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## Local apartment developer offering deposit substitute

By Brent Adams

### Managers seek ways to lure renters in slow market

With ultra-low interest rates and an abundant supply of housing, apartment-dwellers across the country are opting to purchase homes rather than renew leases.

In Indianapolis alone, there are about 110,000 units, and, according to a November 2003 report by real estate investment brokerage Marcus & Millichap, about 10.6 percent were expected to be vacant at the end of 2003.

As a result, many apartment complex owners have been forced to become creative in their attempts to fill vacant units.

Flaherty & Collins Properties Inc., an Indianapolis-based multifamily property developer and manager, has introduced an alternative to security deposits for the nearly 3,000 units the company owns in Indianapolis, Cincinnati and northern Kentucky. It also will be rolled out at an additional 7,000 apartments the company manages across the Midwest.

SureDeposit, a Livingston, N.J.-based company, offers a non-refundable surety bond at a much lower cost than a standard security deposit, which often costs as much as a month's rent.

The company offers \$500 worth of coverage for a one-time, non-refundable fee of \$87.50. The fee is paid to SureDeposit when leases are signed. The bond is transferable if the tenant moves to another unit within the Flaherty & Collins portfolio.

Because the company's properties range from upscale apartments to subsidized housing for low-income families, SureDeposit sets bonds according to local market conditions and the perceived credit risk of prospective renters.

Not all renters will pay the same bond payment, though. Residents who have good credit may only be required to pay the base bond fee, while residents with marred credit may be asked to pay the base fee plus an additional security deposit. The sum of the two charges will be "considerably less" than paying a full security deposit, said Carrie Sietsma, director of marketing for Flaherty & Collins.

"We view this as a win-win for our properties and our customers," Sietsma said. "It requires a smaller cash outlay for customers at lease signing, and it takes work out of the collection end for our employees."

Using the SureDeposit system can be of benefit to property companies, who can collect payment from SureDeposit within 15 days of filing a claim for a damaged unit or for a renter who moved out still owing rent.

SureDeposit will pay the claim and attempt to collect the money from the tenant, relieving the property manager of a time-saving, costly burden.

"Typically, we have problems with people moving out owing back rent when the economy is down," Sietsma said. "Our people typically spend 30 days trying to collect back rent before it is turned over to a collection agency. This should eliminate some of that work."