



# Newsletter

## October 2015

**CDARPO**

Capital District Association of Rental Property Owners



Please submit your photos and descriptions to Engels Rojas ([engelsrojas82@gmail.com](mailto:engelsrojas82@gmail.com)) or Ray Koloski ([rayhats@gmail.com](mailto:rayhats@gmail.com))

### **Next Meeting**

**@ *Best Western plus Franklin Square Inn***  
***(Across from Dinosaur BBQ)***

**Thursday, October 8<sup>th</sup>**

**Featured Speaker(s):**

**TBA**

**Speak-Up**

**Networking around the  
Refreshment and Resource Tables**

## Advice to the Houselorn

### By: Mac Mowbray

WATER, WATER, WATER everywhere ! After a slow summer for building problems, we now have a deluge of problems involving water in all the wrong places. If only we were able to send it to California !!

Colonie complains of a flooded lawn.

That one is probably the least of the problems I have heard this past week. The main thing with flooded lawn areas is: Do not walk or drive on it until the water is absorbed into the ground. Otherwise you will cause ruts and indentations and you will need extensive repairs in the Spring. Rope off the area and discourage tenants from using the area until it is dry. The huge amount of rain we had saturated the ground way beyond normal and it will take a while to become firm again.

Downtown Albany has fared a bit worse.

I have a three story town house and experienced a huge flood on the basement level. Water poured into the basement level due to a clogged exterior drain, resulting in close to a foot of water in the occupied unit. The roof drain was also clogged and when it was freed of debris, water poured out of the toilet and shower in the basement apartment. Help ! Where do I begin. I answered this on the phone as soon as she called. The problem was probably threefold.

No. 1 - The outdoor drain was covered with leaves and other debris. That resulted in water pouring into the basement rear door.

No. 2 - The roof drain was obviously clogged with leaves blown off the trees during the storm. Unclogging that drain released a huge volume of water that the partially clogged drain system could not handle, resulting in backups through the toilet and shower. The partially clogged main drain was

No. 3.

What to do ? First, get the tenant out of the apt. Waste water is not healthy and could cause problems. Determine if the partially clogged main drain will handle normal use from the units above the basement without further back up through the plumbing fixtures. If that's ok, Open all the windows, and call a flood remediation service and the insurance company. Then contact an outfit that will make sure any restrictions are removed from the drainage system. Tree roots, or improper items flushed down the toilet can be the culprit. Also, in old cities, partial collapse of the drain pipe itself could be the reason. The items not damaged by flood waters should be removed to a safe dry place. The remediation outfit will determine which if any items that got wet can be cleaned and sanitized. Some may have to be junked because of possible mold contamination.

I guess I do not have to remind all of you with buildings near trees to CLEAN LEAVES AND TWIGS OUT OF THE DRAINS ! Also, now that it is becoming obvious (It was 46 degrees this AM) that Winter is on its way, it is time to do the "get ready for Winter" routines. Check the heating equipment. Everyone will be calling the folks that clean and check this stuff, so call now, you may have to wait.

Keep those calls coming. More next month about some non emergency repairs that you can do yourself.

Mac Mowbray 463-4310 or [gmm400@hotmail.com](mailto:gmm400@hotmail.com)

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**EPA Certified Renovator Initial (RRP I) training**  
**EPA Certified Renovator Refresher (RRP R) training**  
**October 2015**  
**CLASS SIZE IS LIMITED—REGISTER TODAY—ALL TRAININGS ARE FREE**  
*Funding for RRP classes is provided by Albany County Department of Health, Rensselaer County Department of Health, and Schenectady County Public Health Services*



Effective April 22, 2010, workers performing renovation, repair and painting projects that disturb lead-based paint in homes, child care facilities, and schools built before 1978 must follow specific work practices to prevent lead contamination and must be certified. This federal EPA Renovation, Repair, and Painting (RRP) rule applies to contractors, painters, plumbers, carpenters, electricians, window replacers, roofers, and landlords.

Trainings to become EPA certified are offered by Cornell Cooperative Extension Albany County, an EPA accredited training provider. This course is approved for purposes of certification under Section 402 of Toxic Substances Control Act (TSCA) for the respective discipline.

Upon successful completion of the **RRP Initial course** including passing an exam at the end of the class, participants are EPA certified renovators. This certification is good for 5 years. Certified renovators must take a **RRP Refresher course** before their certification expires.

Failure to comply with EPA's RRP program requirements could result in penalties of up to \$37,500 per day per violation.

