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Inheriting Tenants: The Landlord's Complete Playbook

January 26, 2023
www.turbotenant.com



The vacancy cycle is one of the costliest parts of being a landlord – so what if you skip that step by purchasing a rental property that comes with tenants?

Buying a property that's already occupied comes with a host of benefits and potential drawbacks, so we'll walk you through everything you need to consider – from the state of the property itself to the existing lease agreements.

Before we break down everything you need to know, let's take a moment to review what you should do before finalizing the sale.

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Webinar

Move-Out Accounting

Presented By: Christian Bryant
Feb 16th from 4 - 6pm

Overcoming Barriers to Selling a Tenant-Occupied Property

Presented By: Tia Politi
Feb 21st from 4 - 6pm

- Members: \$20ea
- w/ 2 CE Credits: \$50ea
- * Register online at
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RENTAL OWNERS ASSOCIATION OF SOUTHWESTERN OREGON

Who is the ROA?

Rental Owners Association of Southwestern Oregon is an organization that's been around for over 30 years and consists of landlords who care about practical, legal and profitable land lording practices. Through the association, they share problems, solutions, and ideas with other landlords and find information that comes from similar organizations in Oregon and around the country.



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5 Main Culprits Causing Rental Property Sewer Line Issues

January 16, 2023

www.rentalhousingjournal.com



Sewer line issues to your rental properties can get very expensive, very quickly and the city is not going to come fix them for free, so here are some things to know about the trouble sewer lines can cause.

No. 1 Roots: Fast-growing roots seek out moisture and water. It will find its way to cracked main line sewers, creating a total blockage to sewer lines. It's so important to have regular sewer scope inspections to help prevent repairs that will be more expensive over time.

No. 2 Settling: Sewer lines can gradually begin to sag due to age. This will create a belly where sewage can build up and create blockages.

No. 3 Ground shifting: Excavating and seismic activity can cause misaligned sewer lines.

No. 4 Sewer pipe materials: Pipe clay and concrete pipes in older homes are much more susceptible to issues than plastic pipes used in newer homes. To spot poor pipe materials, schedule a sewer scope inspection.

No. 5 Poor installation: This can also lead to crack pipes and pipe collapses. It's important to identify if your sewer line is poorly installed and schedule a repair as soon as possible.

Sewer line inspections ensure you find potential sewer line issues and problems before they cause costly sewer backups, giving you the information needed to schedule estimates for sewer line repairs.

Many rental property insurance companies offer landlord insurance to cover problems with sewer line issues so best to check with your insurance company.

Blocked drains and clogged sewers in rental properties are some of the most common areas of dispute between landlords and tenants because it can be very difficult to apportion blame or responsibility in terms of how the blockage was originally caused.

These issues can worsen over time. It is always best to consult with a professional.



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The NEW Forms Manual is Here!



A *must have* for any private landlord or property manager.

Forms have been updated to reflect the changes to Oregon Landlord/Tenant Law. This is an instructional guide on how to use these forms. This invaluable guide will help you deal with tenancy issues the right way!

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Inheriting Tenants: The Landlord's Complete Playbook

continued from page 1

Before Buying Occupied Rental Property

Never go into a significant purchase without doing your homework! Reading this article is a good starting point, but you should also ask the seller:

- What term length is listed on the existing lease?
- Have any tenants prepaid for rent? If so, who and by how much?
- When was the last time the property was inspected?
- Are there any existing complaints regarding the tenants, their behavior, or their timeliness in paying rent?
- Can I review a copy of the signed lease agreement?
- Who currently handles maintenance issues (electrical vs. plumbing vs. emergency, etc.)?
- When can I schedule a home inspection?

If you feel comfortable with the answers to these questions, you can feel more confident moving forward with the rental property purchase.

What Happens With the Existing Lease?

Rental lease agreements bind the landlord and tenant(s) to the property itself. In other words, your newly inherited tenant has to follow the terms outlined in their signed lease agreement until the contract ends – as do you. If possible, read over the lease agreement before purchasing the property to fully understand the duties you're taking on, especially the ones related to utility bills and exterior maintenance (e.g., shoveling snow).

Bear in mind that you can't:

- Immediately evict the tenant(s)
- Raise the rent
- Change the lease terms automatically

The existing tenant holds all the rights granted to them in the original lease. If they have a month-to-month lease and you're looking to charge more, you must provide proper notice as your local landlord-tenant laws dictate. The same can be achieved for a long-term lease, though you may have to wait for the appropriate notice period.

