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UPCOMING EVENTS:

Southern Utah Fair Housing Conference & **Trade Show**

Thursday, Nov. 21, 8 a.m. to 4 p.m., St. George Convention Center, 1835 Convention Center Drive, St. George, Utah

Annual Membership Meetings, SALT LAKE Thursday, Dec. 5, 7 p.m. Topic: Holiday Bingo

UPRO Certification - www.uaahq.org/upro Friday, Dec. 13, 8:30 a.m. - Risk Protection, Insurance and Ownership Entities Friday, Dec. 13, 10:30 a.m. - Liability & Lawsuits **CAM Certification Classes**

Module 6: Risk Management, UAA Office Tuesday, Dec. 17, 9 a.m. to 4 p.m.







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HRI Files Discrimination Lawsuit Against 7 Management **Companies**

3 Takeaways for Owners and Managers

By Stephanie Murrell ASST. DIRECTOR, UTAH APARTMENT

Earlier this year we warned rental industry professionals about the dangers of utilizing Facebook's targeted advertising features to select people they did not want to advertise to, like single mothers, certain ethnicities and even using a map to choose a specific geographical target market. HUD filed housing discrimination charges against Facebook in March and warned that they would be going after users too. While Facebook has worked with HUD to eliminate some tools and update their policies according to federal laws, targeted marketing options are still available that may violate state or local fair housing laws.

In September, Housing Rights Initiative (HRI) joined the fight when they and a class of potential tenants filed a lawsuit against seven large property management companies. These complaints, that allege age discrimination in advertising

See 'Lawsuit' on Page 6

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Is Your Website ADA Compliant?

By Stephanie Murrell ASST. DIRECTOR, UTAH APARTMENT ASSOCIATION

No, you aren't mis-reading the headline. We did ask if your website, your online presence, is ADA (Americans with Disabilities Act) compliant; not your physical location.

In recent years, the number of website accessibility lawsuits has almost tripled from 814 filed in 2017 to 2400, in 2018. The reason for the spike in lawsuits is lawyers are using computer software to scan websites for ADA compliance issues and then filing claims against companies they believe are not compliant.

What is scary about this is that NO INDUSTRY IS SAFE. Any website could have an error or technical glitch that puts them out of compliance with ADA. These lawsuits are very inexpensive and simple for lawyers



to file and horrendously expensive for companies to defend. Don't let your website(s) be next!

WHAT IS REQUIRED?

We need to make sure our websites don't discriminate against people with disabilities, like visual or hearing impairment. They need to be able to access information too. Your website needs to be designed with ADA in mind and work with the software people with visual and hearing disabilities use.

See 'Is Your' on Page 6

Burglaries and Vandalism

Owner or Tenant's Responsibility?

By L. PAUL SMITH

EXEC. DIRECTOR, UTAH APARTMENT ASSOCIATION

Recently a local news station did a feature about who is responsible for the cost when rental properties are burglarized - is it the landlord or the tenant?

Spoiler alert – it's the tenant! When a person leases a space for their home or business from another person, they legally receive a "leasehold interest" in the property and agree to return the space they are leasing to the owner in the same condition they received it, minus normal wear and tear. The leasehold interest transfers "possession and control" to the tenant. That means the owner no longer has possession or immediate control of the premises -



the tenant does. Since the owner has "transferred" possession and control and are not there daily, the ability of that owner to care for and protect the premises is limited. The responsibility

to do that transfers to the tenant(s).

