

March 2022

# RENTAL ALLIANCE UPDATE

A monthly newsletter published by the Rental Housing Alliance Oregon



[www.rhaoregon.org](http://www.rhaoregon.org)

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## 5 Ways to Build Wealth With a 1031 Exchange DST

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# RENTAL HOUSING ALLIANCE EVENTS & CLASSES

Join RHA Oregon for our monthly dinner meeting!!!

Wednesday March 16, 2022 at 6:00pm

The Monarch Hotel-Clackamas

12566 SE 93rd Ave, Clackamas, OR 97015

\$36.00 per person when registered by 3/11/22

\$46.00 per person when registered after 3/11/22

### Plated Menu choices

Carlton Farms rack of pork chops, fresh rosemary and thyme butter, bacon and charred onion wild rice, apple cabbage slaw, with salad, baguette with butter

OR

Bavette Steak with Whipped garlic mashed red potatoes, garlic lime broccolini, with salad, baguette with butter

OR

Brazilian Salmon with Paprika and garlic rub, chimichurri corn risotto, roasted carrots, with salad, baguette with butter

Ron Garcia, RHA Executive Director Public Policy  
Covid Off Ramp-Where do we go from here?

As Housing Providers, we've all been stuck in a massive pandemic traffic jam for the last two years. We've inched ahead, trying to get our rent paid. We pulled over to let the State Troopers pass, so they could triage the Covid wreck that's responsible for this financial pile-up, hoping they'd get us going again. Now, as we approach the first off ramp we've seen in years, we're ready to get off this highway in search for a faster, safer, better route to get us back on our way.

At our March Member meeting, let's talk about our options.

DATE	EVENT	LOCATION	TIME	INFORMATION
03/09	Board Meeting	RHA Conference Annex	4:00pm	
03/19	Mentor Round Table	Zoom	11:00am	
04/13	Board Meeting	RHA Conference Annex	4:00pm	
04/28	Mentor Round Table	Zoom	6:00pm	

DATE	CLASSES	LOCATION	TIME	INSTRUCTORS
03/08	Online Tenant Screening Class	WebEx	11:00am	Marcia Gohman w/National Tenant Network
03/10	Online Tenant Screening Class	WebEx	7:00pm	Marcia Gohman w/National Tenant Network
03/22	Tax Preperation Class	Zoom	6:30pm	James Oberholtzer
03/24	Online Tenant Screening Class	WebEx	11:00am	Marcia Gohman w/National Tenant Network
03/29	Online Tenant Screening Class	WebEx	7:00pm	Marcia Gohman w/National Tenant Network
04/05	Online Tenant Screening Class	WebEx	11:00am	Marcia Gohman w/National Tenant Network
04/07	Online Tenant Screening Class	WebEx	7:00pm	Marcia Gohman w/National Tenant Network
04/14	Fair Housing, Assistance Animals and Reasonable Accomodations	Zoom	6:30pm	Shyle Ruder w/ Fair Housing Council of Oregon
04/21	Property Management-The Basics	Zoom	11:30am	Katie O'Neal w/Acorn Property Mgmt.
04/26	Wealth Management	RHA Oonference Annex	6:30pm	Cliff Hockley w/Bluestone & Hockley
04/26	Online Tenant Screening Class	WebEx	7:00pm	Marcia Gohman w/National Tenant Network
04/30	Landlording 101	Monarch Hotel	9:00am	Mark Passannante w/Broer & Passannante

RHA Oregon is diligently putting together our 2022 education calendar.  
visit : <https://rhaoregon.org/calendar/2022-01/> For additional information

We are also diligently working on putting together future in person dinner meetings.  
visit: <https://rhaoregon.org/calendar/> For additional information



# From the desk of the Executive Director

Ron Garcia, RHA Oregon Executive Director



Was there ever a specific date in your life that you waited for, fervently to finally arrive?

