

# Windsor News Release

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## LANDLORDING - THE BASICS

As part of your financial plan, a rental property is an excellent component.

Along with your retirement account, some stocks and bonds, a substantial equity in your personal residence, some precious stones or metals (or antiques) - your BALANCED portfolio of assets to preserve wealth ought to include an **income generating property**.

And why not? It is fairly easy to acquire and can even generate a cash flow. The capital appreciation and tax benefits alone of an income property are attractive financially over the long term, but the added attraction of cash flow is cream on the cake. Some people live off this alone, even after retirement.

So let's assume you have purchased a single family home, or block of apartments (4-plex or such). What are the basics of

Landlording for the beginner?

**The behavior of Landlords (and Tenants) is governed in Alaska by the Landlord & Tenant Act.** The following are the essential things you need to know about those regulations:-

**1) You can manage your own rentals, or hire a licensed real estate person to manage your property.** Professional property management fees are negotiable but the typical cost is between 8% and 10% of the monthly rent plus a sign-up fee for a new tenant of one month's rent. However, let's assume you are handling this yourself.

**2) A draft premises condition statement** should be prepared by landlord prior to lease initiating. Landlord and tenant should go through the premises together, writing down any additional damaged areas (such as

scratches or burns), and then both landlord and tenant sign and date the revised version and keep a copy.

Tenants can use the premises condition statement to prove that they were not responsible for damages that existed before they moved in. Landlords can also use it to establish when damage occurred.

**3) A landlord may enter the premises only to:**

- Make repairs or perform maintenance;
- Supply necessary or agreed services;
- Show the premises to prospective buyers, renters, or contractor.

**4) The only time a landlord may enter the premises without permission is when:**

- It is not possible to contact

the tenant by ordinary means;

- The tenant has been gone from the property more than seven days without notice; or
- There is an emergency (such as smoke, water, or explosion).

**5) Security Deposits:** Except for units renting for more than \$2,000 per month, security deposits and prepaid rents **may not total more than two months' rent.** AS 34.03.070 (a)

A landlord may require an additional deposit, of up to one month's rent, from a tenant who will be keeping a pet that is not a service animal. AS 34.03.070 (h)

A receipt should be written whenever the tenant pays a deposit or prepays rent.

The landlord cannot mix prepaid rent and security deposit funds with other money. That is, you should open a separate account at your Bank to hold these deposits.

**6) Pet Deposit:**

The additional “**pet deposit**” is to be accounted for separately from the regular security deposit or prepaid rent, and can be applied only to the amount of damage directly related to the pet. AS 34.03.070 (h)

**7) Carpeting:**

If the carpets were professionally cleaned immediately before the tenancy began, the landlord can insist that the tenant have the carpets professionally cleaned at move-out. AS 34.03.120 (c)

**8) Landlords are required to provide tenants with the **terms and conditions** under which prepaid rents or deposits (or any portion of those monies) might be withheld by the landlord. Your lease should include these matters. Even though you may want an Attorney to prepare the lease, in most cases you can obtain a blank lease form and create these comments yourself.**

**9) Tenants cannot be charged for damages cause by “normal wear and tear.”** AS 34.03.070 (b)

“**Normal wear and tear**” is deterioration that occurs from the intended use of the rental unit and without negligence, carelessness, accident, misuse or abuse of the premises or contents by the tenant, members of the tenant's household, or the tenant's guest and invitees.

**10) Remember if you decide to become a Landlord, always **put the Lease in writing.**** Below is a checklist of items that should be included. Alternatively, I can provide you with a sample Lease.

**Lease agreements should include:-**

- The name and address of an owner of the premises, or a person authorized to act as an agent of the owner, for the purpose of service of process and receiving notices and demands from the tenant or the owner's agent; and
- The name and address of the

tenant (s);

- How many tenants and pets are to occupy the unit;
- Who holds the deposit;
- Reasons the deposit or a portion of it may be retained by the landlord;
- The amount to be paid for rent and deposits;
- When, where, and how the rent is to be paid;
- When the rent is considered delinquent, and what the penalty will be for late payment;
- Whether this is a month-to-month tenancy or a lease with a definite contract period;
- Who pays for utilities and what services are provided;
- A list of prohibited equipment (snowmobiles, musical equipment, motorcycles, etc.);
- A list of landlord and tenant repair and maintenance duties and who pays for them;
- Rules on subleasing or assignment of the property;
- A premises condition statement and contents inventory;

Good luck and, if you wish to acquire an income property, call me for an appointment and we can get you started.

*Dave Windsor*