

APRIL 2010



Next Monthly Meeting

Date: Friday, April 23, 2010

Time: 10:00 a.m. - 12:00 p.m.

Place: SC4, M-Tec Building, Room 105

Guest: **Greg McClelland**
Legal Counsel for the Michigan
Association of REALTORS®

Topic: Legal Update Seminar,
see pg 3 for more details

Eastern Michigan Real Estate Investment Association

E.M.R.E.I.A. ADVISOR

Inside this issue:	page
From The President	2
Legal Update Seminar Info	3
Housing Choice Voucher Program	4
Landlords Can Not Afford to Ignore the Internet	6
Triple Net Leased Investments	9

Notice

- If you wish to see an article pertaining to a certain subject or if you would like to publish one, please contact Julia at the main office.
- In attempt to decrease costs and paper waste, we will now send your newsletter to your email if we have your address on file. If you need to update your address or wish to continue receiving a paper copy of the newsletter, please let us know as soon as possible. jtyrrell@innovativehousing.org

If you haven't been to our website in recent months, check it out at www.emrha.org. We have reorganized our services to members in order to make them easier for you to access. Starting out the list is the vacancy list where you and the general public can search for vacancies anywhere in Michigan through www.michiganhousinglocator.com. You can search using several criteria including location, number of bedrooms and monthly rental amount.

Through our website you can also access that statewide vacancy list database to list your own vacancies on www.michiganhousinglocator.com. You can list your units and include photographs of your buildings and your units. When your unit is rented, you just check a box and it is hidden from public viewing. However, when it is vacant again, you just uncheck the box, verify the current information and it is then added back to the list.

You can search and screen tenants for evictions in St. Clair County. Our organization has kept records of every single eviction that has been filed in St. Clair County since 1988 and include them in our database. Just enter the tenant's name and anytime an eviction has been filed against them since 1988, it will show up in the eviction list.

Credit reports are also available through our website. Once you sign up for the credit reporting service, you can access

credit reports online to screen your tenants 24 hours a day, 7 days a week, 365 days a year.

Other tenant screening tools are accessible through our website include links to the Detroit Federal Court dockets, the Eastern Michigan Bankruptcy Court dockets, the Federal Offenders list the Michigan Sex Offenders Registry, the Michigan State Corrections listing along with the St. Clair County District and Circuit Court case record listings.

In addition to the vacancy list and tenant screening tools, through our website you have access to fillable and printable Michigan court forms along with a number of fillable and printable landlord-tenant forms such as leases and pet forms. Additional links include links to the St. Clair County Parcel Search and the National Real Estate Investors Association.

Our website has been redesigned to allow greater access to real estate investor tools for our members. This will hopefully make it easier for you to screen your tenants to make sure that they are qualified individuals who will timely pay their rent and will not trash your unit.

Please check out the website. We are attempting to make things more efficient for you. If you have any additional suggestions for the website, please email to me at matt@wallacepclaw.com and put "EMREIA WEBSITE" in the subject line.

MATTHEW M. WALLACE, President

Free



Legal Update Seminar

Greg McClelland

Legal Counsel for the Michigan Association of REALTORS®



2010 Legal Update Topics include:

- Contract Issues on Foreclosed Properties**
 - Working with lenders as sellers
- Foreclosures and Short Sales – Current Issues**
- Seller Financing**
 - Land contracts and purchase money mortgages
- Legal Liability Update**
 - Recent case law from elsewhere around the country

Friday, April 23rd, 10 AM till noon

St. Clair County Community College, M-Tec Building, Room 105

Co-Sponsored by:

Eastern Michigan Real Estate Investment Association

Eastern Thumb Association of REALTORS®

Note: Two hours of “Legal Update” Real Estate Continuing Education for REALTORS®



Leasing in the Housing Choice Voucher Program

When you're dealing with households whose rent is subsidized through the Housing Choice Voucher (HCV) program, formerly known as the Section 8 Tenant-Based Assistance Program, it is important to remember that it is not the same as the Project-Based Section 8 program you are familiar with.

