



OWNER'S MANUAL

CREATING GENERATIONAL WEALTH BY
RAISING THE STANDARDS OF EXCELLENCE IN THE
PROPERTY MANAGEMENT INDUSTRY



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Contents

SECTION 1: Overview	8
Introduction	8
Welcome from the RPM Team.....	8
Who We Are	8
Our Mission.....	8
Our Promise to you.....	9
Code of Ethics	9
Licenses and Affiliations	9
Industry Designations.....	9
National Recognition	9
Company Footprint	9
Full-Service Professional Management	9
No compromise	10
Technology We Use	10
Web-Based Property Management Software	10
Tenant and Owner Portal.....	10
Fraud Prevention.....	10
Duties of the Owner and Manager.....	11
Duties of REAL Property Management to the Owner:.....	11
Duties of Owner to REAL Property Management:	11
SECTION 2: Onboarding the Property.....	12
The Management Agreement and Services	12
Management Services	12
Owner Benefits.....	13
Charges for Tasks Outside Our “Scope of Service”	13
Housekeeping Documents.....	13
Lead-Based Paint Disclosure	13
Insurance Declaration	13
Bank Deposit Form	14
IRS W-9	14
Owner Profile	14
Rental Licenses.....	14
HOA Issues	14
Amenity Passes, Gate Keys and Pool Keys	14
Keys and Access	15
Cleaning	15
Owner Occupied Properties:	15



Tenant Occupied Properties:.....	15
Property Condition	15
Personal Property	15
Property Features / Disclosure	16
LLC, Land Trust, Partnerships, and Owner Representatives.....	16
Remove Property from the Sale Market	16
SECTION 3: Rent Ready Condition	16
Summary	16
Full Rent-Ready Requirements	16
SECTION 4: Marketing Your Property	17
Preparing your Property for Marketing	17
Pre-Marketing	18
Rent-Ready Issues	18
Clean-out	18
Setting the Rent.....	18
Owner Provided Tenants	19
Owner Occupied Properties	19
Utilities	20
Keys.....	20
Keyless Deadbolts.....	20
Advertising the Property.....	20
Marketing and Showing.....	20
Public Showings.....	20
Activity Reporting	20
Early Termination Fee	21
Screening Applicants & Lease Signing Procedures	21
Costs	21
Background Checks	21
Application Contingencies and Owner Approval	21
Score Card	22
Negotiating the Lease.....	22
Cosigners	22
Double/Triple Deposits	22
24 Month Leases	22
Animals	22
Lease Document Preparation.....	23
Owner Provided Tenants	23
Managing the Move-In	23
Re-Key Policy	23
Uncompleted Repairs / Contingencies.....	23
Moving in Before the Rent Starts	24



Pre-Move-in Cleaning	24
Security Instruments	24
Cash Security Deposits	24
Billing Authorizations	24
Surety Bonds.....	24
Understanding Your First Rent Payment	24
SECTION 5: Managing the Residents	25
Communication.....	25
Incumbent Tenants.....	25
Collecting the Rent.....	25
Resident Amenities and Benefits.....	26
Tenant Move-in	26
Lease Renewals & Owner Notice.....	26
Rent Increases.....	27
Managing the Move-Out	27
Before the Move-Out	27
Tenant Charges and Security Deposits	28
Abandonment of Property	28
During the Move-Out Once the Tenants have surrendered the property and if we are continuing management, we will:	28
Normal Wear and Tear	28
Beyond a Reasonable Doubt	29
Damaged Appliances	29
Damaged Blinds, Shades, Screens	29
Damaged Paint	29
Damaged Tiles, Countertops	30
Damaged Carpet & Manufactured Flooring Damage	30
Damaged Vintage Hardwood Flooring Damage.....	30
Owner Provided Make Ready Work.....	30
Disbursing the Security Deposit.....	30
Disputes over End of Lease charges	30
Collection and Legal Pursuits	31
SECTION 6: Managing Owner Relationships.....	31
Authorization	31
Renewing Management Agreements.....	31
Managing the Money.....	32
Collecting Rent and Pursuing Past Due Rent	32
Due Date.....	32
Late Date	32
Late Fee	32
Notice to Pay or Quit	32



Filing with the County	32
Attending Court.....	32
Cash for Keys	33
Writ of Possession	33
Executing a Writ of Possession.....	33
Collections	33
Evictions, Unlawful Detainers.....	33
Distributing Owner Draws	33
Managing Vacancy, Maintenance and Repair Expenses	33
Vacancy Expenses.....	33
Foreclosures.....	34
SECTION 7: Managing the Property.....	34
Transferring Management Services from other Property Manager	34
Disbursements of Rent and other Funds.....	34
Budgets and Reserves.....	35
Property Inspections.....	35
Move-in Inspection.....	35
Pre Move-out Inspection.....	35
Move-out Inspection	35
Periodic Inspection.....	35
City Inspections	35
Authorization to Connect Services	36
Managing Maintenance Issues	36
Preventative Maintenance.....	36
Maintenance Services	36
Insurance Services	37
Operation Hours.....	37
Maintenance Priorities	37
Category I: Emergency Maintenance	37
Category II: Urgent Maintenance	37
Category III: Normal Maintenance	37
Category IV: Non-Essential Maintenance.....	37
Category V: Not a Habitability Issue.....	37
Maintenance Spending Limitations	38
Pre-authorization	38
Exceptions to pre-authorization limits	38
Discarded Material	38
Common Area Maintenance.....	38
Furnace Filters, Water Softeners	38
Minor Maintenance Issues	39
Blinds, Shades, and Window Coverings.....	39



Hot Tubs & Pools	39
Lawn Care	40
Turnover Maintenance and Repairs:	40
Property Visits and Charges.....	41
Emergency Maintenance Response	41
Appliance and Mechanical Replacements.....	41
Contractor bids	42
Agent Maintenance Services	42
Owner Provided Vendors.....	42
Roof, Siding, & Structural Work	42
Day Ahead Vendors	43
Factory and Builder Warranty Work	43
During Vacancies	43
During Tenancies.....	43
Owner Repairs During Vacancies.....	43
Owner Provided Make-Ready (Security Deposit) work.....	43
Home Warranties.....	44
Regular Maintenance.....	44
Systems & Preventative Maintenance	44
Heating Ventilation, and Air Conditioning	44
Hot Water Heaters	44
Supply Lines	44
Equipment not to be Repaired	44
Smart Technology.....	45
Wood Burning Fireplaces	45
SECTION 8: When It's Time to Sell	45
List for Sale.....	45
Notice Prior to Sale.....	45
Agent Procures Buyer.....	45
Effect of Sale Listing	45
SECTION 9: Re-taking Possession	46
Owner Moving Back In.....	46
SECTION 10: Managing the Separation.....	46
Separating in the Middle of a Tenancy.....	46
Separating at the End of a Tenancy	47
Transferring Management from RPMV to others	47
Records Retention	47
Unpaid Resident Funds.....	48
SECTION 11: Service Charges	48
SECTION 12: Specifications	50





SECTION 1: Overview

This document is a material part of the Property Management Agreement, and the policies, services, and practices contained herein are part of the Property Management Agreement. Please read and understand this information and contact us if you have any questions.

Introduction

The purpose of this manual is to communicate the business practice framework, policies, and services for how we intend to manage your property and how we will work together to achieve your objectives. This document serves to enhance communication between us and make our ongoing relationship stronger and more transparent. The Owner's Manual will be updated annually as we work to improve our services and keep up with changes in the laws and economics that affect our business practices.

Welcome from the RPM Team

Thank you for choosing REAL Property Management to lease and manage your investment property. We appreciate your vote of confidence and will work hard to prove you made the right decision. This manual is just one of the ways we have developed over the years to set your expectations for our relationship and communicate to our owners how we manage their properties. We look forward to assisting you in every way possible and a long relationship in serving your needs.

Who We Are

REAL Property Management is a full-service Property Management and Leasing company. Specializing in Single Family Residential properties. This means that we will manage your property with as little involvement from you as possible, limiting your involvement to assisting in key decisions such as who rents your property, the initial rent for a tenancy, major repair or maintenance decisions, and major legal matters. We are the local office of Real Property Management who have been conducting business since 1990. In this document, Agent may be referred to as "we," "us," "RPM," "RPMV," "Broker," or "Real Property Management; and Owner may be referred to as "you," "landlord," or "Owner."

Our Mission

- Is to help Create Generational Wealth by Providing Education, Resources, and Strategy for Acquiring, Holding, and Disposing of Real Estate Assets; and,
- To Raise the Standards for Property Management Services by Providing an Exceptional Experience for Real Estate Investors and their Tenants.

We help investors understand the long-term benefits of real estate and increase the value of their investment. The change we want to make in the market is to raise the standards of service quality and to provide greater peace-of-mind for property investors.

The Real Property Management Advantage

30+ years of experience

North America's largest
property management company

300+ locations in 46 states

Local expertise
backed by nationwide support

Trusted by tens of thousands
of property owners nationwide



We will know we are successful when we generate more profit and wealth for these investors and exceptional reviews by residents.

Our Promise to you

Our Promise specifically to you, our client is simple - NO SURPRISES!

To be your Advocate in all Dealings with Tenants and Vendors

To Communicate Promptly, Transparently, and Accurately

To be a Great Steward of your Financial and Real Estate Assets.

Code of Ethics



We are active members of the National Association of Residential Property Managers (narpm.org). Since 2022, our President and Broker, John Scribante is Vice president and President Elect of the local chapter of NARPM.



We are active members of the National Association of Realtors (realtor.org), the Minneapolis Area Association of Realtors (mplsrealtor.com)

Each of these organizations have a code of ethics that we review regularly and measure ourselves by. You can review them at your leisure by going to each of their web sites.

Licenses and Affiliations

We are licensed by the Minnesota Department of Commerce and our active licenses can be found at this website <https://www.pulseportal.com/selectStateAndBoard.do>

Industry Designations

Every industry has its trade association who offer designations for their members to demonstrate their knowledge, professionalism, and commitment to the industry. Property Management is no exception. The National Association of Residential Property Managers is our trade association and is dedicated to training the professional management community.



National Recognition

In **2022, 2023** and again in **2024**, RPM was recognized by its Franchisor as one of the Top 10% of franchised Property Managers in the United States and Canada for its quality operations.

Company Footprint

REAL Property Management manages over 60,000 homes in 400 markets nationwide in 50 states. Locally, we serve the 7-county metro area and serve over 250 single family homes.

Full-Service Professional Management

We are a FULL-SERVICE professional management company which means we will provide virtually all the property management services for your property. If you want to participate in the services or provide your own vendors, we are not a good fit for managing your property. Property management companies perform poorly when there are delays and chaos. And introducing un-contracted vendors or suppliers to satisfy maintenance or service requests creates chaos. Resident satisfaction is sacrificed, and renewals are compromised. Let us do what we do best, care for your property and make you more money than you can do on your own.

Just a note of professionalism. **We promise to always be professional in our actions and we ask our clients to do the same.** We understand that you have a large financial investment in your property and at times things become personal. We run a professional business and will always act according to high standards and in your best interests. If you have questions or concerns, or if you disagree with anything we have done, please contact us right away and we promise to address your concern immediately.

It is always important to remember, we are both running a business. And this business is different than the way most homeowners have been running their personal residence prior to making it an investment property. **There is a transition that homeowners must make from being homeowners into becoming a business owner.** As a professional property manager, we run our business in a way to best support our investors, and we will help you with the transition from being a homeowner into becoming a successful property investor.

We bring this up, because in managing a company, we will be using contractors that are going to be more expensive in some cases because we need to protect the property, respond quickly, or follow the law; or we will be requiring services such as professional cleaning, or professional painting services. In our endeavor to maximize your rents and thus your investment return, your asset must be in its best condition. For large expenses, we will present these items to you and show you why these services are necessary. High quality properties attract high quality tenants. And high-quality tenants make happy investors.

No compromise

Things for which we don't compromise, which are services that our investors or tenants must pay for:

- 1) **Safety and Habitability**: The property must be safe and habitable in accordance with the law.
- 2) **Professional Cleaning**: At the start of each new tenancy, we will provide professional cleaning services which will be charged to the previous occupant (owner or tenant), and to the Property for additional cleaning as needed to meet our specification.
- 3) **Odor Removal**: If the property has any odors, we will perform Ozone treatments or otherwise remove the source of the odors.
- 4) **Painting**: We do not allow tenants to put holes in walls other than for small picture hangers, and so the walls will need to be freshly professionally painted with all holes patched, including nail holes.
- 5) **Carpets**: Carpets must be in good condition and professionally cleaned when we accept the property from the owner, and we will expect the tenant to maintain the cleaning of the carpets. Carpets will need to be replaced when outdated, worn out, soiled, or damaged.
- 6) **Door Locks**: At the start of the agreement, we will install an algorithmic keypad lock with our master codes/keys and at the start of each tenancy, we will re-key/code the locks.

Technology We Use

REAL Property Management has embraced many technological tools to help make us more efficient and enable us to connect with our clients, residents, vendors, staff and colleagues in the business. This changes quite often, but here is a sampling of what we use today.

Web-Based Property Management Software

We use APPFOLIO – an internet-based property management software system endorsed by the National Association of Residential Property Managers (NARPM).

Tenant and Owner Portal

Tenants and Owners can view their payment records, current balances, make payments/contributions, review documents, give notice to vacate, submit repair requests, and leave a forwarding address on their portal 24/7. Good software makes all this simple and affordable.

Fraud Prevention



In a recent poll of property managers, 93% reported fraud in the prior year. We utilize the best technology for recognizing fraud in rental applications. Forensic bank and payroll tech, 3d facial recognition, ID bar code data, among others.

Duties of the Owner and Manager

In addition to the duties in the management agreement, below is a summary of additional duties.

Duties of REAL Property Management to the Owner:

1. Maintain corporate offices, staff, website, phone and email systems.
2. Maintain appropriate licenses and custodial trust accounts for owner's and tenant's funds, as required by the Minnesota Department of Commerce, and maintain said records for six years.
3. Follow all laws and regulations.
4. Maintain insurance to include general liability, cyber, and errors and omissions.
5. Maintain qualified staff with experience and specialized training in managing residential rental properties.
6. Market owner's property for rent when vacant; install keypad locks and lockboxes to secure the property; post listing on the internet including local and national web-hosting sites.
7. Maintain licensed leasing staff to respond to callers and show properties.
8. Process tenant applications, pull credit history, employment and residency records, eviction reports (along with other background information) and screen applicants based on a set of written qualification.
9. Maintain accurate accounting systems in place to know where all deposits are held, where all owner disbursements have gone, and be able to provide monthly statements to all owners.
10. Manage the property for the owner, handling tasks to include the execution, renewal, default management, and reinstatement of leases; collecting rent; maintaining the property and making maintenance records available for owner review.
11. Maintain and reconcile owner's trust account records, including receiving and recording receipt of rents, handling owner contributions and draws, paying expenses on the property, paying vendors and managing emergency situations, distributing collected funds to owner and providing monthly owner financial reports.
12. Manage the eviction process, including filing with the county, negotiating consent agreements, coordinating court appearances, coordinating writs of possession and overseeing the removal of the tenant's possessions from the property on behalf of the owner, all at owner's expense.
13. Maintain an after-hours maintenance response system to take requests from tenants requiring maintenance.
14. Respond to and coordinate repairs of normal maintenance breakdowns.
15. Complete move-in/out inspections when the occupant vacates or takes possession of the property and charge the tenant for damages above normal wear and tear as described in the lease, the Minnesota Statutes, and consistent with industry standards.
16. Initiate legal actions on the owner's behalf including those related to collecting rent and evicting tenants over rent collection.

Duties of Owner to REAL Property Management:

1. Conduct NO communication with the Residents (those in communication with residents will be participants in court proceedings).
2. Maintain adequate cash/liquid reserves to maintain the property in a way to sustain and attract excellent residents.
3. Warrant to REAL Property Management that all owners with rights in the property have executed the management agreement.
4. Maintain regular communication with REAL Property Management and respond promptly to inquiries and requests for authorizations.
5. Keep mortgage loan payments, property taxes, insurance, and HOA dues current.
6. Investigate and communicate with REAL Property Management any HOA rules governing leasing in the community where the property is located, as well as provide REAL Property Management with any leasing requirements of said HOA.

