

PROPERTY MANAGEMENT
COMMERCIAL | RESIDENTIAL



DANFORTH & ASSOCIATES

Opening Doors.

Policies & Procedures
Property Management Division

July 2017

Property Management – Introduction

This manual is to communicate the policies and procedures of Coldwell Banker Danforth Property Management. Below are some general policies that pertain to all aspects of the property management business.

- 1) Property managers must comply with all Washington state contract laws, trust laws, and Coldwell Banker Danforth & Associates (CBDA) policies at all times.
- 2) Property managers are responsible for the Coldwell Banker Danforth Property Management policies and will conduct their property management business in accordance with them.
- 3) Property managers must be familiar with and use all Coldwell Banker Danforth Property Management (CBDPM) forms in the most current version for all property management transactions. Forms are located on AppFolio, to which every property manager has access. New versions will be emailed to property managers when updates have been made. If property manager elects to write non-standard agreements or make special arrangement for tenants or property owners, property manager assumes all responsibility for the impact of those changes.
- 4) Property managers are responsible to learn and use the property management software, AppFolio.
- 5) Any exceptions to CBDPM policies must receive written approval in advance.
- 6) Broker Errors & Omissions insurance may not cover a property manager if they violate laws or CBDA and CBDPM policies, which can result in property manager being personally liable for damages. This includes court settlements, settlements with tenants and property owners, and regulatory agency fines.

Property Manager Responsibilities & Requirements

A. Listing a property for lease or rent

Must have a current and complete Property Management Agreement (PMA). Key items when completing the PMA:

- The PMA must be in one name – preferably the same name as the person for whom income will be reported to the IRS. If the home/property/unit is owned by more than one person, their names can be listed on the ‘Addendum to Contract’.
- Ensure there is an Emergency Contact (especially if the property owner(s) are out of state or out of country) in Section 24.
- Must have a mailing address for the property owner. (See signature block of PMA, page 4).
- Must collect a completed W-9 – property owner will not receive payment without having one.
- Must collect a completed ACH Authorization form.
- Property Management Agreement must be submitted to the office within 48 hours of mutual signing. Failure to do so will result in a fee of \$10.00 per day.
- Post rental listing after contract has been completed. A property may not be listed without a valid, mutually signed Property Management Agreement.

B. Showing Property to Prospective Tenants - Agency Disclosure Pamphlet

At initial contact, property manager shall provide all Landlords and Tenants a copy of “The Law on Real Estate” pamphlet and obtain a receipt thereof when signing either a Property Management Agreement or Tenant Lease. Agency disclosure should always be made at the time of initial client-licensee contact. Written agency disclosure shall be obtained with every written agreement executed between a lessor and lessee.

C. Tenant Screening Process

Property managers must screen all applicants/tenants/occupants 18 years of age and older through a tenant screening company. Screening must include credit, criminal, tenant and

work history. Tenants are to be selected based on the criteria set by CBDPM solely. Detailed instructions and screening criteria are attached in Appendix A.

Any deviation from the policy must be approved in writing by the owner prior to approving tenant and must be documented in AppFolio.

D. Executing Lease and Completing Lease Agreement

When completing the lease agreement, please note the following items:

- Leases for more than 365 days must be signed and notarized prior to occupancy (a lease that runs June 1, 2017 through June 1, 2018 is considered over one year and must be notarized). To circumvent having to do this, have the lease run one day less (June 1, 2017 through May 31, 2018).
- Section 3, ALL OCCUPANTS: List additional occupants who are not on the lease, but will be residing at the property, along with their date of birth. If the tenants have been screened through AppFolio, this is not necessary.
- Section 4, UTILITIES: Must provide the tenants with the appropriate utility companies for the property.
- Section 5, SECURITY DEPOSIT: Must check the appropriate box in regard to the deposit check. If tenant is mailing check in, please note.
- Section 6: NON-REFUNDABLE FEES is to be used for pet fees, HOA move-in fee, cleaning fees, etc. Refundable security deposits are addressed elsewhere in the lease agreement.
- Section 27, ADDITIONAL: Confirm who is responsible for the routine yard maintenance by checking either Owner or Tenant; and have all tenants initial the Non-Smoking acknowledgement, if applicable.
- Section 28, FUNDS REQUIRED: The first full month of rent is required before move-in, and the second month's rent will be prorated. The proration formula is as follows:

$$\underline{\text{Monthly Rent} \times 12 \text{ (months)} \div 365 \text{ (days)} = \text{Daily Rate}}$$

Example: If a lease is running from June 7, 2017 through May 31, 2018, the first full month rent will cover the period of June 7th through July 6th. July's rent (due on the 1st) will be the prorated amount from July 6th through July 31st, which is 26 days. (Must count the actual days to get the accurate number of days, not subtract 6 from 31). Multiply 26 by the Daily

Rate to get the amount due for the prorated rent. Enter this amount on the second line of the box in Section 28, and the date it is due.

If property manager chooses to use a different proration methodology, they must do so consistently on all properties managed and it must be documented in AppFolio.

