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December 6, 2011

Dear Valued Client:

On behalf of our staff we sincerely hope you had an enjoyable Thanksgiving and are looking forward to the rest of the holiday season. Your reports for November 2011 are attached.

There have been some recent changes/developments in the laws and policies that will affect your rental investments during the coming year. I'll try to give you a succinct update. In no particular order:

1. Although most governmental agencies have become strapped for funds it appears several are hiring inspectors that will subsequently make it more expensive to be a landlord. The latest involves the EPA and properties built before 1978. Many buildings of that era contain lead-based paint and ANY renovation/repairs require additional paperwork AND added expense. There may also be some pro-active renovations required. An example would include old double-hung windows that exude dust when opened. The same applies to doors and door frames. Inspectors are also looking at ANY peeling or chipping paint (usually exterior) on ANY part of a building with Section 8 tenants. These are considered hazards for the residents, particularly when young children are present. We will be surveying your property and, if applicable, getting you estimates of work required and the expenses involved. Window/door replacements, wood fascia board replacement and or exterior painting is never inexpensive!
2. Most single family homes and condos had carbon monoxide alarms installed in 2011 or earlier. We will be doing the same for multi-family properties (3 or more units) in 2012. Those apartment units that were "turned" in 2011 have had the alarms installed during the turn.
3. **Expenses are going up and rents are not.** Not good news but reality. I've written you before about the fact that all my vendors must be licensed and have the applicable insurance coverages. That means when they do work on your properties it will cost you more than if you were to hire someone "off the street." Sorry, we must have the extra level of liability coverage. There are no other options. We do try to get bids for major (and some minor) work but the costs have gone up and we have to absorb it. We will continue to do all we can to keep the costs down and monitor the expenses. FYI: I have not raised my fees in 4+ years even though our expenses continue to increase. No intent in 2012 either.
4. I've written before and I write again about the attack on Proposition 13. All indications are that this attempt to raise more taxes on ALL rental properties will continue. **It may pass in some form in 2012.** This is called the Split Roll Property Tax Bill. It may initially be promoted as a way to raise additional taxes on Commercial Property but, make no mistake about it, it will eventually evolve into multi-family dwellings AND potentially cover all non-owner occupied residential property. It may come as seemingly innocuous laws passed by the legislature OR measures placed on upcoming ballots by special interest groups. Please be VERY LEERY of this type of legislation. The intent is to water-down and/or eliminate Prop 13. If you disagree with these proposals, please feel free to contact your elected state and county representatives and let them know. When it passes it will cost you more in property taxes.
5. Bills and payment for services sometimes come well after the fact. As a policy, we do not pay for services in the month performed. This usually applies to pool service, gardening, and or pest control. Some of our vendors are not that good as business people and do not always bill in a timely manner. That means we may get a bill for 2 (or more) months' services well after the period covered. We apologize for the inconsistency in bill payment but we don't pay the vendor without an invoice.

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December 6, 2011

As a reminder, your December 2011 reports will be sent out a little later than others during the year. We hold them to ensure all 2011 data is entered correctly. We should have them in the mail to you by January 13<sup>th</sup>. This includes those clients who we make direct deposit of your funds. The reports will contain all the income we received and expenses we paid on your behalf for the whole year. These reports should be provided to your tax preparer for inclusion in the computation of your 2011 taxes. Unless your tenant is Section 8 or we pay your mortgage, no other tax-related information for 2011 will be forthcoming from us. For those properties receiving 1099's, 1096's, or similar forms from the Housing Authorities or mortgage companies, we will send them to you as soon as received.

Also as a reminder, in most cases for single-family houses and individual condos, the ending balance on your monthly Cash Flow reports should equal your tenant's security deposit (SD). Occasionally, the tenant's initial SD is used to pay for some of the "turn" costs to get the property rent-ready. It (the ending balance) must then be replenished. Additionally, sometimes the tenant will make payments to increase the SD to a specified amount and the ending balance will increase. When the ending balance falls below the SD we'll build it back up.

The overall rental market remains VERY slow. Part of that is the season (people generally don't move around the holidays) and part is the sluggish economy. **If your property is occupied consider yourself lucky.** We will continue to do all we can to avoid creating a vacancy and will work with good tenants to keep them. Our standards for approving tenants remains high but we will "bend" a little for those applicants we think have a good chance to succeed as tenants.

Without you as clients we do not have a business. We VERY MUCH appreciate that business and we strive to be responsive to your calls, inquiries, and concerns. I emphasize the importance I place on responding to you. Having said that, I ask that you please be patient with us during the last few days each month and the first week of the next month. During that time we prepare these reports for you. I personally review each report and try to write a note on each. **My objective is to answer all your questions BEFORE you ask them.** In many cases the notes only contain "All is going well," etc. When something uncommon takes place (e.g., an unusual repair, a 30-day notice, etc.) I try to explain it so that the reports can stand alone and give you a complete picture of your rental. I do apologize for my bad handwriting – I try to write bigger to make it a little easier for you to read/understand.

We continue to make improvements to our website ([www.foxpm.net](http://www.foxpm.net)). We've added pictures to most of the posted vacancies. I've also added the last few of these Client Letters to the site in the tab on "Owners Newsletters." That way you can always refer back to a previous letter. Your feedback is always appreciated and in the future I may try to have a testimonial section on our website.

**I again thank you for your business and pledge to continue to manage your property as if it were my own. We are thankful for the confidence you've shown in our company. On behalf of our entire staff I wish you and yours a very happy, healthy, safe, and prosperous holiday season and the same for all of 2012! Please call, write, or email me any questions.**

Sincerely,

Terry A. Fox, CPM®

Owner/Broker

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Enclosures/TAF:ck