7. Be the sole contact with the HOA for all communications.
8. Pay REAL Property Management the charges for services agreed to and all governing documents associated with this agreement.
9. Follow all laws and prevent discrimination of any kind regarding the property while under agreement with REAL Property Management.
10. Avoid all contact with the tenant while REAL Property Management is managing the property. There are unintended consequences in not doing so.
11. Pay (reimburse) REAL Property Management for maintenance on the property necessary to maintain habitability, appliances, equipment, utilities, safety, and health of the resident.
12. Fund, in advance, any repair and maintain a minimum trust account reserve (late charges may apply if not funded in advance).
13. Maintain landlord insurance on property naming REAL Property Management as an "Additional Insured" named party to avoid additional costs to Owner.
14. Maintain plumbing, electrical, HVAC systems, all appliances and improvements left on the property in normal operating condition during the term of the agreement. All replacement equipment shall be as good or better than what was present at the start of the lease. No replacements shall be of lesser quality or functionality without a comparable reduction in rents. Everything must function as designed.
15. Pay attorney and court costs that arise in the process of evicting tenants and enforcing the lease. Agent may transfer any legal proceeding to the Owner at the Agents sole discretion.
16. Be solely responsible for keeping the Rental License current and HOA compliance.

SMS/Text Messaging Opt In: Owner consents to receive text messages from Agent or others acting on Agent's behalf. As part of this consent, You represent and warrant the following:

1. Agent or others acting on Agent's behalf may send text messages in various formats and with various contents, including but not limited to, text messages about property management policies and other transactions initiated by You or marketing the products and services offered by or through Agent.
2. Owner is the owner or authorized user of the mobile phone number provided to Agent and will notify Agent immediately if Owner is no longer the owner or authorized user of the mobile phone number provided.
3. Owner is solely responsible for any message and data charges associated with such text messages.
4. To stop receiving text messages from Agent, text STOP to the ten digit long code from which the text messages are being sent. Agent will then send confirmation of Owner's opt-out of Agent's text messaging program. Owner may also opt out by providing written notice to Agent at 33 Tenth Ave S., Ste 100 Hopkins, MN 55343, by emailing Agent at Answers@rpmviking.com, or calling 612-915-0100.
5. Agent does not impose a separate fee for sending Agent text messages under Agent Program. However, standard message and data rates may apply to each text message sent or received in connection with Agent's Program, as provided in your mobile telephone service rate plan. Please contact your mobile telephone carrier for pricing plans and information.

Text message consent is OPTIONAL (not required for working with us). If you do not wish to receive text messages from Agent or others acting on Agent's behalf, notify Agent as provided for herein.

SECTION 2: Onboarding the Property

The Management Agreement and Services

The foundation of our relationship is the Property Management Agreement, which includes this document, and the "housekeeping" documents you executed before you came on board with REAL Property Management. If we can't agree on something during our relationship, we will all rely on these documents to help us sort things out.

Management Services

The most important service you will receive in the management process is proper monthly management. We are in the middle of two competing interests, that is the interest and rights of the resident and the interest and financial

performance of the landlord. It requires a lot of manpower and capability to do it right. You want your investment to produce the expected financial results, and we intend to help you achieve exceptional performance.

Our monthly services are structured with a variable financial component to incentivize full occupancy. If the property is vacant, we have a driving incentive to fill the vacancy. So, our interests are fully aligned. And since even vacant properties need attention, we provide Base Property Management services to keep the property in good order.

During vacancies, or when notified by the residents that they will be away from the property for an extended period, we will decide if conditions exist that may require a trip to the property for a vacancy check. If we deem it wise due to weather, resident vacancy or non-responsive resident, late rent payments, we will visit the vacant property to check for any safety, security, or condition that may need attention. If we make more than one such trip in a month, the standard inspection service will be charged.

Owner Benefits

We provide a rich package of Owner benefits that are designed to increase the satisfaction of the Owner. These benefits are charged to the Owner based on the management plan selected. These benefits may change from time to time and any changes will be communicated prior to any changes.

Charges for Tasks Outside Our "Scope of Service"

The management service does not cover meeting with your HOA, digging out records from years ago, handling or assisting with Insurance Claim, watering the lawn after new sod, coordinating showings for Realtors not employed by our brokerage, meeting your appraiser at the property or shipping your riding lawn mower to Denver. Owners often ask us to drive out to the property to see if the hailstorm did any damage, see if the neighbor picked up the swing set, pick up and forward their mail, locate the pool keys and see if they left the lights on. We're happy to make these unscheduled, owner-requested trips, but we pay our staff for this work and the cost will be passed on to the owner. Minneapolis traffic can be brutal, and these "short trips" usually take two to three hours and have some hard costs associated with them. However, we can provide many of these services at the Special Services rates listed herein. Just let us know how we can assist.

Housekeeping Documents

Below is a list of other documents and information related to your investment and our agreement. During your property onboarding, the following additional documents are required:

Lead-Based Paint Disclosure

In April of 2010, the EPA changed the rules for anyone doing repairs, painting and basic maintenance of homes built before 1978. Their new law has terms like "one gram of lead, jail time, fines," and other words that make property managers and contractors nervous. Before anyone disturbs six square feet of painted surface on a property built before 1978, they are required to have a Lead Paint test performed to assure that there is no lead-based paint. You are paying us to know and follow the law so that none of us ends up talking to federal officers about how we handled maintenance on your property. We intend to do it by the book and keep everyone safe. If your property was built before 1978, please inform REAL Property Management so the proper disclosures can be put into place.

Insurance Declaration

Your management agreement requires you to provide us with a declaration page listing RPMV as "**Additional Insured**" to protect you from additional charges in a lawsuit defense. Take careful precaution to insist that your insurance provider specifically lists "**Additional Insured**" as the designation *rather than* Additional Interest. If your insurance provider does not allow this designation, you must provide a policy with this designation and may need to find a new carrier. We have a list of carriers that will provide this designation, and one is [Obie Insurance](#).

In the event of a lawsuit, it is important to have a unified defense. If RPMV is not listed as an Additional Insured on your liability policy, there will be two sets of lawyers and two separate defense strategies and costs.

You must keep your property covered by a landlord liability policy during our relationship. You also need sufficient liability insurance to cover the increased risk incurred by having a renter in the property with a minimum of

\$1,000,000 liability policy (some older contracts may require \$500,000, but based on the cost of litigation, we now require \$1,000,000). Renters are not a protected class in the courtroom, but they are a favored class when owners or landlords are involved. **Your policy needs certain limits of coverage and REAL Property Management must be listed as an Additional Insured party. Failure to provide and maintain this designation on an insurance policy will result in a \$15/month charge to the Owner until in compliance.**

Bank Deposit Form

This form will be used to designate the location for which the rent proceeds will be deposited.

IRS W-9

This form is required by the IRS for reporting Gross Rents at the end of the year. The IRS has required that all professional property managers issue a 1099 to them (and you) by January 31st of each year for any money we collected on your behalf from the tenant that year. Much like an employer, we are required to report income we received on your behalf. Your monthly owner's report will account for most of your expenses on the property for that year and you'll show those expenses on schedule E of your tax return. Funds will never be distributed to an owner until we have received a valid IRS W-9 form.

Owner Profile

The Owner Profile, in addition to the Management Agreement, is the document that provides RPMV with the formal instructions on how you want the property to be managed. This document specifies maintenance, rental instructions, and other information that is specific to your property. *Take your time and careful consideration of all questions so we will be successful in managing your assets.*

Owner shall provide Agent with profile information using Agents form to gather Owner and Property information and instructions. Owner shall provide Agent with a current W-9 form, Bank Deposit form, and Insurance form prior to receiving any distributions. Agent shall have no obligation to perform any services until this information is received.

Rental Licenses

Owner shall obtain and maintain a rental license or rental permit as required by the governing agency in which the Property is located prior to executing any Lease. Owner shall notify the governing agency that Agent is the current property manager and provide mailing address for renewal notices. If Agent is required or requested to provide services to administer or comply with municipal rental license ordinances, Agent shall be compensated at the Special Services rate for the time required. Copies of such licenses and/or permits shall be provided to Agent upon its request. To the extent Owner fails to obtain or maintain any applicable authorization or permitting necessary to rent the Property (including but not limited to permits from the city or municipality, authorization from a common interest community and the like) Owner shall immediately, upon the written demand of Agent, indemnify and hold harmless the Agent from and against any and all related liability.

HOA Issues

Homeowner's associations (HOAs) generally have an issue with renters and tend to create a lot of heartburn for owners and landlords when they move them into their communities. If owners get behind on their dues, or forget to provide us with the current rules for leasing in their community, HOAs think nothing of booting cars, suing tenants for the rent until the owners' dues are caught up, turning off utility services, hauling off their cars and evicting them over rule violations. Although we'll handle the process, you'll need to stay in the loop as HOAs don't always communicate very well with third parties (property managers and tenants) regarding their actions. Since they can fine you and lien the title of your property over these issues, you'll need to work with us to resolve these challenges. This is one of the issues you can't turn over to your property manager entirely.

Amenity Passes, Gate Keys and Pool Keys

We often rent properties in communities that require gate passes, codes, keys and permission from the HOA for access to amenities and entry points. Occasionally, the owner will ask us to call the HOA on their behalf and find out about these restrictions. HOAs typically don't communicate very well with third parties (property managers and



renters) and often refuse to speak to anyone but the owner regarding these policies. The HOA, not REAL Property Management, is in control of the community and we, like you, are beholden to them. It is imperative that you get permission from the HOA to rent your property and provide us with keys, passes and codes for us before we lease the property. If you don't do this in advance of our leasing of the property, be prepared for battles with your HOA and increased expenses (time and labor) in resolving the resulting issues later.

Keys and Access

Upon execution of the Management Agreement, we will install an algorithmic keypad lock on one of the doors. This lock is designed to provide one-time access to vendors to protect the safety of the occupants. This lock will also provide access for our maintenance staff and showing agents. If you or your guests are occupying the property, you will receive a temporary code during your stay. Upon your vacancy, we will re-key or replace all the exterior locks on the property at your cost and remove your code.

During Tenancy, the owner will have no access to the property, unless escorted by us.

Cleaning

Owner Occupied Properties:

1. Initial Condition of Property: Upon delivering the Property to Agent for management, the Property shall be "Hotel Clean" in accordance with the Agent Cleaning Specification and cleaned, sanitized, and deodorized in a way that there is no evidence of the prior occupants. Owner hereby authorizes Agent to hire a professional turnover cleaning company to perform a Class 3 cleaning to sanitize to the Cleaning and Safety Guidelines of the American Hotel & Lodging Association with a minimum cost to the Owner as stated herein, subject to a higher cost if, in the discretion of the Agent, the condition Property exceeds normal cleaning conditions when delivered.
2. Carpets shall be professionally cleaned and gas fireplaces shall be inspected and cleaned if soiled, and Owner authorizes Agent to have carpets, ductwork and fireboxes cleaned.

Tenant Occupied Properties:

1. Tenant shall be accountable for cleaning to the extent required under the law or their lease and Owner hereby authorizes Agent to have the Property cleaned to the Class 3 specification prior to a new occupancy at Owner expense (any cleaning charges collected from tenant shall be applied).
2. At next vacancy, carpets and ductwork shall be professionally cleaned and fireplace fireboxes shall be inspected and cleaned if soiled, and if not clean, Owner authorizes Agent to have carpets, ductwork and firebox cleaned upon next occupancy.

Owner acknowledges and unconditionally agrees that the Property shall be cleaned to the cleaning specifications contained herein and Agent is authorized to perform such cleaning prior to Tenant occupancy.

Property Condition

Pest Control: Under Minn. Stat. § 504b.161, the premises shall be fit for the use. However, Tenant shall be responsible for certain pest control if pests appear after 30 days of occupancy, notwithstanding, Owner shall provide pest control as required by law.

Personal Property

Owners often leave personal belongings (patio furniture, cleaning supplies, paint, microwaves, wall mirrors, tables, bar stools, lawn mowers, grills, ladders, etc.) behind when they leave the property, thinking it will be there when they return, or that it will be useful to the Tenant. It seldom is. Renters often forget what is not their own when they move out, or they have a garage sale, and it is gone forever. You are required to remove everything when leaving, and if not, we will have it removed at your cost as soon as we take control of your property and we will not reimburse you for any personal property removed. Personal property provides significant legal liability to the owner, is not covered under Security Deposits, and we will remove and dispose of anything left behind other than kitchen and laundry appliances.



If Owner desires to keep personal property at the Property, it shall not be in a dwelling unit or accessible by anyone except Owner. Only detached structures may be used for Owner storage as long as the area is accessible from outside the dwelling unit without entering the dwelling unit, in a separate structure fully secured, demised, and kept locked. Agent assumes no responsibility or liability for Owner's personal property left at the Property, nor for the part of the Property for which the personal property is kept; and such personal property may be lost, damaged, stolen, sold, or otherwise removed. Window coverings and window air conditioners are considered personal property and may be damaged, removed, or discarded by Tenant or Agent without consequence.

Property Features / Disclosure

During your onboarding, we will send you an Owner Profile to complete. Since you know the property better than anyone else, you should identify area landmarks and basic information about the property so we can represent it properly in our advertising and ongoing management. You shall disclose the current HOA Conditions, Covenants, and Restrictions. If there are any rental exclusions, you must disclose that to us prior to marketing the property. If there have been any prior issues that may impact tenants (mold, drug activity, murders, equipment failure or malfunctions), you must disclose this to us prior to marketing the property. **You are fully responsible for the content of the Profile and updating it when you desire, and we will rely on the Profile in the event of a conflict/dispute.**

LLC, Land Trust, Partnerships, and Owner Representatives

If you hold title in a corporation, limited liability company, non-profit, trust, or land trust we will require a Certificate indicating your authority to act. Only ONE owner representative shall be allowed to provide instructions to us, and we will only abide by the instructions provided by Owner Representative listed in the Management Agreement.

Remove Property from the Sale Market

Because "For Sale" listings "bump" Rental listings on the internet marketing and MLS sites, Owner Agrees to remove the property from the market if the Property is currently active on the Multiple Listing Service or being marketed for sale in any way during the Term or prior to signing this Agreement.

SECTION 3: Rent Ready Condition

Summary

We are committed to providing your residents with safe, clean, and properly maintained homes. In order to comply with the [Minnesota Covenants of Landlord Statute 504B.161](#) and Real Property Management standards, the below items must be completed before we will advertise and rent a property.

Full Rent-Ready Requirements

Condition: Before Agent begins marketing the Property for lease, Owner must have the Property ready for tenants to inhabit as required by law and our condition requirements including any required licenses, inspections, or registrations unless Owner has disclosed conditions to the contrary to Agent in advance and in writing, in which case Agent and Owner shall agree on a plan, including a schedule for completion, to bring Property into compliance.

In order to comply with both internal and state rental housing requirements, including the Minnesota Warranty of Habitability Requirements, every property must meet the list below to be fully advertised and be 'Rent-Ready'. Requirements:

Cleaning:



1. The property is professionally cleaned to our Class 3 specification (see <https://www.rpmviking.com/owners/owner-resources>) and free of trash and debris, inside and outside, including utility rooms, unfinished spaces, and garages.
2. No personal property or items in the unit. This includes furniture, knickknacks, toiletries, shower curtains, Kleenex boxes, kitchen or bathroom items, soap dispensers, cleaning supplies, pictures, etc.
3. The carpet is professionally cleaned and looks fresh; or replaced if worn, soiled, or damaged.
4. Garbage disposal shall be removed or cleaned.

Mechanical, Appliances, and Safety

5. HVAC system to be in good operating condition, with a new filter installed.
6. All mechanical equipment function as designed. Includes HVAC, plumbing, water softeners, sump pumps, and electrical systems, kitchen appliances, laundry appliances, sump pumps, water softeners, sprinkler systems, gas fireplaces, water filtration systems, etc.
7. New Carbon monoxide detectors are installed within 10 feet of each bedroom. ONLY wall/ceiling mounted, NO plug-in units. New Smoke detector on each floor. New Smoke detector in each bedroom.
8. All light bulbs are working and the same color temperature.
9. Safety railings are secure, with no trip hazards.
10. If operational, wood-burning fireplace(s) shall be clean of debris and have a fireplace screen or heat-proof glass doors installed. If non-operational, the fireplace opening on the interior of the home shall be permanently sealed with an aesthetically pleasing material and sign.