- The first month's rent and tenant deposit must be submitted in separate, certified funds. Checks which combine refundable security deposits to be held in trust for tenant with rent will not be accepted, and will be returned to the property manager to secure two separate checks. Tenants may not pay first month's rent via the AppFolio tenant portal. Security deposits may not be collected via tenant portal. Funds submitted incorrectly will result in a \$50.00 processing fee.
- Insurance Addendum: All tenants are required to carry Limited Liability insurance. Should the tenant not have this insurance and chose not to obtain it is available for \$9.50 per month from AppFolio. It is suggested that the property manager advise the tenant that they can get more complete coverage (to include their personal belongings) from their own insurance provider. If the tenant does not check either of the boxes on the addendum, they will be enrolled in AF Insurance, which is not refundable. Tenants have seven calendar days of taking occupancy to provide either proof of insurance, or completely fill out the addendum.

If tenants do not submit payment for AppFolio insurance along with their rent payment each month, it will be deducted from the monthly rent before proceeds are sent to the property owner. This may result in late fees being charged to the tenant as rent will not be paid in full.

- Property manager must sign all addendums and submit them with the lease within 48 hours of signing. Failure to do so will result in a fee of \$10.00/day.
- Pet Addendum: Must check if the Pet Deposit is a (refundable) Deposit, or a (non-refundable) Pet Fee.

E. Completing Tenant Move-in

- Property managers are to complete the initial walk-through of the property with the tenant prior to occupancy.

- All existing defects noted by the property manager and tenant must be noted in writing and submitted to CBDPM within seven calendar days of tenant taking occupancy. Pictures are recommended, and property manager is to upload in AppFolio.
- Any repairs or outstanding items to be completed after tenant moves in should be noted and an estimated completion date given.

F. Property Inspections

- Property managers must perform follow-up visits to the property and should look for excessive use, illegal activity, dangerous conditions, occupants not on the Residential Rental Agreement, and general property condition.
- First visit should occur in the first 30 days after occupancy and be called a “Courtesy Follow-up Visit”. Additional visits should occur every 180 days.
- Drive-by inspections of the exterior are recommended every 30 days.
- All visits should be noted in the property management file by the property manager, with any supporting documentation (photos, etc.) uploaded to AppFolio by the property manager.

G. Tenant Management

- Property managers are responsible for all communication with tenants and should return phone calls and emails in a timely manner, unless in the case of an emergency which should be handled immediately.
- Property managers are responsible to communicate with the tenant regarding vendor visits, property inspections, etc., and must comply with landlord tenant laws regarding notice given before inspections or granting access to property owner or vendors.
- Conversation notes for substantive conversations should be noted in AppFolio.
- Enforce terms of lease agreement, which includes timely rent payment, late fees if applicable, compliance with all terms and conditions of agreement and any applicable HOA/COA rules.

H. Security Deposit Disposition (Tenant Move-Outs) – (See Appendix 2 for example)

- Property managers are expected to complete the final walkthrough of the property at the end of the tenancy. All defects not noted on the initial walk-through with the tenant should

be noted in writing and submitted with the Security Deposit Disposition. Tenants must not be asked to sign the Move-Out Inspection Form. The inspection is best done the day after the tenant(s) have vacated.

- All forms (including a copy of the Move-Out Inspection form) must be submitted no later than 19 calendar days after a tenant vacates (or earlier, if the 21st falls on a weekend or holiday). The office requires two days to assure all is in order so that the Security Deposit Disposition can be mailed before the 21st calendar deadline day as required by state law. It is advised that property managers not send a copy to the tenant directly until the office has verified the property manager's records with the AppFolio tenant ledger.
- After property manager has performed the actual move-out inspection, including photos of any damage, the Tenant Ledger in AppFolio should be reviewed to determine if there are any outstanding charges (late fees, NSF charges, unpaid rents or utility charges). Any amounts outstanding should then be entered into the appropriate column on the Security Deposit Disposition.
- Property manager must call the applicable utility company(s) to determine what the tenant owes for unpaid utilities. A faxed or emailed copy of the latest bill should be requested so those amounts can be withheld from the tenant's security deposit and entered onto the Security Deposit Disposition. Some utility companies consider the property owner responsible for unpaid utility charges and will lien the property for unpaid charges; others will pursue payment from the tenant. Utility companies may require a copy of the PMA before providing outstanding charges.
- When all information/final bills have been gathered, submit the Security Deposit Disposition to the office. Invoices will be entered to be paid and the tenant will be charged. A copy of the move-out inspection must be included as well as the tenant's forwarding address. Every effort should be made by property manager to obtain the forwarding address. If a forwarding address is not provided, the disposition will be mailed to the tenant's last known address with "Please Forward" written on the envelope.
- If work or invoices can't be obtained prior to the end of the 21-day period, the deposit balance must be sent to the tenant and the owner or manager will need to ask the tenants for the new documented amount and/or file in Small Claims court.