My 16th birthday - when I could finally drive! That's the one that comes to my mind. I literally counted down the days for a whole year. I was sure my life would change immediately when I'd be free of my old bicycle and could run around town in my new, supped-up hotrod! True, I didn't own a car and had no money to buy a car, but it was a great and exciting life vision. I look back now and think how young and naïve I was, and how I can only wish that my happiness today could ever boil down to such a simple and specific milestone.

Yet here I am, 50 years later, realizing I've been similarly anticipating another magic date. February 28, 2022. That's the date when all the past-due rent from the Oregon Eviction Moratorium finally becomes due and payable! The date that our Tenants would be back to normal, and our bank accounts would once again be funded. The magic date when the State of Oregon had promised to finally make Landlords whole again.

Ah, the whimsey of innocent hope.

Instead, On March 1st this month many Rental Housing Providers have gotten a reality-check in place of their rent check. And they want to know what to do next. "Can I demand payment? Can I evict a tenant if they still owe me past rent? What are my rights? How do we get through this maze?"

Let's begin by first understanding that the past-due rent which has now become due and payable is only for that period from April 1, 2020 to June 30, 2021. (I call it "Covid-rent".) Let's also realize that through the wild joy-riding payment experiences of Emergency Rental Assistance Program, (ERAP) and Landlord Compensation Fund (LCF) and Landlord Guarantee Program (LGP) that have been chaotically distributed throughout the last year, a lot of that Covid-rent has finally been paid. It may have come from round 1 of the LGF paying 80% of the debt or round 2 of LGF paying the other 20%, or Round 1 of ERAP or more recently round 2, or round 1 of the LGP paying up to 60 days of Safe Harbor funds or more recently round 2 of LGP which pays for any amount due (since December 2021) as long as the

tenant has been disqualified for Rental Assistance – or vacated the unit during that time.

What does that mean?

The bottom line is that there is still a lot of unpaid Covid-rent that remains outstanding; some of it has been "committed" through assistance applications that are processed, but as-yet not paid out. The balance of Covid-rent is seemingly being abandoned by the State and left needing to be collected.

And (oh-by-the-way), many of those uncollected dollars of Covid-rent are owed by past tenants who have long since moved out, and as such, cannot face an eviction.

So "What's the story and what do I do?" we're asked.

To determine what to do about the delinquency requires knowing what months of rent have not been paid, combined with whether the Tenant is still occupying the unit, and whether they have supplied a "screen-shot" proving they have applied for Rental Assistance (and if so, how long ago and has any amount been paid either by ERAP or the LGF since providing that proof).

It's complicated. Here is an example:

Let's say I have a Tenant who was horribly impacted in April, 2020 at the start of the pandemic and unable to pay rent for the next 15 months. I applied for the LCF and received a payment for 12 months of rent (80% of what was owed), leaving 3 months still delinquent. The Tenant had a "hopeful start" and began paying their rent current in July 2021. Sadly, they became delinquent again in September 2021. At that time, they showed me a screen shot proving they had applied for ERAP. But, after 2 months I still hadn't been paid, so in November I applied to the LGP and got 60 days of rent paid. Now, they have once again paid January rent current, but fell behind again in February 2022. Their application for ERAP shows the funds are "committed" but no rent check has arrived. What can I do?

IF I send them a for-cause termination notice for non-payment of rent, (an eviction notice) all they would need to do to prevent any action from taking place is to send me

*(continued on page 5)*

# LANDLORDING 101

All Day Class Saturday April 30, 2022  
9 - 5:00pm (includes lunch)



Spend an entire day with landlord attorney and  
co-creator of RHA Oregon's forms,  
**Mark Passannante**

You'll come away from Landlording 101 with a deeper understanding of rental housing law, how the laws work from the landlord and the tenants' perspectives, better management strategies, and a book of sample forms and notes from all of the questions you always wanted to ask an attorney, and a lot more you'd never thought of.



