



PROPERTY MANAGEMENT AGREEMENT

(C.A.R. Form PMA, Revised 11/13)

Joe Landlord
1st Rate Rentals

____ ("Owner"), and
____ ("Broker"), agree as follows:

1. **APPOINTMENT OF BROKER:** Owner hereby appoints and grants Broker the exclusive right to rent, lease, operate, and manage the property(ies) known as 123 Fake St., Moreno Valley, CA 92555
____ and any additional property that may later be added to this Agreement ("Property"), upon the terms below, for the period beginning (date) October 1, 2018 and ending (date) see addendums, at 11:59 PM. (If checked:) ☐ Either party may terminate this Property Management Agreement ("Agreement") on at least 30 days written notice _____ months after the original commencement date of this Agreement. After the exclusive term expires, this Agreement shall continue as a non-exclusive agreement that either party may terminate by giving at least 30 days written notice to the other.
2. **BROKER ACCEPTANCE:** Broker accepts the appointment and grant, and agrees to:
 - A. Use due diligence in the performance of this Agreement.
 - B. Furnish the services of its firm for the rental, leasing, operation and management of the Property.
3. **AUTHORITY AND POWERS:** Owner grants Broker the authority and power, at Owner's expense, to:
 - A. **ADVERTISING:** Display FOR RENT/LEASE and similar signs on the Property and advertise the availability of the Property, or any part thereof, for rental or lease.
 - B. **RENTAL; LEASING:** Initiate, sign, renew, modify or cancel rental agreements and leases for the Property, or any part thereof; collect and give receipts for rents, other fees, charges and security deposits. Any lease or rental agreement executed by Broker for Owner shall not exceed _____ year(s) or ☐ shall be month-to-month. Unless Owner authorizes a lower amount, rent shall be: ☐ at market rate; OR ☒ a minimum of \$ 2,000.00 per month; OR ☐ see attachment.
 - C. **TENANCY TERMINATION:** Sign and serve in Owner's name notices that are required or appropriate; commence and prosecute actions to evict tenants; recover possession of the Property in Owner's name; recover rents and other sums due; and, when expedient, settle, compromise and release claims, actions and suits and/or reinstate tenancies.
 - D. **REPAIR; MAINTENANCE:** Make, cause to be made, and/or supervise repairs, improvements, alterations and decorations to the Property; purchase, and pay bills for, services and supplies. Broker shall obtain prior approval of Owner for all expenditures over \$ 250.00 for any one item. Prior approval shall not be required for monthly or recurring operating charges or, if in Broker's opinion, emergency expenditures over the maximum are needed to protect the Property or other property(ies) from damage, prevent injury to persons, avoid suspension of necessary services, avoid penalties or fines, or suspension of services to tenants required by a lease or rental agreement or by law, including, but not limited to, maintaining the Property in a condition fit for human habitation as required by Civil Code §§ 1941 and 1941.1 and Health and Safety Code §§ 17920.3 and 17920.10.
 - E. **REPORTS, NOTICES AND SIGNS:** Comply with federal, state or local law requiring delivery of reports or notices and/or posting of signs or notices.
 - F. **CONTRACTS; SERVICES:** Contract, hire, supervise and/or discharge firms and persons, including utilities, required for the operation and maintenance of the Property. Broker may perform any of Broker's duties through attorneys, agents, employees, or independent contractors and, except for persons working in Broker's firm, shall not be responsible for their acts, omissions, defaults, negligence and/or costs of same.
 - G. **EXPENSE PAYMENTS:** Pay expenses and costs for the Property from Owner's funds held by Broker, unless otherwise directed by Owner. Expenses and costs may include, but are not limited to, property management compensation, fees and charges, expenses for goods and services, property taxes and other taxes, Owner's Association dues, assessments, loan payments and insurance premiums.
 - H. **SECURITY DEPOSITS:** Receive security deposits from tenants, which deposits shall be ☐ given to Owner, or ☒ placed in Broker's trust account and, if held in Broker's trust account, pay from Owner's funds all interest on tenants' security deposits if required by local law or ordinance. Owner shall be responsible to tenants for return of security deposits and all interest due on security deposits held by Owner.
 - I. **TRUST FUNDS:** Deposit all receipts collected for Owner, less any sums properly deducted or disbursed, in a financial institution whose deposits are insured by an agency of the United States government. The funds shall be held in a trust account separate from Broker's personal accounts. Broker shall not be liable in event of bankruptcy or failure of a financial institution.
 - J. **RESERVES:** Maintain a reserve in Broker's trust account of \$ 250.00.
 - K. **DISBURSEMENTS:** Disburse Owner's funds held in Broker's trust account in the following order:
 - (1) Compensation due Broker under paragraph 8.
 - (2) All other operating expenses, costs and disbursements payable from Owner's funds held by Broker.
 - (3) Reserves and security deposits held by Broker.
 - (4) Balance to Owner.
 - L. **OWNER DISTRIBUTION:** Remit funds, if any are available, monthly (or ☐ _____), to Owner.
 - M. **OWNER STATEMENTS:** Render monthly, (or ☐ Quarterly or ☐ _____), statements of receipts, expenses and charges for each Property.
 - N. **BROKER FUNDS:** Broker shall not advance Broker's own funds in connection with the Property or this Agreement.

Owner's Initials (_____) (_____)

Broker's Initials (_____) (_____)

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PMA REVISED 11/13 (PAGE 1 OF 4)

Reviewed by _____ Date _____



PROPERTY MANAGEMENT AGREEMENT (PMA PAGE 1 OF 4)

Agent: Carol Santoro

Phone: 951-328-9000

Fax: 951-328-0107

Prepared using zipForm® software

Broker: National Realty Group 19340 Jesse Lane Riverside, CA 92508

- O. KEYSAFE/LOCKBOX:** ☒ (If checked) Owner authorizes the use of a keysafe/lockbox to allow entry into the Property and agrees to sign a keysafe/ lockbox addendum (C.A.R., Form KLA).

