

AASEW

Apartment Association of Southeastern Wisconsin, Inc.

OWNER

E-mail: membership@AASEW.org Website: <http://www.aasew.org>

Representing the Interests of the Rental Housing Industry in Southeastern Wisconsin



What a Great October!

It was a very busy October for the AASEW! We had a successful trade show and a great turn out for Landlord Boot Camp!

Thank you to everyone who attended the 2018 Annual **AASEW Trade Show** at the Potawatomi Hotel and Casino on October 11th. We had an amazing turnout and a wonderful day of connecting and learning. We hope you had the opportunity to make connections with many of the vendors as well as to learn during the seminars and round table discussions.

We would like to extend our gratitude to our speakers, Lobbyist Joe Murray and Organizer Jennifer Raschig. Both brought useful information and updates to those who attended their sessions.

We would also like to extend our gratitude to our round table discussion leaders. The time spent at the tables was extremely valuable. Many thanks to Danny Schlei and the crew from Brew City Marketing, Jeff Shavlik from Finance Systems of Green Bay, Lucas Hall and Dylan Dougherty from Cozy Property Management Software, and Sarah Floyd and Scott Lurie of Milwaukee Hard Money Lending. We hope you all took the opportunity to see what these great vendors have to offer landlords and property managers.

And that's not all that happened in October!

(Continued on page 3)

AASEW Mission Statement:

"The Apartment Association of Southeastern Wisconsin is your primary resource for education, mutual support and legislative advocacy for the successful ownership and management of rental property."



The Apartment Association of Southeastern Wisconsin, Inc.

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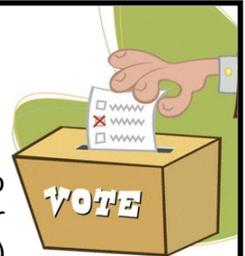
Bob Maas

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Thank you again to our 2018 Trade Show Sponsors and Speakers!



AASEW Elections



At the General Membership Meeting on Monday, November 19th we will be electing five (5) AASEW Board members each for a two year term. We will also be electing one person to fill a one year term left by a vacancy.

Up for re-election this year are:

Dawn Anastasi, Brian Bartsch, Ron Hegwood, Bob Maas, and Tristan Pettit. The Treasurer is also elected every year for a one year term. Our current treasurer is Tim Ballering.

After the elections, the board elects the roles of president and two directors at large from the members of the board.

If you are interested in running for one of the board positions, please submit a short bio to kathy@aasew.org. We will include bios in the email blast just before the meeting.

Please remember each membership holds one vote and you must be present at the November meeting to cast your vote.

Any questions, please reach out to Kathy at kathy@aasew.org or call the office at (414) 276-7378.

The members of the AASEW Board who will continue carrying out the second year of the their two year terms are: Cynthia Dixon, Melissa Gaglione, Ken Larsen and Cary Mankse.

What does it take to be a board member?

- Please be available at least 5 hours per month -- 2 hours for the monthly general membership meeting, and 1.5 hours each for the monthly board meeting and a committee meeting.
- Be passionate about making the AASEW the best landlord association.
- Contribute ideas and thoughts about how to improve operations, provide valuable content for our membership, and grow our organization.

PRESIDENT'S



CORNER

"Look at market fluctuations as your friend rather than your enemy; profit from folly rather than participate in it."

- Warren Buffett

When somebody with a track record like Warren Buffett tells us how to spend our money, *we listen*. Whether the market is up or down, there are always opportunities to be had for the shrewd investor. When things aren't going well, and others are prone to panic, keep your head about you. Make your real estate investment decisions based on a sound long-term strategy, as opposed to short-term fluctuations in the industry.

With our Milwaukee Brewers taking us on an exciting journey of October baseball this fall, it is timely to compare and reference some important similarities between the batter's strike zone and investing. Did you watch or listen to any games this October? Did you hear the announcers constantly talking about pitchers trying to expand the batter's strike zone?

