Renting an Apartment

What’s Next Project
You must show evidence of your reading either with highlighting or annotating
This packet is due on Friday 4/1 for periods 2 & 4 and Monday 4/11 for period 7

Types of Leases

You are ready to rent an apartment, condominium, or house. When you rent, you must sign a lease. A lease is a legal contract that defines a relationship between the owner, called the lessor, and the renter, called the lessee. The lessor is also known as the landlord and the lessee as the tenant. The lease describes all of the terms involved in the rental agreement, including the length of time a lessee may use it and what condition it must be in when returned to the landlord. The amount of the payments and any financial penalties for late payments or damage are also described in the lease. There are several different types of leases.

Fixed Lease
In this type of lease, the renter pays a fixed rental amount for the duration of the lease. So, for example, you might agree to pay $950 for rent every month for 13 months. Separately, you must pay all of the expenses related to the rental unit, such as utilities and insurance.

Gross Lease
In this type of lease, the renter pays a flat monthly amount. Out of this amount, the landlord must pay all operating costs for the unit. For example, you might pay a fee of $1,200 per month, but you do not pay related expenses, such as utilities and insurance, separately.

Net Lease
In this type of lease, the tenant agrees to pay, in addition to the rent, expenses such as taxes, insurance, maintenance, and other costs of the leased property. This type of lease is similar to a gross lease except the additional payments are based on actual costs rather than estimates.

Step Lease
In this type of lease, the rent is scheduled to increase by a set amount on an annual basis during the life of the agreement. The increase is planned to cover expected increases in the costs incurred by the lessor.

Cost-of-Living Leases
In this type of lease, the rent is tied to the cost-of-living index. The rent goes up with general inflation.

Rental (or Security) Deposit
When you sign a lease, you will usually be asked to pay a deposit known as a rental or security deposit. This is a fee that the landlord holds to pay for any damages incurred by the rental unit. If at the end of the lease the unit is in good condition as described by the lease, the deposit will be returned to you. If not, the landlord is entitled to withhold the portion of the deposit required to pay for repairs.
ACTIVITY: Paying Rent

1. A lease states that you must pay a fixed rate of $1,000 per month along with a deposit equal to one month's rent. The lease extends for a period of 24 months. How much will you pay throughout the life of the lease?

$__________________________________

2. A lease states that you must pay a fixed rate of $800 per month for the first year. At the end of the first year, the monthly payment will increase by 2.5%. How much will you pay during the first two years of this lease?

$__________________________________

3. A lease states that you must pay a fixed rate of $11,700 per year paid in equal, monthly installments. In addition to rent, you can expect to pay $45 for electricity, $30 for water, and $60 for insurance each month. How much can you expect to pay on a monthly basis for rent, electricity, water, and insurance?

$__________________________________

4. A gross lease states that you must pay a fixed monthly rate of $1,200 plus a deposit of $950. How much will you pay to rent this unit for one year?

$__________________________________

************************************************************************************

ACTIVITY: Affording Rent

A common rule states that your annual rent should be no more than 30% of your annual income. To decide if you can afford a rental unit, divide the annual rent by 0.30. This calculates the amount you need to earn annually so that rent is no more than 30% of your income.

5. You want to rent a one-bedroom apartment that costs $700 per month. How much would you have to earn in a year for this to be no more than 30% of your income? **HINT:** ($700/.30) * 12 months

$__________________________________

6. You earn an annual salary of $38,000. What is the greatest amount of monthly rent you can afford if you do not want to pay more than 30% of your annual income? **HINT:** ($38,000 * .30) / 12 months

$__________________________________
Renters' Rights and Responsibilities
A lease is a legally binding contract. Both the lessor and the lessee have rights and responsibilities as a result of that contract. The specific rights and responsibilities are stipulated by the laws of each state. There are basic items that most states have in common.

