



Landlord's Guide to Managing a Rental Property





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YOUR GUIDE AS A LANDLORD

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Life as a Landlord

KEY THINGS TO KNOW

Becoming a landlord is a stable form of investment and holds many benefits. You can generate passive income and even create wealth for retirement.

However, as a new landlord, you need to learn all the legalities involved in leasing out a property. We have created the following landlord's guide for you to avoid any unwanted situations and ensure a smooth sailing in the rough waters of being a landlord:



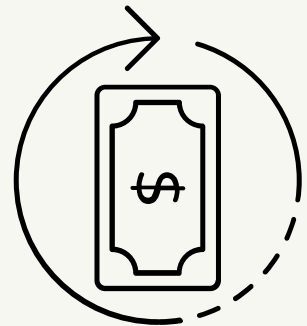
Property Management

Maintenance, repairs, insurance, taxes, bills, strata fees.



Tenant Management

Occupancy, paperwork, legal, rent collection, relationship management.



Cashflow & Budgeting

Accounting, tax, expenses, rent collection, cashflow.

Legal Considerations

Many landlords end up paying thousands of dollars in dispute resolution and court awards in British Columbia, because they make the BIG mistake of not having familiarized themselves with their provincial tenancy laws.

This usually happens when the tenant takes legal action against a landlord who is unaware of his/her responsibilities. Landlords should be aware that there are tenants who target landlords who don't know the law.

It is incumbent upon every landlord to know the tenancy laws so that liability and risk is minimized and/or completely prevented. There is no excuse for not knowing your provincial tenancy laws.

If your property is in BC, there are various legal considerations you must comply with, including:

- **The Residential Tenancy Act**
- **The Employment Standards Act**
- **The Real Estate Services Act**
- **WorkSafe BC**
- **The Human Rights Code**
- ***Many other federal, provincial, and municipal acts and regulations***

For information on the BC Residential Tenancies [click here](#).

Legal & Safety Considerations



Legal & Safety Considerations



Safety Considerations

Your tenant's safety is your top priority, so the very first item on your landlord checklist should be to perform **routine checkups of the property** to ensure everything's okay.

For example, landlords have to install (functional) smoke alarms on every floor of their property. Moreover, carbon monoxide detectors need to be installed in every room that has a fuel-burning appliance (namely the kitchen).

Here's a list of things you need to ensure are safe and viable to live in:

- The infrastructure of the building (walls, roofs, stairs, floors);
- Communal areas like staircases and hallways;
- Plumbing, electrical, ventilation, HVAC systems, elevators;
- Hot water heating systems;
- Additionally, make sure there are no rodents or vermin infestations.
- Also, there shouldn't be any environmental contaminants such as lead, mold, or asbestos.

Property Maintenance

Fix & Clean the Property

If you find things that are not up to code, this is the time to fix the problem. For example, if something's wrong with the plumbing, have it fixed as soon as possible.

Make sure smaller things like doors, windows, lights, or cabinets are perfectly functional. If something stops working during the tenancy, organize to have it repaired as quickly as possible.

Once a tenant moves in, all utilities have to be working properly. By taking care of maintenance requirements now you can reduce your maintenance costs in the future.

Additionally, make sure your rental is kept clean. Once your tenants have moved in, they are responsible for their own cleaning and maintenance. However, as a landlord, it's your job to provide your tenants with a clean and hygienic space to move into.

Get the Locks Changed

Are you done with the above? Now, it's time to get the locks changed.

Technically, this step is only applicable if people were living in the property before the new tenant. If the tenant is the first ever to live there, you can ignore this step. However, if not, you need to get the locks changed.

This is both a safety measure and a way to protect yourself from possible legal issues.