Ted Williams, the greatest hitter of all time, wrote a book on this topic, "The Science of Hitting." In this book he diagrams the strike zone and splits it into 77 squares, each square being the size of a baseball. He explains that if he only swings at pitches in his zone, his batting average is 400. If he swings at pitches outside of his designated strike zone, his batting average dips to 230, almost half. The most important thing for a hitter to do is to wait for a pitch in their zone.

Warren Buffet uses Ted Williams diagram of the strike zone in investing as an this example to explain how to be a successful investor. Warren goes into detail as to why investors have a considerable advantage over hitters in baseball. As investors, there are no called strikes. Good investors only swing when they are ready. You can let 1000's and 1000's of pitches go by, without ever taking the bat off your shoulder. Like a batter, the most important thing is to have discipline, and only swing at the fat pitch.

It's a big mistake to think you must have an opinion on everything. To drive this point home, Warren uses a punch card as an example. If you only have 20 punches your whole life, you would become very knowledgeable before wasting any punches. Concentrate on what you know and become an expert in that. You only need to have an opinion on a few things.

Ron Hegwood
AASEW President

(Continued from the front page)

More about our Great October!

On October 20th we hosted yet another AASEW Landlord Boot Camp. Attorney Tristan Pettit spent the day teaching about what you need to know to be a great landlord. From Tenant Applications to Evictions and everything in between. We hope all who attended came away with a better understanding and more resources to better run their businesses. If you missed this opportunity, never fear. Planning is already underway for the February AASEW Landlord Boot Camp. We are already looking at dates in February, details will be out soon.



Some Tips on Serving Notices

By Atty Heiner Giese
AASEW Legal Counsel



So your tenant hasn't paid or there is some other violation of the rental agreement like loud noise or an unauthorized pet. Experienced landlords will use the following practices when serving that 5-day or other legal

notice on their tenant.

1. Certified mail is the best method. It does cost at least \$3.92 currently (more if you want the post office to return a receipt) but it is ironclad. If the tenant does not pick up the letter the service is nevertheless valid. You simply have to add two days from the date of mailing to compute when the 5 days are up. If you ultimately wind up in court the stamped receipt from USPS or a printout from the USPS website showing delivery attempts is all you need. You no longer have to present an affidavit of mailing.
 2. If you are using certified mail it's smart to also send a copy via *regular mail* at the same time. It's an extra 50 cents postage but the tenant will get it for sure instead of letting an unclaimed certified letter sit at the post office. And isn't the point here to inform the tenant as soon as possible, "Hey, your rent is late. You better pay up."
 3. If you or your property manager are going to use personal service instead – and if you plan on posting and mailing the notice if you can't catch the tenant at home --there are a few rules you have to follow and also some "best practices" which are not mandated by law but will help you prove that service was proper:
 - You have to use "due diligence" in trying to serve the tenant personally before you can post and mail. That means at least three attempts over two different days at different times of the day. Handwrite a note on the notice of the date and time of an unsuccessful attempt.
- If you serve the tenant or a *family member at least 14 years old* you don't have to also mail the notice. If you serve a person who is "apparently in charge of the premises" (like a babysitter) you have to mail a copy, which can be by regular mail. If you end up having to post *and* mail then whichever of the two is later counts as the day that notice has been given. Note that you *do not* have to add two days for mailing when doing a post and mail, which is different than the statute governing service by certified mail.
 - If the notice is personally served both the tenant's copy and yours should have a handwritten notation of date, time and name of person served. If you serve someone other than the tenant and they won't tell you their name then write a brief description on the notice, like "middle-aged female with brown hair."
 - If posting the notice take a cell phone shot of the notice tacked to the door to establish day and time. If mailing via regular mail take a photo of or photocopy the envelope before sending it.

One of the most common defenses to an eviction is a tenant claiming they didn't get a notice or it wasn't timely. The above tips will help you win such a challenge. Finally, don't forget that sec. 704.21(5) of the Wis. statutes says a notice not properly served is nevertheless valid if the tenant actually receives it. So if you posted but forgot to mail and the tenant comes to court with the notice and admits to taking it off his front door it still counts as properly given.

