



1145 East Shaw Avenue
Fresno, California 93710
Phone (559) 224-4008 Fax (559) 224-4567
www.foxpm.net



January 11, 2010

Dear Valued Client:

I thought I'd take this opportunity to give you a brief update on a few items that our State and Federal bureaucrats have done that currently affects you as a landlord and some other items on the horizon that may impact you as a landlord/investor.

Your reports for December 2009 are attached. They contain all the income we received and expenses we incurred on your behalf for the whole year. They should be provided to your tax preparer for inclusion in the computation of your 2009 taxes. Unless your tenant is Section 8 or we pay your mortgage, no other tax-related information will be forthcoming from us. For those properties receiving 1099's or 1096's (or similar forms) from the Housing Authorities or mortgage companies, we will send them to you as soon as they are received.

With the budget crunch in Sacramento, our elected officials are looking at ways to increase the funds they receive (e.g., taxes.) One area getting significant attention is property taxes. Under the provision of Proposition 13, passed by the voters of California over 30 years ago, the value of real estate cannot be increased by assessment more than 1% per year over the base price established at sale. Some of our elected officials are looking at loop-holes to change that concept. It's called the Split Tax Rolls. Some current bills/laws are being floated that would separate commercial property from the Prop 13 constraints. It could mean billions of dollars in additional property taxes to the State and County coffers. The concept considered would include rental housing for buildings of 4 or more units. If they are successful in passing these changes it may eventually affect ALL rental housing to include single family houses and condos. If you disagree with these proposals, please feel free to contact your elected state and county representative and let them know.

Another change affecting the rental market in the Fresno/Clovis area involves Section 8 tenants. Prior to 2010 eligible Section 8 tenants were given vouchers based on the size of their family AND the age and sex of family members. Effective January 1st, with renewals, only family size will be considered and based on 2 per bedroom regardless of age or gender. For example: a single mother of a teenage son will now be authorized only a one-bedroom voucher. A couple with two children (e.g., boy of 10 and a girl of 12) will receive a two-bedroom voucher. This may affect some of your tenants when their vouchers renew in 2010 and force them to move. It may also involve "accepting" a lesser amount of rent. We'll continue to monitor and do all we can to avoid creating a vacancy.

Another item in the legislative hopper concerns carbon monoxide monitors. If enacted, the bill would require that each rental unit be equipped with one, similar to the current laws regarding smoke detectors. We currently have one smoke detector in each bedroom and at least one in the common area of each house/condo/apartment. We change the batteries with each "turn" and check each apartment on an annual basis. If the bill passes (very probable) we would be required to install a carbon monoxide detector in each unit before July 1, 2012. We estimate the cost at about \$100 per unit. We'll monitor the status of the legislation and incorporate the upgrade in all turns.

Client Letter

January 11, 2010

Page 2

When we do have a vacancy we advertise it in 5 ways and keep track of the source of the inquiry. We put vacancies on our hard-copy vacancy list (given out 70-100 times a week) and post it on our website (www.foxpm.net), both at no cost to you. We put up a sign and place an ad in The Fresno Bee (or other local newspaper.) The sign cost is about \$33 and The Fresno Bee ads run from about \$290 to \$350 per month, depending on the size of the ad, prorated if rented sooner. We also put the vacancy on Craigslist. Although there is no cost to put the ad on Craigslist we have not had significant success in renting from that source. The Fresno Bee advertizing is VERY expensive but is still the source of most of our calls/inquiries. The point of my mentioning this is to give you the option of NOT using The Fresno Bee to advertise your vacancy. If you DO NOT want us to use the newspaper OR sometimes let the ad run out (e.g., maybe a week or 10 days between ads) please let us know. We'll continue to monitor and adjust our advertising as required.

And lastly, only for those clients who live outside of California OR those who have not provided us with a California street address, the Franchise Tax Withholding will begin with January's reports, sent to you in February 2010. You should know who you are and it should not come as a surprise.

We appreciate your referrals and I again thank you for your business and pledge to continue to manage your property as if it were my own. On behalf of our staff we wish you and yours a very Happy New Year. We hope 2010 is a healthy, safe and prosperous year for all!

Please call or email me if you have any questions.

Sincerely,

Terry A. Fox, CPM®
Owner/Broker
terry@foxpm.net

Enclosures

TAF:ck