Property Management

Property management is a way to reduce the stress of owning a rental property. Some of the benefits are listed below:

- **Tools and experience to deal with issues**
- **Ensure legal compliance**
- **Manage for you if you're abroad or non-resident**
- **Assist with finances**
- **Monitor strata property changes**
- **Network of trusted tradespeople for repairs**
- **Tenant management.**

The main downside of property management is the cost. A property manager can cost anywhere between 6-12% of the rent.

Finding and Managing Tenants

Find the right tenants

Finding the perfect tenant can sometimes take more time, but is worth the extra due-diligence. Tenant turnover is arguably the single biggest cost for you as a landlord. Here are some tips:

- **Keep your property well maintained**
- **The best rent is not always the best tenant**
- **Check references thoroughly**
- **Run a credit check**
- **Ask for a quick bio**
- **Note what stage the prospective tenant is in their life**
- **Be prepared to work**

Kijiji and Craigslist are potentially great sources to advertise your rental property. Use a personal picture as this helps get inquiries.

Collect Your Security Deposit

As any experienced landlord will tell you, always collect a security deposit before the tenant has moved in.

At the start of a tenancy, a landlord can ask for a **security deposit** (also called a damage deposit). In BC, a security deposit can be a maximum of half the monthly rent. For example, if the rent is \$1000 per month, the security deposit could be up to \$500.

A landlord may also request a **pet damage deposit** at the start of a tenancy or during a tenancy if a tenant gets a pet with the landlord's permission. The deposit must be no more than half of one month's rent, regardless of the number of pets allowed.



Finding and Managing Tenants



Check References

A tenant reference check is simply a way of determining whether a prospective tenant is reliable, and able to keep up with monthly rent payments. Of course, there's no way of guaranteeing how someone will behave in the future, however, tenant checks can give you an insight into who you're leasing your property out to.

Here are just some of the things you should verify, before handing over the keys:

- **Proof of Identity** - Photo ID is usually preferable, such as a driver's license or passport;
- **Guarantor Information** - If you're concerned that a certain tenant may not be able to afford their rent, you can ask for a guarantor. This is particularly prevalent in student properties;
- **A Previous Landlord Reference** - Ideally, you're hoping for a reference that demonstrates that the tenant is reliable and trustworthy. This not only includes paying rent on time, but also respecting both the property and the landlord;
- **Details of Previous Address** - You may also want to see proof of previous addresses, to ensure the tenant is who they say they are.

Finding & Managing Tenants

Managing tenants

If you don't have a property manager, you will be responsible for managing tenants yourself. Consider your tenants as a customer of yours and make it a priority to build a rapport and relationship.

The province of BC has a great website with 'quick tips for landlords and tenants', that provides key information such as:

- **Giving notice to end a tenancy;**
- **Landlord entering the unit;**
- **Moving in or out: do an inspection;**
- **Paying rent;**
- **Repairs and maintenance;**
- **Tenancy agreements;**
- **And more...**

For additional help and guidance as to what is expected from either party please visit Tenant and Landlord Education Portal

<https://www.tenantsinfo.com/>



Required Documents

Tenancy Agreement

Landlords are required to prepare a written agreement for every tenancy. Even if a landlord doesn't prepare one, the standard terms of a tenancy agreement still apply. **Note**, paying a security deposit establishes a tenancy, even if there is no written tenancy agreement and if the tenant never moves in.

A Tenancy agreement includes:

- Name of all parties involved (tenant and landlord);
- Term of the agreement and amount of rent;
- Terms for security deposit and other fees;
- Right of entry;
- Prohibition of illegal and other disruptive activities;
- Agreement for maintenance;
- Accountability for damages to the property;
- Right to keep pets (or not);
- Limitations on tenancy (for example, subleasing).

Tenancy agreement must:

- Be signed and dated by both Landlords and Tenants;
- Be provided to Tenants in print within 21 days;
- Comply with the Residential Tenancy Act, & the Manufactured Home Park Tenancy Act

Click to download [BC Residential Tenancy Agreement](#)

Your Contact Info

This may seem like a small thing, but think of it as a fall-safe. In case of emergencies or complaints, tenants need your contact information. Responsible landlords always provide their contact information with prompt response rates.