Although the voucher program is federally funded, HUD does not administer it directly. Instead, state and local Public Housing Agencies (PHAs) throughout the country administer the program on behalf of HUD. PHAs set some of their own policies and procedures, so it is best to contact the local agency to confirm the details on how to begin a voucher tenancy in one of your units. However, there is some general information that applies to most PHA HCV programs. Here are the answers to the most common questions asked by managers of sites that accept vouchers.

Q: How do I pass an initial HUD inspection?

A: The housing authority (not HUD) must inspect the unit at the beginning of each HCV tenancy. HUD's Housing Quality Standards (HQS) are available on the HUD website:

www.hud.gov/adm/hudclips/guidebooks/7420.10G/7420g10GUID.pdf

Before the initial inspection, you should ask the PHA for a list of common HQS "fail items." To avoid failing an inspection, conduct your own walk-through of the unit and correct any outstanding items on the common-fail list.

For instance, all windows and exterior doors must have working locks. The oven must heat, and all burners on the stove must work. All stove or range knobs must

must have pressure relief valves and a discharge line. Electrical outlets and switches must be properly installed with secure cover plates and no exposed wiring. Each level of the unit, including basements (but not unfinished attics), must have an operable smoke detector. In units built before 1978 surfaces with deteriorated paint must be stabilized. Hazards to occupants, such as insecure handrails, loose flooring or sharply broken bath fixtures must be repaired.

The inspector must give you a written report, including documentation of each specific HQS fail item you must correct. Be sure to keep it on file, and be able to show the follow-up inspector that you've corrected everything as cited. Although the follow-up inspection may cite any new or existing HQS violation in the unit, he will focus on clearing the previously cited fail items. Be sure to get a new HQS inspection report with the current date and all fail items cleared.

Q: When do I get paid?

A: Normally, owners receive checks from the PHA for its portion of the rent in the first few days of each month. Some PHAs pay new owners in the middle of the month, or the PHA may pay only at the beginning. Owners are responsible for collecting the resident's portion of the rent themselves. Residents are responsible for following the terms of the lease regarding rent payment.

Q: Do I get paid for the full first month?

A: No. The payment for the first month of a voucher holder's tenancy is prorated according to the date the Housing

Continued on pg 5

VOUCHER PROGRAM - *continued from pg 4*

Assistance Payment (HAP) contract begins. However, the owner receives the full month's HAP for the month the resident moves out, no matter what day of the month the move-out takes place.

Q: How do I handle resident damages?

A: The lease determines how an owner should handle resident damages. The owner retains the right to enforce the lease, unless it contradicts something in the HAP contract or tenancy addendum. In all policies and practices, the owner should treat a voucher tenant no differently than a non-voucher renter, unless the HAP contract says otherwise.

Q: Can I get a security deposit from a voucher holder?

A: Yes. As long as the rules and procedures for the security deposit are set forth in the lease agreement and the amount of the security deposit is set on the lease and in the HAP contract, the owner may collect a security deposit. According to the HCV HAP contract, the owner cannot collect a security deposit in excess of private market practices or in excess of the amount charged to his unassisted residents.

Q: What do I do if the resident won't let me in for a repair?

A: The lease should indicate when and under what circumstances the owner may enter the unit. The lease should also state the owner's recourse if the tenant doesn't comply. Use the same standard lease form for voucher holders that you use for unassisted residents.

Q: Why doesn't the same agency that runs the Project-Based Section 8 program in my area also run the HCV program?

A: It is confusing, but is important to remember that even though the HCV program is still sometimes called the Section 8 program and it is funded by HUD, local housing authorities actually administer the program on HUD's behalf. The voucher program, or the "Tenant-Based" Section 8 program, is not the same as the "Project-Based" Section 8 program.

In the HCV program, private property owners deal with the PHA directly, not with HUD or a contract administrator. In the HCV program, the HAP contract is a legal agreement, in a form standardized by HUD, between a property owner or manager and a PHA. The PHA agrees to provide a fixed rental subsidy for a specific period on a specific tenant's behalf, according to the rules of the HCV program. Keep in mind that not only are the agencies and personnel administering the HCV program and the Project-Based Section 8 program different, the HAP contract terms are also different. Compliance in one program does not guarantee compliance in the other. The HCV program has its own guidebook available at <http://www.hud.gov/offices/adm/hudclips/guidebooks/7420.10G/7420g10GUID.pdf>.