Renters' Rights

- Some or all of an application fee must be returned if the application is denied.
- The renter's personal information must be protected by the landlord and can be released only under certain situations, such as if the landlord has written permission or is involved in a legal case relating to the lessee and the rental unit.
- The landlord must provide the renter with a report of any damage in the unit within days of occupancy.
- The renter must be informed of any change in management, ownership, or other use of the property within a specific period of time, such as six months.
- The renter is entitled to live in a safe place that meets local building and health codes. The renter has the right to a safe environment, which may involve locks and notice prior to the spraying of pesticides and other chemicals.
- The renter is guaranteed the rent stated in the lease until the end of the contract. Written notice must be provided of any rent increases prior to the expiration of the contract.
- A landlord cannot ask a renter for a deposit that is greater than an amount equal to two months' rent. The deposit must be returned within a specified period after the renter vacates the unit. If there are any deductions, the landlord must supply a written list of damages and charges.

Renters' Responsibilities

- The renter must be truthful in all information provided on the rental application.
- The renter must pay the rent on time without having to be reminded by the landlord.
- The renter must follow the terms of the lease.
- The renter must keep the rental unit in good condition, obeying safety and health codes.
- The renter must give the landlord a written notice in advance of the time he or she is moving out. The amount of time is usually stipulated in the lease.
ACTIVITY: Reading a Lease Agreement

Answer the questions below after reading the portion of the lease agreement on the next page.

7. On what day was the lease signed? ____________________________________________________

8. Who is the renter? _________________________________________________________________

9. By what date is the rent due each month? _____________________________________________

10. What is the amount of the monthly rent? _____________________________________________

11. What fee must the renter pay if the rent is late? _______________________________________

12. Who will pay the electricity bill each month? _______________________________________

13. Who will pay the trash bill each month? _____________________________________________

14. What is the amount of the security deposit collected? ________________________________

15. On what day can the renter move into the unit? _______________________________________

16. What is the length of the lease? ____________________________________________________

17. Who is the landlord? __________________________________________________________

18. On what date does the lease end? __________________________________________________

19. What form of payment must the tenant use to pay the rent? ___________________________

20. Other than electricity, what utilities does the tenant pay? _____________________________

21. How much pet deposit will the renter pay? ___________________________________________
# LEASE AGREEMENT

This agreement is made on May 15, 2008 between

<table>
<thead>
<tr>
<th>J and L Enterprises (landlord),</th>
<th>Rita Renter (tenant)</th>
</tr>
</thead>
<tbody>
<tr>
<td>address: 60 Business Way Corporation, CA 33333</td>
<td>address: 9876 Town Way City, CA 55555</td>
</tr>
<tr>
<td>phone: 888-910-9000</td>
<td>phone: 888-222-2000</td>
</tr>
</tbody>
</table>

## I. Terms of Agreement Summary

<table>
<thead>
<tr>
<th>Address of property to be leased:</th>
<th>1234 Apartment Avenue Condo, CA 44444</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lease term begins:</td>
<td>ends:</td>
</tr>
<tr>
<td>June 1, 2008</td>
<td>May 31, 2009</td>
</tr>
<tr>
<td>Length of term:</td>
<td>12 (months)</td>
</tr>
<tr>
<td>Total rent payment for full term:</td>
<td>$13,200</td>
</tr>
<tr>
<td>Monthly payment:</td>
<td>$1,100</td>
</tr>
<tr>
<td>Payment is due on the</td>
<td>5th day of each month.</td>
</tr>
<tr>
<td>Payment accepted includes:</td>
<td>X check _ credit card _ cash</td>
</tr>
</tbody>
</table>

In the event that monthly payments are not made by the designated date, a late charge will be assessed of $10 per day (length of time).