Painting, caulking, and other surfaces

11. Caulking in the kitchen and bathrooms shall be clean and free of mildew.
12. Walls and trim shall be patched and painted to match adjacent surfaces with no marks or holes in accordance with the Agent Painting Specification. If walls and trim are not in a condition according to the specification, Owner hereby authorizes Agent to repair as needed to meet the Painting Specification. All painted surfaces are fresh with no mismatched touch-up areas, and repainting must be done from corner to corner. (See our Painting Specification <https://www.rpmviking.com/owners/owner-resources>).

Kitchen and Bathrooms

13. All kitchen cabinets and drawers shall work as designed, rotted or deteriorated surfaces shall be replaced.
14. Splash guards or enclosures shall be installed to prevent water migration outside shower/bathtub.

Doors and Windows

15. Windows must open, close, and lock properly, and window screens must be in good condition. No broken doors, broken windows, broken glass, non-functioning egress windows/doors.
16. Interior keyed door locks removed.
17. All bedroom and bathroom windows must have curtain rods, blinds or shades; all windows shall open, have intact screens and be unobstructed.
18. Patio sliding doors must have a curtain rod and no vertical blinds.
19. Doors open & close smoothly, and doorstops are installed on all doors. Keys to all doors work properly.

Exterior, Garages and Outbuildings

20. No lawn equipment, including mowers, tools, etc.
21. The garage floor was swept. No exterior debris.
22. Lawn cut and trimmed. Trees trimmed of dead limbs or limbs touching the building.
23. Landscaping fresh and clean, Snow shoveled.

This list is not meant to cover every make-ready required item, but it lists some of the most important and often overlooked.

SECTION 4: Marketing Your Property

Preparing your Property for Marketing

We will always use a professional cleaning and sanitizing service prior to any tenancies and the cost will be charged to the property. When tenant occupied, the tenants will be responsible for the cost at turnover. Many times,



Owners believe that to save money, they will clean the property themselves. This can cause several issues. First, imagine if the next time you check into a hotel and the desk clerk says ***“the room is all ready for you... the last guy staying her did the cleaning themselves...”*** You would likely find another hotel to stay in. Second, your home is no longer your home, rather it is your business. And as your business manager, we are running a professional business with a reputation to uphold and sanitation regulations for which to comply. Third, if the tenant does not have a 5-star experience at moving in, they start off badly and then generally end badly. If they do not renew their lease or leave the property a mess and there are more than a few days vacant, you will have lost all the money you tried to save and more.

So, we always will have your property properly prepared for your customer with a “hotel clean” property in accordance with the National Hotel Association cleaning specification. Meaning there is no evidence of the prior occupant. Fully sanitized, fully clean, and properly prepared for a new occupant.

We will not begin marketing the property until the Rent-Ready conditions are met.

Pre-Marketing

First impressions are critical when people are selecting a place to live. Utilities must be active, and the property must be clean and painted to our specification with all noted repairs complete before we start marketing a property. It is aggravating to drive an hour to a property with a prospective renter only to find it dirty, smelly and unsightly. Tenants get turned off by houses that are not move-in-ready and often won't return to see them a second time. Get the property in a rentable condition, and then the marketing can begin. **If the property is not in a rentable condition, or the current occupant is not caring for the property, or at the discretion of RPM, we will suspend marketing the Property until such conditions are remedied.**

Rent-Ready Issues

“Go ahead and start marketing the property ... I'll have the rehab done before you get a tenant” just doesn't work. We often rent houses in a few days and trying to move tenants into a half-ready home is painful. Get it ready and we'll market it, but we'll be reluctant to start too early. Also, tenants do not have a good sense of vision and may not see the dream of what the property will become. **If you are occupying the property while we begin showings, you are responsible for removing anything of value as there will be times that people in the house will be unescorted. Also, do not change the cosmetics or use of the property after we start marketing. Tenants expect the property to be in the same condition as when they viewed the property, and we hold them to that standard.**

Clean-out

Upon any vacancy while under our contract, we will clean out the property and rid it of all personal property except for kitchen and laundry appliances. Any personal property left behind presents a liability to you and to us. The owner shall pay for disposal, unless paid for by the resident, and not hold us responsible for any personal property.

One other point, since personal property is not considered real property, the security deposit does not cover damage or loss to this property. So, if your pool table, or bath mirrors get damaged or go missing, it is not covered by the security deposit.

Setting the Rent

We rent numerous homes each month. We know the market and can find lots of rental comps to drive the asking rent. Although it's your call, we'll advise you and report on activity. You'll set the rent offer but markets establish the rent that tenants will pay. It is a trade-off between time and money.

There are two types of Rent. Opportunistic Rent, and Smart Rent.

Opportunistic Rent: This rent rate is usually set by the owner and based on Zillow listings. It is the rent the owner wants and may not reflect what the market will pay. When this rent is set, it normally needs to be adjusted down over time until a market is opened up for the property. Zillow shows properties STILL on the market, not the rents that were eventually accepted. This approach has an inherent risk of loss of time.

The time cannot be made up, burns cash, and it is generally better to rent at a lower level and fill the property quickly. **Rents that are too high tend to minimize showings and attract lower quality applicants.**

Smart Rent: This rent rate is the rate that will attract 20-30 showings in the first week and yields 6 applications. This rate is normally less than the “Zillow Comps.” In this case, the property will be leased within 14 days, saving you 1 or more months of “lost” rent.

Price Always beats Time

There are only FOUR variables that drive rental applications. 1) Location, 2) Condition (including floor plan), 3) Offer, & 4) Exposure. (Time on Market is not one of them.) Make sure your property is in better condition than the competition and set your rent at or slightly below the market. If your strategy is to put it out at a higher price than the market, you will suffer a long vacancy and eventually lower your rent to the market rate with fewer applicants from which to select. **Smart Renters do not willingly pay higher than market prices. Price always beats time.**

Owner Provided Tenants

If the owner provides a prospective tenant for a tenancy, the following shall apply:

1. Agent shall not publicly advertise the property until the prospect has been dispositioned to prevent fair housing and statute violations;
2. Owner shall screen the prospect, sign a lease, and collect first months’ rent, and all security deposits (and send all documents and funds to Agent prior to move-in);
3. Owner shall provide tenants with all required disclosure documents in accordance with laws and ordinances;
4. Owner shall provide all required disclosures in accordance with laws and ordinances;
5. Owner shall send a copy of the Photo ID, SS#, and Criminal Background report to Agent upon screening;
6. Owner shall be responsible for utility transfers;
7. Owner shall be responsible for confirming tenant has secured Renter’s Insurance prior to move-in;
8. Owner shall be responsible for Pet Screening and validating Federal HUD Assistance Animal accommodations;
9. Owner shall perform the move in inspection and address all property condition and repairs upon move-in;
10. All agent resident charges shall apply and be paid by the owner or the tenant, including, prepaid cleaning, resident amenities, animal services, and building services.

Owner Occupied Properties

Owner Occupied Marketing Rules:

11. Prior to marketing, the Property shall be Clean and Tidy. Clean and tidy up the entire home, with all clothing in closets or drawers, dishes clean and stored, and clutter removed to simplify the photos and present the property during showing.
12. All rooms shall be fully accessible. No clothing, trash or debris on floors or strewn about; personal items, toys, games, placed in closets or drawers; clothes, blankets, folded and stored; beds made up and rooms organized and clean.
13. Bathrooms and Laundry shall be clean and neat. Towels folded and stored; no clothes or other personal items on floor; tubs, showers, toilets, floors, mirrors, and vanity clean.
14. The kitchen shall be clean. Countertops cleaned; dishes cleaned and put away in cabinets; towels, food, and other items stored; floors cleaned.
15. Appliances and disposal shall be clean and odor free, Interior and exterior.
16. Exterior of property (Including Garage) shall be clean. Garage shall be organized and floors swept. Toys and bikes stored away, lawn and yard maintained.
17. All valuables secured as Agent will have people in every room. Nothing of value should be accessible to visitors.
18. All repairs completed. No partial projects underway. When a prospect tours the property, it must be the same when they take possession. The owner cannot change paint colors, carpets, or any other cosmetic or mechanical items from the time marketing has started.
19. There must be 14 days from the day Owner moves out before the new lease start date to perform the rent ready work Agent must complete. If Owner delays their move out date, and Agent does not have at least 14 days between move-out Owner will be charged if Agent must reschedule services and for any tenancy charges caused by such delay.



Utilities

Because utilities don't like working with third parties (such as property managers), owners will need to keep services on in their name until the property is rented, and, between tenants. You can and should set up "continuous service" or a "landlord account" with each utility company so service is never interrupted. All utilities must be on before we start marketing a property. And never have your account terminated as it takes time and money to get the meters unlocked and turned on.

City Services (Water, Sewer, Trash). These services are "lienable," meaning that if not paid, a lien will attach to your property. We recommend that all City Services remain in the Owner's name at all times. If you send us the bill, we will collect it from the tenant and reimburse you when paid. Since the tenant has a security deposit on file, we can always charge the tenant against their deposit. If you request/require the tenant to place the utilities in their name, RPM cannot guarantee payment. You are responsible for providing RPM with the actual or estimated City bill at the end of the tenancy for collection within 10 days following the Lease End.

Keys

We can't express how important it is for you to provide us with all applicable keys: keys to the property, pool, entry gate, clubhouse, mailbox, etc. The cost to provide sufficient keys/access fobs to all adult tenants is born by the owner. It is our job to make your property stand out from all the others the potential renter will be considering, and often the decision comes down to the amenities. To put it bluntly, we can't sell what we can't show. We will work diligently to rent your property, and to do that we must have all the keys. If we do not have the necessary keys/fobs, the cost to acquire them will be charged to the owner.

Keyless Deadbolts

We will install a custom algorithmic keypad at the owner's cost to reduce the need for re-key expenses at every turn. It also reduces vendor trip charges as they will not have to come to the RPM office to pick up and return keys. We will re-key any other locks just before a tenant moves in. The existing lock will be left at the premises in the utility room.

Advertising the Property

Upon Owner's notice to Agent to proceed with initial marketing if Owner occupied, or upon any actual or anticipated vacancy of the Property thereafter, Agent shall advertise the Property on the internet and/or the Multiple Listing Service as determined in the Agents best discretion.

If we determine that, because of the current Tenant's care of the Property or if Owner is making repairs, we shall delay marketing until a time when the Property is in its best condition to maximize rents.

The owner shall remove all items of value during showings if the Property is occupied by Owner. Agent shall not be responsible for lost or stolen items during Owner occupied showings.

Marketing and Showing

Public Showings

We have a full-time service taking calls from prospective renters, pre-screening for qualifications, and scheduling self-showings seven days a week, 24 hours per day. This allows your property to rent quicker, saving you money. We will advise you about changes or improvements to maximize the success of your listing. For vacant properties, we may use self-showings to increase the window of showing time access.

Activity Reporting

Each Monday, during the active listing of your property, you will receive a morning report showing the activity for the prior week. Until Mondays, we do not have all the agent feedback, prospect feedback, or showing data, so it is best to only call us on Mondays to discuss the listing action and discuss strategy.



Early Termination Fee

If we've started marketing the property, posting it on rental web sites or putting signs or lockboxes on the property, we've already spent some real time and money, and realtor commissions are due. If you terminate the agreement with us after we have started public marketing and before we have leased the home, a marketing cancellation fee will be charged to recoup those costs. If an owner requests our business relationship to terminate in the middle of a tenancy, refer to the management agreement for further details.

Screening Applicants & Lease Signing Procedures

Agent shall conduct a background check and income analysis for prospective tenants, and present prospective tenants who apply for tenancy to Owner for approval, prior to leasing the Property.

If Owner does not provide a written approval of the proposed tenant within 24 hours after Agent sends an applicant scorecard and placed least one reminder to Owner's phone number or email address of record, such non-response shall be considered as Owner's approval of the applicant for tenancy and Agent shall have Owner's implied approval to sign a lease with such applicant. This process is necessary due to the applicants' short window of making decisions. Many times, applicants submit multiple applications and accept the first one that is approved. And because our screening criteria, listed below, is in compliance with all laws and regulations, the only valid reasons for declining an application that we submit as "Approved," are things that are inconsistent with the advertised property, such as lease term, quantity of pets, or similar terms.

Screening tenants is one of the most important aspects in good property management. As much as we think we have it figured out, applicants are still teaching us things every day. Identity theft and fraud is rampant, and it's easy to miss something even when you're watching for it. It's not a cut and dry system and takes a lot of experience. To conform to the Fair Credit Reporting Act and the Red Flag Rules (regarding privacy of personal information), we keep this information locked up and confidential for six years. Our Screening criteria are listed here: <https://www.rpmviking.com/rental-application-disclosure>

Costs

All costs associated with conducting any above-described Tenant screening or background checks shall be the sole responsibility of the prospective tenant, unless Owner rejects an applicant that has passed Agent's application criteria, in which case Owner shall bear the cost to refund applicant.

In the event Owner approves the applicant and Owner later decides not to lease the Property to prospective tenant, Owner is responsible for refunding all costs associated with screening or background checks originally paid for by prospect as well as the Tenant Placement Service, since we earned the placement.

Background Checks

We review credit, employment history, residency history, foreclosure, bankruptcy, eviction reports, sex offender reports and more. There is no perfect system to qualify applicants, but we take advantage of all the information we can get our hands on. Screening applicants is often a balancing act between the information we gather about them and the money they are willing to put down (security deposit) to secure their fulfillment of the promises in the lease. In some instances, income is king, and extra deposits can buy a lot of forgiveness. We allow guarantors to offset the lack of income or lack of credit, but negative credit history is generally an automatic disqualifier unless easily explained and justified.

As well as we screen tenants, good tenants can go bad. While we have an exceptional record with screening and collecting rents, it is always possible that a tenant can become a problem. Your responsibility as the Landlord includes approving all applicants. Ask any question you need to make a good decision. We will be up-front with you, but we are limited in disclosing some information by the Fair Credit Reporting Act and privacy laws.

Consider adding Rent Protection to your plan to protect yourself against tenant default or malicious damage.

Application Contingencies and Owner Approval

If the applicant has special requests, offers less than asking rent, has multiple pets, or presents any issues outside of our criteria, you will be contacted for final approval. We work hard not to exceed our authority when it comes to this or any other matter during our leasing and management of the property.

Score Card

Agent shall send Owner a summary "Score Card" of the "approved" prospective tenant credentials along with the rent term, number of occupants, animals to be kept on the Property along with other items related to the tenancy for Owner's approval as the sole submission for approval. Score Cards will be presented to the Owner one at a time on a first completed basis for approval or rejection. If rejected, the next Score Card will be presented until an approval is received. Rejections may not be made for a reason based on any selection criteria listed on the application if the prospect has cleared our selection criteria or advertised criteria; nor be made for a reason prohibited by law. **The owner agrees that it shall be the sole decision maker for approving the Tenant and that Agent only serves as a facilitator.**

Negotiating the Lease

Our standard lease agreement is a very reasonable and pro-landlord/tenant document. Owners will be involved in negotiating special stipulations for things such as replacing a fence, putting in a new refrigerator, allowing more than an 18-month lease or allowing multiple pets. Some issues need your input, but most of the time – it can or will be handled by us as your general agent.

Cosigners

We do not allow "co-signers" as they are hard to find when needed. Our preferred method of dealing with these cases is to require the tenant to procure a Surety Bond to guarantee the rent from an A-rated insurance company.

Double/Triple Deposits

Money is a great equalizer when approving an applicant, money buys a lot of forgiveness. If an applicant is willing to put up lots of money (in the form of a security deposit) to secure a lease, we can approve applicants with less than perfect credit or limited housing history. Plenty of money in a security deposit is often sufficient guarantee for the promises in the lease.

24 Month Leases

Long leases can save you money by preventing expensive vacancies. We often get requests from applicants to be allowed to execute a two-to-three-year lease agreement. Generally, this is a bad idea. You don't want to be stuck in a problematic situation longer than needed. Residents expect 12-month leases, and some owners want to retain the options to move back into their properties or sell the property, so we won't allow extended leases (anything over 18 months) without your permission. We may find an opportunity to sign a lease for less than 6 months as long as the marketing costs are substantially covered by the tenant. These can be great ways to fill gaps in leases or to get lease expirations to cycle during the peak rental seasons. Our standard lease approvals range from 9 months to 18 months and are designed to cycle during the peak rental season.