4. OWNER RESPONSIBILITIES: Owner shall:

- A.** Provide all documentation, records and disclosures as required by law or required by Broker to manage and operate the Property, and immediately notify Broker if Owner becomes aware of any change in such documentation, records or disclosures, or any matter affecting the habitability of the Property.
- B.** Indemnify, defend and hold harmless Broker, and all persons in Broker's firm, regardless of responsibility, from all costs, expenses, suits, liabilities, damages, attorney fees and claims of every type, including but not limited to those arising out of injury or death of any person, or damage to any real or personal property of any person, including Owner, for: (i) any repairs performed by Owner or by others hired directly by Owner; or (ii) those relating to the management, leasing, rental, security deposits, or operation of the Property by Broker, or any person in Broker's firm, or the performance or exercise of any of the duties, powers or authorities granted to Broker.
- C.** Maintain the Property in a condition fit for human habitation as required by Civil Code §§ 1941 and 1941.1 and Health and Safety Code §§ 17920.3 and 17920.10 and other applicable law.
- D.** Pay all interest on tenants' security deposits if required by local law or ordinance.
- E.** Carry and pay for: (i) public and premises liability insurance in an amount of no less than \$1,000,000; and (ii) property damage and worker's compensation insurance adequate to protect the interests of Owner and Broker. Broker shall be, and Owner authorizes Broker to be, named as an additional insured party on Owner's policies.
- F.** Pay any late charges, penalties and/or interest imposed by lenders or other parties for failure to make payment to those parties, if the failure is due to insufficient funds in Broker's trust account available for such payment.
- G.** Immediately replace any funds required if there are insufficient funds in Broker's trust account to cover Owner's responsibilities.

- 5. OWNER REPRESENTATIONS:** Owner represents that unless otherwise specified in writing, Owner is unaware of: (i) any recorded Notice of Default affecting the Property; (ii) any delinquent amounts due under any loan secured by, or other obligation affecting, the Property; (iii) any bankruptcy, insolvency or similar proceeding affecting the Property; (iv) any litigation, arbitration, administrative action, government investigation, or other pending or threatened action that does or may affect the Property or Owners ability to transfer it; and (v) any current, pending or proposed special assessments affecting the Property. Owner shall promptly notify Broker in writing if Owner becomes aware of any of these items during the term of this Agreement.

6. TAX WITHHOLDING:

- A.** If Owner is not a California Resident or a corporation or LLC qualified to conduct business in California, Owner authorizes Broker to withhold and transmit to California Franchise Tax Board ("FTB") 7% of the GROSS payments to Owner that exceed \$1,500 received by Broker, unless Owner completes and transmits to Broker FTB form 589, nonresident reduced withholding request, FTB form 588, nonresident withholding waiver, or FTB form 590, withholding exemption certificate.
- B.** If Owner is a nonresident alien individual, a foreign entity, or other non-U.S. person, (Foreign Investor) Owner authorizes Broker to withhold and transmit to the Internal Revenue Service (IRS) 30% of the GROSS rental receipts unless Owner elects to treat rental income as "effectively connected income" by submitting to Broker a fully completed IRS form W-8ECI, Certificate of Foreign Person's Claim for Exemption From Withholding on Income Effectively Connected With the Conduct of a Trade of Business in the United States. A Foreign investor Owner will need to obtain a U.S. tax payer identification number and file a declaration with the IRS regarding effectively connected income in order to complete the form given to Broker. Further, the Foreign Investor Owner will be responsible for making any necessary estimated tax payments.

7. DISCLOSURE:

A. LEAD-BASED PAINT

- (1) ☐ The Property was constructed on or after January 1, 1978.
- OR (2)** ☐ The Property was constructed prior to 1978.
- (i) Owner has no knowledge of lead-based paint or lead-based paint hazards in the housing except: _____
- (ii) Owner has no reports or records pertaining to lead-based paint or lead-based paint hazards in the housing, except the following, which Owner shall provide to Broker: _____

B. POOL/SPA DRAIN

Any pool or spa on the property does (or, ☐ does not) have an approved anti-entrapment drain cover, device or system.

COMPENSATION:

- 8. A.** Owner agrees to pay Broker fees in the amounts indicated below for:
- (1) Management: 7% of rent per mo. or \$99 whichever is greater.
- (2) Renting or Leasing: \$329 lease fee paid at move-in
- (3) Evictions: Landlord responsible for cost of eviction
- (4) Preparing Property for rental or lease: _____
- (5) Managing Property during extended periods of vacancy: _____
- (6) An overhead and service fee added to the cost of all work performed by, or at the direction of, Broker: _____
- (7) Other: _____
- B.** This Agreement does not include providing on-site management services, property sales, refinancing, preparing Property for sale or refinancing, modernization, fire or major damage restoration, rehabilitation, obtaining income tax, accounting or legal advice, representation before public agencies, advising on proposed new construction, debt collection, counseling, attending Owner's Association meetings or _____

If Owner requests Broker to perform services not included in this Agreement, a fee shall be agreed upon before these services are performed.

Owner's Initials (_____) (_____)

Broker's Initials (_____) (_____)

C. Broker may divide compensation, fees and charges due under this Agreement in any manner acceptable to Broker.

D. Owner further agrees that:

(1) Broker may receive and keep fees and charges from tenants for: (i) requesting an assignment of lease or sublease of the Property; (ii) processing credit applications; (iii) any returned checks and/or (☐ if checked) late payments; and (iv) any other services that are not in conflict with this Agreement.

(2) Broker may perform any of Broker's duties, and obtain necessary products and services, through affiliated companies or organizations in which Broker may own an interest. Broker may receive fees, commissions and/or profits from these affiliated companies or organizations. Broker has an ownership interest in the following affiliated companies or organizations:

None

Broker shall disclose to Owner any other such relationships as they occur. Broker shall not receive any fees, commissions or profits from unaffiliated companies or organizations in the performance of this Agreement, without prior disclosure to Owner.

(3) Other: _____

9. **AGENCY RELATIONSHIPS:** Broker may act, and Owner hereby consents to Broker acting, as dual agent for Owner and tenant(s) in any resulting transaction. If the Property includes residential property with one-to-four dwelling units and this Agreement permits a tenancy in excess of one year, Owner acknowledges receipt of the "Disclosure Regarding Agency Relationships" (C.A.R. Form AD). Owner understands that Broker may have or obtain property management agreements on other property, and that potential tenants may consider, make offers on, or lease through Broker, property the same as or similar to Owner's Property. Owner consents to Broker's representation of other owners' properties before, during and after the expiration of this Agreement.

