

OUTLOOK ON ASSET MANAGEMENT

MARCH 2010

INSIDE THIS ISSUE:

MINI-MODELS	1
ABOUT RJTCF	2
APPLICATION FEES	2
RENT READY	3
APARTMENT TURNOVER	4
INTERNET RESOURCES	5

SPECIAL POINTS OF INTEREST:

- Using mini-models to increase occupancy in a tough market
- About RJTCF
- Should application fees be included in gross rent?
- Ensuring your rent ready apartments are really ready
- Standard turnover procedures
- Taking advantage of free internet resources

Mini-models: An Effective & Inexpensive Marketing Strategy



Leasing in any market can be tough, but in a bad economy it can be even more challenging. Managers and on-site staff have to pull out all the stops to attract potential renters to their door – and get them to lease once they are there. One tool that can be very effective is the mini-model.

Mini-models are just like a standard model apartment – just without the furniture. Mini-models are nothing but accessories – all the added little touches that make an apartment home. Mini models are effective and fun because they can be customized for any area or region, any taste or décor or any theme that you like. Although a mini-model doesn't have

quite the impact of a regular furnished model, which enables a prospective renter to see how their furniture might fit in a space, mini-models excite renters because normally, the contents are given to the renter who leases that particular unit – and for a cash-strapped college student, a newly married couple starting out, or even a family with limited cash, not having to buy everything new upon move-in has a powerful attraction.

For example, if your community is on or near a beach, one idea is a sun-and-fun theme. A couple of bright, fluffy beach towels in the bath, maybe a child's bucket and shovel and a beach chair or two in the living room, a picnic basket with some bright-colored plastic dishware in the kitchen. Consider a shower curtain and bath accessories for the bath, maybe a scented candle, cozy quilt or throw blanket and pillows in the bedroom, inexpensive munchies and kitchen accessories like spatulas, plastic food containers and the like for the kitchen. Themes are only limited by your budget and imagination!

Whatever theme you choose, make sure to accent it – clusters of bright balloons, starburst signs taped to the walls or even cardboard cutouts of famous stars with voice balloons pointing out great features like big closets and lots of kitchen cabinets. Multi-colored star confetti sprinkled across countertops and surfaces also adds sparkle and interest.

Do not let cost be a deterrent – great mini-models can be created for any price range. Shop dollar stores and the discount sections of stores like Target and Wal-Mart for budget friendly items. Let your staff create ideas and give out small prizes for the most creative mini-model or the one that leases the fastest. Mini-models can be a fun and effective way to increase your occupancy even in a tough market. Try one and see!



RAYMOND JAMES
TAX CREDIT FUNDS, INC.

880 Carillon Parkway • Saint Petersburg, Florida 33716
800-438-8088 • 727-567-8385 Fax

About Raymond James Tax Credit Funds

Raymond James Tax Credit Funds (RJTCF) is a wholly owned subsidiary of Raymond James Financial, Inc. (NYSE-RJF). Since 1969, subsidiaries of RJF have been among the leading syndicators of affordable housing. Raymond James Tax Credit Funds has raised over \$2.5 billion in equity for more than 1,200 properties in 44 states since the inception of the tax credit program in 1986. Our firm has closed 51 funds with no foreclosures or tax credit recaptures to date.

Our corporate culture revolves around a philosophy known as "Service 1st" which pervades everything we do, especially in how we cultivate and manage our relationships with partners and investors. We have a deeply experienced Asset Management Team whose portfolio continues to grow with recent closings in San Francisco, Dallas, Chicago, Wisconsin, Long Island, Hudson River Valley, Miami, Georgia, Washington State, the Dakotas, Virginia, and Alabama.

To submit comments or ideas for future content, please contact:

Bob Landis

Director of Asset Management

Robert.Landis@RaymondJames.com

1-800-438-8088

Proven
TAX CREDIT **Partners**

■ Proven Performance ■ Strength and Stability ■ Focused Expertise

Should Application Fees Be Included in Gross Rent?