I recommend attending the next AASEW's Landlord Boot Camp presented by Atty Tristan Pettit to get informed in detail on how to be an effective landlord.

IN THE NEWS...

Did you see our own **Dawn Anastasi** in the newspaper? Dawn attended the October 9th event led by the Greater Milwaukee Foundation, *On the Table MKE* is a large collection of small gatherings that anyone in the community can host. Around the region on a single day, participants join together to share a meal, talk about topics that matter in their lives and put their ideas in motion to improve the quality of life in greater Milwaukee.

AASEW Legal Counsel, **Attorney Heiner Giese** served on a panel at the Wisconsin Lutheran College in Milwaukee. The college chose Matthew Desmond's book "Evicted: Poverty and Profit in the American City" as their fall book read. The panel was moderated by Wisconsin Lutheran College professors Dr. Leanne Olson and Dee Dee Mackie. The panel of experts also included Henry Tyson, Superintendent, St. Marcus Lutheran School and Patrick Vanderburgh, President, Milwaukee Rescue Mission. Their hope was to create a panel of experts who are involved in the community to share their thoughts on the book and the issues raised by it. Heiner reports he was able to speak to half an auditorium full of mostly students and share his thoughts about Desmond's book, the issues he sees with it and the reality of landlordism in Milwaukee. Thank you Heiner for representing us well.

Ron Hegwood has been participating in Common Bond Milwaukee events over the past several months to bring the perspective of landlords to the conversation. Ron attended the 2018 Affordable Housing Forum on November 6th at Miller Park. The event featured a moderated panel of local eviction prevention experts and community leaders. They also learned about a first-of-its-kind study on the social return on investment of their Eviction Prevention Program. Channel 58 News reporter, Emily Thorton, stated the following in an article on November 6, 2018: "After meeting with Commonbond, city and community leaders, the Wisconsin Policy Forum put together information and suggestions on how to prevent evictions. According to the Wisconsin Policy Forum, in 2016, one in every 24 renter households was evicted." Ron continues to attend their events/meeting. Want to know more? Just ask.

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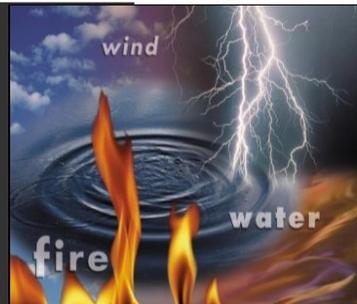

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Community Spotlight

The Community Warehouse

The Community Warehouse is a non-profit, faith-based 501c3 organization that is providing jobs and job skills to background challenged individuals living in Milwaukee. By shopping with us you are helping to move Milwaukee forward and help others seek life transformation through the dignity of work based on Biblical principles.

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To find out more about The Community Warehouse go to www.thecommunitywarehouse.org

Their Focus:

At Community Warehouse, contractors, builders, retailers, distributors, manufacturers and other organizations graciously donate their unused product to us. We then sort and price these materials, displaying them in a clean, neat, visible and accessible way. Giving the discount to you the consumer.

We provide employment opportunities and training in Milwaukee's Central City for under-employed, never employed and background challenged individuals who are seeking work in an effort to turn their lives around but find it very difficult to get employed due to lack of experience or past criminal records.

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The 5 Profit Centers of a Rental Property

(& How to Use Them to Minimize Risk!)



by Ali Boone | BiggerPockets.com

Do you actually know all of the ways you profit from a rental property? You might have a basic feel for them, but I bet you don't realize *all* of the ways you profit from a rental property. Even if you do, it never hurts to review a summary of the income streams to reignite excitement for your rental property!

I'm going to end the summary of rental profit centers with a really cool note about why having 5 profit centers is *extremely* amazing, by the way. But first...

The 5 Profit Centers of a Rental Property Investment:

Just to be clear, "profit centers" mean each of the ways you gain income. It's not my favorite term, but it's the shortest way to explain income streams. OK, well maybe "income streams" is just as short, but something about "profit centers" really seems to ring it in.