In addition to granting possession and control to the tenant, leases also

See 'Burglaries' on Page 7



















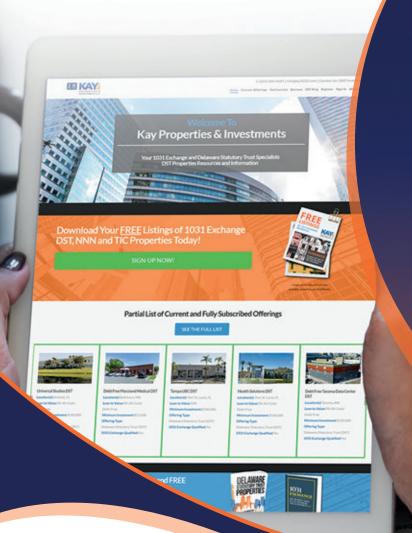












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The Fundamentals of 1031 Exchanges

By Dwight Kay and the Kay Properties Team

Welcome to 1031 101! If you've come to our metaphorical class here, you likely have a few questions. Chief among them: what is a 1031 exchange? What Qualifies for a 1031 exchange? Why should I do a 1031 exchange? What should I 1031 exchange into? Is there an option if I have a failed 1031 exchange?

WHAT IS A 1031 EXCHANGE?

A 1031 exchange is a procedure that allows the owner of investment property to sell and acquire another "like-kind" property while deferring capital gains tax. The name comes from IRS Section 1031 and has morphed into a verb in the investment real estate world — as in, "Let's 1031 this property for that one."

WHAT QUALIFIES FOR A 1031 EXCHANGE?

While the idea is a simple one, the execution is a bit more complex. There are very specific definitions and timeframes to which users must adhere to qualify for a 1031 exchange.

The most important thing to keep in mind just might be how to define a "like-kind" property. That doesn't mean you must exchange one apartment complex for another; there's actual considerable flexibility there. For instance, you can sell an apartment complex and purchase a retail building, you can sell a retail building and purchase and industrial building, you can sell an industrial building and purchase raw land, etc. However, you can't exchange a property for a business, for example. It's also worth noting that a 1031 exchange can only involve property held for investment, not personal use and, to maximize the benefits of a 1031 exchange, the replacement property should be of equal or greater value than the original.

What's often forgotten in the lead-up to an investment property's sale is how quickly the 1031 clock starts. After that sale, you have 45 days to choose aka identify a property with your qualified intermediary (the escrow like company that holds your exchange proceeds after you sell your relinquished property). From there you must close on that property within 180 days of the sale to qualify for the 1031 benefits.

WHY SHOULD I DO A 1031 EXCHANGE?

You know the saying about death and taxes?

Well, at least you can defer one of those with a 1031 exchange. Typically, when you sell an investment property, you're subject to several different taxes. But by trading one like-kind property for another via a 1031 exchange, the IRS lets you defer a considerable amount of taxes.

Without a 1031 exchange, you can be taxed at a rate of 25 percent on all depreciation recapture. Depending on your taxable income, you would owe federal capital gains tax of at least 15 percent and as high as 20%. On top of that is the state capital gains tax which is anywhere from 0-13.3%. Lastly, there is a 3.8 percent Medicare surtax as well.

WHAT SHOULD I 1031 EXCHANGE INTO?

We've already established that you must exchange your investment property for a like-kind property. However, there are many different options for you to execute a 1031 exchange.

The most obvious is trading one property you manage for another. An example: you sell a duplex and purchase a commercial building. In that instance, you're maintaining your role as landlord, which comes with responsibilities such as repairing issues, dealing with individual tenants, property management, asset and property level accounting and processing rent. The role of the investor is very involved.

A slightly more passive approach is to exchange into a triple-net property. In this case, you're leasing your property to a tenant who often agrees to pay the majority of expenses associated with the property. Which can include taxes, insurance and maintenance. But it does not mean the investor just gets to kick back. You are still often responsible for those many needs of a property — including coordinating and paying for repairs, paying property tax bills, processing invoices. The difference from a standard lease is that you are then billing the tenant for those expenses and now tasked with the fun job of tracking down the tenant and getting them to actually reimburse you for them. Our firm has owned many triple net properties over the years and we have to have full time asset management, accounting and legal teams to look after the triple net properties and run them efficiently. For an investor to think that the triple net property option is a passive endeavor is wishful thinking!

