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Preventing liability – tough or easy?

Simply put – owning a rental can be risky. The rental home owner rarely understands the road they are embarking when purchasing their first rental. Classes such as those put on by Metro Multifamily Housing are a start. New owners need to understand the business aspect of the new journey they are on and prepare themselves.

Oftentimes a new landlord is concerned with cash flow – rightfully so. Keeping a home occupied is paramount to any good investment strategy a rental owner employs.

Beyond that though, what is it that stands to challenge the wealth building of rental ownership? Risk inherent in having property whereby others live, friends frequent, and service providers maintain the rental.

What would a smart rental owner want to consider to limit liability? In come the topics of LLC's, Fair Housing, Insurance, housing code, maintenance. Last and most important, preparing for the unexpected.

On the LLC side, a rental owner may ask why they need it. Simply put, an LLC can insulate your personal wealth from a potential claim of liability from a situation arising at your rental property. Case scenario: your renter has an unauthorized pet on the property for some time. You haven't checked in on this renter, and are unaware this dog is residing at home with them. The dog bites a young child living in the unit on the same property. Your responsibility to have known of the pet could play in to your liability related to the child's medical care. If you prepared in advance, the LLC would be the entity exposed to liability. Neglecting to have one could expose you personally to the liability.

Next, fair housing. How does one manage risk when offering housing? Fair practices that are standardized. A written policy of how all inquiries are handled and the screening process for those applicants. A standardized manner of handling all current residents. Need help? Many other landlords have developed standards of practice, as have larger management firms. Sample screening criteria is available to you as a member of Metro Multifamily Housing Association.

What about habitability? The national standard is that a landlord provides adequate shelter in areas of heat, security, running water (both hot and cold), working appliances, adequate restrooms, and more. Being aware of these obligations when a rental owner helps your awareness when a potential problem arises.

Another important area that one should be familiar with is zoning ordinances. Your rentals should be acceptable under the current housing code for the parcel you own. Questions arise such as grandfathering (old houses that don't meet current standards) and making sure that the exterior meets the minimum standard for housing code so that you do not get a violation while the home is rented.

For more in-depth answers to issues of liability you can join us at Landlord Study Hall in both Oregon and Washington monthly. The group is free of charge to all unlicensed members of the community who own rental property. We meet on the 1<sup>st</sup> Thursday of the month in Washington, and the 2<sup>nd</sup> Wednesday of the month in Oregon. For more information see us at [www.landlordstudyhall.com](http://www.landlordstudyhall.com)

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If you have any further questions please do not hesitate to contact me.

Kind regards,

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