**RRP INITIAL class**

**October 20, 2015**  
**East Greenbush Fire Hall**  
 68 Phillips Road  
 Rensselaer, NY 12144

7:45 am registration/breakfast    8:00 am - 5:00 pm training

**RRP REFRESHER class**

**October 21, 2015**  
**East Greenbush Fire Hall**  
 68 Phillips Road  
 Rensselaer, NY 12144

7:45 am registration/breakfast    8:00 am - Noon training

**Questions can be answered by:**  
**Nancy at 518-765-3521/[NKL1@cornell.edu](mailto:NKL1@cornell.edu)**  
 OR  
**Lisa at 518-765-3512/[LKC29@cornell.edu](mailto:LKC29@cornell.edu)**

**PARTICIPANTS MUST PRE-REGISTER**

**Register online:**

[https://pub.cce.cornell.edu/event\\_registration/main/events.cfm?dept=201](https://pub.cce.cornell.edu/event_registration/main/events.cfm?dept=201)

**Register by mail, send completed form below to:**  
 Lead Training, P.O. Box 497, 24 Martin Road, Voorheesville, NY 12186

New York State code officials successfully completing Cornell Cooperative Extension Albany County's 8 hour EPA RRP Initial training course will receive 8 CEUs. (Individuals must sign in, complete all paperwork, have their picture taken, pass the exam, and sign out. All students must follow these procedures to receive in-service training credit for this class.)

**ALL RRP INITIAL TRAININGS INCLUDE: *Continental Breakfast \* Lunch \* Refreshments \* Course Manuals & Materials***

Name: \_\_\_\_\_ RRP Initial training \_\_\_\_\_ RRP Refresher training \_\_\_\_\_

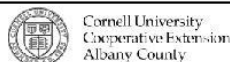
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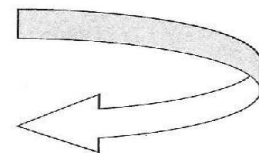
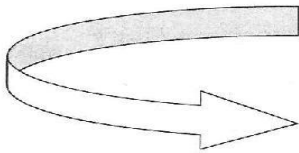
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  - SECTION 8
- STUDENT RENTAL MARKET
- CDARPO (Come find out what that means!)



**Oct 27<sup>th</sup> & 29<sup>th</sup> (Parts 1 & 2)**

**6:00 – 8:30 PM**

**TRIP, 415 River Street, 2<sup>nd</sup> fl., Troy  
(north of the Green Island Bridge)**

**Limited seating; register ASAP at**

[http://www.triponline.org/news\\_and\\_events/WorkshopRegister.html](http://www.triponline.org/news_and_events/WorkshopRegister.html) **or**

**TRIP'S HomeOwnership Center at 690-0020 x221**

**\$15 materials fee includes light food**

A project of the Troy Rehabilitation and Improvement Program (TRIP), City of Troy and Rensselaer Polytechnic Institute

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# The 2% Rule Should Die a Horrible Death

By: Andrew Syrions

The 2% rule needs to die.

Now, before I go on, I'm well aware that no one would say that any rule of thumb, such as the [50% rule](#) or the [70% rule](#), is applicable in every situation. A rule of thumb should be used as shorthand to figure out if a property is worth pursuing *before* a thorough analysis is done. That way you can cut out the clutter without wasting your time on dead ends. Most of the time, the 50% rule and 70% rule are good rules of thumb. The 2% rule is not. The [2% rule](#)—while rarely explicitly defined—states something like “to make a good profit on a single family home it's rent to cost ratio should be at least 2%.” So for example, if a property rents for \$1000 a month and you can purchase and rehab it for \$50,000 total, it would have a 2% rent/cost (\$1000 divided by \$50,000 equals .02 or 2%).

There are two primary reasons this rule is bunk:

- 1) Rent/cost ratios are not a consistent measure of cash flow potential.
- 2) The rule, if followed, leads investors into areas only specialists should go.

## Rent to Cost Ratios Aren't a Good Measure of Cash Flow

I don't mean that rent-to-cost ratios are useless. In fact, I use them all the time. But rent to cost ratios are only useful when comparing properties in like neighborhoods and price ranges. So let's say I have House A and House B and both are in relatively similar neighborhoods (regarding average home price, income, crime rates, school rankings, etc.). I can buy and rehab House A for \$60,000 and it rents for \$900/month. I can be all into House B for \$50,000 and rent for \$800/month. With this analysis, House A has a 1.5% rent to cost and House B has a 1.6% rent to cost.

House B is probably a better investment. “*Probably*” being the key word. There is still more analysis to do; a comparative market analysis, a pro forma, an estimation of the cash flow and perhaps cap rate, etc. And of course, you need to make sure you are being realistic about your [rehab budget](#). But let's say House A was \$25,000 and rented for \$500/month and House B was \$100,000 and rented for \$1250/month. Oh, well now, it's easy, House A's 2% rent/cost ratio blows House B's paltry 1.25% out of the water!