If, as an investor, you are looking for a fully passive exchange option, Delaware Statutory Trusts (DSTs) are potentially a good option. A DST is an entity that holds title to a piece of

real estate and investors are able to buy in for typically 100k minimum investments. DSTs are used by investors to build a diversified portfolio for their 1031 exchanges whereby they can, for example, on an exchange with \$1,000,000 of equity purchase 5 different DSTs in 200k increments. The investor may purchase 200k in a DST that owns a long-term net leased FedEx building, 200k in a DST that owns a long-term net leased Amazon building, 200k in a debt free multifamily DST apartment building in the Nashville metro area, 200k in a DST that owns 1,000 multifamily units among 3 properties in 3 different states and lastly 200k in a DST that owns a long-term net lease industrial building.

Additionally, the trust's sponsor is the asset manager of the property, which involves handling reimbursements from tenants and daily needs, repairing issues, processing rent and invoices, etc. This provides investors with a truly passive approach to their 1031 exchange and a change in lifestyle from the active duties of property management. DSTs are also a great backup plan to keep in mind due to the 1031 exchange's tight timeframe. Because the trust already owns the properties, transactions can often be completed within just a few days.

IS THERE AN OPTION IF I HAVE A FAILED 1031 EXCHANGE?

If a 1031 isn't on the table for you (for whatever reason that might be), the Tax Cuts and Jobs Act of 2007 created a new way to defer, reduce and, in some cases, eliminate long-term capital gains taxes: Opportunity zones. There are more than 8,700 qualified tracts scattered around the country. By investing your capital gains in one of those via a Qualified Opportunity Zone Fund, you will be able to defer any taxable gain until the fund is sold or Dec. 31, 2026, whichever comes first. Five years in, you receive a 10 percent step-up in tax basis with an additional 5 percent step-up after seven years. Hold the fund for at least 10 years and the new capital gains taxes generated from the opportunity fund investment are slashed to zero.

The 1031 exchange is a valuable tool in the real estate investors toolbox and with proper planning and understanding the investor can utilize the features of this piece of the tax code which has been around since 1921. To learn more about 1031 exchanges and your 1031 exchange options utilizing DST, NNN and Opportunity Zones please visit www.kpi1031.com. You will also, upon registering, be sent a free book on 1031 exchanges.

About Kay Properties and Investments, LLC:

Kay Properties and Investments, LLC is a national Delaware Statutory Trust (DST) investment firm with offices in Los Angeles, San Diego, San Francisco, Seattle, New York City and Washington, D.C. Kay



Seattle, New York City and Washington, D.C. Kay
Properties team members collectively have over 114
years of real estate experience, are licensed in all 50
states, and have participated in over \$7 billion of DST
real estate. Our clients have the ability to participate in
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as those presented to the wider DST marketplace,
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with the exception of those that fail our due-diligence process. To learn more about Kay Properties please visit www.kpi1031.com.

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considering any investment. IRC Section 1031, IRC Section 1033 and IRC Section 721 are complex tax codes; therefore, you should consult your tax or legal professional for details regarding your situation. This material is not intended as tax or legal advice.

There are material risks associated with investing in real estate, Delaware Statutory Trust (DST) properties and real estate securities, including illiquidity, tenant vacancies, general market conditions and competition, lack of operating history, interest rate risks, the risk of new supply coming to market and softening rental rates, general risks of owning/operating commercial and multifamily properties, short-term leases associated with multi-family properties, financing risks, potential adverse tax consequences, general economic risks, development risks and long hold periods. There is a risk of loss of the entire investment principal. Past performance is not a guarantee of future results. Potential cash flow, potential returns and potential appreciation are not guaranteed. For an investor to qualify for any type of investment, there are both financial requirements and suitability requirements that must match specific objectives, goals and risk tolerances.

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Chair's Message

Homelessness: A Call to Action

The State of Utah is taking a different approach to dealing with homelessness and has just opened up new funding to help place people/families in rental housing rather than shelters.

