

# LEASE UPDATE NOTICE & NEW ROOMMATE POLICIES



## I. ANNUAL LEASE UPDATE NOTICE POLICIES

It is our policy to have all of our units rented with an automatic renewal as opposed to a fixed-term or month-to-month. In most cases when we rent a unit, the initial term is for one year. However, in the event there is an off-season vacancy (September through May), we will offer shorter lease initial terms that expire on May 31<sup>st</sup> or July 31<sup>st</sup> of that year or the following year so as to bring them back to the correct annual automatic lease renewal cycle. The initial term expiration date options offered are different depending on the building location and unit type.

Once the initial term of the lease is over, it **does** automatically renew for an additional one-year term in accordance with the lease terms previously provided. Prior to submitting your annual lease update notice, residents will be sent an electronic notice containing a link to confirm their future plans and review any applicable lease updates.

In most cases, you will need to confirm your plans no later than 90 days before the lease updates and automatically renews, though some of our leases require as early as 60 days or as late as 180 days before the current term expiration.

You can expect to receive your Lease Update Notice via email and text at least 21 days before the deadline to give notice prior to an automatic lease renewal. The email and Lease Update Notice will stipulate any changes to the Lease and will give you the option to either automatically renew the Lease or to confirm that you will be vacating at the end of the current term.

We always hope that our residents will choose to extend their lease with us. We value your residency and will do whatever we can to make your stay better. But, unfortunately, we cannot offer any flexibility with respect to our automatic lease renewal policy. **We never offer fixed term, six-month or month-to-month lease renewal options.** We apologize for any inconvenience this may cause, but our management contracts do not offer us this option.

## FREQUENTLY ASKED QUESTIONS:

### *What if I cannot decide by the deadline?*

You should immediately contact Premium Properties if you do not think you can decide by the required deadline. Depending on the property and the time of year, we may be able to give you a short extension of a few days or weeks. However, once the Proof of Service is served for Confirmation of Automatic Lease Renewal, we will assume you are staying in the unit and continuing with the terms provided.

### *What if one or more roommates want to stay, while the others want to leave?*

Certainly, for a variety of reasons, the original group may not want to continue staying together in rental unit for another year. This is what we call a Split Auto Renewal. Again, it is always our preference to have somebody extend the lease. So, you can certainly confirm the automatic lease extension even if the makeup of the group will be changing at the end of the initial/current term.

It is important to remember that those roommates who decide to automatically extend the lease will be responsible for finding new qualified people to replace those that are leaving at the end of the current term. Each person who is found must be screened, qualified, and approved by us prior

to moving into the rental. The process starts by completing a Roommate Replacement Request.

This is where you notify us who you wish to have move into the apartment. Once this is submitted to us, along with an online rental application for the person applying, and any required screening fees paid, we will process it and let you know if your Roommate Replacement Request is approved. Keep in mind that a cosigner application will also need to be submitted if the new roommate needs a cosigner to qualify. **Please remember that it is a material violation of your lease agreement to allow somebody to move-in without prior written approval by us.** Finally, again the responsibility for finding a new roommate falls on the people who have committed to the upcoming automatically renewed lease term. The situation is very different if a Roommate wishes to vacate in the middle of a term. Of course, in that circumstance, the outgoing Roommate is responsible for making sure that somebody is found to cover their portion of the rent.

***What if some of my roommates are unsure as to what they want to do or originally were planning on moving, but then decide to stay on for another term?***

This is a very common situation. Since the decision to confirm the upcoming automatic renewal of the lease is made so far in advance, it is possible that it may be too early for some of the roommates to decide what they want to do after the current term expires. While ultimately all members will need to decide what they want to do, from our perspective it does not really matter who is staying and who is going. So long as we get one Lease Update Notice submission from a current roommate who plans to extend the lease, we will not put the unit on the market and re-rent it. Instead, we will assume that somebody will be living in the unit and will be responsible for all the obligations to the lease till the upcoming automatic lease renewal term ends.