1. Monthly Cash Flow

This one *should* happen, but unfortunately people oftentimes don't know how to run numbers on an investment property (or they just don't), so it's common that a property doesn't produce this primary stream of income. The monthly cash flow is the money you pocket each month after all expenses are paid. The majority of properties that exist won't actually produce positive monthly cash flow, so you want to make sure you know how to really shop for properties and run numbers.

The keys to look at are the amount of expenses on the property (including expenses related to buying the property) and the amount of rental income. You want the income to surpass the expenses. If this happens on average, you should be good for positive monthly cash flow.

This income is passive, revolving, and if you build enough of it, you can start thinking about getting out of the rat race! In relation to this profit center, I want to offer you two supplemental articles to check out. The first is just about running numbers. In order to be able to determine what you should expect for monthly cash flow on a property, check out "Rental Property Numbers So Easy You Can Calculate Them on a Napkin." Then to keep your excitement going about monthly cash flow and how it can begin to supplement your income in really cool ways, check out "Gaining Financial Freedom is Easier Than You Think." Despite the perks of monthly cash flow, though, a lot of people buy properties with negative cash flow. Then where can they expect to see income? Well, hopefully they bought something in the wave of...

2. Appreciation

Most people are familiar with this one, if not the most familiar with it! The general trend of housing prices increases over time. Whatever appreciation happens to the value of your property is free cash to you. In order to see the actual cash profit from appreciation, you either need to refinance the property, take out a home equity line, or sell the property, but either way, the money is yours as long as it's there.

Some markets appreciate in crazy-high waves, while other markets stay fairly neutral with minimal increase or decline in values, but in general, real estate typically does move upward in value. Some people buy investment properties solely for the appreciation potential. Be careful if you do this because banking on appreciation is essentially speculation, and as we know from 2009, speculation doesn't always pan out in our favors. However, appreciation has also put some pretty pennies in people's pockets. For more information on investing for cash flow versus investing for appreciation, check out "Investing for Cash Flow or Appreciation — What's the Difference?" There are ways to invest in a property with good hopes for both cash flow and appreciation, but some properties are either/or (or neither, but stay away from those).

3. Tax Benefits

As I continue down the list, I'm going to get progressively less obvious with the profit centers. The tax benefits of owning rental properties is fairly obvious by itself, but what isn't as obvious are the actual income numbers the tax benefits will put in your pocket. The thing to know with rental properties is that the IRS considers them to be "passive income," which allows for substantially more benefits in the taxation department than "active income" (like W2 income, etc.).

I will tell you that I've never had better tax returns than I have since I started investing in rental properties. Without even going into detail, I can tell you that the biggest tax perk with rental properties is that typically the income you receive from the property ends up being tax-free (the cash flow, at least — not necessarily the appreciation/equity unless you 1031 exchange it on the sale, which I do recommend). For details on what in the world I'm talking about and how this is all possible, check out "One of the Biggest Financial Advantages of Owning Residential Rental Properties." The tax benefits on rental properties are so strong that I highly recommend you not try to do your taxes

(Continued on page 17)

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Do You Know the Rules on Carbon Monoxide Detectors?

By Atty Heiner Giese
AASEW Legal Counsel



Carbon Monoxide detectors have been required in dwellings per Wisconsin statutes since 2011. The statute governing **3-units or more** (sec. 101.149) was amended in 2018 by 2017 Act 330. This has led to some confusion by owners and property management companies who did not realize that the changes do not affect **1 & 2 family** units, which are governed by sec. 101.647.

So here are the basics: for 1 & 2 family properties one CO detector is required on **each level** of the building, including basements (but not unoccupied attics). The CO detector does not need to be near a smoke detector and while you may need two or more smoke detectors depending on the bedroom configuration you still only need to install one CO detector. If the apartment has a gas stove you would not want to place it in the kitchen, just as kitchens are a poor location for smoke detectors.