Over the next several months Utah will be closing the large shelter in downtown Salt Lake and opening several small ones. At the same time



MATT LEDINGHAM Chair, Utah Apartment Association

they will be looking for owners and managers willing to help them. The programs they will be using will pay deposits and rent.

While there are risks with these kinds of programs and they may not be right for everyone, we would encourage you to reach out to the state and see if you can help. Especially if you have units near downtown.

Thanks in advance for your

willingness to consider these programs and attempt to help house challenged families and individuals.

Contact the Housing Authority for more information:

- **Shawna Mattingly** 801-428-0569 smattingly@haslcutah.org
- Kelly Walsh 801-428-0601 kwalsh@haslcutah.org

Director's Message

When a Tenant Decides Not to Rent

Ask the Association: Tenants signed the lease and paid the deposit but has changed their mind

"I have a renter who signed a rental agreement and paid the deposit several weeks ago to move in at the beginning of next month. Now he's saying he doesn't want to rent the place anymore.



L. PAUL SMITH, CAE
Executive Director,
Utah Apartment
Association

What should I do?'

The good news is they signed the agreement and paid a security deposit. The professional way to handle it would be to communicate the following:

"We understand things have changed and you no longer wish to move in. We will immediately attempt to re-lease the rental home. If we can get it re-leased by the first of the month, we will deduct only the cost of labor and marketing for the replacement tenant. If it takes longer than that, you will be responsible for daily rent until re-rented."

Be understanding and polite. But explain to them they signed a binding contract, and you will do your best to rent it quickly, but there will be costs associated with their default. Occasionally owners and managers have to re-lease a place someone signed a lease on; they should do their best to mitigate damages by re-leasing quickly. But the tenant is responsible for the "actual damages" of the contract default, which include labor and marketing costs and daily rent until the property is re-rented.

You will "apply" the security deposit to any damages/costs.

For instance, if the security deposit was \$1,000, and the labor and marketing to re-lease come to \$200, you would return the remaining \$800. If the daily rent is \$40 a day and it takes 15 days to rent, or \$600, you would deduct the \$200 marketing costs and \$600 lost rent = \$800 from the \$1,000 and they would get \$200 back.

Sometimes the purpose of security deposits is misunderstood. Deposits are used to cover costs. Some people think deposits are "forfeited", if a tenant breaks the lease, but as a matter of law they can only be "applied" to damages. The word "damages" has a broad definition including:

- Lost rent
- Marketing/labo
- Cleaning
- Physical damage
- Other costs like unpaid utilities, late fees, etc.

In this case since they never moved in there are no cleaning costs or damages, but there are lost rent and marketing/labor costs. So, if someone asks "Do I forfeit my deposit" because they decided not to honor the agreement; the answer is no – deposits are applied to damages. The deposit was \$1,000 in this hypothetical. If damages exceed the \$1,000, they would end up owing more. If damages are less, they will get a partial refund.

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Ask the Attorney

When a Tenant Stops Paying for Utilities

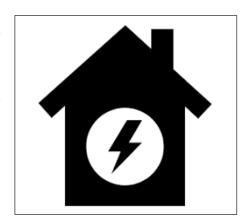
First, check your lease to see whether or not your tenant was required to put any utilities in their name. If they are required to do that and have not, they are in breach of the lease and you may have grounds to provide them with a 3-day lease violation notice. Typically, you will want to make sure that the notice gives them the opportunity to come back into compliance or vacate the property. If the utilities are in the landlord's name, the best practice is to



JEREMY SHORTS Attorney

pay the utilities and then provide the tenant with a 3-day notice to pay or vacate based on the amount owed

for utilities. DO NOT ask the utility company to shut off the utilities. If you do, the tenant may have a claim for a wrongful eviction, which will be a much larger pain to deal with then going through the proper process of eviction. Keep in mind that if the tenant has not paid, and not had the utilities placed in their name as required under your lease, you can provide the tenant with two separate notices, as they are to separate violations.