Animals

Most renters keep animals. Our experience is that A+ tenants have A+ animals. In fact, we have found that children cause more damage than animals do. Your advertised rent includes keeping up to two animals and we do not charge "pet rent" since the increased Security Deposits will cover damage, and you cannot charge a tenant for wear and tear from animals.

We do require the tenant to pay for pet inspections, management, and screening services for your benefit. We provide the Property Owner with an animal performance warranty where we will refund up to \$1,000 per animal applied toward your next Lease Placement if the animal does not perform as required.

Our Animal Screening Services Include:

1. Screening all Animals based on a scale for each of the following: Age, Weight, Neutered/Spayed, Species, and Restrictions.
 - a. We collect information on Emergency Contacts, Service Provider, Photos, Microchip Locating
 - b. We verify vaccinations for Rabies, Distemper, Bordetella, Canine Influenza, Leptospirosis

- c. We have the animal owner sign an attestation that their animal has insurance, completed a 3rd-party training program, gets regular vet visits, has never bitten anyone, is house trained, does not have damaging habits, is kept on a leash when outdoors, has never bitten an animal
 - d. We confirm that the pet owner carries insurance if required
 - e. We screen for restricted breeds (even when the tenant claims it is a “mix”)
 - f. Agreement that the pet owner will clean up waste and obey all ordinances
 - g. Confirmation they are in compliance with city licensing regulations.
2. Annual renewal of the above screening prior to lease renewal.

Our Assistance Animal (ESA/SA) Services Include:

1. Legal review of all medical documentation for Reasonable Accommodation requests
2. Legal fraud prevention review
3. Annual updates to medical documentation

Our Animal Management Services Include:

1. Responding to neighbor complaints
2. Registration with HOA when required
3. Managing visiting pet registration and enforcement
4. Annual vaccination and registration updates
5. Carpet Cleaning at the end of the Tenancy
6. Ozone treatment at the end of the Tenancy

Our Animal Inspection Services Include:

1. Up to 3 interim animal inspections per term based on complaints and observation of care of property
2. Formal Incident Reports upon complaint/observation

Lease Document Preparation

We have attorney prepared lease documents for all parties to review. Tenants will sign several documents before they take possession of your property. The lease is the primary document, but there will also be a pet addendum, policies and procedures, lead paint disclosure, maintenance addendum and documents that cover property visits, renter’s insurance, smoke detectors and more.

Note: If Landlord requests changes to the lease or term or conditions added, Owner will be charged \$250/hr. to modify the lease and perform legal review.

Managing the Move-In

When a tenant moves into a home for the first time, there are often “issues” during the first week or two. Our walk through and property assessment is done prior to the tenant moving in, but we cannot test every item in the property. We provide the tenant with a smartphone inspection app, they are required to review our inspection and comment upon move in, they must complete the inspection process within 14 days. If there are any repairs that need to be addressed, we will address those issues in a timely manner.

Our property assessment report will include interior and exterior photos and videos. The exterior will be documented with photos, any exterior equipment, and yard. Interior photos will be of each room, including equipment, any damaged or defective conditions, and an overall view of most areas. A copy of this report will be sent to the tenant for use at the move-out; and is available to the Owner upon request.

Re-Key Policy

All locks will be changed, repaired, or re-coded at the start of a new tenancy. It is our policy to complete this task prior to the tenant occupying the home. Copies of these keys will be kept at our office in a secure location. This is an owner expense and will usually cost between \$100 to \$400 depending on the number of exterior doors that must be rekeyed. The home may also need additional security measures installed to meet the Minnesota Property Code. However, the installation of a keyless deadbolt will mitigate much of this cost.

Uncompleted Repairs / Contingencies

When the property isn’t ready, or the contingencies are not done as promised by the owner, we often have to take drastic actions, costing the owner serious money. When a tenant moves into a dirty home, or one that has unfinished repairs, they will hold it against us for the life of the lease. We’ll do everything we can to make it right, but it usually



is an expensive process because we're all scrambling for solutions at the last minute to avoid losing the tenant. Remember this: speed always costs more, whether you're shipping packages or calling a contractor or a cleaner to come immediately and finish a repair or clean the home so we can let the tenants take possession. In these situations, we go to work "making it right" and discuss the costs later. **We require a minimum of 14 days from the time an owner moves out, or owner repairs are complete before a new lease starts.**

Moving in Before the Rent Starts

We do everything we can to get the tenant to take occupancy as soon as possible even before the actual rent start date. This is good for the owner, so after a lease is signed, if requested, we do it without prorating the rent. Here's why. An occupied home is less at risk of being vandalized; the tenant takes over lawn care at move in; they pick up utility costs from the date of move in and there is less of a chance of them changing their mind and not taking the home. The sooner we can get them in the sooner we have their security deposit locked down. In these cases, we require all the required insurance and lease terms from the day of occupancy.

Pre-Move-in Cleaning

Tenants expect hotel (white glove) clean and sanitized units, whether they should or not. If the home is dirty at move-in, renters get angry and remember the experience until they move out. No one likes to clean up someone else's dirt. We perform a Class 3 deep cleaning prior to showings. However, particularly during the winter, we may need to schedule a Class 1 pre-move-in cleaning just before the tenant is to take occupancy if conditions demand it.

Security Instruments

We utilize several methods of securing your interests in the lease such as Cash deposits, Surety Bonds, and Billing Authorizations.

Cash Security Deposits

While this is the traditional method, it does come with several risks. Our policy is to hold the tenant's security deposit in a qualified Fiduciary Trust Account. The property manager must HOLD the security deposit – and account for it. Our property management software allows us to account where every penny is located. In Minnesota, the Landlord is responsible for paying 1% simple interest annually and this cost will be billed to the owner from the last month's rent. If the Security Deposit is held by another property manager or by the landlord, such deposit shall be deposited by the Owner into the RPM Portal immediately upon signing the management agreement. If such deposit is not made, RPM shall allocate collected rents to fund the Security Deposit for the Tenant. The greatest risk are the regulations imposed by the Department of Commerce and the courts, which are not very friendly to Landlords.

When calculating the statutory interest for incumbent tenants (those for whom we took over management, but did not initially place), we will use the current lease start date, unless evidence is provided to support the original move in date. The owner shall be responsible for calculating and paying any statutory interest for which we did not pay.

Billing Authorizations

This method can be very effective in securing your interest but is also favorable to the Tenant as it requires much less money up front. This instrument is secured by a third-party bank who guarantees the funds and allows the Tenant to pay overtime.

Surety Bonds

These are A rated insurance company backed bonds that will guarantee rent and security deposits. The tenant generally pays for this rent guarantee and the instrument generally does not expire until the tenancy ends. However, the Landlord may opt to purchase a rent guarantee if they choose, just contact us to discuss.

Understanding Your First Rent Payment

Once your property is leased and the tenant moves in, you will begin receiving rent deposits into your bank account. This first month can be a bit confusing, since you may be receiving funds in your bank account which is a figure that is different from the rent amount. When you receive the first statement, recognize that this is the Trust Account statement, and not your Profit and Loss statement. Go to your owner portal to run your Profit and Loss statement

for an accurate reflection of your position. The Trust Account shows ALL transactions including security deposits, utilities, and other transactions that may not impact your Profit and Loss on the property.

- 1) On the first day of the month, the rent is due.
- 2) We collect the rent and place it in a fiduciary trust account for you.
- 3) Within the first week of the month, you will receive a statement for the prior month. So, for example, for a June 1 Lease Start, in early June you will receive the statement for May. Which means it may not have much relevant information since there was no activity in May. The June rent activity will reflect your statement that is sent in early July.
- 4) You may receive a rent deposit in June as we make rent deposits on or about the 10th of each month. So, on June 10 you may receive your first draw. However, before we pay the first months' rent, we deduct our management and lease placement services, so the amount will likely be less than a full month rent, if any, given the services we have deducted in accordance with your agreement.

During the first month of service, if you wish to have an interim statement sent to you, just contact our office and we will send you an interim statement of activity.

SECTION 5: Managing the Residents

A major part of our job is interacting with the residents. We believe the more you know about how we manage tenants, the better you'll appreciate and enjoy the benefits of your anonymity. Our property standard for the tenant is "clean, properly functioning, habitable and safe." Here are just a few topics for discussion.

Communication

Under no circumstances is it a good idea for a landlord to communicate directly with a resident when a property manager is employed. First, **if there is any dispute or lawsuit and the landlord has been in communication with the resident, the landlord generally is named and required to attend the court hearings.** We are here to protect you and if you insert yourself in the relationship, it undermines your manager. If you find yourself involved, it is best to defer all communication back to us. Second, most landlords do not know the tactics of sneaky tenants, nor do they fully understand all the laws... can you name the 14 protected classes in Minnesota?

Incumbent Tenants

If we take on your property with an existing tenant in place, we will manage the tenant in accordance with the lease we inherited. However, at the next opportunity, we will convert the tenant over to our standard lease documents. **If there are pre-existing conditions, or prior lease issues, the Owner is primarily responsible for resolving these matters, or we may assist at an hourly cost.** Our lease generally includes additional responsibilities and financial obligations that allow us to provide exceptional services.

There is no upfront charge for taking on incumbent tenants, however, we do charge \$50/month for each month under the current lease we assume. This charge covers the services of managing a lease that likely does not have the tenant obligations and landlord protections that we have in our lease; and such charge will cease upon signing an RPM lease.

Incumbent tenants resist change and resist responding to our inquiries about their lives, like phone numbers, email addresses, copy of ID, etc. If the resident does not supply these items when requested, we will non-renew their lease.

Collecting the Rent

Agent shall remit to Owner all such Owner Income, less any properly deducted fees/charges as set forth herein. Before payment is remitted to Owner, Agent reserves the right to hold rent checks from Tenant in Agent's trust account until such check has officially cleared. Should payment made by Tenant be refused or returned for any



reason, Owner shall refund to Agent any such payment made to Owner within 3 days from written or verbal request, or the payment will be reversed and drafted from Owner's bank account on file.

Resident Amenities and Benefits

We provide two primary types of amenities and benefits to the residents (tenants).

1. We provide 24/7 emergency maintenance response and troubleshooting for maintenance or repair service requests. We charge the resident \$13/month to offset our cost of this service.
2. We also provide a robust package of resident services. We believe that being very tenant centric will yield a better resident experience, which will result in better tenants who pay on time, take care of the residence, and stay longer. We charge the resident 1.2% of the monthly rent for these benefits.
3. See this link for the current offering: <https://www.rpmviking.com/tenants>

Tenant Move-in

During a new tenant move-in, we will provide all the services needed to comply with the law and to provide exceptional resident experience. Once the lease is signed, at the Owner's expense, we will:

- 1) Perform the Move-in Inspection;
- 2) Clean the property to the specifications herein;
- 3) Paint/touch up the paint to the specifications herein;
- 4) Remove all personal property other than major appliances;
- 5) Change the locks/codes;
- 6) Collect the first month rent and resident charges;
- 7) Collect the security instrument;
- 8) Ensure utilities are converted into the tenant's name; and,
- 9) Ensure the tenant has the required insurance.

Lease Renewals & Owner Notice

The current tenants are offered renewal for another annual lease term as long as they meet our Lease Renewal policy criteria. Keeping a renter in the property and paying rent for a long time is an important strategy, and we work hard to make that happen. **If you want to move back in or sell the property, or you want to influence the rent offer, you must put your wishes in writing to us before 90-days prior to the lease end at propertymanager@rpmviking.com so we can offer plenty of warning to the tenant.** On a case-by-case basis, homeowners may approve a month-to-month tenancy, but we advise against such terms, rather we prefer a short term lease extension.

It is our standard practice to manage the renewal process without notifying the owner or seeking the owner's involvement because you have already approved the Tenant and the initial Rent and have given us the renewal authority listed herein to determine if the Tenant is qualified for a renewal and to set the renewal rent and term. As a full-service Property Manager, we handle the renewal process for you.

For lease renewals, we will perform a rent analysis and establish a rent rate and offer this rate to the residents that is at or higher than the current rent, based on market conditions; **all without your involvement.** If we recommend a rent rate lower than the current rent, or a term longer than 18 months, we will consult with you prior to making the offer.

Each time a tenant renews or extends their lease agreement or if we take over a property with an existing tenant, we will charge for these services as detailed in your Pricing Plan. This charge will be applied as soon as the renewal lease agreement has been executed.

90 Days prior to the lease end date: The Owner must advise us if they intend not to renew or wish to modify the terms of the tenancy.

90 Days prior to the lease end date: We begin the renewal process with the tenant

This process includes:

- 1) review the property condition inspection reports
- 2) review the tenant's rental and payment history;
- 3) confirm the tenants meet our lease renewal requirements (see Renewal Policy for details);
- 4) review the financial position of the tenants;
- 5) conduct an analysis of rents and establish a rent offer.

75 Days prior to the lease end date: We issue the renewal lease

This process includes:

- 1) offer a lease at substantially the same terms with adjustments for market rents;
- 2) offer a lease that is no longer than 18 months without owner approval;
- 3) sign a lease renewal agreement and charge the owner the lease renewal service charge.

Note that once a lease renewal is issued and the resident signs, it could be interpreted as a valid lease even if not countersigned. Offer given and offer accepted.

60 Days prior to the lease end date: We either have a lease signed, or we notify the landlord of a pending vacancy and seek a new rent rate/terms for the upcoming marketing offer.

Rent Increases

For greater than 12 month leases, our standard lease has a default 2.5% rent increase at each 12-month anniversary of a lease term that is 13 months or longer. If the tenancy ends and we start marketing for a new tenant, you will be provided with our recommendations for final approval on the offered rent rate and term (See Screening and Lease Signing section).

Managing the Move-Out

The state Landlord Tenant Law has a lot to say about the move-out process. Legislators obviously have had a lot of complaints from renters over the years, because there is a lot about tenants moving out, charges for damages, and security deposits in the law. Here is a description of the process.

Before the Move-Out

Normal Scheduled Move-Outs

Normal Scheduled Move-outs account for most move-outs. Once the tenant gives us notice to vacate, we will be communicating with them, right up to the day of the move-out inspection to make sure they keep utilities on; return keys, garage door openers, community keys and passes; and remove all personal property. We will perform a pre-move out walk-through to anticipate turnover repairs. We give them lists of things to think about so they can avoid charges and earn back their security deposit. Our priority is to get the property back in rent-ready condition in little time and with little disruption. Most renters want their deposit back and pay close attention to these issues.

Early Terminations

Occasionally people get transferred, or buy another home, before their lease ends. Tenants who request an early termination of their lease will pay for it's re-marketing, saving you the cost. This will allow us to put the home on the market again on the tenant's behalf. For Military Deployments, federal law requires no penalties to end a lease.

It is always best to have pre-defined exit language to avoid disputes and aggravation. Therefore, we offer two types of approved early exits. Below is the language in our current lease:

The Lease may be terminated early, if requested by the Tenant AND approved by the Landlord and allowed under the CIC/HOA in a signed amendment to this Lease and in the Landlord's sole discretion under one of these options:

Option 1 - Fixed Date Termination: Tenant shall pay an early termination service charge equal two months' Rent to the Landlord and a re-marketing service charge equal to one months' Rent paid to the Manager and an amendment shall be signed modifying the Lease End Date. The new Lease End Date shall be no less than sixty (60) days following the effective date of the amendment.

Option 2 - Variable Date Termination: Tenant shall pay a charge equal to 5 days of rent to the landlord, and a re-marketing service charge equal to one month's Rent to Manager for the Manager to remarket the property to fill the remaining Term. No special incentives, marketing priority, or concessions will be offered to expedite the effort to find a replacement tenant and all terms, rent rates, and application criteria shall be set by the Landlord. The new Lease End Date shall be 5 days prior to the date of the replacement lease or the current Lease End Date, whichever occurs first.

The Tenant chooses Option 2 in almost all circumstances. Option 2 is the least costly for the Tenant and no risk to the Landlord. If the landlord wishes to take on some risk, Option 1 can be very lucrative.

Tenant Charges and Security Deposits

Abandonment of Property

Every now and then, we find a property abandoned. Usually, we discover it when rent has not been paid, a notice arrives from the utility, keys are surrendered, or the tenants are unresponsive. Often the utilities are off and there's personal property left behind. When this happens, we will have the utilities turned on in the Owner's name until a replacement tenant is found. Tenants have rights under the law, so under no circumstances can we dispose of the abandoned property without complying with the law. Costs for storage of abandoned property shall be charged to the Owner, unless recovered from the Tenant under the law.