For buildings with 3 or more units (called “public buildings” under Wisconsin law) the rules are more complicated. Act 330 *reduces* the need for multiple CO detectors in many building configurations. For example, an 8-unit building with a gas boiler providing central heat and with electric stoves in all the units would need only one CO detector on the ceiling of the room where the boiler is located. However, if any unit had a gas stove then CO detectors would be needed in each sleeping area of that unit. There are also changes for properties with attached garages.

Wisconsin’s Dept. of Safety and Professional Services has separate brochures on its website for each class of properties.

3 units or more: <https://dsps.wi.gov/Documents/Programs/FirePrevention/SBD10882.pdf>

1 & 2 units: <https://dsps.wi.gov/Documents/Programs/UDC/SmokeAlarmsCarbonMonoxideAlarms.pdf>

Now You See It. Now You Don’t. Which Smoke Detector is Code?

By Carrie Maas
AASEW Member



This might look like another boring article about what to look for when purchasing your smoke detectors, but it isn’t. This is about not wasting your time and eliminating preventable frustration.

When Smoke Detectors with the 10 year lithium battery were first released they were clearly stamped “**10 YEAR**” on the outside of the detector so you could see that they were the newer model. Now that ten year lithiums are standard and mainstream, many now are only stamped on the inside of the detector.

During a Rent Assistance Inspection, you may need to be present and prepared to open the detector to prove to the Inspector that it is indeed a 10 Year Lithium Battery and to Code. I have had a unit fail recently only because the detector was not stamped on the outside. It failed because the Inspector was not aware they were being manufactured without the exterior labeling.

In further conversation it was discovered that some Inspectors don’t have issue opening up the detector but don’t carry a ladder if deemed necessary. While others do not want to be responsible for damaging the detector and therefore will not open the detector. Either way it cost me a lot of wasted time. I had to go out to my property, get up on a ladder and open the detector and send a picture of it to prove that my unit should have passed the inspection. RA required a re-inspection. So I had to go out there again and meet with him with ladder in hand.

So take the time to look at what you are purchasing. Buy the detectors that have the 10 Year written on the exterior or be prepared with a ladder to facilitate the inspection.

Last but not least, do not forget to write the installation date on the inside of the detector.

Are You Still Collecting Rent in Cash?

By Dawn Anastasi
AASEW Board Member



Does this look like your pile of rent money each month? Are you driving around from property to property picking up either cash or money orders? Have you considered allowing your tenants to pay online from the convenience of their home computer or smartphone?

If you missed our presentation on Cozy at the August membership meeting, or missed speaking to Cozy at our October trade show, there's still time to check them out. <http://www.cozy.co/aasew> What is Cozy? Cozy is a FREE online property management software for small to medium sized landlords.