Not so fast.

Square foot for square foot, a roof costs about the same on a \$25,000 house as a \$100,000 house. You may go with vinyl or builders grade carpet instead of tile and a higher quality carpet to save costs on the \$25,000 house. But in the long run, that will probably cost you even more because it's much harder to do spot repairs on vinyl as compared to tile and I don't think I've ever seen builders grade carpet last for more than one turnover. Used appliances go out much quicker than new ones. Same with HVAC. Ever tried to wash marks off a wall painted with flat paint? Good luck

Yes, you shouldn't be putting granite countertops and Brazilian hardwoods in a lower end rental, but cheap materials and/or labor is just going to cost you more down the road. Therefore your operating expenses will not go up evenly with price. Whereas a \$50,000 rental may cost you \$3000 per year, a \$100,000 house may cost you \$4000 per year. And even though the taxes are much less, a \$25,000 house may cost you closer to \$5000.

Why? Because houses that are that cheap are usually in rough areas. Houses in rough areas are more likely to be treated poorly and have more delinquency. In other words, you will likely have to turnover these homes more often and repair more damage each time. And that doesn't even include vacancy rates!

Vacancy rates are one of the key assumptions each investor must make when they are analyzing an investment. And vacancy rates vary dramatically from one neighborhood to the next. The 2% rule would have you believe the insane notion that you can hold vacancy constant. What I'm basically saying is that really cheap houses don't usually cash flow. Or as [Ben Leybovich](#) puts it,

“So... You bought this house for \$18,000 and spent \$12,000 to put lipstick on the pig. You've had to work hard to keep it full. The house was trashed more often than not. You've evicted most tenants because people that are willing to live in this location and in a unit of this character are economically unstable...this doesn't mean that they are bad people, just that they don't have control of their financial lives, which often leads to evictions and frustration!”

Do you think you can honestly compare such an investment to a home in a thriving middle-class neighborhood? No? Well the 2% rule thinks you can...

Source:

<http://www.biggerpockets.com/renewblog/2015/05/06/2rule-die-horrible-death/>

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## Troy Topics – A New Season

This season brings about a plethora of game: baseball playoffs, college and professional football, basketball season begins (and thanks to Republican council candidates running in a heavily Democratic city that old standby "blame the landlord").

Meeting on River Street at the site of the first shooting in recent memory, the three candidates found an issue that resonated with the assembled group: street shootings, a valid concern, however, one of the candidates, Andrea Daley, stated "absentee landlords should have to be held responsible for their properties and tenants." A couple of years ago, under a different administration, a landlord was cited for actions of his tenants and forced to close down his rental operation, though he had done nothing wrong.

CDARPO has had a most cordial relationship with the current administration and council, attending and speaking at meetings, writing articles in the newspapers, and participating in Troy's master plan with a voice for landlords. One significant result was that the pejorative term "absentee landlords" was replaced in the vernacular with "negligent landlords" having more meaning than where the landlords lived. The majority of CDARPO members are absentee landlords, but should not be painted with the broad brush of negativism implied by the title.

We could use some other Troy landlords in promoting the landlords' viewpoint at meetings in Troy. Contact me if interested in promoting the image of CDARPO.

I hope to hear from you.

Ray Koloski

[518.588.6588](tel:518.588.6588)

[rayhats@gmail.com](mailto:rayhats@gmail.com)

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**CDARPO members represent the entire Capital District –  
Albany, Rensselaer, Troy, Saratoga, and Schenectady counties.**

Please join us!

Dues are \$45 emailed newsletter or \$50 snailmail newsletter.

Already a member? Renew your CDARPO membership for 2014.

Find our membership form on-line at [www.cdarpo.org](http://www.cdarpo.org).

Know of a prospective member or a landlord who needs help? With their permission, give their e-mail or address, call (518) 433-7377. We will send them newsletters and information.

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Inquiries regarding the newsletter or advertising should be directed to:

Engels Rojas, Editor  
e-mail: [engelsrojas82@gmail.com](mailto:engelsrojas82@gmail.com)

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## **CDARPO**

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*CDARPO can help.*

**We offer 10 newsletters each year, general meetings with professional speakers, and members with years of experience.**

## **Next Meeting Thursday, October 8th**

*Best Western plus Franklin Square Inn  
(Across from Dinosaur BBQ)  
Troy/Albany  
7:00pm – 9:00pm*

**1 4<sup>th</sup> Street  
Troy, NY 12180**

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**Meetings are held on the 2<sup>nd</sup> Thursday of each month  
September – June.**

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