Required Documents



Special Requests

If tenants have special requests, it's a good idea to have this on your landlord checklist so you don't forget to check. For example, the tenant may want to paint the walls another color as opposed to the standard white.

If the request is based on wants more than needs, you can decide whether you want to accommodate it or not. However, ensure that the condition is within the lease. Charging an extra fee for re-painting the walls is okay as long as it's in the lease.

On the other hand, if you receive a request to accommodate a disability, you're legally bound to follow through.

Condition Inspection Report

When your tenant moves in, go over the Condition Inspection Report (move0in checklist) together. It is document that specifies the state of your property at the time.

Download your free [BC Condition Inspection Report...](#)

Move-in checklist includes:

- Tenant's name, address, and apartment number;
- The move-in / move out dates;
- Inspection results (both move-in and move-out);
- State of each room in the unit (upon both move-in and move-out);
- Proof that safety devices (like smoke alarms) are functional;
- Both Landlord's & Tenant's signatures.

Once the tenant has looked it over, have him/her sign and date it as proof. As you can infer, Condition Inspection Reports are very important as they allow you to track the changes in your property over time.

Insurance

Obtain Insurance

Real estate has proven to be a solid choice for investing for many years. Another investment you will need to consider is what sort of Insurance you should have.

Make sure that you have the maximum amount of rental insurance, property liability insurance, and any other type of insurance that may be required in your province. This can help protect you from devastating losses. Remember this is your responsibility!

Here are some 'Types of Insurance' to consider:

- Mortgage Life Insurance
- Mortgage Critical Illness Insurance
- Mortgage Disability Insurance
- Title Insurance (lender requirement)
- House insurance (lender requirement)
- Strata Unit Policy (highly recommended)
- Master Strata Policy (make sure your strata is covered)
- Tenant/Renters Insurance (recommended for your tenant)
- Rental Property Insurance





Expenses

Owning and managing a rental property is essentially having your own business. BUT, with the great feeling of receiving income, comes the reality of dealing with expenses...

Some common costs you should budget for include:

- **Repairs due to wear and tear**
- **Repainting when preparing for new tenants**
- **New carpet or carpet cleaning**
- **Mortgage payments**
- **Property taxes**
- **Insurance payments**
- **Yard maintenance**
- **Covering missed rents**
- **Income Taxes!**

Deductible & Non- Deductible Expenses

Declaring Your Rental Income

Even if you're renting out an illegal basement suite for a few hundred a month, report the rental income. You never know when or why your tenant might report you to CRA, or worse, if you eventually get randomly audited.

The consequences of not reporting aren't worth the benefits of dodging CRA. First off, the late fees and penalties are significant and retroactive. Second, expenses associated with running the property are deductible expenses. Depending on your tax bracket, you may be able to get money back from CRA or even declare a loss.

As a landlord you are probably wondering about the types of expenses you can deduct from your rental income. The two basic types of expenses are current expenses and capital expenses.

A **current expense** is one that generally reoccurs after a short period. For example, the cost of painting the exterior of a wooden property is a current expense.

A **capital expense** generally gives a lasting benefit or advantage. For example, the cost of putting vinyl siding on the exterior walls of a wooden property is a capital expense.

Find out more [HERE](#)



Deductible Expenses

Rental expenses you can deduct

1. Advertising

You can deduct expenses for advertising, including advertising in Canadian newspapers and on Canadian television and radio stations. You can also include any amount you paid as a finder's fee.

2. Insurance

You can deduct the premiums you pay on your rental property for the current year. If your policy gives coverage for more than one year, deduct only the premiums related to the current year.

3. Office expenses

These include small items such as pens, pencils, paper clips, stationery, and stamps. Office expenses do not include capital expenditures to acquire capital property such as filing cabinets, chairs, and a desk. These are capital items.