How To Find a Contractor You Can Trust

By Corey Brewer

Vendor relationships are a critical component of a successful property management operation, whether you manage one home or thousands.

effective, cost-efficient Timely, repairs are good for you, good for the owner's bottom line, good for your tenants, and good for the sanity of everyone involved.

So how do you find a contractor you can trust, and trustworthy vendors

Establish some qualification criteria – set the bar and only work with vendors who meet your standards.

Work only with contractors who are properly licensed and insured. If someone is unwilling to show you their current documentation, move on to the next immediately.

Use your state association for research, such as the Washington State Department of Labor & Industries. This is where you would see if the contractor has had a history of complaints or violations, so look for red flags here.

Assuming you have done your homework and found a contractor who looks good on paper, the next step would be to look up online reviews (BBB, HomeAdvisor, etc.) and obtain some references from former and/or current clients, or from a property manager who already uses them regularly.

audit of our vendors (more than 400 of them) and remove any who get consistently negative feedback, whether it be regarding customer service, quality of work, or pricing.

For larger jobs, you might consider a site visit to personally see any work that the contractor has performed (or has currently under way).

And finally, a strong understanding about expectations should be in place, and it should be in writing.

Contractors should discuss issues with the property manager, not the tenant.

A good contractor will understand that while a home may be occupied by a tenant, he or she is working on behalf of the owner.

This means that if unforeseen problems occur on a job, or the cost/ scope becomes more than the original estimate, the vendor should be discussing what to do next with YOU and YOU ALONE (not the tenant).

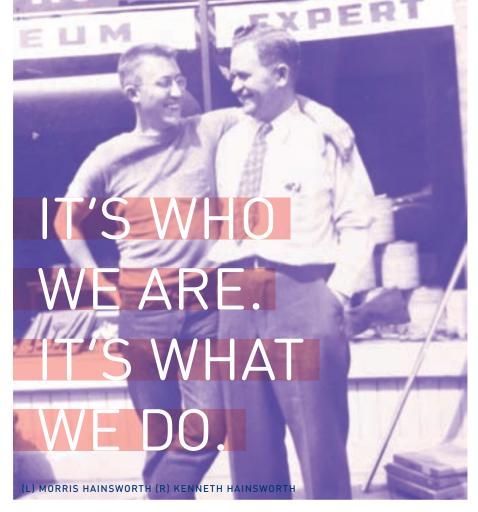
Payment timelines are also important, as landlords may or may not have enough funds in their operating account readily available until next month's rent checks arrive.

So be clear on payment due dates to ensure you'll be able to pay on time when the invoice arrives.

As with so many other things in our industry, it's best to agree to these terms in writing prior to working being performed.



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Lawsuit Against 7 Management Companies

Continued from Page 1

against rental housing owners and operators should not be taken lightly. Not only do the damages requested in the lawsuit include commitments from these companies to implement non-discrimination digital advertising policies, staff training and education and self-compliance monitoring, they want compensation paid to older residents that were excluded in the marketing of apartments.

HRI's lawsuit is based on age discrimination, which is not part of the Federal Fair Housing Act. However, it is considered a protected class according to the state fair housing laws where the alleged discrimination occurred. Facebook's marketing tools allow advertisers to target according to specific interest categories that may proxy for a protected class, i.e. "parents of toddlers", "Telemundo", etc. While some policies implemented by an owner or operator may appear neutral, they can still have unintended discriminatory effects with regards to protected classes. So, be careful when you use these tools.

Not only can the use of user interests,

demographics and zip codes have marketing outlet AND you. intended or unintended consequences on almost all of the federally protected classes under the FHA, state and locally protected classes could be included as well. For instance, using a map to target prospects could intentionally, or unintentionally, exclude ethnic areas and therefore have discriminatory

Despite settling the original complaint in March, HUD is moving forward with an investigation and formal charges against Facebook. They are also investigating other companies such as Google and Twitter on the same allegations of Fair Housing Act violations.