10. **NOTICES:** Any written notice to Owner or Broker required under this Agreement shall be served by sending such notice by first class mail or other agreed-to delivery method to that party at the address below, or at any different address the parties may later designate for this purpose. Notice shall be deemed received three (3) calendar days after deposit into the United States mail OR ☐ _____.

11. **DISPUTE RESOLUTION:**

A. **MEDIATION:** Owner and Broker agree to mediate any dispute or claim arising between them out of this Agreement, or any resulting transaction before resorting to arbitration or court action. Mediation fees, if any, shall be divided equally among the parties involved. If, for any dispute or claim to which this paragraph applies, any party (i) commences an action without first attempting to resolve the matter through mediation, or (ii) before commencement of an action, refuses to mediate after a request has been made, then that party shall not be entitled to recover attorney fees, even if they would otherwise be available to that party in any such action. THIS MEDIATION PROVISION APPLIES WHETHER OR NOT THE ARBITRATION PROVISION IS INITIALED. Exclusions from this mediation agreement are specified in paragraph 11C.

B. **ARBITRATION OF DISPUTES:**

Owner and Broker agree that any dispute or claim in Law or equity arising between them out of this Agreement or any resulting transaction, which is not settled through mediation, shall be decided by neutral, binding arbitration. The arbitrator shall be a retired judge or justice, or an attorney with at least 5 years of residential real estate Law experience, unless the parties mutually agree to a different arbitrator. The parties shall have the right to discovery in accordance with Code of Civil Procedure §1283.05. In all other respects, the arbitration shall be conducted in accordance with Title 9 of Part 3 of the Code of Civil Procedure. Judgment upon the award of the arbitrator(s) may be entered into any court having jurisdiction. Enforcement of this agreement to arbitrate shall be governed by the Federal Arbitration Act. Exclusions from this arbitration agreement are specified in paragraph 11C.

"NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE 'ARBITRATION OF DISPUTES' PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE 'ARBITRATION OF DISPUTES' PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY."

"WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE 'ARBITRATION OF DISPUTES' PROVISION TO NEUTRAL ARBITRATION."

Owner's Initials _____ / _____ Broker's Initials _____ / _____

C. **ADDITIONAL MEDIATION AND ARBITRATION TERMS:** The following matters shall be excluded from mediation and arbitration: (i) a judicial or non-judicial foreclosure or other action or proceeding to enforce a deed of trust, mortgage or installment land sale contract as defined in Civil Code §2985; (ii) an unlawful detainer action; (iii) the filing or enforcement of a mechanic's lien; and (iv) any matter that is within the jurisdiction of a probate, small claims or bankruptcy court. The filing of a court action to enable the recording of a notice of pending action, for order of attachment, receivership, injunction, or other provisional remedies, shall not constitute a waiver or violation of the mediation and arbitration provisions.

Owner's Initials (_____) (_____)

Broker's Initials (_____) (_____)

Owner Name: Joe Landlord Date: October 1, 2018

12. **EQUAL HOUSING OPPORTUNITY:** The Property is offered in compliance with federal, state and local anti-discrimination laws.
13. **ATTORNEY FEES:** In any action, proceeding or arbitration between Owner and Broker regarding the obligation to pay compensation under this Agreement, the prevailing Owner or Broker shall be entitled to reasonable attorney fees and costs from the non-prevailing Owner or Broker, except as provided in paragraph 11A.
14. **ADDITIONAL TERMS:** ☐ Keysafe/Lockbox Addendum (C.A.R. Form KLA); ☐ Lead-Based Paint and Lead-Based Paint Hazards Disclosure (C.A.R. Form FLD) Property Management Agreement addendums.

15. **TIME OF ESSENCE; ENTIRE CONTRACT; CHANGES:** Time is of the essence. All understandings between the parties are incorporated in this Agreement. Its terms are intended by the parties as a final, complete and exclusive expression of their Agreement with respect to its subject matter, and may not be contradicted by evidence of any prior agreement or contemporaneous oral agreement. If any provision of this Agreement is held to be ineffective or invalid, the remaining provisions will nevertheless be given full force and effect. Neither this Agreement nor any provision in it may be extended, amended, modified, altered or changed except in writing. This Agreement and any supplement, addendum or modification, including any copy, may be signed in two or more counterparts, all of which shall constitute one and the same writing.

Owner warrants that Owner is the owner of the Property or has the authority to execute this Agreement. Owner acknowledges Owner has read, understands, accepts and has received a copy of the Agreement.

Owner _____ Date _____

Owner Joe Landlord
Print Name _____ Social Security/Tax ID # (for tax reporting purposes) _____

Address _____ City _____ State _____ Zip _____

Telephone _____ Fax _____ Email _____

Owner _____ Date _____

Owner _____
Print Name _____ Social Security/Tax ID # (for tax reporting purposes) _____

Address _____ City _____ State _____ Zip _____

Telephone _____ Fax _____ Email _____

Real Estate Broker (Firm) 1st Rate Rentals Cal BRE Lic. #: 01033580


By (Agent) _____ Cal BRE Lic. #: _____ Date _____

Address 19340 Jesse Lane Suite 110 City Riverside State CA Zip 92508

Telephone (951)328-9090 Fax (951)328-8629 Email lstratemv@gmail.com

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525 South Virgil Avenue, Los Angeles, California 90020

Reviewed by _____ Date _____





KEYSAFE/LOCKBOX ADDENDUM AND TENANT PERMISSION TO ACCESS PROPERTY

(C.A.R. Form KLA, Revised 4/13)

The undersigned seller and landlord Joe Landlord ("Owner") has entered into an agreement with 1st Rate Rentals ("Broker") dated October 1, 2018, to market for sale, lease or rent the real property located at 123 Fake St., Moreno Valley, CA 92555 ("Property").