During the Move-Out Once the Tenants have surrendered the property and if we are continuing management, we will:

- 1) Secure the property and change the locks/codes;
- 2) Perform a Move-out inspection;
- 3) Perform all repairs as provided for herein;
- 4) Bring the property back to the condition listed in our Painting Specification;
- 5) Bring the property back to the condition listed in our Cleaning Specification;
- 6) Analyze the condition and assess charges to the Tenant;
- 7) Reconcile the Security Deposit/Instrument and settle all charges in accordance with the law and as listed below.

Normal Wear and Tear

Landlord Tenant Laws prevent landlords from charging renters for "normal wear and tear" at the move-out including normal wear and tear by animals. Most of the conflict comes from this issue. This is very subjective, and we know for a fact that different property managers will come up with uniquely different assessments looking at the same property. We do this with one eye on explaining it to you (and if needed the judge) if the tenant disputes the charges, as the judge has the final say as to charging damages to the tenant. Some owners think the tenant should return the property in the same condition in which they found it or in a rent-ready condition. While some states allow this standard, Minnesota is not one of those states. Abuse this process and the judge will not go lightly on you when looking over the charges.

Items not considered Normal Wear and Tear, shall be charged as specified herein for Flooring, Paint, Appliances, Tile/Countertops and Window Coverings, or in general on an actual cost to repair or on a depreciated basis for replacements.

This link provides a description of the [Statute and what is considered Ordinary Wear and Tear](#)

Beyond a Reasonable Doubt

Minnesota statute provides the standard for returning the Security Deposit and assessing charges to the residents. There are only two lawful purposes for the Security Deposit:

- (1) to remedy tenant defaults in the payment of rent or of other funds due to the landlord pursuant to an agreement; or
- (2) to restore the premises to their condition at the commencement of the tenancy, ordinary wear and tear excepted. (Note that this definition does not cover personal property, and free-standing appliances are personal property.)

While not required under law, as a property manager, we will use the standard of beyond a reasonable doubt when assessing charges to residents. Meaning if we cannot prove the damage was caused by Tenant, we will not charge the Tenant for such damage. If the landlord disagrees with our assessment, the landlord shall immediately take over negotiations with the tenants.

Damaged Appliances

Under Federal Housing law, most appliances must be depreciated using a useful life of 10-20 years. That said, our policy for assessing tenants for Tenant caused damage to these items is the following:

- 1) Useful Life:
 - a. 5 Years - Microwaves
 - b. 10 Years - Washers, Dryers, Refrigerators & dishwashers
 - c. 20 Years - Ranges, Ovens & Cooktops
- 2) If appliances are damaged by the tenants, charges will be depreciated based on the useful life listed above.
- 3) The Owner shall provide evidence of the installation date or the manufactured date, and if no evidence exists, it shall be assumed to be 100% depreciated.
- 4) Age shall be based on the installation/manufactured date to the Lease End Date.
- 5) If the appliance can be repaired, the cost to repair shall be assessed.
- 6) If the appliance cannot be repaired or parts are unavailable, the depreciated cost of a like kind replacement shall be assessed.

Damaged Blinds, Shades, Screens

Under Federal Housing law, blinds, shades, and screens must be depreciated using a useful life of 3 years. That said, our policy for assessing tenants for Tenant caused damage to these items is the following:

- 1) If blinds exist and are damaged by the tenants, charges will be depreciated based on a 3-year useful life.
- 2) The Owner shall provide evidence of the installation date, and if no evidence exists, it shall be assumed to be 3 years old (100% depreciated).
- 3) Age shall be based on the installation date to the Lease End Date.

Damaged Paint

Under Federal Housing law, paint must be depreciated using a useful life of 5-7 years. That said, our policy for assessing tenants for Tenant caused paint/wall damage is the following:

- 1) Paint shall first be depreciated with a 5-year schedule for Walls and 7-year schedule for enameled trim.
- 2) The Owner shall provide evidence of the painting date, and if no evidence exists, it shall be assumed to be 100% depreciated.
- 3) Age shall be based on the date fully painted to the Lease End Date.
- 4) Steps in assessing charges (beyond wear-and-tear) to tenants:
 - a. Can the surface be cleaned to remove marks?
 - i. If yes, the cost to clean shall be charged.
 - ii. If no, the following calculation shall be used:
 1. 4 or fewer holes less than 1/8" on one wall, shall be considered wear-and-tear. Larger holes or more than 4 holes of any size shall require a corner-to-corner painting and be charged to the tenant on a depreciated basis, except patching work shall be charged in full.
 2. If markings such as crayon, magic markers, pen, spray paint, excessive soiling, drawings, or similar purposeful damage exist, painting corner-to-corner shall be

assessed to the tenant on a depreciated, except special preparation charges shall be charged in full.

Damaged Tiles, Countertops

Under Federal Housing law, tile and linoleum must be depreciated using a useful life of 5-7 years. That said, our policy for assessing tenants for tenant caused damage to tile and countertops is the following:

- 1) If tile or countertops are damaged by the tenants, charges will be depreciated based on a 6-year useful life (granite or quartz shall be based on 15-year useful life).
- 2) The Owner shall provide evidence of the installation date, and if no evidence exists, it shall be assumed to be 6 years old (100% depreciated).
- 3) Age shall be based on the installation date to the Lease End Date.
- 4) Steps in assessing charges to tenants:
 - a. Can the item be repaired?
 - i. If yes, the cost to repair shall be charged
 - ii. If no, the depreciated replacement cost of like kind material shall be used

Damaged Carpet & Manufactured Flooring Damage

Under Federal Housing law, carpet must be depreciated using a useful life of 5-7 years. That said, our policy for assessing tenants for tenant caused carpet damage is the following:

- 1) All carpet shall first be depreciated on a 6-year schedule.
- 2) The Owner shall provide evidence of the installation date, and if no evidence exists, it shall be assumed to be 6 years old (100% depreciated).
- 3) Age shall be based on the installation date to the Lease End Date.
- 4) Steps in assessing charges to tenants:
 - a. Can the carpet be repaired with no evidence of the repair/patch?
 - i. If yes, the cost to repair or seamlessly patched shall be charged
 - ii. If no, the depreciated cost of a like kind material shall be charged
 - b. If Odors proliferate after cleaning, the remedy shall be a full carpet replacement (in the area affected) on a depreciated basis charged to the tenant.

Damaged Vintage Hardwood Flooring Damage

In Minnesota, landlords can charge tenants for damage to hardwood floors that exceeds normal wear and tear. This typically means damage beyond minor scratches, scuffs, or dents that occur with regular use. Severe damages like deep gouges, large holes, or water damage could be charged to the tenant.

Our policy for assessing tenants for tenant caused damage for solid or vintage hardwood floors is the following:

- 1) The actual cost of repairing the damage shall be charged to the Tenant.

Owner Provided Make Ready Work

Under Minnesota law, the landlord generally cannot charge for their labor to restore the property. The landlord may charge for 3rd party work or supplies purchased for the restoration. If you as the landlord wish to provide the restoration work, we will transfer the Security Deposit to you for disposition. This is necessary to prevent us from becoming involved in a dispute over the nature and cost charged to the residents.

Disbursing the Security Deposit

Minnesota law gives landlords 21 days, from the time of surrender, to identify charges and get the information to the tenant for review. Refunding the balance of their security deposit or sending them a bill with the detailed charges satisfies this requirement. We will send the tenant a document detailing all the charges they owe, including unpaid rent, late fees, NSF charges, warrant charges, and damages to the property. If there is no claim we are required to refund their entire deposit. Plus, you pay 1% simple interest from the last day of the month when collected through the last day of the month held to the Tenant within 21 days per Minnesota law.

Disputes over End of Lease charges

No owner wants to get served papers for a lawsuit for a few hundred dollars – so we are very aware of this when recommending a deposit refund or any withholdings. The following process shall apply in the case of a dispute:

1. If the residents dispute any charges, we work expeditiously to provide them with the information we have gathered with pictures and video, vendor receipts, quotes, and estimates for work that needs to be done. We must still abide by the 21-day requirement to notify the tenant in writing what charges were incurred and refund any balances left in their account. RPMV takes the position that if we cannot prove the damage beyond a reasonable doubt that the damage was the Resident's fault, then the charge is to the Owner.
2. If the resident does not agree to our assessment and pursues the dispute, we will immediately contact you as the landlord and determine what action to take. **If your decision is inconsistent with our opinion of the acceptable charges, we will transfer the security deposit to the Owner and the Owner shall bear the responsibility of negotiating the disposition of the deposit with the Tenant.**

Collection and Legal Pursuits

If the tenant owes money to the Landlord or REAL Property Management once they vacate the home, this is a "collection" effort. This unpaid debt from the tenant is a difficult thing to collect on. It can be reported to the credit agencies, but this does little to get them to pay in most circumstances as those outgoing tenants often don't have the means to pay. There are generally 3 options:

1. Collections: This approach rarely yields any recovery of funds and we do not recommend this approach. Further, since we are not a licensed collection agency, laws prevent us from pursuing collections after the lease has ended.
2. Conciliation Court: This is your best option for collection, but normally requires you to skip-trace the tenant and invest time and energy in preparing your filing and attending court.
3. Adverse Credit Reporting: As a default, we submit the receivable to the three credit bureaus and the receivable reflects the amount due to "Real Property Management" which signals to every other rental management company or mortgage company that the resident stuck a Housing Provider with a receivable. This reporting will show 30, then 60, then 90, then 120 days late until the debt is paid and will have a material impact on their credit report. Residents may show up at our office to quickly pay the debt when they know they cannot rent/buy and the debt is paid in full in exchange for clearing their credit.

SECTION 6: Managing Owner Relationships

Authorization

During your time with REAL Property Management, from time to time we will need your authorization to make decisions that are outside the scope of our authority. As a Full Service manager, we'll do our best to leave you alone and manage the property, but occasionally we will need you to make a decision about such things as the appropriate action to take whether you want to repair the 8-year-old dishwasher for \$295, or replace it for \$650; and spending money over the trust reserve, to name a few examples. Many times, an email is sufficient authorization, but occasionally we'll need something more formal. Most of the management decisions are small and we'll make them ourselves, but when confronted with larger issues, we'll contact you personally. Also, many times we send maintenance techs out to repair an item and due to the complexity, time, or parts needed, the cost may exceed the authorization level. We request your understanding that we cannot always get a firm cost of repair prior to the work being done, but we do promise only to authorize work that needs to be done to protect your investment and the tenants' rights.

Renewing Management Agreements

Some managers ask owners to complete new owner agreements every year. Our attorneys have assured us that this isn't necessary. As a rule, we may ask you to renew your owner paperwork every five years if not already set for automatic renewals. Also note, if there are any changes to this document or increases in the cost for the services we offer, these adjustments are generally made in January each year. We'll notify you in writing when these things occur.

Managing the Money

One of the main parts of our job is managing the money. As noted above, we do this through our property management software in accordance with the Minnesota Department of Commerce. All funds collected by any party shall be deposited into a custodial trust account in accordance with the law and all deposits paid to owners, vendors, or to us, will be paid from the trust account. A monthly accounting of all transactions shall be available monthly to the owner.

Collecting Rent and Pursuing Past Due Rent

Collecting rent is one of the most tedious processes in being a landlord. We take the burden and documentation out of that process for our owners with the assistance of online bill payments and the best software available in the property management industry.

Due Date The due date is always the 1st of the month. If the tenant moves in during the middle of the month, their rent will be pro-rated. There is no Minnesota law requiring a grace period for rent payments. However, Rent is due on the 1st – and late on the 2nd!

Late Date Rent is always late if not paid on the 1st of the month in accordance with the terms of the lease. Our software allows us to track exactly what day and time the tenant has paid rent through our online system. We push rent collection hard because most owners are making a mortgage payment and pressing the tenant for the money and getting it to the owner is a high priority.

Late Fee The maximum statutory late fee is 8% and we charge 8% on the 4th of the month. Under our standard lease, the grace period goes to 3:00pm on the 3rd of each month or as otherwise stated in the lease. All late fees will be handled as stated in the property management agreement. But in general, RPM shall retain all late fees. These fees are not considered "interest," rather it is compensation for the work to be performed to chase down and collect the money.

Notice to Pay or Quit A Notice to Pay or Quit is posted on a delinquent tenant's door between the 4th to the 9th of the month depending on the timing of rent not being collected. This is the first step in the eviction process as we are required to give the tenant proper notice to pay or quit (move) in some municipalities, in writing, with a confirmed delivery. Minnesota requires a 14-day notice, but some cities require longer. And under the Federal CARES Act, a 30-day notice is required if you hold a federally backed mortgage. All Notice and Process Service charges are paid by the Landlord if not collected from the tenant.

Filing with the County Once the Notice to Pay or Quit is posted, an eviction will be filed with the court in the county where the home resides as soon as any required notice has been satisfied. This begins the eviction process, and we file this quickly because the process takes time, and we don't want the tenant to get too far behind if we have to eventually put them out of the home.

Attending Court In the event that a tenant contests the eviction, we will represent you in court for the limited purpose as covered in the management agreement. All costs, including our time and expenses, shall be paid by the Owner if not paid by the resident. If a settlement is proposed, we will act on your behalf to seek a reasonable settlement.

Cash for Keys This is an option that we do not normally recommend because we do not want to reward bad behavior. However, as the homeowner it is your call. Offering a sum of money to the resident in exchange for possession can be successful if reasonable.

Writ of Possession Once the judge grants the eviction, the next step is to seek the Writ of Possession. This is executed by the county sheriff. Once the Writ is filed, a law enforcement officer will contact us to arrange an appointment to remove the tenant from the home and deal with the resident possessions.

Executing a Writ of Possession If a Writ of Possession must be fully executed, the Sheriff will make an appointment with us to meet them at the home with a locksmith and a moving crew. The officer will watch the locksmith break in (or we use our key), and they will then clear the home of any occupants. Whatever stuff left behind of any value must be secured in accordance with Minnesota law. The expensive part is having a moving crew ready to empty out the possessions still left in the home. Any cost for moving crews will be charged to the owner.

Collections If any funds are not paid by the Tenant, the Owner shall be solely responsible for collections or for pursuing the matter in court. RPMV is not licensed as a collection agency nor debt collector.

Evictions, Unlawful Detainers

In the event an unlawful detainer (eviction) proceeding is necessary, Owner shall pay Agent an estimated amount of money for completing administrative tasks required for eviction plus any additional costs directly related to the unlawful detainer. In the event Owner is a corporation, limited liability corporation, or similar entity, Owner may be required to have their own attorney present to represent them at such an eviction hearing. In such event, Owner will not be represented by Agent in the eviction process, and Owner shall be responsible for hiring its own attorney at Owner's expense. In the case of any eviction, regardless of representation, Owner shall bear the full cost of evicting the Tenant(s).

Distributing Owner Draws

Owners will receive their money somewhere around the 10th to the 12th of each month via cCheck. Please note that if you request a mailed check, it may not arrive by the 10th to 12th and requires additional processing costs as stated in your agreement.

Managing Vacancy, Maintenance and Repair Expenses

Vacancy Expenses

There are three primary kinds of vacancy expenses and risks:

Carrying Costs. During tenancies, you have a built-in caretaker for the property. Your tenant will mow the lawn, pay the bills, and keep the property secure. During vacancies you must pay for these costs which include utilities, insurance, groundskeeping, taxes, mortgage payments, not to mention paying your manager to provide security and oversight. It is very important that you plan for these costs in your financial plan (not just in your head) and carry a reserve fund that can cover these costs if they occur, as they likely do.

Repairs and Upgrades. When a vacancy occurs, you are forced to address deferred maintenance, upgrades to attract new residents, and replacements for worn out finishes and flooring. Once you understand the costs involved, it makes sense to keep the property in great condition during the tenancy and help us keep the current tenant there.

Marketing Costs. If your tenants move out, we will have to start the process of locating a suitable replacement tenant. With our process starting 90 days prior to a move-out, we can generally locate a resident who will move in within a few days of the current tenant moving out, minimizing your vacant days, but there still is a cost for marketing the property and placing the tenant.

Property damage is just a part of the vacancy costs. When you add to the expenses re-rent costs, utilities, lawn care, advertising and pest control you figure out quickly that keeping a tenant in the home is very important. Total vacancy



costs can equate to 3 months of rent. A smart landlord will always keep 20% of their gross rents in cash reserves at all times and budget an 8.3% annual vacancy and extra repair reserve depending on the condition of the property.