Three takeaways owners and managers can learn from these new lawsuits are:

1 - Fair Housing Enforcement Organizations are not limiting their attention to just large corporations; they are also scrutinizing rental owners and operators. So, just because the marketing outlet you're using provides you with the ability to discriminate, doesn't mean these organization won't come after you - they'll come after the

- 2 Ignorance is not an excuse. If you did not understand the implications of the audience interests you chose, this does not absolve you of responsibility. For instance, if you used any interest type that could exclude individuals of a protected class, you are guilty of discrimination. The fact that you may not have understood that is not relevant.
- 3 It's easy to inadvertently discriminate. These new lawsuits remind us that we have to be on our toes all the time. While using some tools may target prospects to your best advantage, you still have to follow Fair Housing rules, even if it costs you more time and/or money. Remember, the mantra of Fair Housing is "Equal Opportunity".

We hope bringing these new lawsuits to your attention will remind you about the importance of making sure that all people who are looking for a place to live are given "equal access" to your listings. Be very careful to consider the effect on protected classes when you use online marketing tools.

Is Your Website ADA Compliant?

Continued from Page 1

Title III of the ADA prohibits "Discrimination on the basis of disability in the full and equal enjoyment of goods, services, facilities, privileges, advantages, and accommodations by any private entity that owns, leases (or leases to), or operates any place of 'public accommodation'." While the internet was not common when the ADA was passed, this language has been interpreted to apply to the internet.

What does that mean in practice? We should avoid features on websites that make it difficult for visual or hearing impaired individuals, including:

- Images without alternate text
- Drop down menus that don't work
- · Color coded maps/graphs that could not be comprehended by someone who is color blind
 - Videos without closed captions
 - Redundant or broken links

Pictures of text

• Lack of keyboard navigation

How do you protect YOURSELF?

Check with your website provider and/or website maintenance provider to see if they already provide the correct technology and system checks.

Bring your website into compliance NOW, don't wait for an issue or claim to be filed

Audit your website for potential issues and remediate them as quickly as possible

An example lawsuit against an apartment community alleged it was the apartment community's "policy and practice to deny the defendant and other blind or visually-impaired users access to their website, so thereby denying the facilities and services that are offered and integrated with their apartment building. Due to their failure and refusal to remove access barriers to their website, the defendant and other visually-impaired persons have been and are still being denied equal access to defendants apartment building and the numerous facilities, goods, services and benefits offered to the public through their website."

In other words, since the website did not incorporate screen reader technology, blind or visually-impaired users were unable to use their own screen reading software; this software transmits whatever text is displayed on the computer screen into a form that a visually-impaired person can process - usually tactile, auditory or a combination of both.

We all know what to do to make sure our properties and communities are physically in compliance with ADA. The wheelchair ramps, the handicap parking spaces and grab bars in the public restrooms; these are all no brainers. Be sure you also think about your online public spaces and stay vigilant in these spaces too. Make sure visually and hearing impaired users have full access to information, and are not, in effect, discriminated against.



Filling Out Applications Before a Property Tour

Dear Landlord Hank: Do you give tenants a tour of your vacant rentals before they fill out an application? Or do you require an application before you give a tour? We charge a \$30 application fee. — Tim

Dear Landlord Tim: I insist that tenants see THE vacant unit they would be living in prior to filling out an application.

I do prescreen on the phone before I set up a showing to make sure these are possible tenants, and they desire the rental we have in the time frame we want to rent it.

I ask if the tenants have seen our internet advertising with photos and details so they know what to expect. I find out how many people would be renting and how soon they need a property.

Also I make sure they don't have pets, if not pet friendly, etc.

Then I set up a tour and if the clients are interested, I provide an application and explain the application process.

I would not want to waste time processing an application for someone that may not want the unit.