It's possible that the current lease agreement has language that ends tenancy if the property is sold, but you'll need to verify that by reviewing the lease agreement(s). If you're really keen to empty the premises, consider extending a cash-for-keys offer to your inherited tenants.

You may also be wondering about what happens with the security deposit. You'll want to double-check the laws in your state, but in most cases this money should be transferred to you from the previous landlord. That money is the tenant's, and if everything goes well then it should be returned to the tenant upon their move-out. Make sure that the security deposit is addressed as part of the purchase negotiations with the previous owner.

Pro Tip:

Whether you're buying your first rental property or your 27th, it's crucial to understand the landlord-tenant laws in your area. For example, a rent-controlled property may require additional notice or a different procedure to end a tenancy, depending on your state. Remember, not knowing the law doesn't excuse breaking it!

Your Obligations as a Landlord

If you're an experienced landlord, the responsibilities you owe to your new tenants won't come as a surprise – but let's rehash what you owe your renters beyond the lease terms.

continued on page 8

Form of the Month



72-HOUR NOTICE TO PAY OR VACATE FOR NONPAYMENT OF RENT

VT2

Tenant(s): _____ et al (and all others)
 Tenant(s): _____
 Address: _____ Unit: _____
 City: _____ OREGON Zip: _____

This is to inform you that your Rent is now at least seven (7) days Past Due.
This is your 72-Hour Written Notice to Pay Your Past Due Rent or your Rental Agreement will be terminated as provided by Oregon Landlord/Tenant Law.
To Satisfy This Notice, You Must Pay At Least Your Past Due Rent Amount of \$ _____

☐ **This Notice has been served personally to each individual named above.**

Date: _____ Time: _____ (If left blank, Notice was served prior to 11:59 p.m. on Date of Service.)

Your Past Due Rent Amount must be paid by: _____ (Notice Expires or 11:59 p.m. if left blank)
 on _____ (date) or your tenancy will be terminated automatically without further notice.

☐ **This Notice has been served by posting on the main entrance door of the Dwelling Unit and mailed First Class Mail.**

Date: _____ Time: _____ (If left blank, Notice was served prior to 11:59 p.m. on Date of Service.)

Your Past Due Rent Amount must be paid by 11:59 p.m. on _____ (date) or your tenancy will be terminated automatically without further notice.

☐ **This Notice has been served by First Class Mail and the Effective Date is extended by four days, including Date Mailed.**

Date: _____ Time: _____ (If left blank, Notice was served prior to 11:59 p.m. on Date of Service.)

Your Past Due Rent Amount must be paid by 11:59 p.m. on _____ (date) or your tenancy will be terminated automatically without further notice.

Housing Choice/Section 8 Voucher Recipients: Notice is served by one of the methods above

AND a copy mailed, emailed or faxed to the Public Housing Authority the same day.

If you are on a Fixed-Term Lease, be advised that your landlord has the option to terminate your tenancy at the End of your Lease if you have received three or more Notices for Noncompliance (including Late Payment of Rent) within a 12-month period preceding the End of the Fixed-Term. Owner/Agent may terminate the tenancy by giving a 90-day notice prior to the Lease End Date, or 90 days prior to the date designated in the Notice, whichever is later. Correcting the third or subsequent violation is not a defense to the termination. This is your _____ violation in the last 12 months.

Owner/Agent Signature: _____ Date: _____

MAKE PAYMENTS TO:

Owner/Agent: _____
 Address: _____
 City: _____ State: _____ Zip: _____
 Telephone: _____ Email: _____

For Informational Purposes Only:

Balance of Written Rental Agreement:	\$ _____
Actual Damages (costs) incurred by Owner/Agent for preparation and service of this Notice:	\$ _____
Other amounts owed to account:	\$ _____
Total Amount Due (not including Rent Amount above):	\$ _____

There may be additional charges due under your Rental Agreement for which you remain responsible.

To avoid Termination of your Tenancy for Nonpayment of Rent, you need only pay the Past Due Rent Amount listed above.