That being said, we will expect that at some point before the current term expires, those roommates who are moving out will either be replaced, released from the lease or change their mind and decide to stay. We don't update our Resident list until we receive the appropriate request forms. So, it is important to complete the relevant procedures that are described below so that when the entire group moves out the parties to the lease will match who is to receive the security deposit.

**Remember, those roommates who have agreed to the upcoming automatic lease extension need to get clarity ASAP on the plans of their other roommates.** It may seem like a long time between when the lease renewal plans were confirmed and when the current term expires. But, if new roommates need to be found, the longer you wait to get started the harder it can be to find the right person. Each year, we have a few situations that occur where the roommates who planned to stay thought that they had commitment either the existing roommate or a new roommate, only to later have them change their mind at the last minute. And, without anything signed in writing, there really isn't much recourse for those Residents staying. So, we suggest that you come up with a deadline for those that are unsure to commit to the new term. We also recommend that at some point that all members of the group that plan to stay sign a Roommate Agreement, which is attached below, that will further memorialize the decision of each person extending. While signing it is optional and there is no need to provide it to us, this could be beneficial should there be any disputes in the future regarding each roommate's commitment to the upcoming term.



***If a roommate decides to move out and not renew their lease, is he or she still responsible for the rental even after the lease term expires?***

The answer is **YES** to the Owner/Agent but **No** to those roommates renewing the lease. All parties to the lease remain responsible to the agreement until either the unit is completely vacated at the end of the contract or Premium Properties has officially released them, in writing from the contract. **This means that even if one of the members of a group does not decide to renew, he or she is still a party to the lease and all future automatic extensions, until the entire apartment has been vacated and all outstanding balances owed are paid in full.** Those members of the group who move out at the end of the term and their cosigners, if applicable, become Former Resident Guarantors to the lease. So, it is important that those members leaving make sure that either the people who are staying can afford the apartment on their own or have located new roommates to take over the spots of those moving out.

Virtually the entire state of California rental market is subject to laws that require Just Cause for Eviction, which prohibits rental housing providers from asking people to move out unless there is an actual violation to lease. Furthermore, if there is a violation, we must go to court to exercise our rights. Therefore, there is no way for us to require anybody to move out if we think or even know that they no longer can afford the unit. Thus, we have no choice but to keep those leaving responsible for fulfilling the terms of the contract.

The following real-life example helps illustrate the consequences of not paying attention to what happens at the end of the term of the lease. We had a four-bedroom apartment that had seven people living in the unit. One of the roommates, was loud, obnoxious, broke internal house rules, and stopped paying rent to the group for three months before the lease was up. The other roommates covered the rent because everyone is technically legally responsible for paying all the rent. They figured; they would eventually get some of it back from the Security Deposit.

When it was time to renew the lease, they asked the problematic roommate if they planned to stay, and the person said yes. They then told that person that none of the other roommates wanted to stay if that person stayed. But that did not deter them from confirming automatic renewal of the lease for another year. At Premium, we received a Lease Update Notice with an electronic confirmation from one roommate on a \$5,000 apartment. We had no idea of the internal situation and expected that over the next few months some new roommates would be submitted for approval. But this never happened.

Two months later, the roommates moved out and the remaining roommate never found replacements and did not pay June, July and August rent. As a result, we had to sue for eviction and lost rent. All members of the group and their cosigners were parties. Ultimately, we settled for tens of thousands of dollars with everyone in the former group paying the bill and the person renewing paying nothing. This is an extreme example. However, one that will hopefully clarify why all roommates must be considered Guarantors even when they move out.

Of course, there are times when say four people living in a two bedroom want to keep the apartment with only two people, which is totally fine. If that is the case, the remaining roommates can submit a "Request to be Removed as a Former Resident Guarantor" (See Attached Form).