- If there is are extenuating reasons as to why the property manager is not able to complete the Security Deposit Disposition within the 19-day time frame, property manager must contact the office immediately to discuss.

I. Vendor Management and Payment

- Vendors selected to perform work at a property must be licensed and bonded. CBDPM will not issue payment to vendors who are not licensed and bonded. Insurance requirements dictate that property manager not initiate or coordinate work from a vendor who is not licensed and bonded with a W-9. The property owner may contract directly with any vendor.
- When using a new vendor, property manager must obtain a completed W-9 form as well as mailing address and contact information and submit to the office. Vendors will not be paid until a completed W-9 is received in the business office.
- Vendors must submit an invoice to the office, which is then to be approved by the property manager before payment is released.
- Standard payment policy is net 30 days and vendors must not be promised earlier payment without advance coordination with the office.
- Check runs for vendor payments occur weekly; checks will be cut and released if the payment has been approved by the property manager and funds are available in the owner account.
- Vendor payments will be mailed unless arrangements are made in advance to pick up at the office. Vendors who come to the office to pick up a payment that has not been arranged in advance will be referred to the property manager.
- Same day turn around for vendor payments will be processed along with a \$30 fee to be paid by property manager.

J. Owner Packet Review

- Owner packets will be sent to property managers by noon on the 2nd business day of each month for review.
- Property managers must review and note any changes or questions which impact owner payments to the office by 9:00 a.m. the morning of the 3rd business day of each month. If

property manager is unable to meet this requirement, they must communicate with office staff in advance.

- Owner packet review is considered the primary source of communication from the property manager to the office regarding pending invoices not yet received, lease renewal fees, and anything else which may impact the amount of funds sent to the owner. Anything not communicated from the property manager to the office at that time may not be factored in when owner payments are calculated.

K. Commission Payment

- Property managers are responsible to submit a spreadsheet detailing fees they are owed each month based on the activity that actually occurred in that month. Spreadsheet should detail the property name, the monthly management fee for each property, lease fees, lease renewal fees, late fees or other fees to be paid. Referral fees owed to CBDA or other brokers should be noted on the commission spreadsheet.
- Commission spreadsheet should be turned in to the office by the 12th of the month, and property managers will be paid by the 21st calendar day of the month. If the 21st falls on a weekend or holiday, payment will occur by the next business day after the 21st. If the commission spreadsheet has inaccurate information, payment may be delayed.
- Property managers will receive one commission payment each month, unless special circumstances dictate and are agreed upon in advance.
- Property managers will only be paid for fees actually collected from the property owner that month.
- New lease and lease renewal fees will be paid along with monthly commission payment but all required paperwork must be completed for payment to be disbursed.
- Property managers who manage three or less properties are not required to complete a spreadsheet; the office will calculate commission payment.

L. Communication Protocol

- Any complaints received by the broker from an owner, tenant or regulatory agency must be communicated to CBDPM management within 48 hours of the complaint.

- Any substantive communication pertaining to owners, tenants, brokers, or the business office (such as email, text, photos or letters) must be uploaded immediately to the appropriate file (owner or tenant) in AppFolio by the property manager. If the incident was verbal, a recap of the conversation must be entered in the notes section.
- Email to the office staff should be sent directly to the appropriate person handling the request/issue. If the email relates to a contract or tenant move-out, pmtransactions@nwlink.com should be cc'd. The subject line must contain the owner name, tenant name, or nature of inquiry. Also indicate level of urgency, if applicable. If it is in reference to a security deposit disposition, note the tenant name and 'Move-Out' in the subject line. This is to ensure communication is appropriately prioritized. Emails without a subject line will be the last ones responded to and may take longer than 24 hours for a reply.
- Best practice is to provide clear direction to the appropriate person in writing; make the request to only one person; provide clear direction about all relevant details; and wait a reasonable amount of time before sending follow-up communication.
- Property managers should make every effort to work within the system as outlined. Exceptions for emergencies are understandable but they should be true emergencies and very infrequent. All promises to owners, tenants, or vendors regarding payment need to be discussed with staff in advance.
- If email is a general inquiry, or if manager is unsure as to the appropriate person to contact, send to pmtransactions@nwlink.com. This email account is checked several times each business day.

M. Vacation Coverage

Property manager is responsible to have a licensed CBDA broker on call to provide coverage for licensed activity when on vacation or otherwise unavailable for more than 48 hours and must communicate to the office who that person will be in advance.

N. Customer Service

- Property manager is the primary source of information and communication for owners and tenants. Property managers should reply to owners and tenants personally whenever possible and refer to staff only when unable to answer a question directly.
- If there is a need to refer owner or tenant to property management staff, manager should provide a heads-up to the staff with as much information as possible to successfully handle issue.

O. Legal Responsibility

- Property manager is responsible for all financial damages should their negligence result in court damages, settlements with tenants or property owners, or regulatory agency fines.

