



ACRE OF BEAVER COUNTY

A Real Estate Education Community



This month's speaker, Max Wilson, is the owner of Max Business Group Real Estate Services located in Portersville. Max Business Group employs quality strategists and bottom-line profitability experts to partner with clients in effectively maximizing their transactions in buying, selling and investing in real estate.

– Brad Dornish

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DOUBLING YOUR PROFITS BY GIVING YOUR TENANTS EVERYTHING THEY NEED

By Max Wilson

In the early 90's I remember reading a line in the little known book *Eupsychian Management* (1965) by Abraham Maslow, the founder of humanistic psychology, that read something like this:



Abraham Maslow

*Everyone complains about something.
 By listening to what they are complaining about, you can gain insight into the quality of their life.*

Tenants are no different. The most successful real estate investors spend time to think about and take actions that eliminate, or at least greatly reduce, tenant complaints. In this article I will explore: What humans need? What tenants complain about and why? How you can help eliminate those nasty calls and get the tenant to work for you? I'll also provide insights into how to use Maslow's model to better manage your tenants, in helping you find the best tenants, and how to use the model to develop a maintenance & repair schedule. (Cntd. on page 2)

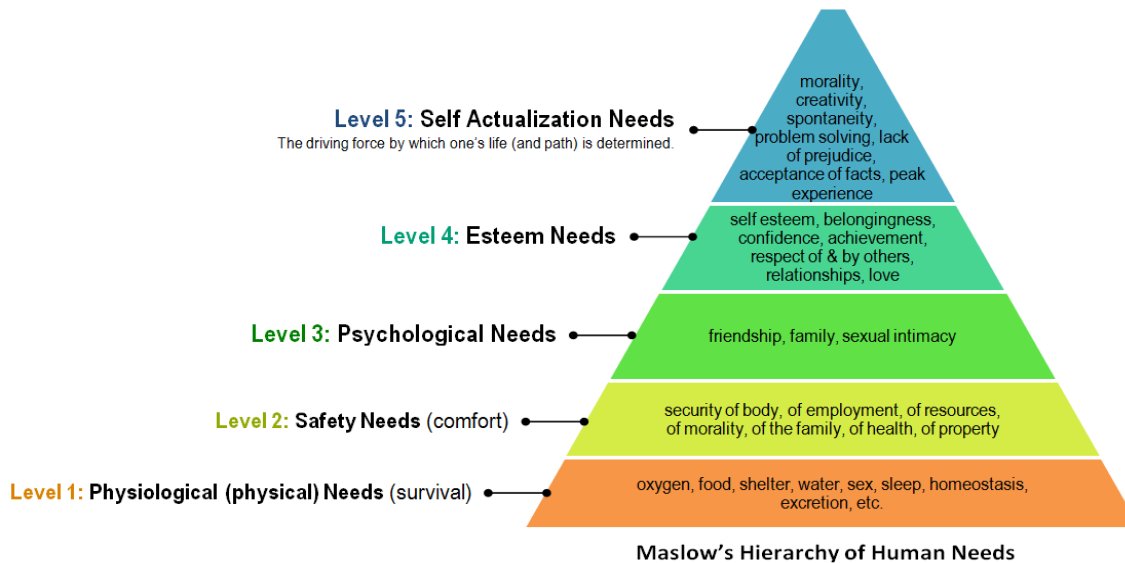
WHY CHOOSE ABC:

- **Network** with local investors
- **Attend presentations** by local leaders and experts on industry related topics
- **Meet local contractors and professionals** who are eager to work with investors
- **Get updates** on state and national issues from PROA and National REIA

DOUBLING YOUR PROFITS BY GIVING YOUR TENANTS EVERYTHING THEY NEED *(Ctnd. from page 1)*

What humans need- Shhh...the secret key to improved profits.

Maslow first published his Hierarchy of Human Needs in 1954 in his book *Motivation and Personality*. Those needs were:



It is easy to see by looking at Maslow's model above that human needs fall into a **hierarchy**- a "ladder" of needs with one following the other. Needs must be satisfied in the given order, thus, a person can't start achieving Level 2 needs without all their Level 1 needs being met first. They can't achieve Level 4 needs unless Levels 1-3 needs have been met. Only when lower order needs of physical and emotional well-being are satisfied can an individual move to higher order needs of influence and personal development.