**COST:** \$120 Member, \$170 Non-member  
*Register by close of business Monday  
April 25th to receive an early  
registration discount of \$20*

**AT:** The Monarch Hotel  
12566 SE 93rd Ave  
Clackamas OR 97015

~ Six Continuing Education  
credits are available with  
this seminar ~



**Register by:**

Visiting: [www.rhaoregon.org](http://www.rhaoregon.org)

Emailing: [Info@rhaoregon.org](mailto:Info@rhaoregon.org)

Calling: (503)254-4723 ext. 3

To qualify for the early bird registration rate you must have your registration into the RHA office no later than 4:59pm on the listed early registration date in the advertising for the event. Deadline for refund/credit or cancellation of registration is up until 48 hours prior to the date and time of the class/seminar, up until 48 hours prior you will be refunded 100% of the cost to attend. If a registered guest/member does not cancel and/or does not show to the scheduled class/seminar then the registered guest/member will be required to pay the full amount of the class/seminar. All registrations are non-transferable. Those with prior registrations to the class/seminar will be seated first. Walk-ins will only be accommodated once the class has started and only if space is available. Registered attendees who arrive 15 minutes after the start of the class/seminar be aware that your chair may be filled. Our venues do have a limited capacity therefore at times registration to an event may close prior to the event.



a screen shot showing once again that they have re-applied for assistance. If they don't do that and we show up in court, there will be state, or county paid lawyers present to council the Tenant on how to avoid the eviction (generally helping them re-apply for assistance). This process will put off all further rent collections until June 30, 2022, by law. So now what?

We have found our way through the maze, and back to that magic date of February 28, 2022.

Unfortunately, it's still a bit of a wild ride. Some attorneys are recommending that Landlords file suit for payment in small claims court for the Covid-rent, because an eviction is not practical. Some Landlords may choose to ignore that and file a For-cause Termination for the Covid-rent due for non-payment. Others are calling collection companies for their assistance. Some Rental Property Owners have decided it's just too much to deal with and have called their Realtor to sell the property instead.

What about the Tenants? Many feel betrayed by the State for dragging their heels on promised rental assistance. Many have recovered from the pandemic era hardships and are asking their Landlords to work with them, to help catch up. Some are getting loans to pay the back-owed debt. Some are moving out. Others are waiting to see what happens next, because they still have 4 months left of the Safe Harbor.

It is a sad story, all around. There are many victims and no perfect solutions on either side. These are definitely not the results I naively envisioned. Ultimately though, I still believe that if a Tenant and Housing Provider can keep their lines of communication open and trust each other, they may yet find a pathway out of this maze. It could be as simple as finding out what the hold up is on the rental assistance application, and resolving that (like a missing W-9 form, or an incorrect Owner email, etc.)

It reminds me of when I was 16 and finally got my driver's license. Here's what took place next: I wrecked my mom's car on the second day of driving. Noone was hurt but I ended up riding my bike for the next 2 years. In hindsight, it was easier for me to just continue holding on to what I already knew had, even though there was no great satisfaction in it at the time. Eventually, I got a car and since then I have had a lot of really cool cars, but looking back, they never did give me the great joy I once hoped for.



# SEEKING ANSWERS TO YOUR QUESTIONS?

RHA Oregon has made it easy for members to find answers to their most pressing property management questions.

Stop by [rhaoregon.org/oregon-landlord-tenant-forms/forms-video-resource-landlording-101/](https://rhaoregon.org/oregon-landlord-tenant-forms/forms-video-resource-landlording-101/) to access our growing library of video tutorials on how to fill out our rental forms.

Stop by [rhaoregon.org/membership/rha-covid-19-resources-webpage/](https://rhaoregon.org/membership/rha-covid-19-resources-webpage/) for all the information you need pertaining to the Covid-19 Moratorium.

Still need additional assistance? Don't worry you can submit your questions to our landlord hotline by dialing 503/254-4723 ext. 2 or email: [hotline@rhaoregon.org](mailto:hotline@rhaoregon.org).