Property Management Team Responsibilities

A. Response Time for Property Management Support Requests

- Trust funds (i.e., rent payments, security deposits, and owner contributions) will be input into AppFolio by 5:00 of day received, except when there are no contracts submitted to process funds, and all trust monies (tenant and owner funds) will be deposited by end of second business day of receipt, in accordance with Washington State law.
- Completed contracts will be loaded into AppFolio by end of second business day of receipt. Contract is considered complete with the property manager has signed. Managing broker will review but signature is not required for a completed contract.
- Invoices will be input into AppFolio within 72 hours of receipt.
- Tenant security deposit dispositions will be processed by the 21st business day after move-out.
- Vendor payments will be run weekly, dependent upon complete information, manager approval and availability of funds.
- Owner payments will be initiated or mailed by the 7th business day of the month.
- Commissions will be paid by 21st of each month (or first business day following the 21st).
- Lease-only commissions (outside of regular PM commissions) will be paid within a week of receipt of completed contact and funds.
- Owner statements will be published to the owner portal by 20th of each month or sent by USPS for property owners without access to a computer. Electronic communication will be used unless property manager indicates otherwise. If owner wishes to have multiple forms of information sent (email and paper), property manager will be responsible for additional communication.
- Phone calls or e-mails to property managers will be acknowledged by the end of each business day. If property manager has an emergency that requires immediate attention, Managing Broker should be contacted.

- Phone calls to vendors and tenants will be returned by the end of the next business day after receipt.
- Phone calls or emails to owners will be returned by the end of the next business day after receipt, or based on urgency.

B. Property Management Specialist Responsibilities

Dottie Doheny, 206-212-2241, pmtransactions@nwlink.com

Liz Phillips, 206-212-2243, pmsupport2@cbdanforth.com

- General property management team assistance and trouble-shooting
- Accounts payable
- Accounts receivable
- Vendor set-up – Input new vendor info, tax id or social security numbers, update information into AppFolio
- Assist with other accounting functions including owner and commission payments
- AppFolio tenant screening
- HOA/COA assistance
- In-house property management support
- Advertising (for managers on a 50/50 split)
- Process mail

C. Contract Specialist Responsibilities

Kim Egge, 206-212-2242, kim.egge@coldwellbanker.com

- Contracts – Review, process and ensure compliance for all property management contracts
- Account structure and maintenance – Set up and maintain tenants, owners, and properties in AppFolio
- Tenant Move-Outs
- Owner Statements – E-mail owner statements with scanned copies of invoices monthly
- Tenant actions – Facilitate legal process and compliance for tenant actions from 3-Day Pay or Vacate notices through eviction.
- Late fees

D. Operations Manager Responsibilities

Julie Hiller, 206-212-2221, julie.hiller@coldwellbanker.com

- Legal oversight and compliance.
- Accounting oversight and compliance.
- Policy administration.
- Owner payments.
- Management fees.
- Property manager commissions and referral fees.
- Owner accounting.
- Management accounting and reporting.
- First point of contact after staff.

E. Managing Broker Responsibilities

Byron Hiller, 206-212-2244, bhiller@nwlink.com

- Trouble-shoot tenant and property owner issues when property manager needs assistance.
- Training - New property managers and ongoing training of existing managers, property management classes for CBDA agents.
- Emergency requests when staff is not available.
- Contract review – Review all management, lease, lease-only, and other property management-related contracts.
- Policy – Set property management policy and approve exceptions to policy.
- 2nd point of contact after staff

F. Issue Resolution

- Property manager should endeavor to resolve issue directly with responsible staff member and vice versa.
- If property manager and staff member are unable to reach a solution, operations manager will resolve.
- If operations manager and property manager are unable to resolve, managing broker will resolve.

- If property manager has not attempted to first work through the appropriate person, they will be referred back to them.

Policies

A. Owner Payments

- Payments to property owners will be initiated or mailed by the 7th business day of the month provided rent has been received on time, unless there is a reason to pay the property owner at a later mutually agreed-upon date.
- Owners are paid once each month. If property has multiple tenants or tenants pay late, owner will be paid by 7th business day and any funds collected after that date will be disbursed the following month.
- If property owner wishes to have additional payments made during the month, there will be a \$25.00 processing charge per additional payment.

B. Tenant Late Fees

- Late fees are automatically charged by AppFolio according to the parameters provided in the lease agreement, which is entered into AppFolio. Property managers should review late charges on tenant's ledgers regularly to ensure accuracy of charges.
- CBDPM is responsible to charge late fees in a consistent and equitable manner. Any deviation from the lease agreement must be documented in writing when waiving a late fee.

Late fee waivers will be approved in the following circumstances:

- The current month's rent has been paid; and
- There were no late payment occurrences in the previous 6 months; and
- There are no recurrences within the next 6 months. If there is a recurrence of late or NSF payment within the next 6 months, this conditional waiver does not apply and the tenant will owe the current late fee and any future late fees.
- The property owner does not wish to charge tenant late fees. In such instances, documentation in writing must be obtained from the property owner and loaded into AppFolio.

If property manager allows tenant to pay on any other day of the month later than the 1st business day, property manager is responsible for monitoring status of tenant payment and advising office when a late fee should be charged.