Meeting everyone's needs

At the moment you rent an apartment to a tenant. Who's needs are being met? Look at the model and see if you can locate all the needs being met. I'll give you a minute.....59, 60. Times up. For the tenant the greatest impact will be on your apartment meeting their Level 1 needs- why they rented in the first place. However, living in the apartment may also impact their Level 2 needs of safety and security, provide the environment where Levels 3 needs can be met, and provide increased levels of confidence, independence, and achievement. Now, who else's needs are being met? How about yours?

For the landlord (who's Level 1 basic survival needs are already met) Level 2 needs will be the most impacted by providing for the: "security of employment" (rental income), "security of resources" (money invested), and of "security of property" (income keeps property performing). Renting to a tenant (depending on how you have designed tenant/landlord interactions) may also provide some level of friendship (Level 3) and can certainly provide increased Level 4 needs of Esteem such as: increased confidence in making money; or confidence in running a business; or achievement of increased profits; etc.

By now you should be seeing that any one small action can have an impact on meeting the needs (at multiple levels) of all people involved – and all people involved includes you, your family, your workers, the sales staff at Home Depot, the sales person where you bought your last car, the baker who you buy birthday cakes from and deliver to your tenants, etc.

Responding to tenant needs

The tenant is now living in the property. They seem like the perfect tenant (the reason that you rented to them). If you properly screened the tenant, money will never be an issue in your tenant/landlord relationship. I will continue this writing on that premise – that the tenant can easily afford the monthly rent and utilities throughout the entire year*. *(Ctnd. on page 3)*

DOUBLING YOUR PROFITS BY GIVING YOUR TENANTS EVERYTHING THEY NEED *(Ctnd. from page 2)*

Now, when is the next time you think you will hear from your tenant? One might assume that all tenant calls are always bad – on the contrary -- all tenant calls are GREAT calls. The tenant is usually calling to tell you something about your property that you don't know about – and that real-time insight is a very good thing, at least from a profitability standpoint. At that moment, you are given the opportunity to improve your property's physical and financial performance and the quality of your tenants living environment and their loyalty to you. What could be more important than that?

LEARNING POINT #1: *Customers (tenants) do not judge you on the problems or issues that arise but on a) how you handle the issue and b) how fast the issue gets resolved.*

If the tenant calls and there is a problem, the type of problem, and how it relates to the tenants needs, will have a direct relationship as to the type and level of response. Maslow's hierarchy suggests that when "basic need" (survival) issues have not been met,

the individual will instinctively fight hard to survive in the environment that YOU THE OWNER CREATED! In the social roles between tenant and landlord that survival mode will and can unleash a variety of behavioral manifestations from the tenant – calling, complaining (I mean yelling), destroying, holding back payment, refusing to pay, escape, get others involved, etc. No matter what steps the tenant takes you can be sure it will come hard and fast and probably accompanied by zero tolerance for excuses or lack of response.



WHY BECOME AN ACRE MEMBER?

ACRE aims to educate its members to make the best possible real estate decisions and to become better real estate investors. Local seminars by local experts are offered to share first-hand experience and advice. Some seminars are held at the Baden location, while many others are held in Pittsburgh. The meetings are typically three hours and some are offered two in a day to give you more choices.

Membership in ABC entitles you to discounts on all seminars at all ACRE locations.

Again, looking at the hierarchy, we can see that Level 1 survival problems (like toilets not working, no heat, no hot water, no electricity, stove failure, leaking roof, backed up sewer, gas leak, etc.) will certainly get a quick and dynamic call for help. If the problem is located at a level higher than what is needed for basic survival (a nuisance problem like a broken window, a leaking faucet, etc.) we could guess that the voice of the caller would be softer and have less tension in it.

Going even higher on the hierarchy, if an "esteem need" is not met (a contractor making a repair shows a lack of respect for the tenant), and "if" a complaint is made, the response will be subdued, as compared to call for a "basic need" issue.

LEARNING POINT #2: *EVERY ISSUE, large or small, needs to be managed and resolved as quickly as possible, with follow-up communication with the tenant about the problem, what caused it, how the problem has been solved, their approval of the solution, and feedback about the contractor.*

The impact of a simple act: Communicating with the tenant after the repair

So let's step back for one moment and look at the impact of a simple action like **communicating with the tenant after an issue or problem has been resolved.** After a problem has been resolved do you call the tenant and get their approval on the quality of the repair and for feedback about the contractor that conducted that repair? You should. Why? Because the call is proof that the repair has been made and that the tenant is happy with the repair. Simple action, right? Yes but also CRITICAL – and here's why. By keeping the tenant in the loop about the repair, by doing what you promised to do, by calling for their approval of the repair, and feedback about the contractor that did the repair, in this one simple phone call you have greatly impacted their psychological and physical living environment. Referring to Maslow's hierarchy, you have delivered and improved on the tenants: *(Ctnd on p.4)*

DOUBLING YOUR PROFITS BY GIVING YOUR TENANTS EVERYTHING THEY NEED *(Ctnd. from page 3)*

Level 4 Need: Self Esteem

- Made the tenant feel important and valued; respected by others; confident that they can get problems solved (pride). Also that they have power/influence over their life (have some control over their living environment).