VT2 – 72-Hour Notice to Pay or Vacate for Nonpayment of Rent

What this form is for:

This is the basic for terminating tenancy of a Tenant who hasn't paid Rent. Any Violation of a Rental Agreement can be grounds for terminating the Agreement, but most take 30-90 Days' Notice. The law allows, though, an expedited process if the Violation in a Nonpayment of Rent.

When this form is used:

This form is used when the Rent is not paid, but it cannot be used until the Rent is 7 days Past Due. In other words, if your Rent is due on the 1st of the month, you cannot Serve this Notice until the 8th of the month.

This form can be thought of as a special type of "For-Cause" Notice. In essence, it says, *"You're in violation of your Rental Agreement, in that you didn't pay your Rent. You have a certain amount of time to cure this violation, or your Rental Agreement will be terminated."* So, if the Tenant pays, Cures the Rental Agreement-Violating behavior, within the time allowed, the tenancy continues; if the Tenant doesn't, the tenancy is terminated. Assuming the Tenant doesn't voluntarily leave, file an FED, asking the court to return to you the property that this Tenant is now unlawfully withholding from you.

An alternative to this form exists; the **144-Hour to Pay or Vacate for Nonpayment of Rent (Form VT1)**. See **"VT1- 144-Hour Notice to Pay or Vacate for Nonpayment of Rent"** on page 182 [of 2022-20223 Forms Manual] for the differences.

When must the Tenant Pay?

The law, **ORS 90.394(4)**, says payment by the Tenant is timely *"if Mailed within the period of the Notice..."* with an exception for certain Hand-Delivered and "Post-and-Mail" Notices.

ORS 90.394(4) provides an exception to allowing the Rent to be Mailed to you, though it's not generally of practical use. You can insist that the Tenant not just send you Rent but get you the Rent within the time stated in the Notice if all the following conditions apply:

- The Notice was Hand-Delivered or "Posted-and-Mailed,"

- The Written Rental Agreement and the 72-Hour Notice both specify where the Rent into be paid,
- The Place must be available at all hours,
- The place must be either on the premises or where the Tenant has made all previous Rent Payments.

That can work in some cases, such as at an apartment complex with an on-site office, but in many circumstances it doesn't work.

How the form is filled in:

The date and times on the Notice depend on when and how the Notice is delivered to the Tenant(s).

1. Fill in the Tenant(s) name(s) and Property Address. Notice there is space for Multiple Tenants. You should name each adult in the household. If you don't know the name, write *"John Doe"* or *"Jane Doe."* The *"et al (and all others)"* is there for someone you don't know about, but it's always best to list everyone.
2. This is the amount of Rent due. If should be a whole month's Rent. If you have a partial payment of the Rent, it gets complicated. If you have accepted a portion of this month's Rent and executed a **One-Time Partial Payment Agreement (Form V5)**, you can put in the balance due. If you didn't execute such a Written Agreement, you have probably lost your ability to use a 72-Hour Notice and will have to wait until the first day of the next Rental Period.
3. Check this box if you are individually Serving the Notice, that is, handing a copy to your Tenant(s) (listed in item #1). Here the time is important. If you have a choice of times, it should be the latest time. The Time to Pay by must be at least 72 hours after the Time Delivered and the Date to Pay by must be at least 72 hours after the Time Delivered and the Date to Pay by must be at least 3 days after the Date Delivered. It may be simpler to leave the Time to Pay by blank and allow the Rent to be paid anytime on the third day.

.....continued. For more information, see the NEW Forms Manual.

Inheriting Tenants: The Landlord's Complete Playbook

Continued from page 5

Rocket Mortgage lists seven of the most common landlord obligations, which include:

1. "Complying with all state and local landlord-tenant laws, health codes, and building codes
2. Maintaining a safe and habitable property for your tenants
3. Maintaining the HVAC system, electrical, plumbing, etc.
4. Ensuring the water heater works and that tenants have access to running water and heat
5. Keeping the property free of environmental toxins such as asbestos, lead-based paint, and pests
6. Maintaining the structural integrity of the building
7. Responding to any repairs in a prompt manner"

When in doubt, remember that your role as a landlord is to provide safe housing for your tenants. That responsibility carries over even if you weren't the tenant's original landlord, meaning you could be held liable for anything that isn't up to code.

That's why it's crucial to schedule a professional home inspection before purchasing the property. If the purchasing contract has not closed, then the current landlord would be the one to contact their tenant for a house inspection. They must adhere to the laws of the state on prior notice – which is usually 24-48 hours prior to the inspection.