Dear Landlord Hank: How do you handle tenant roommates and guests?

How to handle tenant roommates and guests is the question this week for Landlord Hank on how he handles



the situation as a landlord and property manager.

This question keeps coming up from landlords again and again, so Hank is taking on the answer again. He is not giving legal advice, just how he handles it himself as landlord and property manager.

This is an on-going situation for most landlords, I think.

Now that the economy is better and more rentals are available I'm actually seeing less of "doubling up or extra unauthorized roommates."

I can't speak to legal matters but a great lease will help the landlord in this situation. I always address this situation up front, verbally, with the tenants, concerning guests and the amount of time a guest can stay, per

In my lease, it is 72 hours that a guest can stay without PRIOR written consent of landlord.

I ask tenants if they plan on having anyone else living with them, up-front, family or not. I make sure all occupants are on the lease by name.

I've made the mistake in the past of allowing a tenant to get a roommate when my tenant lost one of her two jobs and couldn't make the rent.

I told my tenant she'd have to have a rental agreement with her roommate and this roommate would have to be screened and accepted by me but she would be responsible if anything went

The situation went bad after about a month and the tenant had to evict her roommate and then I had to evict her.

A very messy situation and one best not to be involved in.

Tenants and roommates can get injunctions or restraining orders against each other if things go really

I shy away from roommate rentals and suggest you do as well.

If a tenant does have an unauthorized guest or tenant, this should be a clear violation of your lease.

In this situation, I would give my tenant a "7-day notice of noncompliance with lease with opportunity to cure."

This is a legal notice stating tenant is in violation of lease and must remedy the situation by having an unauthorized tenant leave within 7 days.

If tenant doesn't provide proof that "guest" is gone, then I'd file "7-day

notice of non-compliance notice of termination" meaning that tenant will be evicted in 7 days due to this violation of the lease.

This is a trying time in our job of property manager and landlord, but it must be done.

Don't be soft and allow your lease to be violated.

Your kindness will be repaid with having to do this chore a short distance down the road, so you are only putting off the inevitable.

About Landlord Hank: "I started in real estate as a child watching my father take care of our family rentals- maintenance, tenant relations, etc. in small town Ohio. As I grew, I was occasionally Dad's assistant. In the mid-90s I decided to get into the rental business on my own, as a sideline. In 2001, I retired from my profession and only managed mv own investments, for the next 10 years. Six years ago, my sister, working as a rental agent/property manager in Sarasota. Florida convinced me to try the Florida lifestyle. I gave it a try and never looked back. A few years ago, we started our own real estate brokerage. We focus on property management and leasing. I continue to manage my real estate portfolio here in Florida and Atlanta. Visit Hank's website: https://rentsrq.com

Burglaries and Vandalism: Owner or Tenant's Responsibility?

Continued from Page 1

transfer risk and liability. Few would argue that the renter is responsible if they or their guests damage something. If while the tenant is in possession and control of the premises, damage is done by a third party, like a vandal or a burglar, the principle is the same.

Vandalism and burglary unfortunate. Both the owner and the tenant are victims, but since the tenant had possession, they are the one responsible. Courts in Utah have consistently held that while the tenant is in possession/control, the liability for burglaries and vandalism is on the tenant, not the property owner or management company.

Recently a tenant had an ex-boyfriend kick in the door of the apartment. The tenant did not want to pay for the damage. The court ruled it was the tenant's, not the owner's, responsibility. Often, burglaries and vandalism are committed by people who know the tenant and have been in the home before.

There are a few things owners and managers can recommend to tenants to help them reduce the odds of burglary or vandalism:

- Have renter's insurance
- Be cautious about who you invite to

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· Consider an inexpensive security system or camera doorbell - these deter crime as well as help solve it and potentially recover damages

It can be frustrating for tenants and become a sticky situation when burglary or vandalism occur. They may want the owner to be responsible for the damages. But law and lease agreements are clear on who is responsible – it's the

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