Level 3 Need: Psychological

- Depending on how you respond, level and tone of voice (using an empathetic manner), you could add some level of belongingness (I belong in this apartment) and sense of family (they care for me like family). Note: Setting the psychological environment of a living space may be covered in a future article and workshop all on its own).

Level 2 Need: Safety

- Your actions have helped them achieve security of property, security of health, security of ownership (lease), security of knowing that when something goes wrong it will be taken care of quickly and efficiently.

Level 1 Need: Physiological (physical)

- The most important of all needs. Your quick and timely repairs have restored the unit back to its most livable and enjoyable use by the tenant. And, it may be even better than before- at no additional cost to the tenant.

So, by taking that one small step, in calling the tenant for their approval of the repair and feedback about the contractor, you have substantially added to the tenants physiological (Level 1) and psychological (Levels 2-4) needs, and continued building a positive rapport with the tenant. If you continue to do this (and a few other things) why would they ever want to leave? Do you think the next time they have a Level 1 problem the call will be filled with anger and demand?

LEARNING POINT #3: *Tenants rarely leave a living space because their physical needs (Level 1) are not being met. They leave because their psychological needs (Levels 2-4) are not being met.*

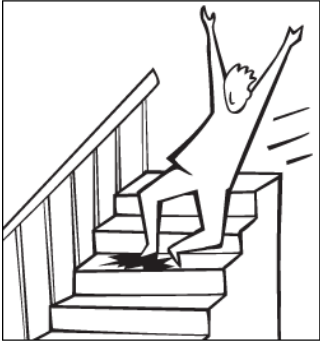
Using the Model: Finding the Best Tenants

Now that you have a broader picture of tenant needs:

- How does your unit in its current condition meet Level 1 survival needs? Water? Toilets? Heat? Air conditioning? Proximity to shopping for food and clothing? Storing and cooking of food (refrigerator, stove, etc.)?
- How does your unit in its current condition meet Level 2 safety needs? Protection from elements (windows, non-leaking roof, gutters and downspouts in working order)? Protection from others (secure windows, doors, locks, deadbolts, security system [upgrade or included in higher rent], automatically locking hardware, automatically door closing hardware, etc.)?
- How does your unit in its current condition meet Level 3 needs? Social needs (cookouts and other small social events hosted by owner, move parties between buildings so tenants from all buildings get to meet each other, include contractors, property managers, any one that the tenant may talk to or integrate with while living in your unit, etc.). If the tenant was a family member, how would you treat them? What could you do that would send a clear message to the tenant that you see them as part of your extended family (cards, holiday bonus, etc).
- How does your unit in its current condition meet Level 4 needs? Self esteem (how to improve the pride your tenant has living in your unit) increase curb appeal, maintained exterior and interior elements, provide opportunities for upgrades, provide rules and regulations for them to update apartment, etc. *(Ctnd. on page 5)*



DOUBLING YOUR PROFITS BY GIVING YOUR TENANTS EVERYTHING THEY NEED *(Ctnd. from page 4)*



Using the Model: Developing a Maintenance and Repair Schedule

As you can see in the model, Level 1 is minimally where you need to focus your maintenance and repair efforts. These items will and can have negative physical effects on the tenant. Items like refrigerators and stoves (food preservation and preparation), furnaces, drain lines, faucets, internal toilet parts, toilet drain lines, windows, doors, etc.). Quarterly inspections with a deliberate and communicated schedule (to the tenant and contractors) for preventative maintenance could go a long way in eliminating most Level 1 survival related emergencies.

If Level 2 safety needs are not met, negative psychological effect driving increasing stress levels and emerge. Items relating to security like locks, doors, windows, security systems, carpets (frayed), tile (missing or bent), floor (rotted) loose hand rails, cracked or uneven sidewalks or driveways, working GFCI plugs, smoke and carbon monoxide detectors, etc. fall into this category. Again, asking the

tenant would be my first stop – and it should be yours too. Remember the tenant knows your property better than you do – they live there 24/7. Show them that they matter by asking their opinion.