1. DISCLOSURES REGARDING ACCESS TO AND PROTECTION OF PROPERTY:

- A keysafe/lockbox is designed to hold a key to the above Property, permitting access to the interior of the Property by Broker, other brokers and real estate licensees who are participants of the Multiple Listing Service(s) ("MLS"), authorized appraisers and inspectors, and accompanied persons interested in purchasing, leasing or renting the Property. These individuals may take videos or photographs of the Property. Broker does not have the ability to control or block the taking of and use of images by any such persons.
- MLS rules require a keysafe/lockbox placed on the property to be an MLS approved access device in accordance with the rules of the MLS where the listing has been submitted. Generally, an MLS approved access device is one (i) that is specifically authorized by the MLS or (ii) where use of it provides reasonable and timely access to listed property in accordance with the standards required by the MLS.
- Broker, cooperating brokers and other real estate licensees, the MLS and Associations/Boards of REALTORS® are **not** insurers against injury, theft, loss, vandalism, damage or other harm whether through the use of a keysafe/lockbox or other means. Broker does not maintain insurance to protect Owner or other occupants.
- Broker recommends that Owner and, if applicable, Tenant and other occupants of the Property maintain insurance and take any and all possible precautions and safeguards to protect themselves, other occupants and visitors, their property and belongings, including cash, jewelry, drugs, firearms, and other valuables located on the Property.

2. OWNER PERMISSION FOR USE OF A KEYSAFE/LOCKBOX:

Owner hereby authorizes Broker to use a keysafe/lockbox. If the Property is tenant-occupied, Owner is advised that tenant permission may be required and is recommended. Owner acknowledges receipt of a copy of this document.

Date _____
Owner _____
Joe Landlord
(Print Name)

Date _____
Owner _____

(Print Name)

3. TENANT PERMISSION TO ACCESS PREMISES:

I am the current tenant of the above referenced Property, and have read the disclosure statements above. In addition to any authority granted in the lease or rental agreement, I agree as follows:

- ☐ Broker may use a keysafe/lockbox.
☐ Broker may show Property as follows:

- ☐ (For Single-Family Dwellings:) Broker may post a "FOR SALE", "FOR LEASE", "FOR RENT" or "SOLD" sign on the Property.

Tenant acknowledges receipt of a copy of this document.

Date _____
Tenant _____

(Print Name)

Date _____
Tenant _____

(Print Name)

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KLA REVISED 4/13 (PAGE 1 OF 1)

KEYSAFE/LOCKBOX ADDENDUM AND TENANT PERMISSION TO ACCESS PROPERTY (KLA PAGE 1 OF 1)

PROPERTY MANAGEMENT AGREEMENT ADDENDUM

1. **TERM LENGTH OF THIS AGREEMENT:** This agreement affords Broker ninety (90) days from date of signing to place a qualified tenant. If Broker fails secure a tenant within ninety (90) days of signing this agreement, Owner may cancel this agreement in writing and request all property keys returned without recourse from Broker. Broker will continue to search for a qualified tenant until Owner submits a written cancellation.
2. **PAYMENTS TO OWNER:** Broker collects rent in the form of money orders, cashier's checks, bank check or electronic payment payable to Broker between the 1st and the 5th of each month. All rents paid by tenants are deposited into Broker's trust account and a Broker check will be mailed to the Owner or ACH deposit initiated to Owner between the 5th and the 10th of each month in the amount of the rent less applicable management fees and/or approved property repair costs. In the event of a tenant payment charge-back or non-sufficient funds payment, Broker will request Owner to return rent distributed. Rent monies distributed will be replenished by tenant security deposit to make account whole until Owner returns distributed rent. **Broker is not responsible or liable to pay Owner on rents not received.**
3. **LATE FEES:** Owner will receive 100% of late fees collected. Late fees are collected in progression starting at thirty dollars (\$30.00) on the fourth (4th) of the month and continuing at a rate of seven dollars (\$7.00) per day until the fourteenth (14th), at which point the late fee is capped at one-hundred dollars (\$100.00) for the month. Broker will submit a demand statement to the tenants for payment of any late fees. If tenants do not pay the late fees when requested, late fees will be deducted from tenant's security deposit upon tenant vacancy. Late fees will only be tendered to Owner when Broker collects late fee or upon tenant vacancy. Broker cannot and will not evict a tenant for nonpayment of late fees.
4. **CONDITION OF PROPERTY:** Property must be move-in condition one week prior to scheduled tenant move-in. Move-in condition is outlined on the document titled "General Cleaning List". If possible, Broker would like property in move-in condition during the entirety of vacancy and showing to ensure the property is presentable. If property is not in move-in condition one-week prior to scheduled tenant move-in, Broker reserves the right to hire a housekeeper to complete any necessary cleaning at the Owner's expense. If Broker has requested Owner to complete specified repairs, they must also be completed one week prior to scheduled tenant move-in. Owner is responsible for any and all cleaning, repairs, and lawn and pool maintenance and utilities during vacancy. Broker will assist in locating cleaning and repair vendors as well as assist in organizing repairs pre- and during tenancy. Owner is responsible for checking the HVAC unit(s) and included property appliances to ensure their operation prior to Broker managing the property. Owner is further responsible to ensure sprinkler systems are functioning and lawn and landscape is maintained during vacancy.
5. **ADVERTISING:** Owner authorizes Broker to advertise the property, to display signs thereon, possess and duplicate keys to property, and install Broker lockbox at property. Broker will advertise property on www.FirstRateRentals.net, as well as provide standard advertising on Broker selected third party websites which may include Zillow.com, Trulia.com, Rent.com, Rentalads.com, HotPads.com, FaceBook.com, and more at no cost to Owner. Additionally, Broker will install a "For Rent" sign at property site. Alternative forms of advertising (news papers, magazines, etc...) are available at Owner expense. Broker is not required to pay for additional advertising in newspapers, magazines or any other form of advertising.
6. **DISCRIMINATION/AMERICANS WITH DISABILITIES:** US and California law prohibits discrimination in the selection and rental to tenants. Broker will not discriminate on Owner behalf for any reason. Discrimination consists of non-rental because of race, gender, sexual orientation, political views, military service, and/or a disability. Furthermore, in the event an applicant with a disability is qualified by Broker (good credit, good income, good work history) certain Owner preferences will be overwritten. For instance, a Owner that does not want pets would be required to accept a qualified applicant with a registered ADA compliant service animal.