***Will Premium Properties send me back my portion of the security deposit if I decide to move out and my roommates decide to stay?***

**NO.** We are only required to return your security deposit back to you, minus any deductions, once the entire unit is vacated, all keys are returned to us and a mandatory resident provided move out final inspection is performed. This is a California law that requires video and photos to be taken by resident at time of moving out when the unit is entirely vacated to assess damage, etc. prior to the processing of the Security Deposit on file. However, when a Roommate vacates, it is the responsibility of the remaining Roommates to provide a disposition of the security deposit, pay any required interest and issue a check within 21 days of the Roommate vacating. Unfortunately, Premium Properties cannot enforce the requirement to receive an outgoing Roommate's deposit timely. In the event, disputes arise in regard to the deposit, it is recommended that the Outgoing Roommate seek legal advice and/or file a lawsuit in Small Claims Court. **REMINDER: The remaining roommates may be left financially responsible for damage caused by the outgoing roommate.** So, it is important that the unit is inspected amongst outgoing and remaining roommates, and appropriate deductions are made amongst the group to compensate the remaining roommates for damages that might be assessed in the future by Premium Properties at time of entire unit vacating.

## **II. NEW ROOMMATE POLICIES**

When the lease is first signed, everyone who is approved to move-in and signs the rental agreement is considered an Original Roommate. They all have the same rights and responsibilities. However, occasionally roommates may need to be replaced or added on. This could happen in the middle of an existing term or right before the start of an automatically renewed lease term. The following policies describe how we handle such requests.

### ***Roommate Replacement Requests***

When a Roommate wishes to move out during the term of a current lease or has agreed to extend the lease for another term and has changed their mind and is thus responsible for locating the person to take over their responsibilities, that person should submit to Premium Properties a "Roommate Replacement Request." Premium Properties will grant a request to replace an existing roommate with another roommate under the following conditions:

1. The current group of roommates has paid their rent timely and has followed the other terms of the rental agreement. This includes not allowing a new roommate to move in to the unit without receiving approval from us. In other words, the original group will receive a positive tenancy reference from us.
2. We have received a completed "Roommate Replacement Request" signed by all parties (the incoming roommate, the roommate who plans to move out and the roommates who plan on staying). It is important to note that the outgoing roommate cannot just find anybody to move in; the other housemates have to agree to the switch and all remaining roommates must sign the request form.
3. The prospective new incoming replacement roommate will need to complete a rental application (available online at [www.premiumpd.com](http://www.premiumpd.com)) and submit the appropriate screening fees and screening material with financial documentation. The new roommate must qualify under our Tenant Screening Policy. If a cosigner is needed for the new incoming roommate to qualify, a cosigner application must also be submitted.
4. The new roommate must agree to all of the terms of the existing rental agreement and any extensions signed by the previous group.
5. Upon the new roommate's approval of their application, Premium Properties will approve the "Roommate Replacement Request" and send a confirmation to all roommates, which

confirms the date that the vacating Roommate will be released from all obligations and when the new Roommate can move in. If the property also has an On-Site Manager they will be copied to stay informed of approved current occupancy at the property.

**At no time should the new roommate move into the apartment until this process has been completed. Doing so would be a material violation of your rental agreement and could subject you to Eviction.**

### ***Roommate Add-On Request***

Occasionally, residents in our properties will want to add a new roommate to replace one that is vacating at the end of the term of the lease (as opposed to the middle – see “Roommate Replacement Request”) or add an additional roommate which will thus increase the occupancy beyond the total number of residents who originally occupied the premises. Premium Properties has sole discretion as to whether to allow the increase in occupancy and may deny the request without cause. In addition, Premium Properties may condition the approval by requiring the total rent to be increased by as much as 10% for each additional occupant to the apartment, in order to compensate for increased wear and tear and building utility usage provided by owner or to help bring the unit to the current market rent. We will inform you upon receiving your request and before processing it if additional rent and/or security deposit will be required.

