EVICION OPTIMIZATION: Best practices to better manage the bottom line and rid your property of problematic tenants

Property Management Best Practice: Eviction Optimization

Over the past decade, property managers have increased NOI by optimizing individual property management functions such as leasing, revenue management and cost controls. Improving these core processes has primarily involved identifying industry best practices, infusing those best practices into the company’s standard policies and procedures and employing technology to implement, monitor and report on those process improvements. One major function that has not been standardized or optimized is the eviction process.

Evictions are often viewed as isolated incidents of a failure in the leasing process. While this is partially true, the reality is that evictions are as much a part of the property management process as leasing. Eric Cato of NationwideEviction.com states that over the past two years, they have seen a consistent monthly trend of 2.5 to 3 eviction filings per 100 units under management across the board, indicating that eviction processing is an ongoing need for most communities.

Lack of Standardized Process

Despite the importance of this management function, there is typically a lack of a standardized, enterprise-wide approach to eviction processing. Often managers are either not formally trained on the eviction process or do not follow a consistent approach to issues such as late payments, lease violations or criminal activity. Furthermore, in many cases, attorneys are hired to represent the company solely by the onsite staff with very little vetting, oversight or fee negotiation. While many companies have high level policies regarding when evictions are suppose to be filed, senior managers typically lack the ability to see exactly when filings are taking place or to track the ongoing status of those cases. Most importantly, many companies are not capturing the wealth of information that can be gained from the monthly eviction process. Insights such as: How have the number of evictions trended over a given time period? What is the average tenure of residents who are ultimately evicted? How do properties within a portfolio compare to each other?

How does the portfolio compare to industry benchmarks?

In this litigious environment, a company’s lack of standardized eviction policies exposes it to substantial legal liability and financial risk. As residents learn more about the intricacies of landlord-tenant law and avail themselves with their own (often free) legal representation, property management companies professionals are seeing the age of receivables rise as well as the cost of prosecuting appeals. Furthermore, judges

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Tammy Manning
Property Manager
Hawthorne Residential Partners

DID YOU KNOW? Legal advice on filing evictions from attorneys that are experts in landlord/tenant law and evictions

Kevin Deeb, Esq
Coral Gables, FL

“Tenants can take advantage of landlords that chose to file an eviction on their own, and so do the defense attorneys. Inexperience with potentially difficult eviction cases can sometimes delay the matter for months, costing the landlord much more in lost rent than they ever would have spent on obtaining the services of an attorney.”

Eric Willison, Esq
Columbus, OH

“Even when you become experienced at performing your own evictions, you can still run into problems if the tenant or the judge hits upon a point of procedure or a defense that you did not anticipate. What hurts landlords most is delay in the eviction process since every day the property is not back in the owner’s hands is one more day of unpaid rent and possible physical damage.”

John Raftery, Esq
Bethesda, MD

“The landlord must be certain to accurately list all persons listed on the lease on requests to their attorneys for suits/eviction. On too many occasions, evictions will need to be cancelled due to a listed tenant being omitted from a notice or the law suit. This omission can result in significant additional losses to the landlord in the form of rent or for a wrongful eviction claim.”

Justin Smith, Esq
Royal Oak, MI

“Time is money when it comes to the real estate investor and landlord. There are so many pitfalls in landlord tenant law, which is usually tenant-favored. These pitfalls could result in delaying a final and satisfactory disposition of a landlord’s legal challenges; which is why involving an attorney is a smart decision to insure landlords avoid the pitfalls and decrease the time needed to secure the eviction.”
in many jurisdictions are becoming more hostile towards landlords bringing poorly prepared cases, dismissing many of them outright and in some cases granting damages in expensive counter suits.

**How to Optimize the Eviction Process**

There are, however, a handful of companies that have focused on standardizing and optimizing their eviction process across their portfolio and have seen significant improvements in operating income while reducing company liability. These companies use national eviction software applications to ensure that evictions are filed as soon as possible in a consistent, transparent and professional manner. Michele Runyan from Hawthorne Residential Partners states that, “a 1-week improvement in eviction filing can result in thousands of dollars in NOI recovery. Not only are you able to lease the unit to a paying resident faster, but you also get rid of disgruntled residents who often engage in destructive behaviors such as damaging the unit or devising some basis for an appeal or counter lawsuit. Our efficient method of finalizing evictions sends a clear message to our residents that we stand firm on our resident policies and procedures.”

Filing sooner also increases the likelihood that unpaid balances will be bought current before the actual removal of the resident is necessary.

Tammy Manning, property manager for Hawthorne Residential states that “in my community as many as 70% of residents who are filed on reinstate their lease by bringing their account current, paying all past due rent, late fees and legal fees. These fees partially offset the cost incurred by the company to carry out the full removal of the remaining 30% of residents filed on.”

Deploying a common eviction platform across an entire portfolio of properties allows managers to be trained on the same system, use common procedures and employ companywide best practices while giving senior managers a bird’s eye view of the data needed to quickly determine if the company’s eviction policies are being adhered to.

Megan Kee, Vice President for Bell Partners states that “while I have some of the best managers in the business, I am constantly using data to answer questions such as, Are evictions being filed in a timely manner? Are they being filed under the correct circumstances? Are they being settled and dismissed in line with company policy? These data points give me the confidence to know that we are avoiding legal liability while enhancing the livability and profitability of our communities.” This one platform approach also allows managers to benchmark the performance of properties against one another and against industry averages for the region and class of property. Mindy McCorkle, Operations Director for Blue Ridge Companies states that “Data analysis is the key to effectively managing portfolios. You can’t improve if you can’t measure results. If one property is consistently filing more evictions than other properties, I want to understand why. If a property is filing consistently fewer evictions, I want to investigate the age of receivables, or the general health and livability of the community.”

Finally, a common eviction platform improves the manager’s productivity by allowing them to enter a standard set of eviction information. Full service eviction software will identify the correct forms for the given jurisdiction and populate them correctly, ensuring no information is missing on court documentation. Using software allows the manager to focus on gathering the correct information per company policy – residents on the lease, late fee calculations, filing fee calculations etc., without worrying about how to reflect this information on the various forms in the various jurisdictions.

The Importance of an Attorney

While deploying a national eviction platform is necessary, it is not sufficient. The next step is to employ an attorney who is integrated with the eviction platform to prosecute the evictions. Property management staff should be onsite generating revenue for the property as opposed to spending hours managing eviction cases and going to court - time the company is not compensated for. Attorneys who specialize in evictions pay for themselves in a number of ways. First, in most states, attorney fees can be fully charged back to the resident whereas manager time and resources cannot. Secondly, having professional representation increases the number of cases that are won the first time around while reducing the company’s liability for an ill-prepared case or a wrongful eviction. Finally, attorneys that are integrated with a national eviction platform typically offer standardized, best in class pricing and are willing to pay court fees in advance on behalf of their clients. This allows the property to handle eviction filings within its normal billing process as oppose to utilizing petty cash.

Attorneys that are a part of a national eviction platform typically offer other auxiliary services to property management companies. They will usually offer to review the property’s lease, at no cost to the company. Many will also offer free annual or semiannual legal seminars with the onsite staff, keeping them current on the latest changes in landlord-tenant law.

The eviction process is one of the final frontiers of property management optimization. By instituting a consistent, companywide eviction policy, deploying the technology to implement the policy and employing attorneys to cost effectively execute the policy, property management companies can increase NOI and reduce the company’s overall legal liability.