Utilities shall be paid as followed:

<table>
<thead>
<tr>
<th>LANDLORD</th>
<th>TENANT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity:</td>
<td>X</td>
</tr>
<tr>
<td>Gas:</td>
<td>X</td>
</tr>
<tr>
<td>Water:</td>
<td>X</td>
</tr>
<tr>
<td>Trash:</td>
<td>X</td>
</tr>
<tr>
<td>Heat:</td>
<td>X</td>
</tr>
<tr>
<td>Other:</td>
<td></td>
</tr>
</tbody>
</table>

Monies received from Tenant(s) as follows:

| Security Deposit (deposited with Landlord/Agent) | $1,100 |
| Pet Deposit of | NA |
| First Month’s Rent | $1,100 |
| Pro-rated Rent | NA |
| Pet Rent (if applicable) | NA |

Other Charges: specify: 

TOTAL: 

Renter's Insurance

Even though you don't own the place where you live, you still want to protect your possessions inside it. To accomplish this, you can purchase renter's insurance. Renter's insurance is a policy that can protect your personal property against fire, theft, or vandalism. It could also protect you in the case of a liability lawsuit against you. This might happen, for example, if someone is injured while visiting you. There are several items to consider when purchasing a renter's insurance policy.

Dollar Amount of Coverage
A fixed amount is determined for all of your possessions. The price of the policy is related to this amount.

Deductible
The deductible is the amount that you must pay before your insurance benefit is paid.

Actual Cash Value (ACV) or Replacement Cost
This determines how much you are reimbursed when your property is damaged or destroyed. Suppose your television is broken during a lightning storm. An ACV policy will pay you the value of the property at the time of the loss. If you had bought the television several years prior to the incident and it was not in the greatest shape, you will not receive a large sum for your loss. A replacement cost policy will pay the amount required to replace the television. In this case, it will pay the cost of purchasing a new television that is similar to the television you bought originally.

ACTIVITY: Comparing Renter's Insurance

Renter A has an ACV renter's policy that costs $140 annually. Renter B has a replacement cost policy that costs $180 annually. During a storm, the roof over their apartments is damaged, leaking water damages on both of their stereo systems. They have identical stereo systems that cost $500 four years ago. The current value of the stereo system is $125. The cost to buy a new stereo system that is comparable to the original is $625. Consider the cost of the insurance policy, the benefit paid, and the cost to replace the stereo. Complete the chart below.

<table>
<thead>
<tr>
<th></th>
<th>Cost of the insurance policy</th>
<th>Cost to replace the stereo system</th>
<th>Insurance benefit paid to the renter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renter A</td>
<td>22.</td>
<td>23.</td>
<td>24.</td>
</tr>
<tr>
<td>Renter B</td>
<td>25.</td>
<td>26.</td>
<td>27.</td>
</tr>
</tbody>
</table>

28. Which renter paid a lower total to get a new stereo as a result of the storm? __________
Living with a Roommate: Good idea or bad idea?

As an adult, it is common to have a roommate who is not a family member or spouse. However, many people often make the decision to have a roommate without giving it a lot of thought. It is very important to consider the pros and cons of having a roommate. It is also important to consider what characteristics and habits are important to you when agreeing to be a roommate. Complete the following chart for 12 points.

<table>
<thead>
<tr>
<th>Pros of Having a Roommate</th>
<th>Cons of Having a Roommate</th>
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<tr>
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<table>
<thead>
<tr>
<th>Characteristics and Behaviors You Want in a Roommate</th>
<th>Characteristics and Behaviors You Don’t Want in a Roommate</th>
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Renting

Answer the following questions based on the PPT presented in class.

41. If you are interested in renting a place to live, where could you learn about possible rental opportunities? List them below.

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42. You can either rent an apartment or a house. List three things you need to consider when deciding which to rent.

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- 
- 

43. List three advantages and three disadvantages of renting a home or an apartment vs. buying a home.

<table>
<thead>
<tr>
<th>ADVANTAGES</th>
<th>DISADVANTAGES</th>
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</table>

44. Before you start looking for an apartment or a house, you should make a list of things you would like to have or to be included in the apartment. Write your list below.

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- 
- 

45. Besides the rent, what are some other expenses you will need to pay when you first move into an apartment?

- 
- 
- 
- 
- 

Turn this packet in and then go to Google Classroom and complete “WNP: Finding your Ideal, but Realistic, Apartment”