4. Professional fees (includes legal & accounting)

You can deduct fees for legal services to prepare leases or collect overdue rents, for bookkeeping, audits of your records, preparing financial statements. You may be able to deduct fees and expenses for preparing your income tax and benefit return...

Note If you incur legal fees to buy your rental property, you cannot deduct them from your gross rental income. Instead, divide the fees between land and building, and add them to their respective cost.



Deductible Expenses

Rental expenses you can deduct

5. Management and administration fees

You can deduct the amounts paid to a person or a company to manage your property. You can also deduct amounts paid or payable to agents for collecting rents or finding new tenants.

If you paid real estate commissions for the sale of your rental property, include them as outlays and expenses on Schedule 3, Capital Gains (or Losses), when you report the disposition of your property.

6. Repairs, Maintenance and Improvements

Expenses of normal repairs and maintenance costs, like the cost of fixing a broken door or window, painting, and the like count as current expenses and can be deducted in the year you incurred them. You can deduct the cost of labour and materials for any minor repairs or maintenance done to property you use to earn income. However, you cannot deduct the value of your own labour.

Improvements, on the other hand, especially those done to your business assets, should be capitalized if:

- 1.They increase the value of the property;
- 2.To a noticeable degree, extend the duration you can use the asset;
- 3.Adapt the asset to a totally different use.

Improvements mostly cover real estate and are largely seen as adding value to your rental properties. It could be the new electrical wiring, lighting, or plumbing you put up or the project you undertook to rebuild your business equipment.



Deductible Expenses

Rental expenses you can deduct

7. Property taxes

You can deduct property taxes you incurred for your rental property for the period it was available for rent.

8. Travel / Motor Vehicle Expense

You can deduct travel expenses you incur to collect rents, supervise repairs, and manage your properties. Traveling expenses include the cost of getting to your rental property, but do not include board and lodging, which are considered to be personal expenses.

9. Utilities

You can deduct expenses for utilities, such as gas, oil, electricity, water, and cable, if your rental arrangement specifies that you pay for the utilities of your rental space or units.

10. Mortgage Interest

This rental income deduction is often missed, yet it could be the most significant expense. Assuming you have a mortgage on the property, you can deduct the interest payments (note: you're not allowed to claim principal payments on the mortgage as expenses).

11. Condo Fees

If your rental is a condo or strata and you pay strata fees to the corporation every month, you can claim most of them at year-end.

For additional information visit www.canada.ca



Tricky & Non - Deductible Expenses

Tricky Deductions and Expenses You Can't Claim

1. New Residential Property Rebate (the holy grail of tax deductions). if you bought a new property (or made significant alterations to one) for the sole purposes of renting it out, you can get a GST/HST rebate. There are a few strings attached to it, such as landlord can't be living in the unit. However, it's so impactful at tax return time that the NRPR makes it possible for some investors to use the return on the first property and use it as a down payment on a second, then rinse and repeat.

2. Travel / Motor Vehicle Expense (a tricky one that can land you in trouble): you can claim gas, wear on your vehicle (or the lease) and any other travel expenses so long as they are related to your rental. In other words, you can't claim your personal use of the vehicle's expenses. Most landlords choose to forego this expense for the simple reason that it's a hassle to keep track of. It's best to consult with a professional before claiming this.

3. Land Transfer Taxes (a deduction you can't claim): CRA is explicitly clear that landlords cannot claim this deduction. While unfortunate, landlords must consider part of the purchase of the property. Part of this expense is calculated in capital cost allowances (CCA), but these require the help of tax experts to determine eligibility.



Deductions Needing Expert Advice

Deductions You Need Expert Advice Before Claiming

There are a few more tax-saving strategies you can claim, but because they're case-specific to each household and can get you in trouble with CRA if not properly implemented, we recommend you consult with a tax specialist.