Initial

Initial

PROPERTY MANAGEMENT AGREEMENT ADDENDUM

7. **REPAIRS:** Broker will contact Owner for any and all repairs. Owner has 36 hours to call Broker back for approval to complete any repairs. If Broker feels the repair affects human habitation, health and/or safety, Broker will complete repair immediately but will still attempt to contact Owner to advise of said repair. Owner is still liable for the cost of any repairs, emergency or non-emergency, even if Broker cannot get hold of the Owner. Broker will hire an outside vendor such as a handyman or a license contractor for any and all repairs. Depending on the type of repair, Broker will determine if a handyman or a licensed contractor is needed for repairs unless otherwise specified by Owner. If any repair is more than half the rent amount, Owner must send a check to Broker for the entire amount of the repair prior to the repair being completed unless repair deemed an emergency, in which case the Owner is required to pay the contractor directly. **If property damage renders property uninhabitable according to California or federal law, Broker reserves the right to move tenant into a hotel at Owner expense until repair is completed.** If repair is tendered to Owners Insurance Broker, Broker will no longer handle that repair.
8. **PETS:** If Owner agrees to pets, Broker will collect an additional security deposit of two-hundred fifty dollars (\$250.00) per pet.
9. **HOLDING DEPOSIT:** Broker will collect a maximum Holding Deposit of one-thousand dollars (\$1000) or the equivalent of one month's rent, whichever is lower, to hold the property vacant when tenant's selected move-in date is more than two (2) weeks from tenant acceptance. Holding Deposit will be applied to first-month's rent and will not be tendered to Owner until tenant move-in. Should tenant renege and not move-in to property, Owner will be entitled to a proration of Holding Deposit at a rate equivalent to the daily proration of monthly rent amount until the property is re-rented or Holding Deposit is exhausted. Disbursement of Holding Deposit occurs on property re-rent or Holding Deposit depletion.
10. **INSPECTIONS:** Broker shall perform drive-by and interior inspections at Broker discretion. Inspections are meant solely as a means to assess tenant upkeep. Broker and Broker inspectors are not licensed contractors; therefore, Broker cannot and will not check for proper operation or condition of property appurtenances. Owner is solely responsible for the checking and proper operation of property smoke detectors, carbon monoxide detectors, appliances, heating and air systems, sprinkler systems, roof and other systems installed at property. Broker strongly suggests Owner hire a professional contractor to review such systems.
11. **COURT/SUITS:** Broker is not responsible for providing a defense for, or paying any costs to defend, any resolution of security deposit disbursement upon termination of tenancy, in Superior Court, Federal Court, or in any forum other than in the customary eviction court. Furthermore, Broker is not responsible for providing a defense for, or paying any costs to defend, Owner against any tenant or any other person or entity brought suit under any circumstance.
12. **BUY OUT AGREEMENT:** Owner agrees to pay Broker the equivalent of one (1) year's management fees to cancel this agreement once Broker has placed tenant unless the tenant has been evicted or the tenants have vacated the property.
13. **TERM LENGTH OF PROPERTY MANAGEMENT BROKER LEASE:** Property management agreement will be for one (1) year. Lease extensions shall be negotiated between Broker, Owner, and Tenant during rental months ten (10), eleven (11), and/or twelve (12). **Extension of rental lease shall also extend this agreement in equal measure.** As long as tenant remains in the property the contract between all parties is active and valid.

Initial

Initial

PROPERTY MANAGEMENT AGREEMENT ADDENDUM

14. EVICTIONS:

a. Owners on Full-Service Management Plan:

- i. Broker will not be responsible for the cost of eviction. Owner will be responsible to pay any and all costs associated with an eviction. Broker will help and orchestrate eviction on Owner's behalf.

b. Owners on Full-Service Management Plan Plus:

- i. Broker will be responsible for the cost of eviction, not to exceed one-thousand dollars (\$1,000), for any tenant that was **approved by Broker and requires eviction for failure to pay rent** so long as Broker is managing the property. Broker will not be responsible for the cost of eviction if tenant requires eviction for any other reason. Owner will be responsible to pay any and all cost associated with an eviction if tenants are **solely approved by Owner**. Broker will help and orchestrate eviction on Owner's behalf.

1. **Revocation:** Broker reserves the right to revoke eviction cost responsibility if Owner renews tenant lease against Broker recommendation. If Broker elects to revoke eviction responsibility, Broker will notify Owner in writing and reduce management fee to Full-Service Management Plan level.

15. **COLLECTIONS:** Broker is not a collection Broker. Broker shall not be held liable or responsible for the collection of unpaid rent and/or monies owed from eviction and/or tenant move-out and associated tenant damage. Moreover, Broker is not responsible or required to file a small claims action on behalf of Owner to recover such monies. Should Owner seek tenant restitution via small claims court, 1st Rate Rentals will provide any and all documentation available to aid in such endeavor.

16. **COLLECTION AGENCY:** At Owner request, Broker will submit tenant to collections via a 3rd party collection agency no later than 120-day post tenancy. At which point, Owner agrees and understands that the collection agency may charge 40-50% of monies collected as a commission and may settle collection amount at no less than 80% of monies owed. Broker does not charge or collect fees for 3rd party collection service.

17. **SELLING OF PROPERTY:** If Owner sells the property at any time during this agreement to a buyer other than the tenant secured by Broker, Owner agrees to pay Broker the remaining balance of management fees of the tenant's lease--unless tenant remains in the property until lease expiration and the new Owner allows Broker to manage the property. If Owner sells the property to the tenant secured by Broker (procuring cause), Owner agrees to pay Broker commission of three percent (3%) of the sales price.

- a. If Owner elects, 1st Rate Rentals/National Realty Group will list property for sale at a commission of four percent (4%).

