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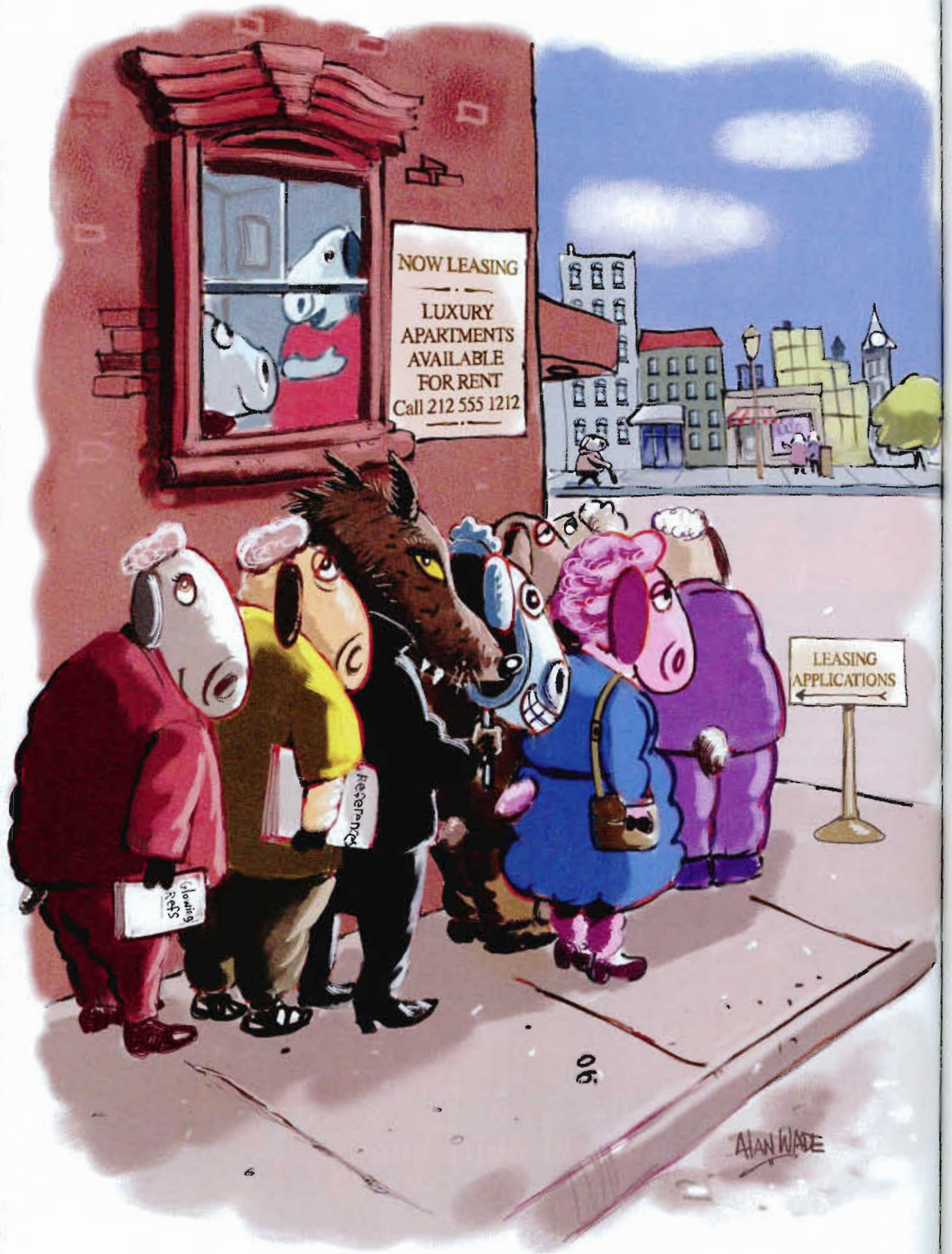
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Property managers must learn how to spot—and prevent—problems with potential residents **before** they join the flock.

BLACK

SHEEP

There appeared to be nothing wrong with the lease applicant standing before Linda Richer, a property manager for Sentinel Real Estate Corp. in Columbus, Ohio. The lease was complete and clean, showed a steady job history, and had the requisite references, and a credit check revealed that “Mr. Smith” was in good financial standing. Just as Richer was completing the paperwork, she ran Mr. Smith’s Ohio driver’s license through Sentinel’s resident screening service. Again, nearly everything was copacetic; Mr. Smith had no outstanding warrants or criminal history, hardly even a parking ticket. There was just one

problem: Mr. Smith was dead.

