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December 5, 2016

Dear Valued Client:

We hope you had a good Thanksgiving Holiday.

Attached are your reports for November 2016. As a reminder your December reports will be delayed a few days to ensure all income and expenses are included in the year-end reports. My objective is to put them in the mail by Friday, January 13th. For those payments we send ACH, those funds will be deposited by January 13th. Additionally, by the end of January, we will send you an IRS Form 1099 for all income we received on your behalf in 2016. If your tenant(s) were on Section 8 you will also receive a 1099 from the Fresno/Madera Housing Authority. We'll send that to you as soon as we receive it, usually by mid-February. The 1099 from Fox PM will not include Section 8 funds. Copies of the 1099's are submitted to the Internal Revenue Service. For 2016 you need to add these 2 together (as appropriate) to match the total income received. That amount should be the same as the total income shown on your December Cash Flow report. You'll then use the December reports showing the year-to-date expenses we incurred to complete your taxes.

I specifically said that the above procedures apply to 2016. For 2017 and subsequent years, the 1099's will be consolidated (e.g., Fox PM & Section 8 payments) and you'll only receive one. Hope all the above makes sense.

I know it seems like I've said this before but, 2016 has been a very dynamic and "challenging" year for our industry. In addition to a heated local and national election (that seemed to go on FOREVER! – thank goodness they're done!), we also had a lot of scrutiny from the local newspaper and some tenant groups. They were responding to a couple of VERY bad instances of actual and perceived situations of landlords not repairing or adequately maintaining rental properties. For 2017, there will continue to be significant emphasis on habitability issues (real and perceived), tenant "rights" and landlord "responsibilities." Notice I didn't mention anything about tenant "responsibilities." Not part of the current emphasis. We'll do our best to avoid being one of those "landlords" that make the headlines.

While nothing is yet set in stone or established, the newly-elected Fresno Mayor and City Council Members are under a lot of pressure to establish a "rental data-base" for ALL rental properties in the City AND annual/periodic inspections of same. So far this emphasis is only for the City of Fresno and does not apply to the outlying Cities. The data-base and inspections will, of course, come with fees and other costs. Again, nothing firm yet but I did want to alert you to this potential.

During the 2nd half of 2016 we've seen a decline in the vacancy rate. That's allowed us to selectively raise SOME rents. We continuously monitor the market but are sometimes hesitant to raise rents for fear of the tenant leaving. Our focus is to NOT do anything to create a vacancy!

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We continue to have some challenges with our Automatic Clearing House (ACH) depositing of your funds. For some owners the funds show up in their account the next business day after we send them and for some of you it takes 2-3 business days. Bank holidays and weekends also delay the funds showing up in your account. I wish I could explain the reason for the difference. Also, please remember that the date on your reports is usually the last business day of the month (same for the date on actual checks) but the date the funds are ACH'd into your account (or the check is mailed) is usually 7-8 days later. Again, hope that makes sense.

Another challenge we are having involves rodents and bugs (roaches, spiders, and bedbugs). These issues seem to be getting worse with the on-going drought this area has been suffering for the last 6-7 years. Rodents are becoming more prevalent in almost all parts of all towns. They not only enter homes/apartments from the ground but also from trees and bushes touching or hanging over your buildings. Don't be surprised if you see expenses in the tree trimming category on your reports. The bedbug issue has also become more widespread. Much of the bedbug infestation is from used and unprotected furniture moving into the apartments and houses. We try to monitor these "episodes" and hold the tenants responsible as much as we can but it's usually not possible in multi-family or Section 8 housing.

We appreciate your loyalty AND your business as we look forward to 2017. We pledge to continue to manage your property as if it were our own. We wish you and yours a very happy and joyous Holiday Season and a VERY safe, prosperous, healthy, and Happy New Year. Please call or email me with any questions.

Sincerely,

Terry A. Fox, CPM®
Owner/Broker
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Enclosures

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