18. LIQUIDATED DAMAGES:

- a. If Owner cancels this agreement prior to the ninety (90) day expiration, Owner to pay Broker lease-fee of \$329 to compensate Broker for the advertisement and showing of Owner's property.
- b. If Owner places a tenant in the property without the knowledge of Broker during this ninety (90) day agreement, Owner is responsible to pay Broker the total of twelve month's management fees.
- c. Owner agrees to pay Broker the equivalent of one (1) year's management fees to cancel this agreement **once Broker has placed tenant.**

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PROPERTY MANAGEMENT AGREEMENT ADDENDUM

19. **LIABILITY/HOLDHARMLESS:** Broker shall not be held liable for lawn/vegetation, maintenance, vandalism, tenant damage and/or deteriorations of property during vacancy period OR OCCUPANCY. Moreover, Broker shall not be held liable for any fines, violations, and/or liens placed on property by tenant noncompliance with CC&R/HOA rules and guidelines and/or utility non-payment. Notwithstanding, Broker shall not be held liable for repairs or outcome thereof by contractors and/or handymen contracted by Broker. Furthermore, Broker shall not be held liable or responsible for lawsuits that arise due to tenant or tenant guest action, behavior, noncompliance or tenant pet. Owner and Broker agree to cap recovery under this agreement to a maximum of seven-thousand five-hundred dollars (\$7,500.00) and agree that small claims court shall be the sole forum of resolve to any and all disputes arising from this agreement. Owner and Broker each waive their right to a jury trial for any and all claims arising out of this agreement.
20. **LEASE RENEWALS:** Owner will not incur additional Broker fees for lease renewal. Broker will draft new lease and addendums on Owner's behalf for tenants to sign and return. A copy of same will be forwarded to Owner along with the annual inspection report.
21. **TERMINATION RELEASE OF LIABILITY:** Upon termination of this agreement, acceptance of all or partial funds from Owner's account by Owner shall constitute a full and final release of Broker from any and all claims of tenant and Owner.
22. **FORECLOSURE AND NOTICE OF DEFAULT:** If Owner lets property enter foreclosure or a Notice of Default has been recorded on the property, Broker has the option to take remaining contractual monthly management fees from the next rent period. Additionally, Tenant shall be provided the option of breaking their lease should property enter foreclosure. Tenants must give Broker a thirty-day (30) notice prior to vacating under all circumstances.
23. **RECOURSE:** Owner grants to Broker a lien against any money received by Broker held in trust for the Owner for any and all amounts due under this contract including, but not limited to, fees, costs, cancellation charges.
24. **TENANT RECOURSE:** If Owner requests repairs be made to property or monies deducted from Tenant security deposit above and beyond what Broker deems lawful and reasonable, Broker will accommodate the Owners requests. However, should the Tenant sue Broker due to Owner requests, Owner will be required to reimburse all court ordered tenant reimbursements and court fees incurred upon Broker. Furthermore, should Tenant make a formal request to Broker seeking Owner name and mailing address with intent to sue Owner directly, Broker will comply with request.
25. **OPERATING LICENSES AND OTHER REQUIREMENTS:** Many cities and municipalities require Owners to obtain a "Business License" if they have a rental property within their limits. It is the Owners responsibility to contact the city to discover any and all fees, taxes, and requirements/laws to own a rental property within that cities limits. Broker shall not be held responsible for fines, taxes, or liens incurred by Owner's failure to obtain, pay, or follow city/municipality fees, taxes, fines, or licenses required to own rental property.
26. **NONRESIDENT WITHHOLDING:** Owners who do not reside in California are subject to state withholding on California source income regardless of where they live, the state in which they enter into a contract, or receive rental payments. Owners may file Nonresident Withholding Waiver Request (form 588) to request a state waver of withholding. If state withholding waver is approved, Owner must notify Broker and provide Broker documentation of such.

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PROPERTY MANAGEMENT AGREEMENT ADDENDUM

27. **NOTIFICATION OF EARNINGS CREDITS:** 1st Rate Rentals and Real Estate, Inc. receives trust account earnings credits of approximately Seven hundred dollars (\$700.) per month, to offset bank fees exceeding Twelve hundred dollars (\$1200.) per month charged for maintaining trust account.
28. **HOME ASSOCIATIONS AND AMENITIES:** Owner is responsible to submit to Broker a copy of property CC&Rs and/or HOA Guide/Hand/Rule book prior to tenant occupancy. Broker cannot hold tenants liable for any fines, violations, or CC&R/HOA liens placed on the property for noncompliance if tenants are not made fully aware of CC&R/HOA guidelines.
29. **INSURANCE:** Owner agrees to obtain the property insurance coverage. At a minimum, Owner to have fire, liability, malicious intent, loss of rents, and vandalism coverage. Owner to provide Broker a copy of the insurance declaration page showing coverage for the property named below before any funds are distributed to the Owner.

Owner(s) have read and approve all additional terms and conditions as set forth above. Signature shall deem approval of these terms and conditions.

Property address: _____

Owner: _____ Date: _____
(Print)

(Signature)

Owner: _____ Date: _____
(Print)

(Signature)

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1ST RATE RENTALS

19340 Jesse Ln. Ste. 110. Riverside, CA 92508

PROPERTY ACCESS & KEYS REQUIREMENT

Property access is important to any rental. As such, 1st Rate Rentals has the following requirements and fees to ensure that your property can be appropriately shown and rented.

KEYS AND REMOTES

1. Properties must have three (3) sets of house keys.
 - If doors are not keyed the same, three (3) sets of every key needed to unlock every door is required.
2. Properties must have at least one (1) mailbox key if applicable.
3. Properties must have at least one (1) garage door remote per garage door if door is equipped with an opener.

FEES

If the required keys and/or opener are not provided to 1st Rate Rentals a minimum of one week **before** tenants take possession of your property, 1st Rate Rentals will acquire the appropriate number of keys and/or remotes based on the following fee schedule:

1. Property keys: \$10 per key
2. Mailbox key: Postal cost + \$10
3. Garage remote w/ programming: \$85

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OFFICE USE

House Keys Received: _____ Date: _____ IN: _____

Mailbox Key(s) Received: _____ Date: _____ IN: _____

Garage Remote(s) Received: _____ Date: _____ IN: _____

NOTES:



1ST RATE RENTALS

19340 Jesse Ln. Ste. 110. Riverside, CA 92508

PROPERTY INSPECTIONS

Property inspections are incredibly important for your protection as a landlord and the tenant's protection.

Not only do inspections set the foundation from which you can base move-out condition on, and subsequent security deposit deductions, but regular inspections can help prevent future issues, ensure the property is being maintained, and ensure that your property meets the required condition and features set by California law.

