock dust covering the counters, is not productive and apologizing for the mess isn't good enough. Depending on your neighborhood and the time of year, your property may rent quickly when ready to show and priced right. We will get your home on the market as soon as it is possible but not so soon that we are embarrassed to show it.

Vacancy/Rehab fees

The management fees continue only if we are doing the things addressed above. If you take over utilities, lawn care, and rehab supervision, we will stop the monthly management fee. We will assume that you want us to handle these things unless you tell us otherwise. It can be very time consuming to rehab a property and that is something your normal management fee doesn't cover. Once we have an estimate of how much work must be done to turn the property around, we will negotiate a fee (usually 5 to 10% of the total) to handle the work for you.

Trust account laws prevent us from "incurring expenses against a property without having funds in the account to pay for them. We must get money in advance of any expenditure. You can either, authorize us to hold the last month's disbursement from your escrow account by notifying us in writing, or send us a check.

We will get started as soon as funds are received. We will manage it, but we can't fund it. You must keep your escrow account funded if we are to manage vacancy issues.