C. Tenant Insufficient Funds Payments

- If tenant's payment is returned for insufficient funds (whether by check or online AppFolio portal payment), they will be required to pay with certified funds.
- Tenant will be charged a late fee and an NSF fee.
- Tenant will be required to pay rent for three (3) months by certified funds reliably before being allowed to write personal checks or pay via the tenant portal again.

D. Legal Actions Against Tenants

- All requests to initiate legal action (3-Day Pay or Vacate, 10-Day to Comply) must be sent to the office by email. Verbal requests will not be accepted unless immediately followed up in writing by the property manager.
- In-House (IH) requests for 3-Day Pay or Vacate will be done same-day if received by 2:00 pm, and all information is provided and is accurate. The cost to have an IH 3-Day, or LTS 3-Day, is the same.
- 10-Day to Comply action is forwarded to LT Services and is only accepted, prepared and forwarded to LTS when the information is complete, with the violation clearly proven (via photo or statement), and property manager has identified exactly which part of the lease the tenant is in violation of.
- Should property manager choose to withdraw or halt a legal action/process, request for such is required by LTS via their written form. Not all actions stopped/withdrawn will result in a refund or credit of fees as it depends on how far LTS has gotten in the process. If we are able to stop a process before the fee is incurred, LTS will charge us a nominal fee (approximately \$25.00).
- If property manager chooses to stop an in-house process after the work has been performed by the office staff, the processing fee will still be charged and must be paid by the manager if unable to collect from the tenant or owner.

E. Legal Action Against CBDPM

- If a complaint is served to CBDPM regarding a former or current tenant or former or current property owner, property manager is responsible to work with managing broker and staff to review issue and answer complaint.

- If complaint results in a court date, property manager must attend court hearing. Managing broker will also attend. Property manager may not represent CBDPM or CBDA in court alone.

F. Section 8

It is the policy of CBDPM to accept Section 8 tenants, provided

- Tenant is fully qualified with the exception of their income
- Property owner is not required to make onerous or expensive improvements to the property to qualify for Section 8 payment.

G. AppFolio Use

- It is the responsibility of the property manager to learn and use AF provided by CBDPM, including keeping record of your log-on ID and password.
- The property manager must be able to locate and understand a tenant ledger, owner statement, income statement, property file, owner file, tenant file and unit file.
- Changes to information in AppFolio (corrections, additions or deletions) must be sent to the office to complete. Property managers are not to make changes to information in the database.
- Updates in the system will be made after the owner has signed off on all changes. Property manager is to make a copy of the updated contract and turn in to the property management business office.
- Property manager is responsible to ensure their listings are current and are accurate on all websites. Contact the property management office with any changes that need to be made on cbcdpropertymanagement.com or cbdanforth.com.

H. Property Management Meetings

All CBDPM property managers are expected to attend property management meetings and training when notified. If unable to attend a particular meeting or training, property manager is responsible to acquire information shared and sign off understanding and compliance.

I. Listing or Selling Properties

Listing and selling real estate requires current knowledge outside of the property management field. Property managers are encouraged to refer this business to a CBDA broker for a 20% referral fee. If a property manager decides to list or sell a property, that manager must pay all applicable fees (REALTOR dues, NWMLS, CBDA desk fees, etc.). The sale will be processed by CBDA and the broker must have a signed contract with CBDA prior to listing or selling. The property management division is not a part of this process.

J. Websites

- Any Website is considered online advertising. The content is subject to many regulations, and should be carefully considered before being made public.
- Property managers are solely responsible for the information and other content that made available anywhere on the Web for their listings. Craigslist.org and other sites not associated with Coldwell Banker Commercial may be used for advertising if the owner has given written permission to post on these sites. In addition, the following must be complied with:
 - Property manager's website must use Coldwell Banker Commercial marks and slogans correctly and consistently at all time.
 - Ensure appropriate permissions are granted to reproduce and display content, as well as artwork and graphics, in accordance with applicable trademark, copyright patent and other laws.
 - All regulations governing the accuracy and presentation of advertising and the promotion of property management business on the Web.
 - Mandatory Disclaimers: Office, company, team and individual websites must contain disclaimers on every page. Disclaimers can be placed in the footer so that it appears at the bottom of every page.

K. Owner & Tenant Deposit Requirements

- State Law (WAC 308-124E-012 (5): requires that owner or tenant deposit money must be deposited in a trust account not later than the first banking day following receipt unless the contract states that the check is to be held for a specified length of time.

- Owner Receipts, and Tenant Deposits: Property manager will collect deposit money check from Tenant(s) at the time of writing the Tenant Lease Agreement. Deposit check must be dated the same date as Tenant Lease Agreement.
- Transactions using CBDPM Trust Account: Property manager will deliver to CBDPM business office the Tenant Lease Agreement and deposit check by 3:00 pm the next banking day after mutual acceptance of the contract. If property manager deposits money to the bank directly, they must provide deposit receipts with identifying information by the end of the next business day.
- If the Property Management agreement states that the check is to be held for a specified length of time, broker must add a statement for a “no later date” to the contract. Property manager will deliver check to CBDPM business office. Business office will hold check until property manager notifies business office that conditions have been met or the “no later date” has arrived.
- Property managers that deliver Deposit Checks in violation of Washington RCW laws will be assessed a fine in the amount of \$50 for each business day that it is late.