Conclusion:

LEARNING POINT #4: If you really listen to what your tenant is sharing with you, and you take immediate action on it, you may **EASILY DOUBLE YOUR YEARLY PROFIT** on that unit or building.

If you have any questions about anything you have read in this article or to find out more about how I help my clients maximize returns when buying, selling, or investing in real estate in Western PA, give me a call or email me to set up a convenient time to talk at 724-452-4297. ■

2010 YEAR END UPDATE ON RENTAL REGISTRATION CASES

By Bradley S. Dornish, Esquire

As we approach the end of the year and look back on our progress on Western Pennsylvania rental registration cases, it has been both a busy and a productive year. In Pittsburgh, City Council is considering the revised draft ordinance which PROA, ACRE, WPREIA, RAMP, Landlord Service Bureau and the Apartment Association of Metropolitan Pittsburgh all participated in negotiating. While RAMP and Landlord Service Bureau still intend to fight the amended ordinance when passed, on broader objections to any rental registration, WPREIA, PROA and ACRE anticipate devoting their resources to other fights against anti-landlord and anti-investor ordinances and laws.

I anticipate that a revised ordinance in Pittsburgh, with a six dollar per year fee,

no inspection or zoning prerequisites for registration, and an escrow for registration funds collected until their proposed expenditure is itemized and documented, will go into effect in the Spring of 2011. Despite the planned actions against the revised ordinance, I believe an injunction against that ordinance will not be granted.

Revised ordinances in Uniontown and Connellsville appear to be functioning as expected and further action in those municipalities is not anticipated at this time. Landlords can count those actions as ultimately successful.

The completely adversarial tone of the City of New Castle in the action against the City by the Apartment Association of Lawrence County appeared to moderate

at a hearing on November 12th. The City agreed to let members of that association who object to \$100 fees every other year for re-inspection and registration escrow their payments with my office until resolution of the pending suit. At the same time, the solicitor agreed to review our other cases and revised ordinances in other municipalities, and to work with us to move the case forward with discovery while the city considers revising its current ordinance to address landlords' concerns. A meeting between key members of City Council and the Association's board is also planned to open a dialogue. We are truly optimistic that we will be able to affect change either through negotiation or court determination in New Castle in 2011. *(Ctnd. on page 11)*

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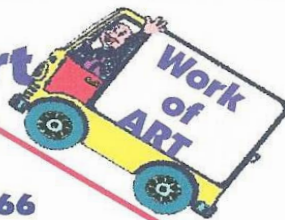
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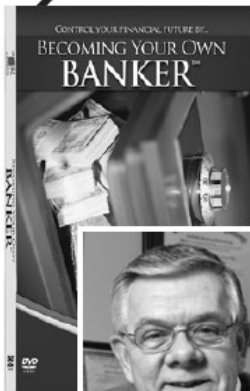
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I have lived in Beaver County my whole life, own investment property here, and help other members of ACRE of Beaver County achieve their investing goals.
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THE DEAL FOR VENDORS

By Brad Dornish

One reason we run ABC is to connect local investors with local vendors who can help in real estate investing. Of course, I'm not just an investor, but a real estate lawyer, owner of a settlement company and publisher of real estate how-to books. That makes me a vendor too.

We are offering three **different levels for vendors (Premier, Gold and Value)**, so you can test the waters or jump right in. All levels get an advertisement in our e-newsletter sized according to level, with online links available. All vendors get to come to the monthly meetings, be introduced at the beginning of the meeting and network with the investors who are there. All vendors also get our monthly e-newsletter to keep up on speaker and



event schedules and articles of interest to investors.

Premier vendors, for \$350 per year, get a half-page ad in each monthly newsletter and an opportunity to speak at a monthly meeting as a Vendor Speaker, the right to put materials on tables during meetings as available, and the first chance to sponsor coffee and snacks at meetings and workshops.

Gold vendors, for \$200 per year, get a quarter page ad in the e-newsletter, the right to speak at a meeting or other event and the second chance to sponsor coffee and snacks. Gold members get NO table for literature at meetings, however.

Finally, **Value vendors** get a business card ad in the e-newsletter only, for \$125 per year.