Foreclosures

In May of 2009, in response to all the foreclosures on rented property, congress passed the "Renters Rights in Foreclosure Act" mandating that the tenant be allowed to stay in a foreclosed property until the end of their lease term. Lenders are ignoring this law and ordering their representatives (the foreclosure attorneys) to get the tenant out, whatever it takes. Renters are not strong enough to fight the attorney so they pack up and move out, mad at the world, the owner, but particularly at REAL Property Management. There is nothing fair about any of this. The owner's credit is destroyed, REAL Property Management reputation is trashed, the renter is in upheaval, and the lender takes a bath on the property. There is no upside and there's nothing we can do to change it. REAL Property Management charges a \$1,000 termination fee on foreclosed properties.

SECTION 7: Managing the Property

Transferring Management Services from other Property Manager

If Owner is currently under management with another real estate agent or property manager, the services provided by us shall be limited to administrative setup services only until the termination date of the other management agreement and we have been provided keys/codes for the Property. No Property or tenant management services shall be performed, and Agent shall not be responsible for any tenant or the Property until the prior management agreement terminates.

Disbursements of Rent and other Funds

1. **Net Proceeds:**
 1. Agent shall credit to Owner's bank account all rents after the following items have been paid in the following order (a) in the order listed in Section 1 of the Management Agreement, (b) other items allowed by this Agreement or otherwise agreed to by parties in writing, (c) any amount necessary to restore the Reserve, then (d) balance to Owner. Such periodic net proceeds shall be remitted to the Owner or to such other person as designated in writing by Owner on or about the 10th day of each month.
 2. In the event the trust account disbursements are scheduled to be in excess of the rents that are collected by Agent, Owner hereby agrees to deposit such excess (shortage) into the Owners trust account promptly upon demand of Agent. If in Agent's sole discretion it may be necessary or proper to reserve or withhold Owner's funds to meet obligations which are or may become due (including without limitation, Agent's compensation) thereafter and for which current income will not or may not be adequate, Agent may do so.
 3. In no event shall the Agent be required to advance its own money in payment of any expense. If at any time funds are not sufficient to pay expenses, Agent may demand an immediate deposit into the Owner's Trust account to cover the open balance. Agent shall cease performing all services until a time when are deposited and sufficient to cover all expenses.
2. **Balance of funds:** Providing previous months statement to Owner by Agent shall be sufficient notice to Owner of balance on hand and the need for additional funds. Owner further agrees to assume full responsibility for any late charges, collection costs or foreclosure actions resulting from late payment or non-payment of any item under this agreement should Agent be unable to make said payment due to insufficient funds on hand, lack of income from property, or because of non-delivery or delay of mail or for any other reason beyond control of Agent.
3. **Direct Deposit:** Payments to Owners will be paid via "e-Check" electronic transfer and will be sent electronic statements known as an "e-statement" instead of a paper statement. If Owner selects payment and statements in any other form, a Bill Payment charge shall apply.



4. **Unpaid Balances:** Interest at the highest rate allowed under state law will be charged on any unpaid balance due from Owner after thirty (30) days of the date of delivery of the first monthly owner statement listing the charge. Owner agrees to pay all collection costs, collection agency commissions, attorneys' fees, expert fees, court costs and arbitration costs incurred by Agent to collect past due balances. All delinquent balances will be reported to credit reporting agencies on a monthly basis until paid. This attorneys' fees provision is expressly limited to actions on the Agreement and shall not be interpreted or construed to apply to any other claims.

Budgets and Reserves

The "best practice" when owning a rental property business, is to establish an annual operating budget. Including vacancies, routine upkeep, and analyzing the structure and equipment to establish replacement reserves. On average, over a 10-year period, the average cost to maintain a property in its proper condition is 12% (which includes routine maintenance and major replacements for roof, HVAC, and landscaping) for Single Family properties. There are several methods to establish maintenance/replacement reserves, but **we recommend keeping 1 month of rent always held in reserve, plus additional reserves for HVAC & Appliance replacements based on their expected remaining life.**

If you want us to manage your property to a specific annual budget, we will provide monthly reporting showing the actual performance compared to your budget. We do not guarantee that the actual expenditure will be in line with your budget, however, upon request from you, we will adjust spending or rents in accordance with your requests and leases. Budget management shall incur additional management charges as shown herein.

If you want us to prepare a full inventory of existing equipment and deferred maintenance to create a replacement reserve, our Special Services rates shall apply.

Property Inspections

We are not a licensed home inspector, and our inspections do not comply with any home inspection regulations, however, in the course of managing the Property, Agent shall perform the following inspections under the following conditions:

Move-in Inspection

If Agent places the Tenant under Agent's lease, Agent shall complete move-in condition report as required under §504b.182 and this cost is included in the Lease Placement Service.

Pre Move-out Inspection

If Tenant requests a move-out inspection under §504b.182 Subd. 2, Agent shall perform the inspection, and Agent shall collect the cost from the Owner.

Move-out Inspection

During the Term Agent shall perform a move-out inspection to document the conditions at the end of the tenancy and this cost is included in the Lease Placement Service and is charged separately if Lease Placement Services were not performed by Agent.

Periodic Inspection

Owner may request additional Property site visits or inspections and pay for the Periodic Inspection Service. Agent may conduct other site visits or inspections as necessary to respond to owner requests, tenant complaints and maintenance requests. Unless otherwise included in the Service Schedule, Owner shall pay Agent for the Periodic Inspection Services per inspection or site visit for all inspections beyond the move in and move out inspections. Each paid inspection shall include one site visit, and an inspection report with condition, notes, action-items, or photos.

City Inspections

Any inspections required by the city, municipality, or common interest community (including, but are not limited to, Code Compliance Inspections, Subsidized Housing Inspections, and Rental License Inspections) will incur the City

Inspection Service charge and shall cover one City Inspection and up to one re-inspection, if necessary. Agent is not responsible or liable for any fees or costs associated with the maintenance, repair, or replacement of property to meet any inspection items noted by the city or municipality. Agent is not responsible for any fines, fees or costs assessed by any city or municipality associated with the re-inspection of the Property, unless said fines, fees or costs are directly attributable to the gross negligence and willful misconduct of Agent, which shall not be presumed, but shall be determined by a court of competent jurisdiction. City Inspections may not be substituted for the Property site visits included in Agent's duties described in Property Inspection.

Authorization to Connect Services

Owner agrees to allow Agent to install customer-premise equipment on the Property to offer internet service to tenants if offered by Agent. Equipment and monthly service shall be at Tenant's or Agent's sole expense. Equipment may include modem, router, transmitter, receiver, or antenna.

Owner authorizes Agent to allow professional installation of internet, cable, or satellite services using any existing wiring or connections. If any additional connections, mounts, or cabling is needed, Agent may authorize such modifications in Agent's discretion.

Managing Maintenance Issues

Managing the physical condition of the property is one of our biggest tasks. This is where most of the stress comes from as we balance habitability and money issues. We must be sensitive to mold, electrical problems, plumbing, ceiling fans, septic tank backups, rodents, dishwashers, A/C systems and the quality of the air, the water, the gas and power. Judges and court systems hold us to a high standard when it comes to our duties to provide a safe and habitable place to live, as do the people living in these houses. In their minds, the safety of people overrides safety of the property and cost to the owner, so we manage with that standard in mind. Tenants are not a protected class, but they are a favored class when it comes to managers keeping their safety as a high priority.

Over the life of your investment, on average, you should expect to spend 12% on maintenance. This may sound high, but some years you get by with a replacement microwave, and other years you are putting on a new roof. And our strategy tends to be more offensive with maintenance to prevent resident turnover. Our strategy is intended to preserve or increase your NOI and drive the lowest cost over time.

We hold a maintenance reserve to cover incidental maintenance expenses... why? Speed! If a repair takes longer than 3.5 days to complete, your renewal is in jeopardy. We need to move fast, and having the funds and authorization provides the mechanism to achieve your goal of maximizing your Net Operating Income.

Preventative Maintenance

One of the best ways to create wealth is owning real estate. But if neglected, that wealth is rapidly depleted. Each year, we send owners a Preventative Maintenance bulk buy program for you to participate in the group buying power of all our property owners. This is a great opportunity to save on maintenance expenses while increasing the value of the property.

Maintenance Services

Simply put, it is in your best interest to have someone advocate for you. **31% of tenants cite poor maintenance as reasons for non-renewal.** All real estate requires maintenance to protect the Owner's investment, and it must be performed correctly and timely to not denigrate the property's value. If maintenance is not performed correctly and timely, the asset value is diminished by at least the cost to remedy. For even the simplest of repairs, the time required to properly complete a maintenance event is two hours of staff time. Our service charge to you is in addition to the cost of any 3rd party vendor and with our national and local discounts, you may even break-even compared to purchasing similar services on your own. To ensure the property is always sustained or improved by maintenance services, our staff provides the above services for a small charge.

Agent shall coordinate all repairs for Property during tenancies or as necessary to conform with the law and to make Property a desirable place to live, all at Owner's expense. Agent is authorized to contract, hire, supervise, and/or discharge technicians or vendors, and to negotiate contracts, and to enter into agreements in Owner's name

for all necessary repairs, maintenance, minor alterations, and utility services. Owner shall not provide interior repairs or deliveries (by Owner or by their representatives); or enter property while occupied by a Tenant without the express authorization of Agent and escort by Agent. **If Owner or their vendors or representatives enter the Property at any time, Agent shall not be responsible for any liability of any kind and, if such unescorted entry occurs during a tenancy, such act shall be a material breach of this Agreement.**

Insurance Services

In the event there is an insurance claim for which Owner request Agent to coordinate contractors, Agent shall be paid the Special Services Rates for it's time for the initial response, collecting bids, meeting with contractors, documenting the incident, or any other activity related to assisting Owner with the claims process. Agent's sole responsibility with interacting with insurance companies shall be limited to submitting an incident report, if Agent performed the initial response to such incident. Agent shall not act as an insurance broker or adjuster, nor shall Agent submit any claims on behalf of the Owner.

Operation Hours

We provide a 24/7 maintenance call center, however, RPMV and many service providers do not operate on the weekend or holidays. We do not guarantee service staff will be available outside normal business hours to respond to emergencies. Tenants are advised to turn off water and take other measures to protect the Property and service will be performed as soon as qualified service personal are available.

Maintenance Priorities

Resident maintenance issues are handled in the order in which they are submitted with the following response times as guidelines. Here is how we present this to our residents.

Category I: Emergency Maintenance

Emergency Defined:

Anything relating to the property under the lease that is threatening to life, health, or the property. Fire, flood, sewage back-ups, gas odors, broken water pipes, failed refrigerator, failed air-conditioner, heat out when temperature in unit falls below 68 degrees, toilet broken when only one toilet in house, tree falling on house, doors not secured. New laws now consider failed refrigerators, water heaters, and air conditioners as emergencies. We will address these issues on your behalf and may not request authorization to perform repairs to protect the property or the Tenants' rights. **Target: 5 to 8 hours**

The Following are NOT Emergencies:

Tenant locking themself out of the house; power or gas off from non-payment by tenant; oven not working. These issues may be inconvenient, uncomfortable, and aggravating, but they are not emergencies.

Category II: Urgent Maintenance

Broken windows: plumbing repairs, clogged toilets (see notes below); mechanical breakdowns causing loss of use; loose railings; wobbly decks; garage door stuck shut; electrical problems. **Target: 2 business day service**

Note: during peak seasonal months, target response times for heat and air may be subject to delays due to contractor overload.

Category III: Normal Maintenance

Appliance repair, garage repairs, broken blinds/broken window shade, screen repair, broken tree limb, dripping faucets. **Target: 4-10 business day service**

Category IV: Non-Essential Maintenance

Fence repair, gutter cleaning, tree trimming. These items are optional. **Target: 30-day service or at next turnover**

Category V: Not a Habitability Issue

Broken lattice; power washing; missing door stopper; missing doorknob; all light bulbs including stove, chandelier, and refrigerator; and fireplace gas keys. **Target: Point these items out during next property visit or bring up at lease renewal time.**

Note: City inspectors may require repairs that the State does not consider necessary. However, you must comply with any governing entity.

Maintenance Spending Limitations

No one wants to give their property manager an open check book, and we don't want one. We also can't contact the owner every time something needs to be repaired.

Pre-authorization

The management agreement has a specified limit on repairs we can order without waiting for your response. We may let you know by email when a maintenance request comes in, but often just as an FYI.

Exceptions to pre-authorization limits

- 1) **After-hours**. Reaching the landlord may be difficult during weekends, holidays, or in the middle of the night. As a practical matter, we exceed that limit from time to time out of necessity to save the owner money in the long run, protect the property or to protect the Tenants' rights. A great example would be an after-hours plumbing call, or a Sunday HVAC call. If we deem the repair necessary, we will repair/correct the problem.
- 2) **Unknown Issues**. It is not practical to always get repair estimates before the work is performed. A vendor is on-site and needs an immediate answer, or they will leave, and you will still have to pay the trip charge. In these cases, we will use our best judgment.
- 3) **Punch list work**. Sometimes necessary work accumulates beyond the spending limit. It is not practical to stop working exactly at a spending limit and request approval. So, in the case of these maintenance services, we will use our best judgment.
- 4) **Urgent Maintenance**. Category II maintenance which we have requested approval, but have not received a response within 24 hours. In this case, we will advise you that we are proceeding with the correction. Funding will be due immediately.
- 5) **Turnovers**. Your management agreement includes a set of authorizations for when we are turning over a tenancy. When we are turning over a property and a tenant is moving in within 5 days of a vacancy, we need to clean, repair, paint/touch up, and address flooring. Restoring the property to the condition at the start of the vacating resident is pre-authorized and does not require additional approvals.

Note: This spending limit does not apply to emergencies, insurance claims, move-in contingencies (cleanliness), or habitability issues. Occasionally, not often, there are heavy storms, burst water pipes, floods, fire, A/C out in 95-degree weather, heat out in 35-degree weather, sewer backup, etc., and we must respond immediately. We will sometimes have to make a "command decision" based on the information we have, and the situation in which it comes up. We know we are accountable to you for using good judgment. However, sometimes we just must use common sense when managing your property or during emergencies. The day we abuse this is the day you'll find another manager, so we understand our limits and want to handle your home as best we can.

Discarded Material

During repairs, we may have to replace parts, fixtures, appliances, or similar items with new items. In this case, we will discard or recycle the old items.

Common Area Maintenance

For multifamily properties (buildings with 2 or more units), we may perform common area seasonal maintenance including placing sidewalk salt buckets, closing off/opening water spigots, removing/placing portable A/C units, fall/spring cleanups, snow removal, lawn care, garden bed tending, weeding, common area cleaning, dryer vent cleaning, and other maintenance items deemed necessary to keep the property in good condition and attractive for residents.

Furnace Filters, Water Softeners

For properties with in-unit furnaces and water softeners in dwelling units, we will supply the Tenant with furnace filters to use during the term of their lease. We will also supply the tenant with a supply of softener salt. These supplies will be charged to the Owner. In exchange, the Tenants agree to service the filters and salt and the Tenants will pay us to inspect the systems for compliance. When both of these elements are in place, we guarantee that the tenants will be in compliance, else we will credit the Owner with up to \$500 against repairs caused by non-compliance. For such systems in common areas, we will maintain the salt levels and filter changes at the owner cost.

Minor Maintenance Issues

Before the tenant moves in, they agree to handle regular, everyday issues around the house themselves like flipping GFCI switches, changing out light bulbs, resetting garbage disposals, etc. Some tenants are accustomed to living in an apartment community with maintenance personnel around to change their light bulbs and help them move the grill. We've dealt with this long enough to know what we can pass on to them and what we should respond to.

HOWEVER, many times there are best paid for by the Landlord. Such as changing out lightbulbs in ultra-high ceilings, cleaning gutters, trimming trees, or similar items where a typical tenant would not be qualified to do, create a liability for the Landlord, or present a danger to the tenant or property. In these cases, the Landlord shall be responsible for paying for these items.