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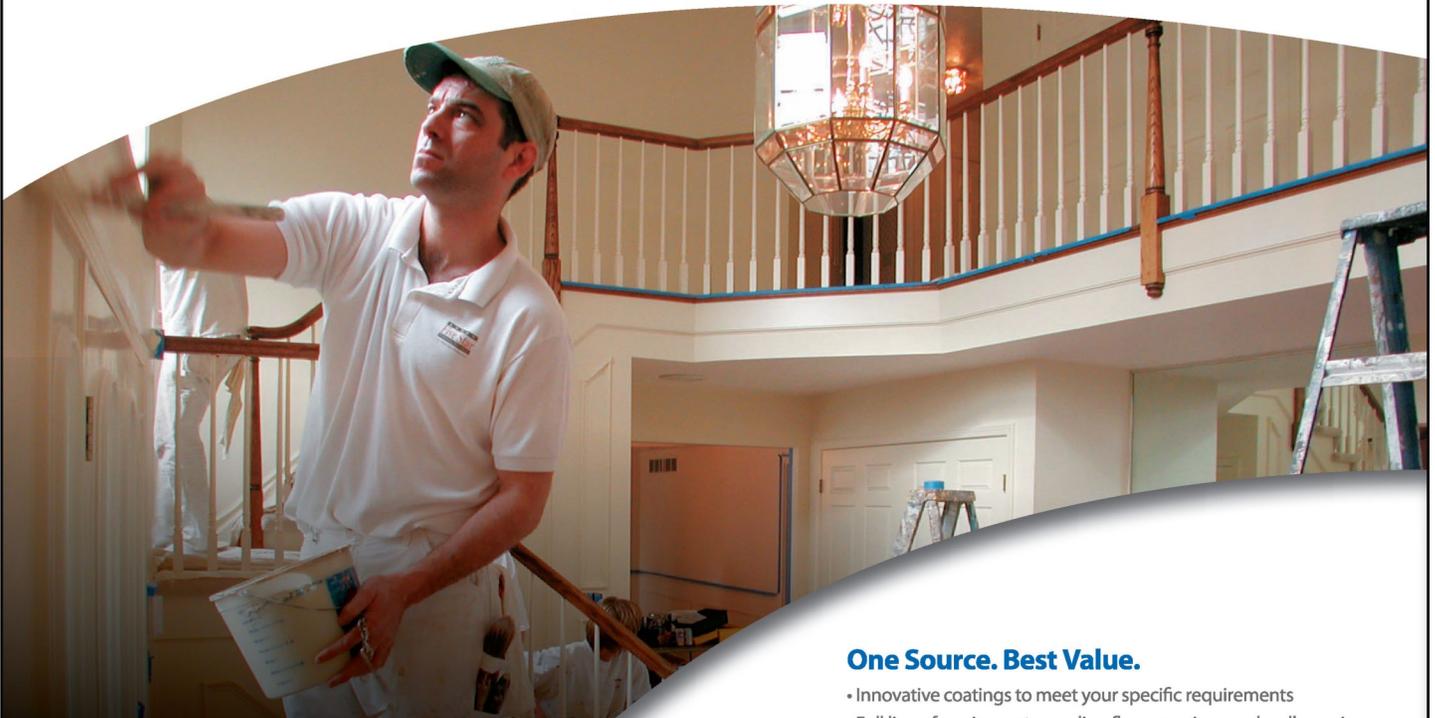
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AASEW members are invited to fill out a quarter sheet form to advertise properties or tools they either would like to sell or they would like to buy at our general membership meetings. Members will also be able to post job openings. We are in hopes this will continue to improve our members' experience. Forms are available at the meeting registration table as well as online. You are welcome to fill it out and bring it with you to the meeting.



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(Five Profit Centers continued from page 9)

yourself and rather work with a CPA who specializes in real estate. The laws are changing so often and the available perks can be very hidden, so, in my opinion, it'd be almost impossible for you to maximize the tax benefits from your property on your own.

4. Equity Build via Mortgage Payoff

Here we go with getting less obvious. If you buy a cash-flowing rental property that experiences appreciation and you are getting mad tax benefits all the while, there is still something else that is happening along the way. It's related to appreciation in that it is equity-related, but it's in addition to appreciation.

Assuming you bought a property that the expenses are covered by the rental income, your tenants are paying down your mortgage for you. Hear that? Your tenants are paying that for you. And as a mortgage gets paid down, that is just more money to your name. Let's say you own a rental property for 30 years and experience absolutely no appreciation on it, but the rental income has been covering your mortgage all that time. Now you own a property free and clear, and all of that equity is yours to use. Thanks, tenants!

Obviously, this profit center is dependent on having purchased the property with financing, so bear that in mind. Some might try to argue against tenants paying down the mortgage because that would otherwise be money in your pocket if you didn't use a mortgage at all, especially with the interest, but that then becomes a discussion as to whether you are a bigger believer in leveraging investment properties versus paying cash for them. Personally, I prefer to leverage because the returns end up being higher in the end. If you are contemplating this question for yourself, though, check out "Leveraging vs. Paying Cash for Rental Properties: A Look at the Infamous Debate." There's no wrong way to do it, but know that if you do decide to leverage, then you will get the equity pay-down/off bonus.