1st Rate Rentals completes the following inspections:

- Move-in/move-out inspection
 - An interior and exterior inspection with photos of every room, existing and new defects/issues, appliances, fixtures, landscape and amenities.
- Bi-Annual exterior drive-by inspection
 - Drive-by inspection to ensure the landscape is being maintained and tenants are not leaving trailers/inoperable vehicles in the driveway or street.
- Annual interior inspection
 - An interior inspection to ensure the tenant is maintaining the property in good order. One photo of each room along with a front and rear photo of the property.

With that said, all 1st Rate Rentals inspections are completed by 1st Rate Rentals staff, **none of whom are licensed contractors**. This means that 1st Rate Rentals, with the exception of testing for basic operation at the time of inspection, cannot and will not determine functionality and proper operation of the following:

1. Electrical including outlets, breakers, and GFCI.
2. Plumbing including stoppages, slow draining, low water pressure, and sprinklers.
3. Air Conditioning/HVAC including ducting, vents, and thermostats.
4. Appliances.
5. Structural including balconies, patio covers and gazebos.
6. Termites and other pests.

If any issues arise during an inspection, 1st Rate Rentals will notify you of the issue and recommend a licensed contractor to remedy the problem.

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Office: 951-328-9090 • Fax: 951-328-8629 • www.FirstRateRentals.net

YOUR PROPERTY AND SECURITY DEPOSIT DEDUCTIONS

There are many costs associated with being a landlord. Some of these costs are straight forward, such as property taxes, management fees, and property maintenance; however, one cost that is very often overlooked is wear and tear related repairs. Many landlords self-reflect when it comes to wear and tear repairs. They think, "I've not repainted the interior of my home in over seven years and it still looks great, therefore my rental property's paint should look equally as good." Unfortunately, this is almost never the case. Rental properties, particularly those with a high tenant turnover rate, need to be painted, or at the very least had its paint touched up, every two to three years.

Now, you might be thinking, "That's fine. If the tenant damaged the paint, 1st Rate Rentals will charge the tenants to repaint." Sadly, that is rarely the case. It's not that 1st Rate Rentals does not want to charge a tenant for damage we believe they caused, it's often that we legally cannot charge the tenants for damaged they caused--I know, it sounds crazy! California law dictates that the life expectancy of interior paint is two years. That means, if the paint in the home is older than two-years, you cannot charge the tenant to repaint or do touchups no matter how dirty they leave the walls. The only caveat being a color change: if the tenant has painted a room/wall a different color without permission, we can charge the tenant to paint the room/wall back to its original color.

Interior paint is just one of the many regulated repairable items that we must contend with when processing a tenant's move-out. California legislators believe in a concept called "usable life expectancy." What usable life expectancy boils down to is how long a particular item, carpet for instance, is expected to last under reasonable wear and tear. For example, according to the California Department of Consumer Affairs, the reasonable life expectancy of carpet is ten-years. If you replaced the carpet in your rental property four-years ago, had a tenant in the property for an additional three years prior to their moving out, then you could only charge them for three year (3/10 or 30%) of the cost to replace the carpet, no matter how clean or 'new looking' the carpet was when they moved in. This rule applies to every facet of your property. The only caveat being intentional, severe damage such as carpet that has been removed from the property, or in the case of paint, large holes in the walls that need to be patched and painted.

For your convenience we have included a formatted copy of the California Department of Consumer Affairs "Suggested Approaches to Security Deposit Deductions."

What is the purpose of this letter?

By now, you might be thinking, "Does this mean 1st Rate Rentals is going to side with the tenant on all repairs and not charge them for anything?"

The short answer is: No. We will do everything in our power to ensure that when a tenant moves out of your property it is returned in a condition very similar to how it was given to that tenant. The purpose of this letter is to inform you that, while we would often like to charge the tenant for certain repairs, we are often barred from making certain repairs. From our experience, the California court system leans heavily toward the tenants in most court cases. It would be fiscally and ethically irresponsible for 1st Rate Rentals to charge the tenants for repairs we know run afoul of California law. In a few cases we have had landlords demand we make certain repairs even though we have informed them it was not legal to do so, and on several occasions those demands have landed both the landlord and 1st Rate Rentals in small claims court when the tenant challenged them. In all cases, the landlord was required to reimburse some or all of the tenants security deposit.

While it may be frustrating, and believe us when we tell you that we understand your frustration, but in California, it can be expensive to be a landlord and as a landlord you are often responsible to make repairs you feel you should not be responsible for. 1st Rate Rentals will do everything in our power to make repairs up to the point of the law without breaking the law.

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(Date)

(Initial)

(Date)

SUGGESTED APPROACHES TO SECURITY DEPOSIT DEDUCTIONS

California's security deposit statute specifically allows the landlord to use a tenant's security deposit for the four purposes stated above. The statute limits the landlord's deduction from the security deposit to an amount that is "reasonably necessary" for the listed purposes.¹

Unfortunately, the statute's terms "reasonably necessary" and "normal wear and tear" are vague and mean different things to different people. The following suggestions are offered as practical guides for dealing with security deposit issues. While these suggestions are consistent with the law, they are not necessarily the law in this area.

1. Costs of cleaning

A landlord may properly deduct from the departing tenant's security deposit to make the rental unit as clean as it was when the tenant moved in.²

A landlord cannot routinely charge each tenant for cleaning carpets, drapes, walls, or windows in order to prepare the rental unit for the next tenancy. Instead, the landlord must look at how well the departing tenant cleaned the rental unit, and may charge cleaning costs only if the departing tenant left the rental unit (or a portion of it) less clean than when he or she moved in. Reasonable cleaning costs would include the cost of such things as eliminating flea infestations left by the tenant's animals, cleaning the oven, removing decals from walls, removing mildew in bathrooms, defrosting the refrigerator, or washing the kitchen floor. But the landlord could not charge for cleaning any of these conditions if they existed at the time that the departing tenant moved in. In addition, the landlord could not charge for the cumulative effects of wear and tear. Suppose, for example, that the tenant had washed the kitchen floor but that it remained dingy because of wax built up over the years. The landlord could not charge the tenant for stripping the built-up wax from the kitchen floor.