Blinds, Shades, and Window Coverings

Blinds and Shades are very problematic with rental properties. **YOU ARE ADVISED TO REMOVE ANY WINDOW COVERINGS THAT YOU DO NOT WANT DESTROYED OR REMOVED AS WHEN THEY BREAK OR OTHERWISE FAIL TO FUNCTION, WE WILL REMOVE AND DISPOSE OF THEM AND REPLACE THEM WITH CURTAIN RODS OR INEXPENSIVE SHADES/BLINDS.** The best avenue for window coverings is to provide a curtain rod and brackets only. We use KwikHang : <https://cdn.shopify.com/s/files/1/2409/5909/files/kwikhang-video-min.mp4?v=1595462812> which do not require holes in the walls and eliminates the problems of wall damage and broken blinds. We recommend removing all window blinds/shades and replacing them with a curtain rod and KwikHang brackets. We may also remove all curtains as curtains are considered personal property.

If a window blind or shade is present at the start of a tenancy and the blind breaks during the same tenancy, we use the following to determine the action and charge:

Issue	Responsible Party	Mid-term RPMV Action	End of term RPMV Action
Plastic Blade Damaged	Owner	Replace with Inexpensive version	Replace with KwikHang
Metal Blade Damaged	Owner	Replace with Inexpensive version	Replace with KwikHang
Faux/Wood Blade Damaged	Resident	Repair or replace the blade, or replace inexpensive version	Replace with KwikHang
Cellular Shade Damaged	Resident	Replace with Inexpensive version	Replace with KwikHang
Lift Mechanism not lifting	Owner	Replace with Inexpensive version	Replace with KwikHang
Lift Cord Broken/	Owner	Replace with Inexpensive version	Replace with KwikHang
Lift Cord Tangled/knotted	Resident	Attempt untangle, then Replace with Inexpensive version	Replace with KwikHang
Fastener pulled from wall	Owner	Replace with Inexpensive version	Replace with KwikHang
Missing Blinds/Shades	Resident	No Action	Replace with KwikHang
Broken wand	Owner	Replace wand	Replace with KwikHang
Missing wand	Resident	Replace wand	Replace with KwikHang
Broken Valance/bracket	Resident	No Action	Replace with KwikHang

Hot Tubs & Pools

Owners know that hot tubs require management. Tenants don't and think they are just fun. When hot tubs or pools are not managed properly, motors burn out and water gets green. They can create a hazardous environment for the tenant. The owner must select the vendor and provide all pool and hot-tub services. We'll manage the coordination



of services with a maintenance contract at the owner's cost, but the best way to deal with them is to shut them down or remove them from the property before you put the property on the rental market.

If Owner desires the swimming pool or hot tub to be operational:

1. Owner shall pay Agent to contract with a local pool/hot-tub service company to start-up, maintain, and close the pool or hot-tub. Owner shall not be responsible for performing these services.
2. Prior to opening the pool, Owner agrees to provide evidence of insurance coverage and shall maintain such coverage throughout the lease term. If Owner fails to provide insurance coverage, the pool shall not be opened, and Owner shall indemnify Agent in accordance with the indemnity provisions in the Management Agreement.
3. Pool and spa service companies generally do not perform all required services. Consequently, any time we are required to address any pool or spa related issues, either at the property or elsewhere, our hourly in-house maintenance charge shall be charged without prior notice up to the Pre-approval of Repairs limit.

Lawn Care

We would love to assure you that tenants will keep the lawn manicured like you did, but we cannot. At times the lease calls for them to provide their own lawn care, but most tenants do not think like owners in this regard. Getting them to mow is about all you can expect, and sometimes it is difficult to get them to do that. The real problem is when there is an active HOA or City official going around counting weeds and taking photos of a sidewalk line that was not perfectly edged. Generally, lawn mowing isn't a problem as much as trimming shrubs, edging, weeding, and watering. While we require tenants to provide much of this work, sometimes we will need to hire a crew to do this work for you to avoid violating ordinances. If this is the case, we will mitigate these costs by charging back the tenant if allowed under their lease or invoice the Landlord if the tenant refuses to pay.

Tenant Maintenance and Repairs

The tenant shall be fully responsible for maintenance as specified in their lease. The agent shall coordinate all Tenant Repairs in accordance with the lease. Fines assessed by the city, municipality or state for violations such as snow removal, lawn/tree/landscaping issues, trash, or the like shall be paid first by Tenant (if consistent with terms of the lease) or by Owner if Tenant is unable, unwilling, or not required to pay in accordance with their lease.

Common Area Maintenance

For Multi-unit buildings, the Landlord, in all cases shall be responsible for common area maintenance. With the exception of side-by-side units where the Lawn, Driveways, and walkways are clearly defined and demised, and where only the unit occupant has access, all other common area maintenance shall be provided by RPM and billed to the property, or provided by a professional service paid for by the landlord. It is acceptable to charge the cost of lawn maintenance, weeding, snow removal, common area cleaning, and seasonal services back to the units on a pro-rata basis per unit. The Landlord may adjust this charge upon the start of any new lease/renewal provided notice is given to RPM 90 days in advance of the current lease expiration.

Turnover Maintenance and Repairs

Upon vacancy of a Property, Agent shall prepare the Property for leasing, including but not limited to cleaning, painting, replenishing supplies (furnace filters, water softener salt, batteries) and necessary repairs to restore the Property within legal compliance and to its condition prior to the last tenancy at Owner's cost **without having to receive authorization**. All repairs associated with restoring the property to rentable condition that is not covered by a tenant obligation, shall be the responsibility of the Owner and Agent shall make such repairs as needed to help reduce vacancies and maximize rent. Agent shall provide Owner with a scope of work and budget for approval for any work that exceeds deep cleaning, painting and necessary repairs.

Services During Vacancies:

During vacancies, Agent may contract for snow removal, lawn mowing, weed control and other necessary services to prevent city violations and to prepare the property condition for a new tenant. Such services shall be ordered at "spot" rates, which may be higher than contracted rates and be charged to Owner. Utilities must remain active at Owner's expense.

During vacancies, Agents sole responsibility for maintenance and security shall be limited to those services authorized in writing by Owner, except for services deemed necessary by Agent. If requested by Owner, Agent will provide regular site visits during vacancies at owner expense.

Property Visits and Charges

If you ask us to make a special trip (owner-requested trips) to meet an appraiser, a relative, your contractor, the HOA manager, etc., to check on utilities, to pick up a package, to see if your vendor is finished, to see if the hail storm did any damage, to pick up your mail, or to see if you left your lights on, there will be a trip charge. Minnesota traffic often causes a "quick property visit" to take about an hour each way, plus time at the property and gas. We try hard to avoid unscheduled trips, but we don't want to say no when asked by the owner to do something special.

Emergency Maintenance Response

Occasionally a tenant calls with a true maintenance emergency, which requires immediate attention. When the home is flooding from a burst pipe, or the heating unit has quit working on a 15-degree winter day, we need to provide on-the- spot service. Weekend service calls are pricey, but some things just can't wait until the next business day. See [Sec. 504b.375](#)

Minnesota has several conditions which constitute an emergency.

- (i) a serious infestation;
- (ii) the loss of running water;
- (iii) the loss of hot water;
- (iv) the loss of heat;
- (v) the loss of electricity;
- (vi) the loss of sanitary facilities;
- (vii) a nonfunctioning refrigerator;
- (viii) if included in the lease, a nonfunctioning air conditioner;
- (iv) if included in the lease, no functioning elevator;
- (x) any conditions, services, or facilities that pose a serious and negative impact on health or safety; or
- (xi) other essential services or facilities.

If the Landlord does not approve work to correct the above conditions or if the corrections cannot be completed within the statutory timeframe, we will take action to protect the residents, us, you, and this may involve providing temporary equipment or services at the cost to the landlord.

In the event of a need for maintenance or repair that Agent or the law deems to be an emergency issue, including water heater failures, refrigerator failures, air conditioning, furnace or boiler repairs, flowing water, electrical safety issues, health or safety, Agent shall use reasonable discretion in taking necessary precautions or timely response and without Owner pre-authorization to address, repair, and correct emergency issues. We shall use our best efforts to address the issue within the least amount of time necessary to prevent further harm; and, to address all maintenance or repairs that are immediately necessary for the preservation and safety of the Property or Tenant's rights. We shall attempt to avoid the suspension of any essential service to the Property, to avoid danger of life or Property, or to comply with federal, state, or local law at the Owner's expense, regardless of the pre-approved spending limit. In the case of an emergency, we may dispatch one of our staff to assist in securing the property or addressing the repair and will charge the Special Services rate for the time incurred. In the event of water, fire, or similar event, Agent is authorized to and shall engage a restoration company to mitigate damages at Owner cost and in Owner's name.

Appliance and Mechanical Replacements

Agent shall supply **ALL** replacement appliances and mechanical equipment for Property during tenancies acquired through Agent's authorized suppliers due to their multifamily services specializing in immediate delivery and equipped with a valid entry access agreement with Agent. The Owner will be provided with a price and specification at the time of replacement.

If, however, Agent allows Owner to pay for and supply appliance or mechanical equipment during tenancies due to warranty or special circumstances, all deliveries and services must be escorted by Agent and be performed within 24 hours for emergencies, 72 hours for non-emergencies and a \$95 trip charge and \$95 per hour shall be charged, plus \$65 per hour for staff work performed. Additionally, \$175 Coordination Service shall be charged if the Owner's vendor misses a delivery time, or such vendor does not complete the installation on the first attempt and Agent becomes involved in resolving the issues.

If an appliance repair or replacement is expected to exceed a reasonable time, Agent may provide temporary equipment to keep the Tenant satisfied at Owner expense.

SPECIAL NOTE ON APPLIANCES: One area in particular that Landlords want to handle, is the replacement of appliances. For some reason, landlords think they can get a better price than we can. We spend over \$25,000 per month on appliances and buy from a multifamily wholesaler. There are no places from which an individual consumer can buy who offer a lower price and provide predictable delivery services than our supplier. But more importantly, our supplier has NEVER missed a delivery appointment and ALWAYS completes the installation on the scheduled day of delivery. Big box stores are notorious for missing deliveries, sending text notices to the wrong people, and refusing to deliver up or down stairs, not completing the hook-ups, or needing to make several trips. All this chaos is one of the primary reasons tenants do not renew their leases. Therefore, in all circumstances, we will provide a price and coordinate all the purchases and installations for you. You will be charged in accordance with your management agreement.

Contractor bids

We shall use our qualified and certified vendors for material and services for work where bids are easily obtainable. Bids will not be provided in advance for punch list type repairs as these items cannot be effectively obtained in advance. If Owner requests Agent to secure bids for work to be performed and Owner chooses not to use Agent's vendors, Owner shall pay \$250 to compensate Agent for bid work.

It is therefore our policy in the above case, the owner shall first seek their bids, then give us the price, scope-of-work, and the installation/delivery date. If Owner bid is accepted, Owner shall provide us the contractor's, w-9 form and insurance certificate listing Agent as certificate holder. Agent shall add its standard Maintenance Coordination Service charge for coordination of the work.

Agent Maintenance Services

Agent may provide services through its internal staff, a third party, or a company owned by Agent.

Owner Provided Vendors

If you wish that we use one of your vendors, we will gladly do so if they complete our vendor application and are formally approved by us **prior to a current need**. If you wish to have your vendor perform services, have them complete this **VENDOR APPLICATION** at the start of our engagement. Generally, there is not sufficient time to qualify the vendor prior to needing the services. **We will not hold up a repair to accommodate a non-approved vendor**. We do not guarantee that we will use your vendor for after-hour emergencies, and we likely will use our vendors who are registered for after-hours services. During normal business hours, we will use the vendor who is responsive and who provides the services we deem necessary to perform the services in the quickest timeframe, best quality, and most reasonable cost for the work.

Roof, Siding, & Structural Work

For major work on the property, Agent requires Owner to provide 10 days-notice, including the vendor's name, foreman/superintendent name and phone number, scheduled start date, and a list of work to be performed. The owner shall reimburse the tenant for water, gas, and electricity used; and, shall not use the bathrooms or trash receptacles on the property.

Day Ahead Vendors

In NO CASE will we use a "day ahead" schedule vendor. These types of vendors provide a text message on the day before the scheduled date with a window of time for the next day. Minnesota's statute requires a minimum of 24-hour notice of entry, along with no work before 8:00am. Many times, these text messages are sent to the incorrect people, sometimes the Landlord, or sometimes one of our general phone numbers that do not accept texts, or otherwise. This causes very poor resident experience and additional staff time. Unwinding failed delivery notices will be charged to the Owner.

Factory and Builder Warranty Work

If you have an appliance, mechanical system, or structural material that has a Factory or Builder Warranty, we will facilitate access for these vendors during tenancies at our Staff Time hourly rate for office work and our Maintenance hourly rate for field work. All work during tenancies shall be coordinated by us.

During Vacancies

Owner may select the contractor to provide appliances, perform maintenance and repairs on Property, provided Owner assumes all liability (including damage, theft, and other crimes) and responsibility for coordinating maintenance and repair work for contractor Owner has selected, including but not limited to scheduling, supervision, licensure, insurance, lien waivers, workmanship, and payment of contractors. **Agent suspends all services under this Agreement, liability, and obligations (but not suspend compensation) under this Agreement during times when Owner or their contractor is performing work or has access to the Property.**

During Tenancies

Agent shall perform all maintenance and repair duties with its staff, suppliers, or contractors, and shall provide all materials and appliances and mechanical equipment at Owner's expense unless covered by a tenant obligation. If the Agent allows Owner's contractor to enter to perform warranty or other work during a tenancy, Owner shall hold Agent harmless for such work, and Owner shall pay Agent for providing escorted access.

Owner Repairs During Vacancies

In the event Owner plans to complete specific repairs prior to a tenancy, these repairs must be completed no later than 14 days prior to a Lease start date. If the agreed upon repairs have not been completed by the Owner within 14 days of a tenancy, Agent reserves the right to hire an Agent-approved contractor to complete the maintenance or repairs. The Owner shall be responsible for all maintenance and repair expenses as well as the Maintenance Coordination Service charge payable to the Agent for the coordination and completion of such repairs. Further, if we need to reschedule inspections, cleaning, or repairs due to delays by the Owner, a reschedule/return trip charge will be charged to Owner.

Owner Provided Make-Ready (Security Deposit) work

If the Owner wishes to provide work during vacancies, for which a Security Deposit is involved, the following Policy shall be used:

1. **Option 1:** The owner can do ALL of make-ready items themselves to bring the property back to a rent-ready condition – this also includes completing the security deposit disposition work. Once the Owner has brought the home back to a full rent-ready condition RPM will then (and NOT until it is 100% rent-ready!) begin advertising the home. As the Owner is completing the make-ready work, the Owner will also need to complete the security deposit disposition for the ex-tenant. RPM will turn the security deposit funds over to the owner for them to complete this process.
2. **Option 2:** Allow RPM to fully complete the make-ready and the resident's security deposit return without ANY involvement from the owner. This is the preferred option so that RPM can complete the make-ready as quickly and as cost effectively as possible.

Home Warranties

We will not manage a property where the owner expects us to use a warranty service. Home warranties are a curse to professional property managers. Home warranty companies make money by collecting your premiums and paying out considerably less so they can make a profit. Most people do not realize that when the service call comes in, the warranty company uses a Reverse Auction to find the cheapest contractor to perform the service. These contractors are generally sloppy, ill-prepared, and not tenant friendly. The warranty companies make money by refusing to cover, delaying repairs, or capping their payment. When an owner puts us in charge of maintenance and then transfers repair issues to another company (a warranty company), the outcome is often a stressful situation that is impossible for us to manage, and most often results in tenant non-renewal, costing you thousands.

Home warranties were designed for owners who live in the property and who will cooperate with the warranty company vendors as they are the financial beneficiary. Tenants are not quite as receptive, so warranty company vendor calls are hard to manage and cause lots of tenant hostility. You're paying us to manage maintenance, so let us do it for you. Our policy is that we do not guarantee the use of the warranty company for repairs. If an owner demands to work with a home warranty, we will terminate our services. *Save your money, you will spend less in the long run.* What you think you are saving, you are not.

During tenancies, Agent shall not use the services of warranty companies or service agreements and Agent's normal maintenance procedures and Owner shall hold Agent harmless for Agent using such procedures or its qualified vendors. However, during vacancies or within common areas, except for emergencies, Owner may order services delivered by third-party service companies.

Regular Maintenance

We are responsible for overseeing work for normal maintenance breakdowns and regular repairs as a part of our management service. We will coordinate any such repairs or maintenance with our internal maintenance technicians and approved vendor(s) and tenants. We will see that the job gets done in a professional workman like manner and pay all invoices on owner's behalf. Our mission is to keep your property in the same or better condition, and we will take opportunities to make improvements along the way when it is financially advantageous to increase rents or lower costs.