There seems to be much discussion of late regarding tenant fees. Section 42(g)(2)(A) states that "any charges for services that are not optional to low income tenants must be included in [the] gross rent." The Tax Reform Act of 1986 further explains that "a service is optional if payment for the service is not required as a condition of occupancy."

Most owners collect an application fee from potential tenants. This fee is not optional and

therefore should be included in gross rent to the extent that the fee exceeds the owners cost. For example, if your application fee is \$50.00 and your out of pocket cost to process an application is \$40.00, then the excess of \$10.00 must be included in the gross rent.

Some state agencies do not allow application fees to exceed costs. For example, the Texas Administrative Code (Subchapter A, Section 60.118, c) states that "owners must only charge the actual cost for application fees as supported by invoices from the screening company the Owner uses." Texas does however allow \$5.50 per unit to be added to the application fee to cover the amount of time staff spends on checking an applicant's income, credit history, and landlord references.



So, should application fees be included in the gross rent? In some cases yes, at least a portion of them. You will need to be familiar with the guidance from your state agency and ensure that you have the documentation to support out of pocket expenses.

If you have a compliance question and would like to know RJTCF's perspective, please send an email to

Jacquelyn.Covington@RaymondJames.com with a subject line of "Compliance Corner."

Please note that your question may appear in a future issue of the newsletter.

RAYMOND JAMES
TAX CREDIT FUNDS, INC.

880 Carillon Parkway • Saint Petersburg, Florida 33716
800-438-8088 • 727-567-8385 Fax

Are your rent-ready apartments really ready?

At Raymond James Tax Credit Funds, we are constantly working to provide better reporting to our investors and to serve as a resource to our partners and managing agents. As part of our periodic site visits, we inspect available rent-ready units and find that some are more ready than others.

Recently, one of our associates suggested recording how each apartment smells. After getting a good laugh from that suggestion, it occurred to us that one of our favorite sayings is, "We can smell what's wrong with an underperforming property."



While we don't mean that literally, smell is one of the

strongest selling or repelling points of a rent-ready apartment. Offending odors range from residual cigarette smoke to mustiness to that lived-in smell that wasn't removed with carpet cleaning and paint touch-up. A good rent-ready unit either presents a neutral or clean smell which can be accomplished by leaving or adding a fragrance during the final cleaning.

But smell is just the beginning. From the moment the key goes into the lock, everything has to be functional, clean and free of defects. That



doesn't mean perfect – just that you've done everything reasonable to prepare the apartment. And most importantly, that you've inspected it before showing. If a prospect enters a supposedly rent-ready unit only to find – as RJTCF Asset Managers have at times – dead insects on the entry floor, or a musty smell,

or dirty appliances, you can kiss that tenant good-bye. Or worse, you can kiss that high-quality tenant goodbye since low-quality tenants expect low-quality apartments.

What's worrisome is that we give ample notice to managing agents that we're planning a visit and still find units that haven't been inspected or weren't properly made ready. While it may be tempting to blame the site manager or maintenance person, the real responsibility usually lies with the regional manager, or higher. He or she should have procedures in place for site staff to inspect each completed make-ready and then walk the rent-ready units daily before showing them.

While these steps may sound basic, we encounter rent-ready issues even in the newest and nicest properties and with the best managing agents. We encourage our partners and managing agents to adopt strong rent-ready inspection policies and to mystery shop their properties to keep tabs on performance. Feel free to call on us for more tips to maximize your properties' returns.



RAYMOND JAMES
TAX CREDIT FUNDS, INC.

880 Carillon Parkway • Saint Petersburg, Florida 33716
800-438-8088 • 727-567-8385 Fax

Apartment Turnover Procedure



The apartment turnover is one of the most important processes that a site staff performs. The process must be efficient to ensure that a vacated unit is in move-in condition as soon as possible. Delays not only cost lost revenue, but leave a bad first impression by the new resident. Therefore, it is important that a procedure be put in place and that all staff are familiar with the process.