Look for information on ACRE Approval for vendors soon. Under this program, vendors who agree to mediate disputes with ACRE members, who offer discounts to ACRE members, and who do not have an unreasonable number of complaints will be able to advertise their "ACRE Approved" status to let all of our members know they not only advertise, but meet the standards our members expect. ■

THE DEAL FOR MEMBERS

By Deb Dornish

The ACRE of Beaver County yearly membership fee is \$99.00. Each new paid member will also receive a coupon for 50% off any of the Seminar Books by BD Productions, LLC – over a dozen topics to choose from. Coupon valued at \$49.50. All members receive a monthly e-newsletter, attendance at all Beaver meetings and up to two meetings per year at ACRE of Pittsburgh, plus member discounts to all programs of ACRE of Beaver and ACRE of Pittsburgh.

Members of ACRE are also members of the Pennsylvania Residential Owners' Association (PROA) and members of the National Real Estate Investors' Association, with both of which ACRE is affiliated. Both the state and national groups have more benefits for our members. ■

DETAILS ON UPCOMING EVENTS

■ **NOTICE: The December 21st ACRE Beaver Meeting is cancelled so members can enjoy the holidays with family and friends. We will return for our January 17th meeting with tentative speaker Jon Kratsas, C.P.A., on getting ready for tax season.**

■ **National REIA Winter Cruise Conference, February 6-13, 2011**
National REIA prides itself on being your number one facilitator for advanced networking in the realm of real estate investing. The annual cruise has connected 5,000+ investors from more than 70 cities over the past twelve years. And each year brings something new.

* **For more information on this event, visit:**
<http://www.nationalreia.com/>

2010 YEAR END UPDATE ON RENTAL REGISTRATION CASES *(Ctn'd from page 5)*

A hearing on an injunction requested in the end of June by ACRE of Washington County against the City of Washington's ordinance was again postponed in early November, based upon a second set of revisions which the City solicitor submitted shortly before the hearing was to occur. The ACRE of Washington board and I are working on a third, and hopefully final draft of a proposed revised ordinance to submit to the judge and City Council by early December. Chances are good for resolution of the Washington case by a new ordinance or through a very narrow court hearing by early 2011.

In Erie, we recently filed a new lawsuit for the Apartment Association of Northwestern PA against that City. Erie had previously faced a challenge to its ordinance, and adjusted its fees so income matched expenses of administering the rental registration and inspection program. The objective appears to have gotten lost with changes in the composition of City

Council over the last few years, and the Apartment Association had records suggesting that Erie is making a profit on its ordinance. We took depositions in November which appear to show over \$100,000 per year in excess income from rental registration. Once discovery is completed, we think Erie will work with us to eliminate the profit from rental registration. If the City won't cooperate, the information obtained through the discovery so far will make a pretty clear case in court.

In Wesleyville, south of Erie, on behalf of the Apartment Association of Northwest PA, and in Sharpsburg in Allegheny County, on behalf of WPREIA and the Sharpsburg Association of Landlords, we are in negotiation to resolve the issues with their respective rental registration ordinances before we even file with the courts. The string of current and prior cases by landlords all over Pennsylvania is helping to convince solicitors and municipal councils that we are

both serious and likely to be successful in our challenges to their ordinances.

Attorney Lee Stivale on behalf of PROA groups in the eastern part of Pennsylvania has a case in Berwick waiting for appellate court action there, which could benefit all of our cases throughout the Commonwealth.

But we still have many similar ordinances throughout Pennsylvania which must be individually addressed. We are preparing to file in O'Hara Township, Allegheny County, and in several municipalities in Beaver County in the near future. We can't stop until we prevent municipalities anywhere in Pennsylvania from using rental registration and inspection as a special, unjustified and illegal tax upon residential landlords, and ultimately their tenants. Hopefully, we will make as much progress in 2011 as we have this year. ■

NOTICE: The December 21st ACRE Beaver Meeting is cancelled. Have a safe and happy holiday season! We will return for our January 17th meeting with tentative speaker Jon Kratsas, C.P.A., on getting ready for tax season.



ACRE of BEAVER COUNTY
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Email: info@acrebeaver.com

MEETING SCHEDULE:

*Meetings are held the third Tuesday of every month.

- 6:30 PM.....Vendor Setup and Networking
- 7:00 PM.....Meeting Commences;
Introduction of Vendors
- 7:20 PM.....Teaching Segment
- 7:40 PM.....Vendor Speaker
- 7:55 PM.....Properties for Sale
- 8:05 PM.....Main Speaker
- 9:05 PM.....Q&A
- 9:30 PM.....Meeting Adjourns

Remember to bring your properties for sale and ideas for future speakers!

Next Meeting:
Tuesday, November 16, 2010
Baden Municipal Building
149 State Street
Baden, PA 15005