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April 25, 2015

Dear Valued Client:

I thought I'd take this opportunity to update you on a couple of issues concerning your rental property in Fresno and Madera Counties. Also, attached are your reports for April 2015.

I've written before about the serious water situation in the Central Valley and it's only getting worse. We're in the 4th year of a severe drought and there's no end in sight. Not only is there a shortage of water, the price of what little is available is going up. That affects the landscaping on your rentals. Some of your tenants have stopped watering their lawns. This is happening all over the valley in every community and, again, it's only going to get worse. We'll monitor as much as possible and still require them to mow the "weeds" and keep the premises as neat as possible. This also means that the water bills (in your name when the unit is vacant) will also be higher than previous years. We'll always check the sprinklers and monitor water usage.

Another issue that is adversely affected by the severe drought is bugs and termites. Because of the lack of natural moisture we are seeing a significant increase in the roach and ant infestation in our properties. When moisture isn't available outside, the bugs are coming inside. That means we may have to use the services of a pest control company while the property is vacant or just before a new move-in. After occupancy, tenants are responsible for pest control. For those properties whose tenants are on the Section 8 program, the owner is responsible for providing pest control during the entire tenancy, as needed. We're having a similar issue with termites. The lack of moisture is bringing them to the property in greater numbers than in previous years. Fortunately, most instances seem to be the subterranean type. That means it's a little cheaper to treat and we don't have to tent the building.

Also regarding water, but this time the "hot" kind, the price of a new water heater is going up in the next few months. This is due to increased energy efficiency standards mandated by the State. That means the cost to replace a standard 30-40 gallon water heater will increase from \$950ish to about \$1,200, parts and labor included. Special sizes or configurations will be more. As the current inventory (e.g., in Lowe's, Home Depot, etc.) of the "old" water heaters are depleted our vendors will be forced to purchase the new ones. We'll continue to repair the existing ones wherever possible.

When a repair at your property is necessary, in an occupied unit, and the problem was caused by the tenant's actions, we always back-charge them for the expense. Things like broken windows, toilet backups caused by too much TP or improper objects, etc., are always charged to the tenant. The bill paid to the vendor is annotated by a T/C on the Expense Distribution (check register) page of your monthly reports. The T/C stands for "tenant charge." They are sent a copy of the invoice with a cover letter informing them of the charge. When a tenant does pay these charges, the funds show up as a negative expense (e.g., reimbursement) on your monthly reports. Sometimes the tenant will pay a little extra each month until the balance is paid in full. Often, however, the tenant does not pay these charges while they live there. Fortunately, the data is entered on their tenant ledger and we have long memories. That means that when they vacate the premises it is deducted from their Security Deposit.

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By a separate mailing in mid-May, I will send you a letter and ACH form. If you would like us to direct deposit your checks please complete the form and send it back ASAP. We must have the signed forms returned or you will continue to receive any checks with your monthly reports. Our intent is to begin this service with your June owner draw checks, deposited in early July.

One other issue that affects all of us is the U.S. Mail. I've just been made aware of the fact that, locally, they have stopped sorting mail overnight. That means that it now takes 2 days (vs. overnight) for reports to be received in the Fresno or Clovis area; longer for those who live farther away. Apparently, the USPS now emphasizes packages vs. first class mailings. I know many of you have asked that we email your monthly reports. Because each report is individually prepared and reviewed AND personal notes are annotated on them it is simply not possible to scan and email over 400 reports on a monthly basis. I guess that's a down-side of the personal services we provide to our clients. On a case-by-case or selective month basis we may be able to accommodate you. Please contact me if this service is required.

Another issue that occasionally comes up is Home Warranties. We've had very mixed results over the years with these policies on the properties we manage. The quality/professionalism of the local vendors they use varies widely. We've had instances of complete incompetence by the vendor requiring repeated calls for the same or similar issues to fix-it-the-first time experiences. We've also had several instances of exorbitant co-pays (beyond the standard \$60/\$70 visit) for large repairs. We've also had cases of losing tenants who got tired of waiting for a covered repair and have several examples of having to give tenants rent credit for non-use of their house while waiting for a Home Warranty vendor to respond. As you can tell, I'm not a big fan of these policies. You need to evaluate whether the annual cost of the policy plus the periodic co-pays are worth it in your situation.

I'll continue to write notes on your reports to try to explain anything unusual. I again apologize for my bad handwriting. I write big so you have a better chance of understanding what I'm trying to say. My intent is always to try to answer your question(s) before you ask them and explain any anomaly or unusual entries.

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/TAF:ck