Upon receipt of the Notice to Vacate, if the Site Manager is uncertain of any required apartment upgrades, then a preliminary walk through (pre-vacate inspection) should be completed at least ten days prior to the move-out date. This walk through ensures that the turnover process can be properly planned and any necessary items ordered in advance. Order all material in advance. If a resident vacates without notice, the Site Manager should inspect the apartment within 24 hours to make proper upgrade decisions, begin the planning of the turnover process, and order any necessary materials.

Within three days of a move-out, and prior to the turnover being assigned to the maintenance staff, the move-out inspection should be completed. Ideally, the move-out inspection should be completed by the manager and the maintenance supervisor together. The manager will complete the Security Deposit Settlement and the maintenance supervisor will complete a Turnover Checklist. All decisions concerning upgrades should be made at this time, as well as any adjustments to the turnover planning process. Replacement of carpet, appliances, and/or cabinet-packs should also be approved by the appropriate party during this inspection.

After the inspections have been completed, and the upgrade decisions approved, the apartment maintenance should be performed. During the following steps, it will be necessary for the maintenance supervisor to perform periodic inspections of completed work to determine when to proceed to the next step. The results of these periodic inspections are to be passed along to the manager for planning.



- Apartment upgrades should be installed (depending on the upgrade, the sensible timing of this installation may vary)
- Painting Preparation
- Apartment Painting
- Final Apartment Maintenance (if necessary)
- Carpet Cleaning or New Carpet Installation
- Final Apartment Cleaning

After the turnover is complete, a Quality Control Inspection should be completed by the manager and the maintenance supervisor together. Any deficiencies found can be addressed immediately. A follow up inspection may be required before the apartment can be called "Market Ready."

By following your approved turnover procedure, you will ensure that the turn will be completed in a timely manner, the unit will be ready when needed, costs will be controlled, and your new resident will have a pleasant move-in experience.

RAYMOND JAMES
TAX CREDIT FUNDS, INC.

Are You Taking Maximum Advantage of Free Internet Resources?

All properties, whether they are in major cities or very small towns throughout the United States, can take advantage of free internet marketing and resident retention tools. This is a subject of books and major articles in industry publications, but here are a few thoughts that anyone can use immediately.

All properties should market through Craig's List. Although this is a very basic internet source, and is not nearly as refined as the major market Internet Listing Sites (ILS), it is a pervasive resource and the price is right – free. Instead of a simple classified add, many properties are including color pictures and ad copy



from their ads in other sources like apartment guides. A colorful, well written ad on this source with a helpful, but concise headline will attract renters. This resource is particularly effective for marketing LIHTC properties against private rentals that are typical on this site.



Many property managers are talking about social networking sites like Facebook, MySpace and others. Facebook in particular is being used to set up apartment

community sites with information about apartments for rent and other activities at the property such as resident functions and links to local resources like schools, libraries, shopping, local



government, etc. This can be a very useful marketing tool as you have an opportunity to position your community. A Facebook page can also help with resident retention since you are using this

tool to create loyalty to your community. Residents with ties to each other and a reason to live at the community will think twice about moving provided that they are receiving good service from management.

The explosion of smart cell phones has given people convenient access to the internet in their hand.



If someone drives by your community, day or night, have you told them how to reach the community on the internet through your signage? Have you included e-mail addresses on your marketing materials

(brochures, flyers, directional signs)? Is someone monitoring and able to respond quickly to an e-mail inquiry? Do you have a scanned flyer or brochure with information about the community that you can quickly e-mail in response to an inquiry?

Your customers are on the web; so take a hard look at how you are using the internet – *actively or passively?*



RAYMOND JAMES
TAX CREDIT FUNDS, INC.

880 Carillon Parkway • Saint Petersburg, Florida 33716
800-438-8088 • 727-567-8385 Fax