## Spring Maintenance Checklist

In spring, focus on freshening up your rental property and protecting the dwelling against the season's strong winds and rains. Use this time of the year to thoroughly clean and care for your investment.

### Outdoor Tasks:

	Clean gutters and downspouts.
	Inspect roof and chimney for cracks and damage.
	Wash the exterior of all windows.
	Install missing screens on windows and doors. Repair as needed.
	Fertilize the lawn.
	Check decks for loose boards, railings, or stairs.
	Professionally service heating and cooling units.
	Check the foundation for cracking as well as for insect damage.
	Remove foundation vent covers and spigot covers.

### Indoor Tasks:

	Test all smoke and carbon monoxide detectors.
	If the basement has a sump pump, test it by dumping a large bucket of water into the basin of the sump pump. This should activate the sump pump. If it does not switch on or if it's not pumping water, it may need to be serviced by a professional. Also, check for and remove any debris and make sure there are no leaks.
	Assess the need for blind repair, cleaning or replacement.
	Repair or replace broken or missing kitchen cupboard hardware.
	Check the attic for signs of moisture and water stains.
	Check walls for condensation and mildew.
	Check electrical panel for rust, make sure circuit breakers are operating correctly.
	Clean dryer vents.
	Clean or replace furnace filters.
	Check clothes washer hoses for cracks or swelling.
	Check all faucets for leaks or slow drips. Detach and flush aerators.
	Maintain clean drains by pouring one-half-cup baking soda followed by one-half-cup white vinegar into each. After 10 minutes, flush with boiling water.

*Katie O'Neal is a Licensed Property Manager, Continuing Education Provider, Chair of the Education Committee for the RHA Oregon, and General Manager of the Portland Oregon branch of Acorn Property Management, LLC. She can be reached with questions or comments at 971-352-6760 or [Katie@AcornPM.net](mailto:Katie@AcornPM.net).*



# Dear Maintenance Man

by Jerry L'Ecuyer & Frank Alvarez

**Dear Maintenance Men:**

**I have a toilet that runs every ten or twenty minutes. I have replaced the fill valve, the flapper valve and I have even scrubbed under the rim! In other words, all the items I can think of that are replaceable in the tank are new. What else should I be looking at?**

**Sam**

Dear Sam:

You replaced all the easy ones!! When all else fails on a toilet leak down issue; it is time to put on your rubber gloves and get an adjustable wrench. Chances are the problem lies with the Flush Valve Seat. The rubber flapper valve seals against the flush valve seat (the big hole at the bottom of the tank.) to either keep the water in the tank or let the water out of the tank. The seat may have a burr, crack or calcium deposits that allow a small amount of water to seep past the rubber flush valve. Sanding the seat to remove the burr or calcium deposit is a short-term solution and rarely solves the problem for long. A permanent solution is to replace the flush valve. Start by turning off the water supply, completely empty the tank and remove the water line. Remove the two or three bolts holding the tank to the toilet bowl. Turn the tank upside down and remove the large nylon or brass nut that holds the flush valve to the tank. Install the new flush valve. Be sure the tank bottom is clean and no debris gets between the new valve's rubber gasket and the tank. Tighten the large nut on the outside of the tank and you are ready to reassemble the tank and bowl and put the toilet back into action. When reassembling the tank to the bowl, install new rubber washers and bolts.

**Dear Maintenance Men:**

**We are getting bids for the driveway of an apartment house. Each contractor has his own opinion about the scope of work. It becomes confusing and difficult deciding which bid is the best.**

**Anne**

Dear Anne,

"Apples and Oranges" bids are very common and not unique to the asphalt trade. Every contractor has different materials and suppliers which they are not only familiar with, but experienced in the application. As with any profession, a diagnosis, procedure, product and cure may vary. This is why a second opinion is always encouraged or necessary. We too often consider the "three bid" rule as a tool to compare pricing and do not delve deeper into quality, workmanship, application, or other specification which can dramatically increase or

decrease the costs related to our repairs.

