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September 6, 2011

Dear Valued Client:

I thought I'd take this opportunity to update you on a couple of issues concerning your rental property in the Fresno area. Also, attached are your reports for August 2011. There are a lot of points to cover and I want to limit my words to only 2 pages. Future letters will cover more.

My 1st issue concerns your expectations of us as your property manager. You can and should have high expectations of us as your property manager. We strive to manage each property as if it were our own. We have very high standards for approving tenants. As I've indicated in previous letters, I am currently disapproving 2 of every 3 applicants. That doesn't mean that they all just go away. Some are then approved with either an adequate co-signer or they pay an additional security deposit. My philosophy is to try to find a way to approve someone rather than a reason to disapprove them. At present, the overall quality of those looking to rent is pretty poor. When you have a vacancy, that can, and does, affect how long it could remain vacant. We spend a considerable amount of extra time at the front end of the potential tenancy to avoid problems at the back end.

As your property manager we also carefully review maintenance requests and the subsequent bills. We lean on our vendors to ensure we get good service AND reasonable prices. Following up on the previous sentence, please have reasonable expectations for repair costs. All our vendors must have appropriate licenses and the requisite insurance coverage. These requirements mean that they must charge slightly more than other craftsmen that do not. Hourly labor rates range from \$45 to \$70 or sometimes up to \$115 for a plumbing call. Many of our vendors DO NOT charge extra for evening and weekend service. Sometimes we try to get bids based on the scope of work. When appropriate we do get 2-3 bids for larger jobs. The cost to replace certain systems (e.g., new HVAC, water heaters, etc.) are usually known and we give you that price without bidding. Please understand how expensive it is for vendors to bid smaller jobs (generally those under \$700-\$800). The cost to prepare the bids then gets added to what they have to charge. Again, please be realistic in your repair cost expectations.

The next issue involves the myriad of things that can and do affect your real property investment. Some of these issues affect the value and some affect your expenses. Some of these factors are caused by the market and some are influenced by our elected officials and appointed bureaucrats. When we hear about these issues we will try to alert you to them. Sometimes you can affect future impact and sometimes you can't. We recently went through the task of installing carbon monoxide alarms in all houses and condos (apartments are scheduled during the next 4-6 months.) The next BIG issue concerns water-conserving plumbing fixtures.

Once again, I'm forced to let you know that the overall rental market remains slow and VERY eclectic. The condo market has picked up a little but they are still hard to rent. They're usually a very good value and usually larger than comparable houses (e.g., 2br/2ba, etc.) and apartments. Having said that, many people still desire houses with yards and garages. Price usually isn't a major factor. 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.

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Another issue affecting your investment is a bill signed by the Governor in September 2009 that mandates that all residential properties be improved with water-conserving plumbing fixtures. This applies primarily to those structures built BEFORE 1994 and applies, for the most part, to toilets (must be low-flow; e.g., less than 1.6 gallons of water per flush) and showerheads (must be less than 2.5 gallons per minute flow). The law specifies that ANY repairs made after January 1, 2014 must include aforementioned upgrades and that all dwellings must be upgraded BEFORE January 2019. I know that sounds like a long way off but we don't replace toilets too often so we will start monitoring them. Showerheads are a little more common replacement. We will coordinate with our vendors to ensure they are both aware of the requirements and start phasing in the upgrades as they "turn" a unit or respond to a maintenance call for repairs.

I have previously written you about a move by the State Legislature AND Governor to "revise" Proposition 13. This proposal is called the Split Roll Property Tax. Although it seems to have been moved to a back burner the issue is still very much alive. As a reminder, it was an effort to modify Proposition 13 to allow the re-assessment (possibly as much as annually!) of certain commercial property from the provisions of the original Prop 13 Bill. Currently, the annual re-assessment is limited to approximately 1% of current taxes or the value determined at a sale. It will mean billions of dollars in additional property taxes to the State and County coffers. The concepts could 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 representatives and let them know.

We continue to make improvements to our website (www.foxpm.net) and have recently started a Facebook page for properties. Look for us on Facebook at Fox Property Management. I am also interested in posting some client comments on our website. If we post them we would not use last names or property addresses. If you're so inclined, I would appreciate your feedback and comments about our services. You can either email me or drop us a written note.

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. Please call, write, or email me any questions.

Sincerely,

Terry A. Fox, CPM®
Owner/Broker
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Enclosures

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