The Pros and Cons of Buying a Property With Tenants Attached

Like with any investment, there are benefits and drawbacks to purchasing an occupied rental property.

The Perks of Purchasing Occupied Rental Property

Rocket Mortgage shares a host of benefits to purchasing a rental property with tenants in tow, including:

- No need to find tenants. Since the property is already occupied, you can save the time, money, and stress that seeking out a new renter would cost.
- Immediate rental income. Beyond saving money by not having to find a tenant, you'll also start earning rental income immediately.
- Building up to code. Since the previous landlord was also beholden to the legal requirements for habitability, the building should be up to all code provisions. That said, be sure to familiarize yourself with your local landlord-tenant laws and property codes to protect yourself.

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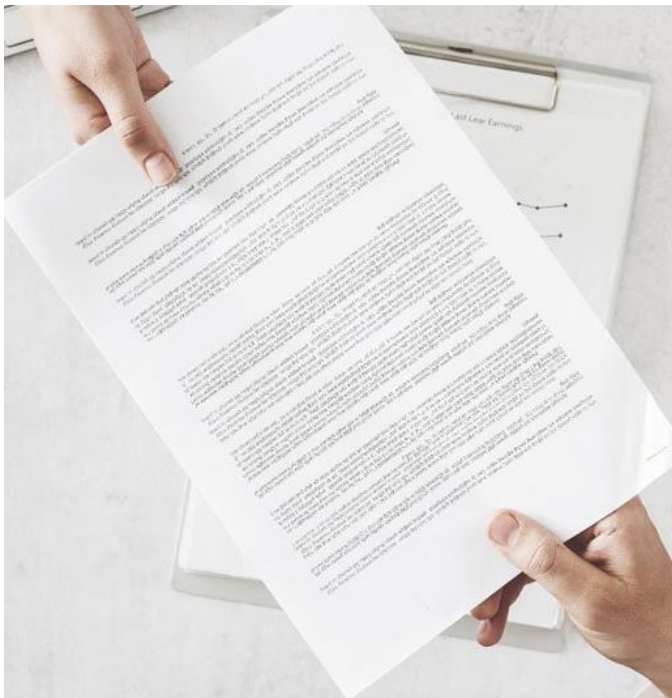
FREE to all ROA members of the Southwestern Oregon Chapter.



The Drawbacks of Buying Rental Property With Tenants in Tow

On the flip side, it pays to be aware of the downsides regarding this type of rental property purchase – namely:

- **Inheriting legal risk.** Once you own the property, you become liable for anything on it that doesn't meet your local legal requirements. If the previous landlord didn't take care of the property or its tenants, you could end up holding the bag.
- **Honoring lease terms.** You are bound to the existing lease and its terms, which could be unfavorable in your perspective. You won't be able to change those terms until the lease expires. However, if there is a clause in the original lease regarding termination upon sale of property, that's another story. In that case, a new lease would need to be written if you want the current tenants to stay in the rental.
- **Removing a tenant isn't easy.** If you're looking to evict the existing tenant so you can increase the rent, live in the property, or conduct an extreme makeover, you can't. Also, evicting a tenant is a costly experience, so it should never be your first move.



The Documents You Need From the Previous Landlord

Proper documentation is key to property management success, so don't be shy about asking for:

- A copy of all signed leases
- The property's payment history
- Files on each renter (including their rental application and screening report)
- Maintenance request histories
- A list of outstanding maintenance requests by unit
- Home inspection reports
- The serial numbers, purchase date, and warranty information for any appliances included with the rental
- A copy of any communication sent to the tenants regarding the property sale and transition of management

Also, don't forget that you'll need to introduce yourself to your new tenants! Once the property is officially yours, reach out with a phone call, handwritten note, or email and make a connection with your tenants. Be sure to let them know how best to contact you with any issues, how you prefer rent to be paid, and any other critical information they may need from their new landlord. Take this opportunity to verify the tenant's emergency contact information, all occupants of the unit (including animals), and their vehicle information to ensure the lease agreement is up to date.

From there, you can start an exciting, professional relationship with your new tenants!



The Oregon Rental Housing Key Political Action Committee strives to elect state legislators who will work for the best interests of rental property owners.

oregonrentalhousingpac.org

Make a Contribution TODAY!