From The Voice, May 2009

The World Has Changed

There was a time when a landlord rented a vacancy by placing an advertisement in the local newspaper and waited for the phone to ring or tenants to visit. The classified sections of the local newspapers were packed with ads. You had to be very creative to leap out of the pack of ads.

Apartment properties with more vacancies to fill (due to their size) used additional advertising sources like "For Rent" and "Apartment Finder" magazines. These methods of advertising were successful for many years. These companies extended their products by offering online listings and were joined by other online competitors; each one promising super results with different pricing schemes and marketing approaches.

Of course all properties use some sort of for rent signage at the property, ranging from small signs and flyers in windows to large A-frames, located close to the main entrance of the property.

This free online service was easy for potential tenants to use and free to landlords. And, as they say, free is a very good price. It has been the category killer.

In major cities, classified sections of the newspapers are mere skeletons of their former self. Newspapers have suffered and are downsizing as a result. Small towns, however, are not as impacted by

craigslist.com and newspapers' classified sections are still used as a major marketing source, especially in rural areas.

Landlords have benefited. Advertising costs have dropped significantly. Tenants, especially younger tenants under 35, are used to looking for rentals on craigslist.com. The use of computer search engines has become integrated in our social fabric. On the other hand...

Online Comments

Computer search engines also bring a new product to the table such as online comments.

These comments often appear when you type a property's name in your city. Say you type in "Lakewood Landing Apartments." You might get the following comments (examples only):

- "Don't move here! There is a creepy security guard at night that follows you as you are walking to your vehicle."
- "Going downhill - this apartment complex is awful. The air conditioning never works and there are always burned out light bulbs in the hallway. The onsite manager tries but is held back by ownership and the property management company. Dumpsters are always full."
- "Nice place if you suck up. You pay for heat, which includes the hallways, so you never know how high your bills are going to be."

Continued on pg 8



Special Notice!



Beautiful weather is upon us and the demand for vacation getaways will soon be in full force!

E.M.R.E.I.A. in the process of possibly creating an online database of vacation properties in the Blue Water Area that can be accessed by vacationers.

If this is an area of interest to you, please contact our office so that we may begin to compile an inventory.

Waterfront and/or Non-Waterfront Properties

Seasonal and/or Yearly Lease Agreements

In order to kick off this idea, we need feedback!

Give our office a call

at (810)385-2332



- "Nice, but noisy."
- "I would discourage any women from renting this place. The maintenance man is a total pervert and a stalker."

As you can see, these would have an influence on any potential tenant and online comments can extend to property management companies, for example, which can be good or bad. All is not rosy on the internet after all.

Other Internet Issues

1. As more and more people have access to the internet, professionally prepared websites have become more important. Computers are accessible to almost everyone. Professional prepared websites might include:
 - Virtual property tours
 - Pictures of the property
 - Floor plans
 - Leasing information
 - Screening criteria and applications
 - Contact information
2. Large apartment properties must have websites which serve not only as a way for a tenant to rent, but also for a way to communicate with the onsite property manager regarding property events, maintenance and rent due.
3. Onsite staff must have employees dedicated to receiving messages on the internet and responding to them within 24 hours. Tenants might use email to report

property emergencies and property managers need to be prepared to deal with an immediate response.

4. Property managers need to be aware that not all emails arrive. Spam eliminators might clean your important message off of a tenant's computer. If you don't hear back, send a letter. Or better yet, have the tenant add you to their safe senders list so that you can communicate with them via email.

Summary

The internet has progressed from an afterthought for our property marketing to a full scale marketing and communication system. As property owners, we need to adjust to this change. We need to understand that the internet and websites are used by tenants to evaluate our properties and make choices about where they want to live. The internet is now the front line of where housing decisions are made.

A good way to be aware of what is going on is to track what people are saying you or your company is to use Google Alerts (google.com/alerts). Other services that might help you track activity are: Backtype.com, Blogpulse.com or Boardreader.com to name a few.

Effective property owners will invest in understanding the internet so they can optimize their access to current and future tenants. This will continue until another innovation makes it easier and less expensive to rent units.