It is best to develop a scope of work, with drawings which identify in detail the following, (this will ensure all other contractors are bidding on the same scope).

1. Areas to be covered, replaced, repaired in square feet and outlined in site plan.
2. Clearly identified type and quantity of asphalt mix, slurry, sealer. This is very important as most asphalt is recycled and diminishes in quality.
3. Which equipment will be used to address repairs and distribution of materials (compaction and heavy rolling equipment is key).
4. Communicate your long term or short term expectations.
5. Ask that the application warrants against "pooling or ponding"
6. Look for proper compacted thickness according to load. (Example: 2.5 "of laid asphalt and then compacted 2" by roller.)
7. Monitor all work being performed to ensure the contractor is adhering to the contracted specifications. (Ask that a supervisor is always onsite).
8. Scrutinize the lowest bid very carefully.
9. Require all other industry standard practices, insurance, contract language be in the agreement.
10. Visit the [www.cslb.gov](http://www.cslb.gov) for additional tips on how to protect yourself. (This website is for California. Google Contractors State License board for your state for similar information.)

**Dear Maintenance Men:**

**My building has redwood fencing and patio decks. Both the fencing and decks are in good condition, however the "red" in the wood has faded with exposure to the weather. The wood looks grey now. How can I bring back the redwood look back without buying new wood?**

**Josh**

Dear Josh:

A Redwood deck or fence may be young and fit, but they do tend to grey prematurely. Luckily, the solution is not too hard. There is a chemical called oxalic acid which will help give the wood its youth and vitality back again. Most hardware stores will stock a product called cedar and redwood cleaner/brightener. It may be under the brand name of "Olympic Cedar and Redwood Deck Brightener" Be sure your deck or fence is clean before treatment by using a TSP and water solution. (TSP is a heavy duty powder cleaning solution available at any hardware store or supermarket.) After cleaning, be sure to read the deck brightener product's instructions before use. For safety and wear gloves and goggles. Mix the product's solution

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Dear Maintenance Man  
CONTINUED FROM PAGE 7

with water into a pump up sprayer. Wet the deck or fence with the solution and using a nylon brush or broom, scrub the wood evenly, working harder on stained areas. Let the solution stand for about thirty minutes and rinse off with a strong stream of water. Let dry and the wood should look brighter. It might not look brand new, but it will look much better.

WE NEED Maintenance Questions!!! If you would like to see your maintenance question in the "Dear Maintenance Men:" column, please send in your questions to: DearMaintenanceMen@gmail.com

Bio:

If you need maintenance work or consultation for your building or project, please feel free to contact us. We are available throughout Southern California. For an appointment please call Buffalo Maintenance, Inc. at 714 956-8371

Frank Alvarez is licensed contractor and the Operations Director and co-owner of Buffalo Maintenance, Inc. He has been involved with apartment maintenance & construction for over 30 years. Frankie is President of the Apartment Association of Orange County and a lecturer, educational instructor and Chair of the Education Committee of the AAOC. He is also Chairman of the Product Service Counsel. Frank can be reached at (714) 956-8371 Frankie@BuffaloMaintenance.com For more info please go to: www.BuffaloMaintenance.com

Jerry L'Ecuyer is a real estate broker. He is currently a Director Emeritus and Past President of the Apartment Association of Orange County and past Chairman of the association's Education Committee. Jerry has been involved with apartments as a professional since 1988.

## ATTENTION!!

Rental Housing Alliance Oregon Members

IF YOU USE NATIONAL TENANT NETWORK  
FOR YOUR TENANT SCREENING SERVICES,  
TENTANT SCREENING CHARGES ARE  
CHANGING EFFECTIVE DECEMBER 1ST, 2021

REPORT	WAS	DEC. 1ST
Decision Point Report	\$22.00	\$23.00
DP Combo Report	\$35.00	\$35.00
Credit Report	\$10.00	\$11.00
Decision Point Plus	\$25.00	\$26.00
Employment Verification	\$11.00	\$11.00
Landlord Verification	\$11.00	\$11.00
Criminal History (Oregon/ Wash.)	\$15.00	\$15.00
Nationwide Criminal	\$20.00	\$20.00
Nationwide Sex Offender Search	\$10.00	\$10.00
County Criminal Search	\$13.00*	\$13.00*
Tenant Performance	\$10.00	\$11.00
Social Security Verification	\$5.00	\$5.00

\*PLUS SURCHARGE

## FIND EVICTIONS STRESSFUL?



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**503-242-2312**

evict@landlord-solutions.com



## Keep Us Informed



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number?