L. Review and Managing Property Management Account Information

- Owner accounts – Review owner statements monthly; if anything is unclear ask questions and understand the statement before the owner receives it.
- Tenant history – Review tenant ledger monthly, including review for delinquencies.
- Invoice approval – Review and approve invoices within 48 hours of receipt, or let staff know invoice won’t be approved and why so note can be made in AppFolio.
- Owner statement approval – Review and return within requested time frame each month for processing of owner payments.

M. Managing Properties Outside of Property Management Division

Coldwell Banker Danforth and Coldwell Banker Commercial Danforth brokers may, in approved circumstances, manage properties outside of the Property Management Division. Brokers must adhere to the following procedures to manage properties outside of the Property Management Division:

- Broker must inform Property Management Division managing broker of intent to manage a property outside of the Property Management Division prior to contracting or collecting a fee or commission.
- All brokers intending, or currently managing properties, must attend the basic 3-hour Property Management Class offered by CBDPM the next time it is offered.
- Broker must submit proposed property management contract and tenant lease agreement for approval prior to contracting or collecting a fee or commission.
- Broker must submit a signed contract for management services between broker and landlord prior to advertising, showing or leasing a property. The Property Management Division Manager will review the contract and approve or request changes. If approved, the designated managing broker will sign the contract as required by state law.
- Broker must submit a signed contract for tenant leasing between tenant and landlord to the Property Management Managing Broker within 48 hours days of obtaining a signature. The Property Management Managing Broker will review the contract and approve or request changes. If approved, the designated broker will sign the contract as required by state law.
- All commissions and fees earned through the activities of property management will be split with Coldwell Banker Commercial Danforth with CBDPM receiving 25% of any leasing fee and 10% of any continuing management fees. If there are no fees charged, a transaction fee of \$250.00 will be due to CBDPM.
- EXCEPTION: Broker owned properties. No fee is due CBDPM if the broker advertises without using the Coldwell Banker name or logo. Broker must state in any advertising the owner is a licensed broker.

N. Property Manager Commissions

- Lease fee and lease renewal fees are split 50/50 between property manager and CBDPM if office provides advertising support.
- Lease and lease renewal fees are split 75/25 between property manager and CBDPM if property manager takes all responsibility for advertising the property.
- The property manager may elect to review and change their split every six months. They must submit a notice of change in writing to office staff.

- New property managers will be paid at the 50/50 rate for their first transaction even if they choose the 75/25 split.
- All monthly management fees, late fees, move-out fees, etc. are paid a 50/50 split for all properties.

O. Minimum Property Management Fees

- Minimum monthly fee is \$100.00, or \$50.00 to the office. If you elect to charge a lower fee, the first \$50 will be paid to the office.
- Minimum lease fee is \$600.00 or \$150.00 to the office, unless one month's rent is less than \$600.00. If property manager elects to charge a lower fee or no fee at all, the office will be paid \$150.00 out of their monthly commission proceeds.

P. Property Management Referrals

- Coldwell Banker Commercial Danforth distributes property management leads to qualified property managers according to their availability and the market areas for which they cover.
- There is no additional fee for these leads.
- All leads that come from a CBDPM commercial broker or a Coldwell Banker Danforth residential broker belong to the referring broker should the property owner decide to sell the property in the future while under management or thereafter. The CBDPM property manager receiving the lead should pay the broker providing the lead a referral fee of 20% when hired and a tenant is found.
- All leads that come from CBDPM management shall belong to the receiving broker should the property owner decide to sell in the property in the future while under management or thereafter.
- The property manager receiving these leads, should the owner list the property with the property manager and the property sale, will pay CBDPM a referral fee of 20% upon closing. Should the property manager not want to sell the property and the property is referred to another broker, the referral fee of 20% shall be split between the property manager and CBDPM.
- The property manager should update referring broker as to the status of the property when the contact has been made with the prospect. The property manager should let the referring

broker know if a property is not signed on as a client. If the property is listed with the property manager, keep updating the referral broker during the process and when the property is leased.

N. Property Manager Fees and Charges

Property managers are responsible to pay the following:

- 3% franchise fee on gross commissions
- 1.5% B & O tax on gross commissions
- Any other rate based tax or expense that may be assessed in the future (Labor & Industries, Errors & Omissions insurance, etc.)
- Penalties for compliance violations:
 - \$50.00 per day for late trust funds (all tenant and owner monies)
 - \$10.00 per day for late contracts
 - \$50.00 for tenant funds submitted incorrectly (security deposit and rent in one check or deposited to the incorrect bank account)
 - \$50.00 for late security deposit disposition submittal
- Fees for service outside of standard services provided:
 - \$30.00 per check for same day vendor payment
 - \$25.00 for each additional owner payment made in a month
 - CBDPM staff will charge \$75.00/hour with a one-hour minimum for completing property manager responsibilities. This includes communication with tenants, vendors, and property owners for which the manager is responsible, loading information into AppFolio, commission sheet submittals, etc.