Welcome New and Returning ROA Members!

Dahla Allen, Danielle Eastwood-Swanner, Joshua Hart,
Kalee Lucero and Steve & Rosann Thienes

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Position #5: Michelle Cantrell
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Position #6: Thaddeus Konar
thaddeusk@gmail.com

Ever wonder what goes on at ROA Board meetings? Have any suggestions to share? Interested in joining the board? Bring your thoughts and/or ideas. Or just listen in and see what we're all about.

The ROA Board of Directors meets every month. Meetings are always open to members. Contact us for more information.



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In Case You Missed It: Forms Manual Classes 1 & 2

January 20th & 23rd, 2023

On January 20th and 23rd, Violet Wilson from V & R Management, LLC held a two-part class on the new 2023 Forms Manual. Participants were required to purchase the new Forms Manual prior to attending class, so that Violet could walk us through the manual, and explain when and how to use each form. As many of you know, the pandemic has fundamentally changed the way we do housing on multiple levels, therefore changing the required language on many of the trusted forms we have used for years. We were all encouraged to cease using any older forms that we may have in stock at our offices, and to switch over to the new 2023 forms. Over the course of two evenings, Violet expertly went over many theoretical landlord/tenant situations, which form would be of use in that particular case, and how to correctly fill it out the first time in order to avoid a costly mistake. Not only has the wording changed on many forms, but the forms numbers have also changed.

As landlords, we are all in it together, and your local Rental Owners Association is there to help you every step of the way by providing many member benefits such as: Free unlimited access to a Landlord Helpline, a FREE 1-hour consultation annually with an attorney along

with discounted rates for legal representation. For those of you who have yet to purchase, the new Forms Manual, we encourage you to do so by contacting the ROA-SWO at info@roa-swo.com or by calling 541-756-0347, and always feel free to contact your local association with any questions or concerns you may have.



Code of Ethics

Excerpt from the Bylaws of the Rental Owners Association of Southwestern Oregon

The objectives of this Association shall be:

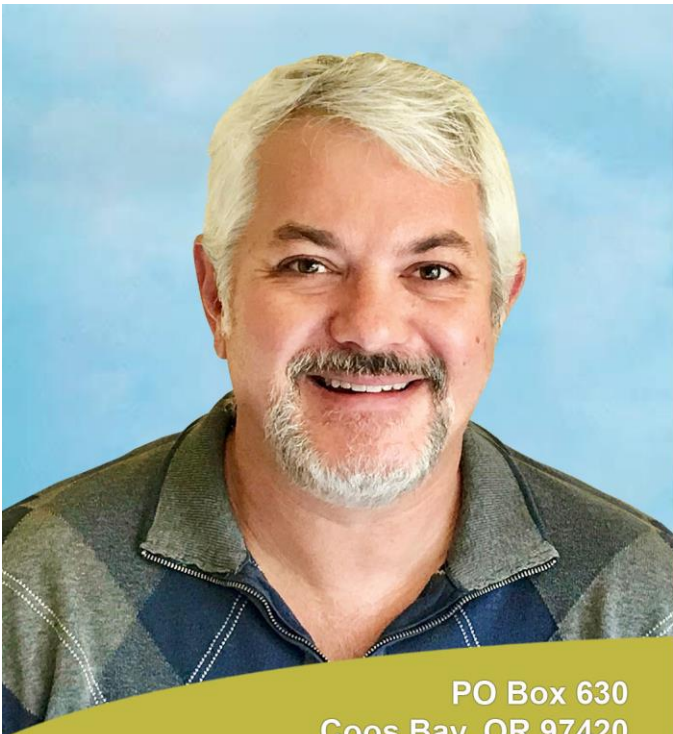
- A. To unite, for their mutual good, rental housing owners, managers and/or their agents in the Southwestern Oregon area.
- B. To strive to maintain those standards of the residential rental industry which are of a high ethical and up-to-date business level.
- C. To stimulate cooperation among rental owners to the end that the best possible service will be rendered to the owners and renters.
- D. To provide appropriate information and educational opportunities on state/federal laws, rules/regulations, policies/procedures and rental housing management.
- E. To cooperate with other organizations having similar goals.





**RENTAL OWNERS
ASSOCIATION OF
SOUTHWESTERN
OREGON**

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