Keep RHA Oregon office  
up to date with your current  
information.

Call the office with all changes:  
503-254-4723



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FREE for RHA Oregon Members

# 1031 Exchange Webinars

## How to Plan for a Successful 1031 Exchange

Learn 8 key steps in the exchange process and how to maximize your 1031 Exchange strategy

RSVP at [re-transition.com/rhaor](https://re-transition.com/rhaor)



## Why Consider a DST Property for Your 1031 Exchange

Learn why Delaware Statutory Trust real estate is growing in popularity with Oregon landlords

RSVP at [re-transition.com/rhaor](https://re-transition.com/rhaor)

## How to Find the Right 1031 Replacement Property

Learn about replacement properties and how to select the right property to meet your objectives

RSVP at [re-transition.com/rhaor](https://re-transition.com/rhaor)



## Questions About a 1031 Exchange?

Selling your rental property? Contact Real Estate Transition Solutions at **503-832-6463** to schedule a complimentary consultation with one of our licensed 1031 Exchange Advisors.



The information herein has been prepared for educational purposes only and does not constitute an offer to purchase or sell securitized real estate investments. There are risks associated with investing in real estate properties including, but not limited to, loss of entire investment principal, declining market values, tenant vacancies, and illiquidity. Because investor situations and objectives vary, this information is not intended to indicate suitability for any particular investor. This material is not to be interpreted as tax or legal advice. Please speak with your own tax and legal advisors for advice and guidance regarding your individual situation. Real Estate Transition Solutions offers securities through Aurora Securities, Inc. (ASI), member FINRA/SIPC. Advisory services through Secure Asset Management, LLC (SAM), a Registered Investment Advisor. ASI and SAM are affiliated companies. Real Estate Transition Solutions (RETS) is independent of ASI and SAM.

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# 5 Ways to Build Wealth With a 1031 Exchange DST

by Austin Bowlin, CPA – Partner at Real Estate Transition Solutions



Internal Revenue Code section 1031, which establishes the transaction structure referred to as a 1031 Exchange, is one of the most advantageous sections of the US tax code. A 1031 Exchange allows for the deferral of taxes when investment property is sold in

conjunction with the purchase of another replacement property. The tax savings alone is reason enough to justify a 1031 Exchange — but there are secondary benefits that can often be even more valuable.

As a wealth-building tool, a 1031 Exchange gives investors access to a property's appreciation to increase buying power without a tax penalty. Armed with more buying power, investors can purchase quality assets, expand their portfolio, diversify into new property types, and even adopt a new ownership strategy.

The ability to defer capital gains tax over a lifetime of real estate transactions enables you to methodically build wealth for yourself and pass on that wealth to your heirs – who may ultimately pay minimal tax or no tax on the stepped-up cost basis.

## 1031 Exchanges

Under Section 1031 of the tax code, investors can complete a "like-kind" exchange to defer payment of capital gains taxes on the sale of investment property when the proceeds from the sale are used to purchase a new investment property. The IRS has a broad definition of like-kind. In this case, like-kind is defined as real property held for business or investment purposes. The broad scope gives investors the flexibility to exchange investment property into most other real estate investments, even if the replacement property is of a different property type, quality, or location.

The IRS has strict deadlines for the exchange transaction. First, investors must declare their intent of performing a 1031 Exchange before the close of their sale by opening an Exchange with a Qualified Intermediary. Additionally, the exchanger must identify potential replacement property within 45 days from the sale of the relinquished property. Finally, the purchase of the replacement property must be completed within 180 days from the sale.