From The Voice, March 2010

“Triple Net Leased” is a term that is thrown around a lot in the real estate world. This article will define this term and discuss the benefits of owning such properties. First, I will need to define some real estate lingo.

Many commercial leasing terms exist to describe who pays the property’s expenses. Who pays which, and how much, of those expenses is all spelled out in a tenant’s lease agreement. Three ways to describe commercial leases are:

- Gross lease
- Modified Gross (or Net) Lease
- Triple Net (NNN) Lease

A gross lease is easiest to understand. Under this lease, a tenant pays rent only, and the landlord pays for all the utility bills, insurance and property taxes. A modified gross (sometimes called a “Net”) lease is one where a tenant will pay some expenses. For example, an apartment building that has electricity separately metered to the units is charging modified gross rents. Tenants pay their electricity bills, while the landlord pays everything else (water, gas, sewage, garbage, maintenance, insurance, etc.) Triple Net describes leases where the tenant pays all of the expenses previously mentioned. In fact, the name “Triple Net” is an abbreviation for the term “Net taxes, Net insurance, Net maintenance.” Note that the term “Double Net” is sometimes used to describe leases. This means that the landlord, not the tenant, is paying one of these bills.

Benefits of Triple Net Leases

With Triple Net Leased properties, the tenant is responsible for paying expenses; so the landlord’s income will not vary month to month due to operating costs. Every rental property owner knows the frustration of collecting rents on a 100% occupied building, but seeing that month’s net income drop due to property taxes or an unexpected water bill. With triple net leased properties, the tenant pays expenses along with the rent, leaving the investor a stable income stream.

The Triple Net Leases That I Prefer

I prefer Triple Net Leases that are backed by a credit tenant. For example, most fast food stores are owned by franchises, rather than by their corporate namesakes. If a restaurant goes out of business, its landlord likely won’t be receiving checks anymore - if that lease was guaranteed by a franchise rather than a major corporation.

For this reason, I prefer Triple Net Leased properties featuring leases backed major corporations. Major corporations have higher credit ratings than smaller companies, so they are a better credit risk; although nothing is ever guaranteed, a larger company is more likely to pay their rent than a smaller one. These leases can be found in assets such as bank buildings, drug stores or office buildings. Let’s examine each of these asset types.

Bank Buildings

Think about your local bank branch. Chances are that it is a free-standing

Continued on pg 10

building, is in a great location on a corner lot, and has been operating as a bank for over a decade. Sure, banks have received a good share of negative press with all the recent bank failures. What exactly happens when a bank fails, though? A stronger bank buys its assets and assumes all its leases. For example, when Washington Mutual recently failed, JP Morgan Chase took over all the company's assets. That is bad news for Washington Mutual stockholders, but good news for the company's landlords. WaMu branches were simply replaced with Chase banks. When a landlord gets a tenant with stronger credit, the value of his property goes up - so buildings occupied by Washington Mutual have potentially seen their value increase since Chase has taken over. This is why, as one real estate executive told me, "banks are the only tenants that fail up." When a bank is absorbed by another, 10-15% of locations in urban settings are shuttered (less in the suburbs). If this happens, the owner needs to re-lease a property that is on a corner lot in a high-traffic area. This space is easier to re-lease than one without these attributes.

Drug Stores

Free-standing drug stores have become a hot asset in recent years, boasting long-term leases and credit tenants. Good deals are harder to find in this segment, however, as many properties feature leases that are strongly biased towards the tenant. I have seen properties where the drug store's lease is up for 75 years, with no rent increases. Such a lease's value is actually declining every year as inflation grows. The equivalent of \$120,000 today is \$7,300 in 1933 (75 years ago). A landlord may have been satisfied with \$7,300 of annual income back then - but he (and his children and grandchildren) would not have stayed happy. For these reasons, contracted rent increases are

very important evaluating triple net leased properties.

