



Follow the Money

by Zachary Lawrence JD

All the President's Men is a book and a movie about the Watergate scandal and the downfall of President Nixon. In the movie, there's a scene with Washington Post reporter

Bob Woodward (Robert Redford) meeting his anonymous source, "Deep Throat" (Hal Holbrook), inside a dark parking garage.

Woodward needed proof that President Nixon knew of the burglary at Democratic headquarters in the Watergate Hotel and a secret slush fund held by then Attorney General John Mitchell.

Deep Throat's advice

was simple: "Follow the money".

In other words, Woodward needed to trace the money

In a rent controlled building, and upon the departure of both original tenants (one and two), the unit becomes decontrolled. This means that the landlord may increase the rent to market levels.

found in possession of the burglars and in the secret fund. If he does that, said Deep Throat, the trail will lead to Nixon.

Now, Let's Talk About You, the Landlord

You rented out a unit to two people. Let's call them tenants one and two. A year later, tenant two moves out and is replaced by tenant number three. A year after that, tenant number one moves out and is replaced by tenant number four.

So you now have a unit occupied by tenants three and four, not the original tenants, one and two, who are named on the original lease.

Question: How does the landlord follow the money trail so that tenants one through four are all properly reimbursed for the security deposit held by the landlord? I discussed this is-



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sue with my friend, mentor and eviction expert Dennis Block on our podcast "Landlord Tenant Radio".

Block: In a rent controlled building, and upon the departure of both original tenants (one and two), the unit becomes decontrolled. This means that the landlord may increase the rent to market levels, notwithstanding the cap on rent increases imposed by Rent Stabilization.

If both original tenants (one and two) vacate together, then the landlord has 21 days in which to return those funds, less costs for damages above normal wear and tear.

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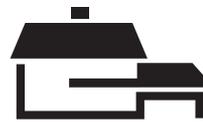
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Zac: What happens to the security deposit when (original) tenant one remains, (original) tenant two vacates, and is replaced by tenant three?

Block: I have a free form on my website. The form is called "Roommate Addendum to Lease Agreement". Before one of the original tenants vacates, (tenant one) and is replaced by another tenant not named on the original lease (tenant three), the landlord must present this addendum to the remaining tenant, (tenant one), the added tenant, (tenant three) and the departing tenant (tenant two). [See AOA Form 118 – Addendum to Rental Agreement for Additional

Tenant.] All of these parties must sign the addendum.

The addendum states that the added tenant (tenant three) has paid the (original) vacating tenant (tenant one) his portion of the security deposit held by the landlord. The document also releases the landlord from any claims to return the security deposit to tenant one, the departing tenant.

For example, let's say that the security deposit held for the entire unit is \$1,000.00, and each (original) tenant (tenants one and two) paid \$500.00. The addendum states that the added tenant (tenant three), has reimbursed the de-

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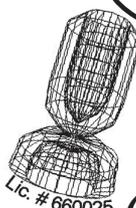
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parting (original) tenant (tenant one) with his portion of the security deposit. The new and departing tenants must agree amongst themselves if any security funds should be withheld for damages.

This addendum allows the landlord to keep the original \$1,000.00 security deposit until such time as all tenants, original or added, have vacated the unit. Once all tenants have vacated, the landlord has 21 days in which to reimburse the last remaining tenants their security deposit. And if there are damages to the premises, the landlord may withhold funds from the original \$1,000.00 deposit to pay for those dam-

ages, regardless if they were caused by the added tenants or the original tenants.

Until such time as the landlord executes a new lease with those tenants not named on the original lease, (tenants three and four), all terms and conditions of the original lease (with tenants one and two) remain in full force and effect.

Follow the money. **ADA**

Zachary Lawrence JD is the owner of Parkside Property Management and Affordable Landlord Consulting. For management or consultation services, Zachary Lawrence can be reached at (310) 636-1200 or park806@aol.com.



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