The IRS does not limit the number of 1031 Exchange

transactions an investor can perform, allowing investors to defer capital gains taxes in perpetuity. Investment property owners will only pay capital gains taxes when a gain has been realized, meaning the investor has pocketed the proceeds from the sale.

## 5 Ways to Build Wealth With a 1031 Exchange DST

Many real estate investors use 1031 Exchanges for reasons beyond tax savings. Exchanges allow investors to change their investment strategy and respond to new market fundamentals, trends, and demand drivers. Here are five ways a 1031 Exchange can help grow your portfolio and build wealth:

### Defer Capital Gains Tax to Maximize ROI Equity

Deferral of taxes is the most significant financial benefit of a 1031 Exchange transaction. Capital gains taxes have the potential to reduce sales proceeds significantly. Currently, The Federal long-term capital gains tax rate is 15% for investors with an annual income (including the gain associated with the sale) of \$40,000 to \$441,450 and 20% for investors with an annual income above \$441,451. Also due on sales is the often-overlooked Federal depreciation recapture tax of 25%. Lastly, many sales will also be subject to the 3.8% Net Investment Income Tax.

Most states also charge a capital gains tax or apply their ordinary income tax rate to the gain and accumulated depreciation. For example, California investors can pay as much as 13.3% in additional state tax. Other states such as New Jersey, Oregon, and Hawaii also have high tax rates above 10%. This means you could pay up to 42.1% in capital gains taxes on the sale of an investment property. However, by utilizing a 1031 Exchange, you can defer these taxes and roll the deferred tax into purchasing another investment property, increasing your buying power and thus the cash flow generated from the replacement property.

### Build Wealth by Increasing Buying Power

A 1031 Exchange transaction gives investors access to their properties' appreciation while deferring taxes, thus increasing buying power. Exchange proceeds can be leveraged to purchase more significant properties, higher-quality properties, and properties located in desirable markets with the potential for improved returns. The

*(continued on page 11)*



transaction has the potential to both increase income on the investment as well as the value of an investor's property holdings. It also gives investors the ability to gain exposure to properties that will decrease the risk profile of a portfolio.

### Diversify Holdings to Reduce Risk

Like-kind exchanges allow investors to purchase any real estate held for business or investment purposes, even if the replacement property is a different property type than that which was sold and exchanged. For example, investors can exchange from multifamily property to office or retail property to industrial. The broad definition of "like-kind" is especially useful for investors looking to diversify their portfolio or maneuver an investment strategy to gain exposure to a growing market. For example, an investor might sell a retail asset and exchange it for an industrial property to respond to the increasing trend toward e-commerce, or an investor with an office portfolio might exchange into multifamily and retail assets to diversify their portfolio and mitigate risk. Diversification is especially important following the pandemic, which was a catalyst for significant changes to real estate. In addition, with uncertainty in the market, prudent investors often hedge against potential downside through diversification.

### Consider New Investment Strategies

Generally, real estate investors purchase assets through a fee-simple ownership structure in which a single investor has complete ownership or control of a property. Fee-simple ownership means that all the benefits of ownership and all the challenges—such as asset management, property management, and repair costs—are the owner's responsibility. Investors looking to reduce daily management responsibilities might consider exchanging fee-simple property for Delaware Statutory Trust property. The Delaware Statutory Trust ownership structure allows investors to purchase fractional ownership of a large institutional quality real estate asset or portfolio of properties and receive a pro-rata share of the income related to the ownership interest. The ownership structure qualifies as like-kind property for a 1031 Exchange. It gives real estate investors the freedom to exit the day-to-day responsibilities of property ownership while simultaneously deferring the taxes that would otherwise be due. DSTs aggregate investment capital to own large institutional-grade assets; thus, investors gain exposure to premium assets they would otherwise not be able to afford on their own.