Concerned, Richer returned all of the lease paperwork and informed the applicant that Sentinel would be happy to rent him an apartment if he could provide additional proof of his identity—and that he was indeed among the living. “He came back the next day with an entirely different driver’s license with a different name, a different picture, even a different social security number,” recalls Richer, who put her best customer service foot forward and screened the new license as a courtesy. “We ran it, and his new persona was listed as deceased, as well. It was sad, in a way. The guy was either totally clueless or totally desperate.”

By Chris Wood

Obviously, none of the many faces of Mr. Smith ever found their way into a Sentinel property. But many multifamily communities nationwide aren't quite as lucky. From submitting fraudulent lease applications to creating noise and damaging property, virtually every multifamily player has seen their version of Carter Hayes, Michael Keaton's infamous character in the 1990 film *Pacific Heights*, who failed to pay rent, changed locks, bred cockroaches, and systematically drove away residents and property managers.

By all accounts, the name of the game is to weed out the Carter Hayes rental applicants of the world before they ever sign a lease. But while advances in resident screening technology have made that process relatively hassle-free, property managers still have to deal with renter devolution: the process by which a normally good renter becomes disgruntled and delinquent. To that end, multifamily executives can reduce their exposure to problematic renters by initiating an ongoing customer service improvement plan and working proactively with all residents at the first sign of trouble. Here, experts identify the four critical, preventive steps that will ensure the sanity and sanctity of your community.

step one: **SCREEN SMART**

Proper use of resident screening software, which provides real-time access to a prospect's rental history, criminal background, and credit worthiness, is the first step in that process. But property managers and owners alike must move beyond a plug-and-play approach. "A lot of companies just set up screening standards without thinking about it," explains Jennifer Eschbaugh, a property management veteran who now works as a multifamily account executive for Dublin, Ohio-based customer service consultancy Signature Worldwide. "But it is crucial to sit down and identify the behavior patterns of the renters that you want—as well as the renters that you don't want—in order to work with your screening company and find the correct medium. And continuously evaluate your experiences."

Keep in mind that some negative behavior patterns are obvious. Signs such as over-aggressiveness, a hesitancy to provide basic personal information, or erratic speech or motor skills will raise red flags regardless of the particular system being used. But other behaviors are more subtle, and detecting negative patterns can be tedious for computer and human screeners alike. "If you have an individual

that has problematic behavior, whether it is personal, financial, or criminal, they have a tendency to compound or continue to have poor behavior patterns in other areas," explains Richer, who is now director of resident screening for Houston-based multifamily resident screening specialists CBCAmRent. "People go through hard times, so you're not looking for a one-and-done event. The proactive screener is looking for a pattern of delinquency and irresponsibility and is asking what the risk is and how it might impact your property."

step two: **GET FACE TIME**

Screening vigilance doesn't end with a signed lease, though. In many instances, problematic resident behavior is the end result of an unfortunate chain of events. Property managers must take advantage of the opportunity to intervene and diffuse negative trends with good, old-fashioned communication and customer service. "Ninety-nine percent of the time someone doesn't just turn bad," says Nevel DeHart, vice president of Lakewood, Colo.-based First Advantage SafeRent, which provides resident screening and property performance measuring for the multifamily industry. "They have a pat-

LEGAL EAGLES

Preparedness can ease the pain of eviction proceedings.

You can screen lease applicants as stringently as possible and work the phone for quality references and rent histories. You can hope, and you can pray, but even with the most disciplined efforts, you'll eventually be stuck with an atrocious tenant. Whether they're noisy, late with the rent, or even engaged in criminal activity, a property manager's best ally is the enforcement of the lease covenant. Real estate attorneys specializing in landlord/tenant disputes say you shouldn't be afraid to wield the entire weight of your legal rights. "You always need to be prepared for eviction," says Zachary Schorr, a partner at Los Angeles-based Schorr Law, which specializes in real estate. "Problem renters are going to happen. It is unavoidable, and you need to have a game plan."

Schorr believes the most common legal misstep made by property managers is that

they fail to secure an attorney in the first place. In the heat of battle with a boisterous, non-compliant resident, you can't afford to spend weeks shopping for a lawyer. Here are three other strategies that can help mitigate the eviction process.

■ **Get Familiar with the Law.** The legalese within leases can appear intimidating. With the help of your attorney, review the provisions of your lease several times a year so you completely understand your rights as outlined in the lease covenant. You can't enforce the rules, if you don't know what they are.