5. Hedging Against Inflation

Here's a fun one. This profit center doesn't present itself in exactly the same manner as the rest — cash-in-your-pocket style — but it is a creative one. Let's say you buy a property in 2016 with a mortgage. Over the next however many years, inflation goes bonkers. What happens when inflation kicks in? The dollar is worth less as inflation goes up.

Let's say, then, 10 years down the road, you are still paying that mortgage. The amount of the mortgage hasn't changed since you borrowed with it in 2016 dollars, but now you are paying it back

with dollars that are worth less than they were in 2016. See what I mean?

Rental properties are one of very few investments that actually get better with inflation! It's kind of like — imagine this. In 1912, maybe you could buy a really nice house for \$20,000. What if you could own that same house right now for \$20,000, when it's probably more of today's equivalent of \$450,000? May be a stretch on the numbers, I don't really know, but those are great to explain how inflation is awesome in this case. Maybe you buy today in 2016, and later in 2032 you still own the house at the 2016 cost. OK, I'm going to stop before I start confusing myself with scenarios, but if you want more information on how hedging against inflation with rental properties works, check out "Real Estate as a Hedge Against Inflation."

Now, a last and final thought to conclude the awesomeness of all of these profit centers. Having 5 profit centers is awesome, no doubt about it. But here's something to keep in your mind as you think about them and start pursuing owning rental properties. One of the major advantages of having 5 profit centers is it gives you some room to get in a pickle with one of the centers and still come out profitable on your property.

I can give you an example. One of my rental properties in Atlanta went through a long phase of being vacant for some reasons I couldn't have guessed would have been an issue. I was stressing out over missing out on the cash flow all that time, all the while paying the mortgage out-of-pocket, and I have an investor partner on it so I was stressed about whether he was going to be irked or not. Between all that vacancy time and some repairs, I felt like I was really in the hole. However, the next year, I was able to cash-out refinance that property and put \$40,000 in my pocket from appreciation. So while the monthly cash flow was in the hole, and since I didn't have tenants paying the rent so I wasn't getting any equity pay-down either, I was still earning income from appreciation and tax benefits.

What if you have a property on the flip side? What if, as is the case with the majority of properties around the country right now, you aren't expected to see a lot of appreciation in the near future like I did on my Atlanta property back in the day? Well, make sure your monthly cash flow is in place. If you never see a lick of appreciation on a property, you still can have monthly cash flow, tax benefits, equity pay-down/off, and it can be a hedge against inflation.

The moral of the story? Be smart and buy a property that is scheduled to see both positive monthly cash flow, and appreciation, so you are set up to earn from all 5 profit centers. That way, you have some room for things to not go as expected in some areas, and you can still remain profitable.



Would you like to submit an article for publication in the AASEW monthly newsletter?

Here are the current submission guidelines:

- Deadline for all submissions is the first of each month.
- The newsletter will be delivered electronically to the membership on the 10th of the month.
- Limited print copies of the newsletter will be available at the General Membership Meeting following its publication.
- We are happy to accept one article per author per newsletter.
- Please keep article to approximately 500 words in length.
- Any edits made to an article (generally for length) will be approved by the contributor before it is published.
- All articles must be properly attributed
- The Editorial Staff reserves the right to select articles that serve the membership, are timely and appropriate.



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Looking forward...

Membership Meeting—Monday, November 19, 2018

AASEW Elections, Q & A with Attorney Tristan Pettit

Holiday Party— Friday, December 7th, 2018

Join us at **1983 Arcade Bar** located in Milwaukee's Third Ward (1110 N Old World 3rd St, Milwaukee, WI 53203) Come for the fun and play old school arcade games with your fellow landlords. More details to come.

Membership Meeting—Monday, January 21, 2019

We will welcome Andi Mallman-Elliott from Community Advocates
More details to come.

Membership Meeting—Monday, February 18, 2019

We will welcome Attorney Nancy Wilson from Axley Brynson, LLP.
She will be talking LLC formation and more! Watch for more details!

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