Income Splitting With Lower Earners: if a spouse, relative or associate is active in the rental property, you may be able to treat the investment as a partnership rather than a sole proprietorship. You can spread some of the income from the highest to lowest earners which reduces the overall tax burden of the household, but you need to be able to show CRA that the person receiving the income was active in the business (actions like bookkeeping, showing the rental to prospective tenants, dealing with listings, etc these all count as active involvement...)

Deductions For Whole Versus Partial Properties

With all those tax deductions mentioned above, remember that if you're renting a portion of the property you can only claim a percentage of those expenses. For example, if your basement rental suite is $\frac{1}{3}$ the square footage of your property, then you can only claim $\frac{1}{3}$ of the hydro, mortgage interest, property taxes, etc.

Tax deductions and incentives go much further than renovation and utility expenses and can end up in a significant tax return. If you're ever unsure about what you can, can't or should claim, consult with a tax specialist (that's a deduction too!).



New Tenant Checklist

Tenant(s) Name(s): _____

Property Address: _____

Move-In Date: _____

- ☐ 1. Received Rental Application
- ☐ 2. Started a New Physical / Digital Folder for Tenant
- ☐ 3. Background Check Completed
- ☐ 4. Credit Check Completed
- ☐ 5. Employment Verification Completed
- ☐ 6. Previous Landlord Verification Completed
- ☐ 7. Made Copies of Back and Front of Tenant(s) ID(s)
- ☐ 8. Explained All Rules and Procedures to Tenant
- ☐ 9. Explained Emergency Procedures to Tenant
- ☐ 10. Tenant Signed Lease Agreement
- ☐ 11. Tenant Signed Lease Agreement Addendums (if applicable)
 - _____ Date Lease Agreement Signed
 - _____ Date Lease Begins
 - _____ Date Lease Ends
- ☐ 12. Provided Tenant With Your Contact Information
- ☐ 13. Received Entire Security Deposit via Certified Method
- ☐ 14. Pet Addendum Signed / Pet Deposit Received (If applicable)
- ☐ 15. Received Entire First Month's Rent via Certified Method
 - _____ Date First Month's Rent Received
- ☐ 16. Tenant Has Purchased Renter's Insurance
- ☐ 17. Cleaned & Repaired Any Damage to Property
- ☐ 18. Tenant has Signed Conditional Inspection Report
- ☐ 19. Changed Door Locks (If Applicable)
- ☐ 20. Transferred All Utilities to Tenant's Name (if applicable)

Rental Application

Property Address: _____
Move-In Date: _____

Applicant 1

Name: _____ DOB: _____
Phone: _____ Email: _____
Current Address: _____
Dates of Tenancy: _____
Name of Landlord: _____ Landlord Phone: _____
Reason for Leaving: _____
Occupation: _____ Wage: _____
Company: _____
Other Income Description: _____
Vehicle Information (Make/Model/Year): _____
References (Name / Phone): _____
References (Relationship): _____

Applicant 2

Name: _____ DOB: _____
Phone: _____ Email: _____
Current Address: _____
Dates of Tenancy: _____
Name of Landlord: _____ Landlord Phone: _____
Reason for Leaving: _____
Occupation: _____ Wage: _____
Company: _____
Other Income Description: _____
Vehicle Information (Make/Model/Year): _____
References (Name / Phone): _____
References (Relationship): _____

Additional Occupants

Name: _____ Age: _____
Name: _____ Age: _____
Name: _____ Age: _____
Pets: YES NO Describe: _____
Smoking: YES NO Describe: _____

I hereby state that the information contained herein is true, and i authorize my References as listed above to release information regarding my employment and/or past/current tenancies. I also authorize a credit check to be conducted:

Applicant 1 / Signed: _____ Dated: _____
Applicant 2 / Signed: _____ Dated: _____

Questions?

CONTACT DETAILS

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PHONE (604) 671 8515