■ **Employ the Three-Day Notice.** If a policy is important enough to build into the lease, it is important enough to warrant eviction for noncompliance. When lease regulations are breached, move to evict immediately. Build a three-day eviction

notice into your lease for all policy infractions. The rapidity with which you react will only underscore the seriousness of the matter for the resident.

■ **Cover Your Litigation Costs.** Enforcing your rights should never be a financial burden, but as eviction proceedings move into the courtroom, costs can mount, especially for jury trials. Incorporate an attorney fees clause into your lease so the resident is liable for any legal costs when the court (hopefully) finds in your favor.

For the legally minded, proactive property manager, the time and expense of an eviction proceeding can be greatly reduced. "Eviction costs will always depend primarily on the level of resistance [from the resident]," Schorr says. "Draft your lease to anticipate problem renters, understand and actively enforce your policies, and you'll be ahead of the game."

tern, they start to be late on rent, they get complaints, and their file gets thicker. As soon as you run into difficulty, the sooner you can communicate with a resident and impress upon them your concerns, the better."

To leave the best impression, make an immediate and personal visit to the resident's unit, say customer service and legal experts alike. "The first thing you need to do is get face to face," says Joseph Batdorf, CEO for J. Turner Research, a Houston-based company that tracks customer service and resident satisfaction scores for several multifamily clients across 20,000 units nationwide. "Trying to bring them into the office, trying to call them up on the phone, or starting an e-mail- or letter-writing campaign is the wrong approach. The approach is to invite yourself over and find out exactly what the story is."

Attorney Zachary Schorr agrees, suggesting that property managers avoid playing the good guy. Instead, proactively address policy violations as they occur. "You want to immediately engage the problem renter face to face," Schorr says. "You want to be constructive and accommodating and solve problems, but you should also trigger all of your legal options. There's no reason you cannot offer problem-solving customer service and provide a three-day notice of eviction [at the same time]." In other words, property managers should evict first and ask questions later. [See "Legal Eagles" at left.]

step three: **DON'T CONCEDE**

In high-density multifamily properties, the "problem" with problem renters, of course, is that they are not islands. Their negative behavior often affects the loyalty and well-being of a community's entire renter pool. Expect the actions of a few erratic residents to directly impact renewals, referrals, and operation costs. If you feel an immediate impulse to reach out to affected residents and assuage their concerns, stop. Resident outreach is paradoxically the last thing you want to do when dealing with a problematic unit.

"You don't want to canvas surrounding units—that is just inviting them into the problem," says Eschbaugh, who notes that a resident-by-resident approach will keep disturbances on the quiet. At the same time, if a resident directly approaches management with a complaint, react



immediately. "Apologize directly to any individual that is experiencing difficulty," Eschbaugh continues. "Take charge of the situation, and let them know exactly what you are going to do about it... that action is actually going to be taken."

When taking action on behalf of complaining residents, don't be frivolous, but don't go overboard. Avoid bandage fixes such as offering relocation to a different unit or knocking a couple of dollars off the rent. They do little to solve the core problem and set a dangerous precedent. You want to turn frowns into smiles, but you don't want customers to get the idea that they get a discount every time they issue a complaint. "Concessions are not the way to go unless absolutely necessary," Eschbaugh says. "It is the little things that make a difference. Show empathy. Find a simple way to solve the issue." For instance, Eschbaugh recalls a resident who was complaining about a neighbor who smoked. The property manager installed a special ventilator in the smoker's unit, which pleased everyone without the inconvenience of a move or rent discount.

step four: **BE PREPARED**

Don't isolate this type of hands-on approach to a single resident gone awry, either. Batdorf credits the multifamily

industry for focusing on customer service—even incorporating it into corporate cultures and mission statements—but he believes more industry players need to accurately and consistently measure community-wide customer satisfaction levels. Only then will they be able to improve the quality of the overall resident base.

"Customer service is a process; it is not an event," Batdorf says. "Don't just focus on problems as they occur, focus on your whole property. Survey them quarterly. Ask them if they would refer people, about their interaction with the staff. How is their overall community experience?"

Proactive approaches aren't going to eliminate problem renters entirely but will help to minimize the impact on property fundamentals and even take the sting out of evictions. If you do end up in court, come prepared and anticipate the worst.

As a last-ditch effort, you can always try to buy a resident out of their lease. Often, the prospect of a couple of thousand dollars versus a drawn-out legal battle is enough to entice a deadbeat to simply beat it.

"There are no guarantees in court," Schorr admits. "Especially in rent-controlled markets, the tenant will often 'agree out,' and that's always a quicker and cheaper option to finally get them out of your building and keep you and your attorney out of court." [M]