In order to add a roommate, the existing group and potential new additional roommate will need to complete a "Roommate Add-On Request" (see below). In addition, the prospective roommates will need to complete a rental application (available online at [www.premiumpd.com](http://www.premiumpd.com)) and submit the appropriate screening fees and supporting documentation and qualify based on our Tenant Screening Policy. If a cosigner is needed for the new incoming roommate to qualify, a cosigner application must also be submitted. Once the screening process is completed, Premium Properties will approve or deny the request and return a copy of the completed and approved “Roommate Add-On Request” to the new group, including the additional roommate.

In the event the “Roommate Add-On Request” results in a monthly rent and subsequent security deposit increase, the additional funds must be paid in the form of cashier’s check and/or money order prior to Premium Properties approving, signing off and returning the “Roommate Add-On Request” to the new group and new resident.

**At no time should the new additional roommate move in to the apartment until the request has been approved and Premium Properties has returned the request with the “Approval of New Roommate” section signed and dated to the entire group and any additional funds have been paid (if applicable). This is a clear violation of your rental application and you may be subject to Eviction proceedings.**

## FREQUENTLY ASKED QUESTIONS:

*Is there a difference between replacing a roommate, who will move-in at the start of a new lease term versus in the middle of an existing term?*

**YES.** Each person in the lease is jointly and separately responsible to the contract for at least till the end of the existing term. There are situations where that responsibility could continue even after an individual person moves out. When a group of roommates agree to live together for a year and one needs to move-out for any reason, it is the responsibility of the person moving out to find somebody to take over responsibility to their personal commitment to the other roommates. The other roommates also need to agree to allow the proposed roommate to move in. Because of certain state laws, that agreement cannot be unreasonably withheld. But, in general the outgoing roommate finds a person that the other roommate(s) want to live with.

However, if a roommate has not signed confirmed the automatic the lease renewal and is moving out on the day the current term ends, then the outgoing roommate is not required to complete submit a “Roommate Replacement Request.” The responsibility to find the person is not on the outgoing roommate. Instead, the remaining roommates should submit a “Roommate Add-On Request” and simply indicate which roommate is moving out. Upon approval, the former roommate will receive confirmation that they are no longer have any responsibility to the lease agreement. In the event, no roommates are added to replace and said outgoing roommate at the end of the term, then the Outgoing Roommate will remain a Former Resident Guarantor.

*How can I be officially released from the contract in the middle of the term of the lease?*

In order to be released from the contract, you have to either have another qualified roommate take over your position on the lease by completing a “**Roommate Replacement Request**” (see attached form), which once approved by Premium Properties, by default releases you from your obligations to the lease (see below for Roommate Replacement Policies) **OR** you must make an official “**Request to be Removed from Rental Agreement**” (see attached form). Both forms require your other Roommates to agree to the change. However, agreeing to a Roommate Replacement Request cannot be unreasonably withheld. The Remaining Roommates can provide some reasonable requirements for the type of person that should be allowed to replace the outgoing roommate so long as it does not violate fair housing laws, as well as a reasonable amount of time to find somebody. However, if no person is found or the people found qualify financially but are not people that the Remaining Roommates like, then the Remaining Roommates will need to decide whether they want to keep the apartment without a Replacement Roommate or collectively consider working with Premium Properties to find somebody to take over the entire lease. This is due to the legal requirement to Mitigate Damages when somebody including individual roommates need to break a lease.

“Requests to be Removed from Rental Agreement” will be granted so long as the group has not defaulted on the lease **and** so long as the remaining roommates still qualify for the unit and meet our tenant screening criteria based on their original application and screening materials.

Under certain circumstances, your group's approval for the rental may have been dependent on the outgoing resident's financial strength. For example, it is possible that the income of the remaining roommates may not equal three times the monthly rent, unless the outgoing roommate's income is

included. If the remaining roommates do not qualify based on information found in the original file, they have the option to reapply for the apartment and present us with more current information to meet the required income/savings guidelines. Unfortunately, this will require new application forms and payment of all relevant screening fees.