Office Buildings - Sale-Leasebacks

Triple net leases can often be found in office properties through a sale-leaseback transaction. Under such an arrangement, a company that wishes to raise money will sell its real estate, and sign a lease to occupy that real estate for many years. When a company owns the real estate it occupies, this can indicate a long-term commitment to a given location. These companies tend to spend money - much more than normal tenants do - retrofitting buildings for their unique needs. However many companies are in business to seek a higher return on equity than real estate provides - that is their motivation to spend all that energy manufacturing and marketing products. If their goal is a 20% or higher return on investment, that company may want to sell their real estate to reinvest in their business. For instance, they could buy more machines to make more widgets and potentially earn more income.

Investors can find great deals with sale-leasebacks, and often can find an excellent, well-maintained property, leased to a credit tenant under good terms for a long duration.

Of course, buying triple net leased properties contains all of the risks involved with buying any kind of real estate. Sticking to excellent locations with credit tenants and long term leases can possibly decrease these risks.

Of the many ways to invest in triple net leased properties, I offer several options starting at \$50,000 of equity. Perhaps triple net leased properties could compliment your existing real estate portfolio - it is certainly worth investigating.

From The Voice, March 2010

HURON

TITLE COMPANY

**330 Michigan Street
Port Huron, MI 48060**
810 / 987 - 2141
1 / 800 - 878 - 4853
Fax 810 / 987 - 1317

PLUMBING & HEATING AIR CONDITIONING

188 14th Street
Marysville, Michigan
48040

(810) 364-5211
Fax (810) 364-3020

Lou Gordon



MATTHEW M. WALLACE, P.C.

ESTATE PLANNING, BUSINESS PLANNING & REAL ESTATE

MATTHEW M. WALLACE, C.P.A., J.D.

ATTORNEY & COUNSELLOR AT LAW
701 HURON AVENUE, SUITE 102
PORT HURON, MICHIGAN 48060

www.wallaceplaw.com
matt@wallaceplaw.com

(810) 985-4320
FAX (810) 985-4108

The OPPLIGER LAW FIRM

DAVID E. OPPLIGER
ATTORNEY AND COUNSELOR

1111 PINE GROVE AVENUE
PORT HURON MI 48060
(810) 966-1881 • FAX: (810) 966-1893
OPPLIGER@SBCGLOBAL.NET

Stewart,
Beauvais
& Whipple P.C.



CERTIFIED PUBLIC ACCOUNTANTS

Providing Valued Services Since 1945

- Tax Preparation & Consulting • Business Consulting
- Estate Planning • Audits & Financial Statement Preparation
- Business Valuation • General Ledger/Payroll Services
- Personal Financial Planning

Larry J. Allen, CPA Paul L. Bailey, CPA
Michael T. Turnbull, CPA Stephen R. Zimmer, CPA

1979 Holland Ave., Port Huron, MI 48060
(810) 984-3829 • SBWCPA.COM

Advertising Price Rates

1/8 page: \$125/yr \$14/mo

1/4 page: \$165/yr \$18/mo

1/3 page: \$185/yr \$20/mo

1/2 page: \$200/yr \$22/mo

Full page: \$400/yr \$44/mo

*based on 9 issues per year

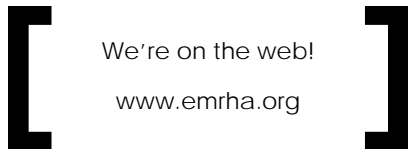
Eastern Michigan Real Estate Investment Association

3051 Commerce Dr, Ste 5
Fort Gratiot, MI 48059

Phone: (810)385-2332

Fax: (810)385-8875

Email: jtyrrell@innovativehousing.org



E.M.R.I.E.A. ADVISOR

Our office is located at:

3051 Commerce Dr, Ste 5
Fort Gratiot, MI 48059

Phone: (810)385-2332

Fax: (810)385-8875

www.emrha.org

Office Hours:

Monday - Thursday

8:30 a.m. - 5:00 p.m.

Friday

8:30 a.m. - 4:00 p.m.

Board of Directors

President	Matt Wallace	810-985-4320
Vice President	Judy Harris	810-385-3284
Secretary	Ken Montgomery	810-385-3150
Treasurer	Edward Schultz	810-385-2332
	David Oppliger	810-966-1881
	Renae Kiehler	810-385-2332
	Kathy Swantek	810-388-1200
	Dianna Maxwell	586-801-6068
	Virginia Irland	810-982-6239