The benefits of a 1031 Exchange are many. From deferring capital gains taxes to making strategic adjustments to a portfolio, an exchange transaction is perhaps the most important tool available to a real estate investor.

### Build Generational Wealth by Eliminating Tax for Beneficiaries

Another benefit of a 1031 Exchange, including ownership of Delaware Statutory Trust properties, is that it allows for a "step-up in basis" upon the passing of an owner, which eliminates the deferred capital gains, depreciation recapture, Net Investment Income Tax, and state-level taxes on inherited property. A "step-up in basis" refers to the IRS's elimination of deferred taxes upon the death of an owner. In "community property" states, a surviving spouse receives a full step-up in basis, as do beneficiaries such as children or grandchildren when inheriting property.

From an estate planning standpoint, 1031 Delaware Statutory Trusts (DSTs) are a particularly attractive solution. They can be seamlessly divided among beneficiaries without forcing a co-management situation – whether that be family, charities, or any other beneficiaries. Furthermore, because DSTs are considered illiquid and owned as a non-controlling interest, an investor's CPA can discount DSTs when calculating total estate value upon death. It is not uncommon to see discounts ranging from 20%-30% for estate valuations. The discount reduces the overall estate value to calculate estate tax that may otherwise be due.

### The Bottom Line

1031 Exchanges are a very effective tool for real estate investors looking to transition their properties into replacement property that is more consistent with their financial and lifestyle objectives. Additionally, DST real estate has become increasingly popular because of their benefits and provide investors with flexible options to help address an owner's objectives. If you are considering a 1031 Exchange and would like to learn more about 1031 DST replacement property, contact Real Estate Transition Solutions and speak to one of our licensed 1031 Exchange Advisors. Call us at 503-832-6463 or visit [www.re-transition.com/rhaor](http://www.re-transition.com/rhaor).

*Austin Bowlin, CPA - Chief Exchange Strategist & Partner at Real Estate Transition Solutions As Chief Exchange Strategist, Austin leads the firm's team of licensed 1031 Exchange advisors & analysts and provides consultation on tax liability, deferral strategies, legal entity structuring, co-ownership arrangements, 1031 replacement*

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## RENTAL HOUSING ALLIANCE OREGON-VENDOR MEMBER LIST

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## LANDLORDS



*"If smokers smoked outside their dwellings and extinguished their cigarette butts safely in water or sand, we would save thousands of dollars, and even more importantly, lives."*

— Paul Corah  
Portland Fire & Rescue



SMOKEFREE  
oregon



## Your rental properties are an important investment. Why put everything at risk of fire?

### MAKE YOUR RENTAL PROPERTIES SAFER:

- ▶ **Put a no-smoking rule in your lease. Seven out of 10 Oregon renters want a smokefree place to live.**
  - Find sample lease language and other tools at [www.smokefreehousinginfo.com](http://www.smokefreehousinginfo.com).
- ▶ **Enforce your no-smoking policy as you would any other rule (such as no pets or quiet hours).**
- ▶ **The safest approach is to prohibit smoking on the entire property. If smoking is allowed outside:**
  - Make sure people don't smoke near barkdust or planters and are at least 25 feet away from entrances, doors, stairways, windows and air intake vents.
  - Make sure cigarette butts are disposed of in a non-combustible container with water or sand to completely extinguish cigarettes.
  - Add a clause to the lease requiring proper disposal of cigarettes.
- ▶ **To educate your residents, download our SmokeFree/FireSafe Resident flier at [www.smokefreehousinginfo.com](http://www.smokefreehousinginfo.com).**
- ▶ **For help implementing a no-smoking policy for your rentals, contact the tobacco prevention coordinator at your local health department.**

## Quitting smoking is not easy.

If you or someone you know is ready to quit, the Oregon Tobacco Quit Line can help:  
1-800-QUIT-NOW (784-8669) - 1-877-266-3863 (Spanish) - [www.quitnow.net/oregon](http://www.quitnow.net/oregon)