In the event the remaining roommates still cannot qualify after re-applying, then unfortunately the outgoing resident will still remain a party to the contract and still be responsible for the rental. This, of course, is extremely problematic as the outgoing roommate will be responsible for a place that he or she is not living in. Therefore, it is recommended that in this circumstance that the entire group vacates at the end of the term. Unfortunately, due to local ordinances Premium Properties cannot require the other residents to move out due to lack of future qualification, especially if rent has been paid on time and other rules of the lease have been followed. However, the outgoing resident may have some legal recourse to require the roommates to vacate, though.

***Should the new roommate pay a security deposit? If so, who should they pay it to?***

Premium Properties will not typically (unless the base occupancy has increased) require an additional security deposit (no more than 1 month rent) if the request is approved. However, once the new roommate signs the "Substitute Resident Agreement", the new roommate will have equal claim to the security deposit on file for the apartment and Premium Properties will issue any proceeds from security deposit upon vacating to all the residents including the new roommates in one check. Therefore, it is important that the existing roommates collect from the new roommate the appropriate share of the deposit prior to move-in. Premium Properties will have no way to require payment after move-in.

***My housemates, who are the Original Residents on the lease, are out of town and they did not leave me a check for the rent. Can I bring a check from my account?***

In Rent Control jurisdictions, such as Berkeley and Oakland, replacement housemates are considered "Substitute Residents." Once Premium Properties signs the Approval of the request, the "Roommate Replacement Request" is also considered to be the "Substitute Resident Agreement." This determines the incoming roommate's occupancy rather than having them sign a new lease. Not only does this request/agreement commit the new housemate to the terms of the lease, it also clarifies his or her status with respect to Rent Control. **Unfortunately, due to certain case law, we cannot accept rent payments from Substitute Residents.** All rents must be paid by the remaining original parties to lease. To avoid late fees, we recommend that the original parties to the lease contact our office to arrangement to pay the rent on time. One way is to have them use our online portal.

***What happens when all the original parties to the lease decide to move out?***

Once all original parties to the lease have either provided proper notices to vacate or have moved out of the rental, Premium Properties will present the Substitute Residents with updated lease terms or sometimes a new rental agreement. Since prior rent ceilings and other limitations are no longer in effect, Premium Properties will have the option to change the terms of the lease. This includes, but is not limited to, the monthly rent amount and security deposit. Depending on how long it has been since the original parties to the lease moved in, the rent increase may be significant. Unfortunately, rent control ordinances restrict property owners from phasing in rent increases over months or even years. However, once the new

rental agreement is signed, all Substitute Residents will become original parties to the new lease and will have all the rights associated with any applicable Rent Control ordinances.

***What happens when an Original Resident moves out and is replaced, but then wants to move back in as a replacement roommate at a later date?***

Once the original party to the lease is removed or replaced by another roommate, they lose their position as an Original Resident and once brought back in, the person falls under the Substitute Resident category and are no longer an Original party to the lease since they were once removed. Again, under no circumstance can we accept rent payments from a Substitute Resident.

### **III. ROOMMATE AGREEMENT & REQUEST FORMS**

The following forms are available to make various changes to the Lease Agreement:

- **Roommate Agreement** – Used to memorialize the decisions of all roommates as to their plans to extend the lease for another term.
- **Roommate Replacement Request** – Used when a Roommate plans to move out during the term the lease and is requesting that a new roommate replace them on the lease.
- **Request to be Removed from the Lease Agreement** – Used when a roommate is moving out **during** the term of the lease and will not be replaced by a new roommate.
- **Roommate Add-On Request** – Used to either increase the original occupancy of the unit or Acknowledge Outgoing Roommates vacating at the end of the term and requesting that a new Roommate be allowed occupy their spaces.
- **Request to be Removed a Former Resident Guarantor** – Used when a roommate plans to move out on the last day of the current term, will not be replaced by a new roommate and has not agreed to extend lease.

**Depending on the situation, Premium Properties will either upload the forms in the tenant portal or send it by email to the group for confirmation and signatures before formal processing begins.**