Appendix 1 – Tenant screening

- A. Applicants find a property and apply. There are multiple ways a tenant can apply for a property. One is by going to the CBDPM property management website, cbcdpropertymanagement.com, and locating the property on the available properties section (rental listings tab).

Once the prospective tenant finds the property on the property inventory list they should select “Apply Now”. If the property is not on the website they can select the dummy property we created for these instances: CBDPM-Rental Application Acct. Property manager must email our offices if tenants do apply on this account as it is not linked to a single property manager. Having applicants apply this way ensures the fastest screening report and most accurate as it will prompt them to complete all sections. It also lists CBDPM Criteria of Tenancy.

- B. Application is received and sent to the manager via email for approval. Once the manager reviews the application to confirm it is complete, they must email the office and advise that the applicant needs to be screened.

Credit, criminal and eviction history are pulled initially and the report with that information will be sent to the manager to review for red flags. If the prospect meets the criteria, property manager needs to email approval to continue the screening process, which is rental verification and employment. The verification of current/past rental history, as well as verification of employment, takes longer to complete.

The property manager is expected to email the office approval of a completed application to run, and specify what exactly they want run. Manager should be checking critical details on the application, such as completed rental history including phone numbers, employment details, etc. The office will email/fax verifications. It is the property manager’s responsibility to follow up if the references haven’t answered. This process can be expedited by the property manager obtaining copies of pay stubs and ensuring the applicant included email address or fax number for employment and rental history.

- C. Property manager either approves or denies the applicant. The office must be informed if a tenant is denied and the reason for the denial. Federal law mandates that a letter of denial is sent to the applicant with the reason(s) for denial to each applicant. The office will send this out on behalf of the property manager. The property manager is responsible to use the CBDPM Criteria of Tenancy and let the office know the reason for the denial. Should a tenant be approved, the manager will need to email the office to inform of the approval of a tenant so the process can be stopped.

D. Important reminders re: tenant screening

- It is imperative that applications are screened in order received. This is required by federal law and there are no exceptions to this policy. All prospective tenants must apply using the online system, which applies a time stamp to the submissions with date and time.
- Property manager is to take the first application to be submitted and apply the six steps. If all six are not reached, go to the next application.
- Criminal Rejection Requirements: These requirements have recently changed. Follow step 6 in the Criteria for Tenancy carefully to ensure compliance.
- Each city may be different. There are state and city requirements with which you must comply. The City of Seattle, for example, is particularly restrictive in its landlord tenant laws in general and in tenant screening laws in particular. It is the duty of the property manager to understand the requirements for the location in which the property is located and to fully comply.
- Tenant screening information is private. Property managers should never email credit reports or share the information with anyone, including the property owner. It is only to be used to determine if the Criteria for Tenancy is met.
- Use of proper denial form. Should a property manager deny tenancy to an applicant, the reason must be noted as to why (one of the six attached steps) and the correct form must be issued to the applicant to notify the reason for denial. This information must be saved in AppFolio.

Coldwell Banker Danforth Property Management Criteria for Tenancy

A. General Requirements

- Positive photo identification is required.
- Each applicant must qualify individually, except for total income.
- Application must be filled out and signed.
- Application fees must be paid prior to processing the rental application.
- Applicant acknowledges and accepts that Coldwell Banker Danforth Property Management represents the owner of the property for which applicant is applying.
- Note: CBDPM will not accept a comprehensive reusable tenant screening report.

B. Income Requirements

- Gross monthly income must equal three (3) times the monthly rent.
- If monthly household income does not meet three (3) times stated monthly rent, an additional one month's rent or qualified roommate will be required.
- If co-signer is required, their monthly income should equal five (5) times the stated monthly rent. Co-signer must reside in Washington State.
- A current paycheck stub will be required. The application is not complete if earnings are not sent with credit application.
- Some form of verifiable income will be required for unemployed applicants.
- Self-employed applicants will require proof of income from 2 years' tax returns.

C. Credit Requirements

- Good credit is required.
- Outstanding bad debts reported on credit report which is more than \$1,000 but less than \$10,000 will require an additional one month's rent.
- Outstanding bad debts reported on credit report over \$10,000 will result in denial.
- Excessive collections reported (6 or more) will result in denial.
- Outstanding debt to property management or landlord will result in denial.
- Any applicant with a bankruptcy not showing as discharged is denied until shown otherwise.
- After a bankruptcy has been discharged, applicant must show six (6) months of positive established credit or have co-signer.