Systems & Preventative Maintenance

Breakdowns are expensive and can be prevented in many cases. Agent can have preventative maintenance services performed if requested by the Owner. Owner acknowledges that any equipment currently at the Property must be fully functioning, inspected, and repaired unless not required under law or otherwise excluded from the leased property. Annually, the Agent will seek approval for preventative and other maintenance on the property. If Owner does not respond or does not order such services, Owner shall hold Agent harmless for not performing such services.

Heating Ventilation, and Air Conditioning

Agent highly recommends that Owner have annual preventative maintenance service performed on all equipment to prevent costly breakdowns. Dryer vents and dryer cabinets should be cleaned annually, and HVAC ductwork should be cleaned when accumulated with dust and debris, which reduces airflow.

Hot Water Heaters

Agent highly recommends that Owner have regular flushing of hot water heaters to extend the life of equipment, replace anode rods, and confirm proper water temperature.

Supply Lines

Agent highly recommends that Owner upgrades all supply lines to new steel braided supply lines to prevent failure and flooding and replace all flexible lines every 3-5 years or as needed. Even braided supply lines fail when they get old.

Equipment not to be Repaired



The owner shall advise the Agent if the owner is aware of any equipment currently at the Property is not functioning properly or is intended not to be repaired in the event of failure (subject to the law). If such equipment exists, it shall either be removed or shall function as designed.

Smart Technology

Owner acknowledges that any "smart" technology such as thermostats, televisions, and video doorbells may be disabled or removed by Agent or Tenant. Such technology requires time-consuming resources to manage and configure, and Agent does not provide technical support for these items. If support is required, professional vendors will be used and charged to Owner.

Wood Burning Fireplaces

If Property is equipped with a wood burning fireplace or stove, it is recommended that cleaning and inspection is performed. If the Tenant wishes to use the fireplace, **the Tenant** shall pay the Agent to have it inspected and repaired if necessary, prior to use.

SECTION 8: When It's Time to Sell

Around half of our clients hold their house as investment property and intend to hold it for a long time. The other half used to live in it and could not sell it when they needed to move. When it's time to sell, there are some things to consider.

List for Sale

When you are done with leasing the property we refer you back to the realtor who put us together in the first place or find the best listing agent to sell the home. Because we know a lot about the property and have the knowledge and systems to get the home sold in a short amount of time. When you get notice from us that they're moving, let us know if you want to sell.

Notice Prior to Sale

The owner shall notify Agent prior to listing the property for sale or signing a listing or purchase agreement. The owner shall compensate the Agent for any time, assistance, or work incurred by Agent related to preparing the Property for sale or coordinating any sales activity.

Agent Procures Buyer

In the event that a sale or exchange of the Property is effected to a Tenant or any other prospective tenant, person or entity procured by Agent, then Agent shall be considered the procuring cause of such sale and Broker shall be paid a commission of three percent (3%) of the gross sales price plus \$495 broker services charge by the Owner upon successful closing of the transaction and Agent shall represent the Owner in such transaction as Owner's Seller's Broker as defined in Minn. Stat. § 82.67, subject to Dual Agency. Full disclosure of the Agency relationship shall be provided at first substantive contact regarding the sale of the property. This provision for sales commission shall survive for a period of six (6) months following: 1) the termination of this Agreement, and/or 2) vacating of the Property by Tenant, and/or 3) the first showing of Property to the prospective tenant/lead who then subsequently purchases the Property; and, is applicable even if Owner chooses to list the Property for sale with a different broker other than Broker. To secure the payment of the Agent's compensation, Owner hereby assigns to Agent's Broker the gross proceeds from the sale of the Property in an amount equal to the compensation due to Agent under this paragraph. The Owner understands and agrees to pay any additional closing costs due at closing such as real estate deed tax, title fees, etc. that are applicable to any sale of the Property or negotiated into the purchase agreement between Owner and the buyer.

Effect of Sale Listing



When Agent is listing broker: If Owner lists the Property for sale, and is using Agent as listing broker, Agent shall continue to manage the property, will handle the Security Deposit return, assist in performing all make-ready services, and any early termination fees will be waived.

When Agent is not listing broker: If Owner lists the Property for sale, and does not use Agent as listing broker, Agent may terminate this Agreement by providing Owner with three (3) days' notice, the Management Services for the remainder term of any current Lease shall become due immediately, any Security Deposit shall transfer to Owner upon Termination, and all Termination provisions shall apply.

SECTION 9: Re-taking Possession

Owner Moving Back In

When you decide to retake possession of your property, **we require 10 days from the time the tenant moves out to the time you move in.** This period is required because there are special needs to prepare the property for your possession. Things like removing locks or rekeying the property, cleaning, repairs, personal property removal, and carpet cleaning. Do not plan to move in the day after the tenant has vacated.

We provide a "Retake Possession" form for you to provide us with instructions for your repossession. If you fail to return this form, the property will be cleaned to our specification and no other services will be provided.

Note that if you cannot provide us with this 10-day period, we cannot ensure that the property will be in the condition you expect. Please plan accordingly.

If you require services following the Effective Date of the Termination, our services will be billed at our Special Services rates listed herein if allowed under the law.

SECTION 10: Managing the Separation

There will come a day when we decide to part ways. Eventually everyone does. Since it is inevitable, we want it to be a smooth and orderly transition. Because there are rental laws and security deposit funds involved, we must do this very carefully. We have forms and checklists for this process, so we don't miss a thing. If there is a tenant on the property this is a little sticky, but we have done it before and know exactly what the issues are. Some owners decide to manage their own property. Some want another property manager, while others want to sell and be done with leasing. Whatever the reason, we will always be willing and cooperative to make the transition smooth. In all cases, a mutual release, non-disparagement, and final settlement agreement will be signed by both parties to avoid any misunderstanding or dispute.

Separating in the Middle of a Tenancy

Either party may initiate separation with an effective date in the middle of a tenancy. In doing so, the party that wishes to terminate the relationship is obliged to provide a written notice in accordance with the Property Management Agreement. In this case:

1. Upon notice, we will prepare a Management Termination Agreement to stipulate all open items and reconcile funds;
2. Upon signing the Termination Agreement, the Security Deposit funds or Security Instrument will be transferred to the Owner:

3. Any funds needed to complete the agreement shall be charged at that time and Maintenance Reserves may be increased to cover open or expected charges; and,
4. The residents will be notified of the termination, be provided with the landlord's contact, and the location of their Security Deposit/Instrument.

Note: The best time to terminate is between tenants, causing the least amount of confusion for all parties involved with security deposits and other funds.

Separating at the End of a Tenancy

Either party may initiate separation with an effective date at the end of or following a tenancy. In doing so, the party that wishes to terminate the relationship is obliged to provide a written notice in accordance with the Property Management Agreement. In this case:

1. The termination effective date shall be the first business day following the Lease End Date, unless otherwise agreed with compensation;
2. Upon notice, we will prepare a Management Termination Agreement to stipulate all open items and reconcile funds;
3. Upon signing the Termination Agreement, the Security Deposit funds or Security Instrument will immediately be transferred to the Owner;
4. Any funds needed to complete the agreement shall be charged immediately and Maintenance Reserves may be increased to cover open or expected charges;
5. The residents will be notified of the termination, be provided the landlord's contact, and the location of their Security Deposit/Instrument;
6. The Agent shall perform the move-out inspection on the first business day following the Lease End Date and send the report to the Owner;
7. If additional services have been ordered, such agreed upon services shall be performed prior to the Effective Date of Termination;
8. The Owner shall provide the Security Deposit disposition and resolve all disputes; and,
9. No services shall be provided by the Agent following the effective date of the termination.

Note: Any work by us following the effective date of termination shall be billed at the Special Services rate and must be funded prior to performing any such work.

Transferring Management from RPMV to others

If you request that we prepare a **Management Transfer Package**, we will prepare the following upon payment of the **Management Transfer Package** charge. If we possess the following, we will provide online access for digital assets and in-office pickup for physical assets of the following:

1. Digital Photos;
2. Digital Inspections including move-in, interim, renewal, move-out inspections, city inspections;
3. Tenant Ledgers,
4. Tenant Lease Violation history, Notices, Affidavits of Service;
5. Owner Ledgers;
6. Maintenance history;
7. Digital Lock Access transfer to new manager;
8. Keys, passes, and codes.

Records and Funds Retention

Under Minnesota statute, we are required to maintain records for 7 years. Records storage costs money, mostly in the form of reporting and auditing. We may retain funds at the Termination to cover these costs.

We will hold trust funds for up to 60 days following the Effective Date of the Termination in order to cover unknown bills that may come due. After 60 days, all funds will be released.

Unpaid Resident Funds

If at the time of termination, funds are due from the tenant, we will not be responsible for collecting these funds and our obligation to make any future payment to Owner shall cease upon termination of the Management Agreement. The owner may engage a collection agency, lawyer, file a complaint with the conciliation court, or seek relief from the tenant directly, but RPM shall bear no responsibility for collecting any tenant funds after the termination of the Management Agreement. **We are not licensed as a collection agency and our services for any collection are terminated at the end of the Management Agreement.**

SECTION 11: Service Charges

Real Property Management is a very transparent company. We disclose all our service charges and if you do not see a charge listed, we will not charge it. We guarantee that we will never charge anything that has not been disclosed.

Our Standard rates for work under this agreement are listed below, however additional charges may be listed elsewhere in this document or the Management Agreement.

Description	Rate	Notes
Non-optional		
3 rd Party Maintenance: Maintenance Coordination Services	18% \$45 minimum	Applied to all third-party maintenance or improvement invoices, supplies, and materials, unless excluded under a Price Plan
In-house Maintenance: Field Services	\$95-125/hr. plus materials	Depending on the skillset required
After-hours Emergency Response: Includes Incident Reports	\$150 plus above hourly charges at 1.5x rate	Outside normal business hours
Rescheduling Services	\$150	Rescheduling inspections or vendors Due to Owner delays
Owner Foreclosure Charge	\$1,000	In the event of a foreclosure
Annual Accounting Services a. Owner and Vendor 1099 b. Trust Account Reconciliation c. Annual Statement for Schedule E d. Resident MN-CRP Forms and State Filing e. Insurance Compliance f. Records Storage for 7 years	\$95 (\$150 charged at Termination)	Charged each January
Class 3 Cleaning	\$0.25/s.f. plus \$40/appliance	Cleaning to the American Hotel Association standards of Sanitation. Paid by owner upon first vacancy.
Incumbent (pre-existing) Tenant	\$300	Includes tenant onboard, screening, inspections and Inventory report.
Charges based upon Request or Situation		
Special Services (not elsewhere classified):	\$65-250/hr.	Depending on skill requirements
Special or extra Management Reports	\$15/mo.	When the owner requests this service
Project Management Services	18%	Applied to any Home Improvement project, such as new flooring, Large Painting project, roofing, siding, concrete, or similar



		remodeling or improvement project other than repairs or maintenance.
Site Visits and Property Inspections	\$95	Any trip to the property not otherwise covered in an included service.
Lease Modifications	\$250	Anytime a lease requires modification unless the tenant pays for this service
Legal Postings	\$125	Includes Affidavit of Service. This charge may be paid by tenant.
Rental License application/renewal	\$25	Upon Request
Owner draws paid by paper check	\$25	No charge if paid by eCheck
Management Transfer Package	\$200	If requested at Management Termination
Rental Equipment		
Rental window A/C units	\$39/day/unit	Plus labor for delivery, setup and pickup
Rental refrigerator	\$39/day/unit	Plus labor for delivery, setup and pickup
Rental hot water heater	\$49/day/unit	Plus labor for delivery, setup and pickup
Rental generator	\$100/day/unit	Plus labor for delivery, setup and pickup
Rental heaters	\$20/day/unit	Plus labor for delivery, setup and pickup
Note on Rental equipment: If the entire Furnace or Air/conditioner/Appliance is replaced by RPM, the cost for the rental equipment is included in the Maintenance Coordination Service for the replace system.		

Other Charges to Owners

Notices: In the event that the Agent or Landlord is required to enforce the terms of the Lease or provide notice to a Tenant(s), the cost of such events, including postage, legal services, process service fees, bodyguards, trip charges, or any other, such costs shall be paid by the Owner unless otherwise collected by the tenant, if provided in lease.

Owner Provided Tenant: When not being marketed to the public by Agent, if Owner procures a Tenant for a new Lease, Owner shall pay Agent 100% of one month rent (except for Gold Plan agreements) to cover tenant screening, enrollment, property inspections, and lease documentation. All tenant related guarantees or other similar protections shall not apply to Owner provided Tenants.

Pre-existing Conditions: Additionally, Special Services charges shall apply for the Agent's time to address pre-existing Tenant or property issues, if any.

Interest on Unpaid Sums: Any sums due to Agent under the terms of this Agreement and not paid within 30 days after such sums have become due shall bear interest per year at the rate of 8% or the maximum allowed by law.

Rent Subsidy Service: If Owner accepts a Tenant who has rent subsidies or other public rent assistance and Agent is required to coordinate with the public agencies, Owner will be charged up to **\$300 annually** for Agents time and work related to such coordination.

Keypad lock sets: Agent shall maintain or install an algorithm digital keyless lock, or similar keypad lock with no supplied keys of Agent's specification on a common area door and each dwelling unit door keyed and coded to Agent's master codes and one lower passage knob. Agent shall install new such locks even if similar locks are already present at Owner's expense and existing locks shall be disposed of unless Owner requests in advance to retain and retrieves the locks. The installation of such locks provides Agent keyless access as well as eliminate annual re-keying expense. Additional standard locks may be replaced and rekeyed at each turnover and charged to the Owner. The Agent installed locks will be left installed as is at the Termination of this Agreement and remain the property of the Owner. The minimum cost for a keypad lock is \$165 and a standard deadbolt is \$50.

Bill Processing Service: If Agent processes any charges through the property trust account, including collecting or paying any third-party charge such as a utility bill, HOA bill, insurance, mortgage or otherwise on behalf of the Property (except for bills covered under the Maintenance Coordination Service), Owner shall pay a Bill Processing Service of \$15 for reviewing, analyzing, processing, or charging back to tenant if applicable. Agent shall be held harmless for anything related to late payments of these bills if not directly caused by Agent.



Condominium and Coordination Services: If the Property is a condominium with a common entrance, the Owner shall be charged a condo management service of \$450 upon signing of this Agreement and upon any new tenancy thereafter for managing the added building access issues, Agent time, tenant screening procedures, and paperwork related to working with the community management company and managing condominium units. Anytime maintenance services require condominium or common interest community coordination, an additional 10% will be added to the bill.

Charges to Tenants and Kept by Agent

Animal Service: Agent will manage animal screening and background checks, provide animal registration services (ESA Legal Services, Breed Verification, Guest Pet registration), resolve HOA issues, neighbor complaints, city complaints, and perform up to 3 animal inspections. As compensation for these services, we collect from Tenant any animal service charge allowed under the Lease and shall retain all animal service charges as compensation for. If Tenant requires a lease modification to accommodate an assistance animal, Owner shall pay for the cost to draw up the amendment as under the law, we are not allowed to collect these funds from the residents. See <https://www.rpmviking.com/owners/OWNER-RESOURCES> for more information on Animal Services.

Agent Building Service: Agent charges each resident group \$13 per unit to cover its cost of providing 24/7 maintenance response services, dispatching after hours and emergency oversight.

Resident (or Tenant) Amenities: Agent charges 1.2% of Rent to each resident group for providing its suite of resident benefits to enhance the resident experience and retain good tenants, including such things as 2 hours of handyman service, late rent forgiveness, discounts on thousands of household items in our Resident Perks program, and home-buying assistance. See <https://www.rpmviking.com/tenants> for more information.

Funds Held in Security Deposit Trust

The Security Deposit shall be at least one times the monthly rent and may be increased if Animals are allowed, and such deposits are allowed by law. Agent may approve any animal in accordance with the law. This Section shall not apply to Assistance Animals. The owner understands that state and federal laws govern "service animals" and "emotional support animals" and those animals are not legally considered pets, and therefore pet policies do not apply. Agent shall have final authority to approve or deny all assistance animals.

SECTION 12: Specifications

- ☐ See <https://www.rpmviking.com/owners/OWNER-RESOURCES> for current specification.