The landlord is allowed to deduct from the tenant's security deposit only the *reasonable* cost of cleaning the rental unit.³

2. Carpets and drapes - "useful life" rule

Normal wear and tear to carpets, drapes and other furnishings cannot be charged against a tenant's security deposit.⁴ Normal wear and tear includes simple wearing down of carpet and drapes because of normal use or aging, and includes moderate dirt or spotting. In contrast, large rips or indelible stains justify a deduction from the tenant's security deposit for repairing the carpet or drapes, or replacing them if that is reasonably necessary.

One common method of calculating the deduction for replacement prorates the total cost of replacement so that the tenant pays only for the remaining useful life of the item that the tenant has damaged or destroyed. For example, suppose a tenant has damaged beyond repair an eight-year-old carpet that had a life expectancy of ten years, and that a replacement carpet of similar quality would cost \$1,000. The landlord could properly charge only \$200 for the two years' worth of life (use) that would have remained if the tenant had not damaged the carpet.

3. Repainting walls

One approach for determining the amount that the landlord can deduct from the tenant's security deposit for repainting, when repainting is necessary, is based on the length of the tenant's stay in the rental unit (assuming the property was recently painted prior to move-in). This approach assumes that interior paint has a two-year life. (Some landlords assume that interior paint has a life of three years or more.)

¹ Civil Code Section 1950.5(e).

² Civil Code Section 1950.5(b)(3).

³ Civil Code Section 1950.5(e).

⁴ Civil Code Section 1950.5(e).

Using this approach, if the tenant lived in the rental unit for two years or more, the tenant could not be charged for any repainting costs, no matter how dirty the walls were.⁵

Length of Stay	Deductions
Less than 6 months	Full cost
6 months to 1 year	two-thirds of cost
1 year to 2 years	one-third of cost
2 or more years	no deduction

4. Other damage to walls

Generally, minor marks or nicks in walls are the landlord's responsibility as normal wear and tear (for example, worn paint caused by a sofa against the wall). Therefore, the tenant should not be charged for such marks or nicks. However, a large number of holes in the walls or ceiling that require filling with plaster, or that otherwise require patching and repainting, could justify withholding the cost of repainting from the tenant's security deposit. In this situation, deducting for painting would be more likely to be proper if the rental unit had been painted recently, and less likely to be proper if the rental unit needed repainting anyway. Generally, large marks or paint gouges are the tenant's responsibility.⁶

5. Common sense and good faith

Remember: *These suggestions are not hard and fast rules. Rather, they are offered to help tenants and landlords avoid, understand, and resolve security deposit disputes.*

Security deposit disputes often can be resolved, or avoided in the first place, if the parties exercise common sense and good judgment, and deal with each other fairly and in good faith (see Landlord's and tenant's duty of good faith and fair dealing). For example, a landlord should not deduct from the tenant's security deposit for normal wear and tear, and a tenant should not try to avoid responsibility for damages that the tenant has caused.

The requirement that the landlord send the tenant copies of invoices and receipts with the itemized statement of deductions (see above) may help avoid potential security deposit disputes. Before sending these items to the tenant, the landlord has the opportunity to double check them to be sure that the amounts deducted are reasonable, accurate and reasonably necessary for a purpose specified by the security deposit statute. Before challenging the deductions, the tenant has the opportunity to review and carefully evaluate the documentation provided by the landlord. Straightforward conduct by both parties at this stage may avoid or minimize a dispute over deductions from the tenant's security deposit.

Especially in disputes about security deposits, overreaching by one party only invites the other party to take a hard line. Disputes that reach this level often become unresolvable by the parties and wind up in court.

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⁵ Brown, Warner and Portman, *The California Landlord's Law Book, Vol. I: Rights & Responsibilities*, pages 384-385; (NOLO Press 2011).

⁶ Brown, Warner and Portman, *The California Landlord's Law Book, Vol. I: Rights & Responsibilities*, pages 384-385 (NOLO Press 2011).

THE SIMPLE GUIDE TO SECURITY DEPOSIT DEDUCTIONS

The chart below will assist you in understanding how 1st Rate Rentals makes decisions on security deposit deductions. This chart represents deduction allotments based on California law and 1st Rate Rentals' experience.

PAINT	
Paint age	Deduction
Less than 6 months	Full cost to repaint
6 months to 1 year	Two-thirds of cost of repaint
1 year to 2 years	One-third of cost of repaint
2 or more years	No deduction
CARPET	
Carpet age	Deduction
1 year or less	Full cost to replace
1 year to 2 years	80% cost to replace
3 years to 10 years	Cost to replace minus 10% for each year of age
VINYL, TILE, WOOD, AND OTHER FLOORING	
Scuff marks smaller than 2"	No charge
Scuff marks larger than 2"	Cost to buff
Tears, deep gouges, completely cracked tile	Cost to repair
WALL DAMAGE	
Nail holes	No charge
Holes larger than a dime that need patching	Cost to patch and paint (paint charges above)
Small nicks from furniture	No charge
Holes from door knobs	Cost to patch and paint (paint charges above)
PLUMBING	
Water leaks not caused by tenant	No charge
Water leaks caused by tenant (must be provable beyond a reasonable doubt)	Cost to repair
Water damage to surrounding components from water leak	No charge unless tenant did not report leak
Toilet, sink, tub, and shower stoppages	No charge unless stoppage specifically caused by tenant (e.g. tampons in toilet)
APPLIANCES	
Scratches and dents smaller than 2"	No charge
Scratches and dents larger than 2"	Cost to buff/repair
Broken components that do not result in appliance replacement	Cost to repair
Broken components that require appliance replacement	Cost to replace less 10% for each year of appliance age
LANDSCAPE AND SPRINKLER SYSTEM	
Broken sprinkler heads	Cost to replace unless landlord covers lawn maintenance
Broken sprinkler valves and timers	No charge unless proved that tenant intentionally damaged them
Dead grass, trees, shrubs, and other plants	Cost to reseed and/or replant unless landlord notified of inoperable watering system and landlord refused to remedy
Overgrown trees and shrubs	No charge
CLEANING AND CONSUMABLES	
General cleaning	Cost to clean (not to exceed \$250)
Carpet cleaning	Cost to clean (not to exceed \$300)
Light bulbs, batteries, air filters	No charge