D. Rental Requirements

- Two years of verifiable residence history from a third-party landlord required.
- Rental history demonstrating residency, but not by a third party, will require an additional security deposit equal to one-half month's rent, or a co-signer residing in Washington state.
- Home ownership will be verified through tax assessor's office or credit report.
- Four (4) or more three-day notices within a 12-month period will result in denial.
- Two (2) or more NSF payment within a 12-month period will result in denial.
- Rental history reflecting any unpaid past due rent will result in denial.

- Any unlawful detainer action or eviction over three (3) years old which has been paid can be approved with added security deposit or prepaid last month's rent.
- Rental history showing \$50.00 but less than \$750.00 damage will require an additional one month's rent, only if the amount has been paid in full. Rental history reflecting more than \$750.00 damage will result in denial.
- Rental history with disturbance complaints will be denied if the previous owner/manager would not re-rent.
- Added security deposit is needed for any instance of unauthorized persons or pets in a unit rented by the applicant.
- Renters Insurance will be required. See Insurance Addendum.

E. Employment Requirements

- Verifiable employment is required.
- If unemployed and unable to verify the income necessary to pay rent, applicant will be denied.
- Self-employed individuals must be verified through the state or tax returns or last three (3) months of bank statements.
- Prepayment of last month's rent is needed for temporary or seasonal employees.
- If applicant is accepted when employment does not meet the stated criteria, an additional one (1) month's rent will be required.

F. Factors That May Result in Denial

- Any felony conviction within the last ten (10) years may result in a denial depending on the nature of the crime and the prospective tenant's actions in the subsequent decade.
- If there is a criminal conviction and the applicant has been out of jail/prison less than five (5) years, they may be denied.
- If the criminal offense was of a physical or violent nature against either person or property, the applicant will be denied.
- If the criminal offense took place more than ten (10) years ago, or if the person has been out of jail/prison more than five (5) years and has an acceptable credit and rental history, they may be approved. (They may only be approved if this was a onetime offense and was not physical or violent in nature. Multiple offenders will be denied regardless of what the credit and rental history shows).
- Any collection filed by a property management company will result in denial, unless paid, which will result in a one month's rent as added security deposit.
- Any unlawful detainer action or eviction within the past three years will result in denial.
- Any current 3-day notice will result in denial. Four or more 3-day notices within a 12-month period will result in denial.
- Two or more NSF checks within a 12-month period will result in denial.

Appendix 2 – Security Deposit Disposition Form

Coldwell Banker Commercial Danforth Property Management		
33313 1st Way S, Federal Way, WA 98003 206-874-3200		
Final Security Deposit Disposition Form		
Account/Owner Name: Smith		Date Vacated: 08-04-17
Tenant(s) Name:	Jones, Joshua & Green, Matilda <small>Last, First</small>	
Property Rented:	33313 1st Way S, Federal Way, WA 98003 <small>A d d r e s s</small>	
Forwarding Address:	122 SW 156th St, Seattle, WA 98166 <small>A d d r e s s</small>	
Security Deposit:	\$	2,500.00
Pet Deposit:	\$	500.00
Rent Refund:		
Total Credits:	\$	3,000.00
<u>Charges to Tenant</u>	<u>Actual Expenses</u>	<u>Explanation</u>
Rent Due For: Aug 1-4, 2017	\$ 328.76	Tenants did not move out when their lease ended, so they are being charged for four days rent
Late Fees For: Sept 2016	\$ 250.00	Tenants failed to pay a past late fee
Insurance Due For: Aug 2017	\$ 9.50	Because tenants did not move out on the 31st, insurance was charged for the next month
Service Charges/NSF Fee		
Legal Fees		
Water/Sewer Utility	\$ 294.78	Tenant is past-due on utilities, because it leans the property we pay out of tenant deposit
Electric Utility		
Carpet Cleaning	\$ 250.00	Tenant neglected to have carpets cleaned, per lease
General Cleaning	\$ 175.00	Tenants did not clean well enough (include photos)
Pet Stains		
Repairs	\$ 78.12	Tenant broke window screens
Yard Work/Hauling	\$ 75.00	Tenants left garbage
Admin. Fee/Sec.11b Lease	\$ 130.94	This is \$25 per service coordinated, or 15% of total services
Admin. Fee/Sec.11c Lease	\$ 75.00	
Total Deductions: Actual and Holdback:	\$ 1,667.10	
Amount Due to Tenant	\$ 1,332.90	
**Amount Tenant Owes		
Property Manager: <i>Susie Swan</i>	Date: 08-19-17	
<p><small>** Please Note: If your Bills/Charges exceed your Security Damage & Cleaning Deposit and there is an amount due to the owner, you have 15 days to make arrangements with your Property Manager to pay this amount. If you fail to contact our office within that 15 day timeframe, we will automatically turn your debt over to a collection agency. Thank you.</small></p>		

PROPERTY MANAGEMENT
COMMERCIAL | RESIDENTIAL



DANFORTH & ASSOCIATES

Opening Doors.

By signing below, I _____
Property Manager Name

acknowledge that I have received a copy of the March 2017 Coldwell Banker Danforth Property Management Policy & Procedure Manual and agree to abide by all items therein.

Accepted by:

Property Manager

Date