Short Term Vacation Rentals

Changes inspired by new technologies and the sharing economy
The Emergence of the Sharing Economy—Simplified

• The sharing economy emerged during the early 2000s
  - Ability for consumers to obtain what they desire—even if from individuals or “non-traditional” sources—when and for how long they want it
  - Generally a disintermediating process—matching “buyers” and “sellers”
  - Enabled by the internet; technology; rising prices; changing lifestyles;
  - Example market sectors:
    • Transportation: Uber and Lyft
    • Real Estate: AirBNB, VRBO
    • Capital Formation: Kickstarter, Indegogo

• The sharing economy forced industries and government at all levels to re-examine existing laws and regulations to ensure:
  • Quality/safe products/services
  • Fairness, applicability and adherence to laws—updating as needed
The Home Sharing Market

- The process is essentially Owner-Renter “Market Making”
  - Owners offer properties for “rent” providing pictures, prices and availabilities
  - “Sharing” firms aggregate properties, manage bookings and collect rental fees
  - Vacationers browse, compare, review ratings, and book online
- More than 100 national brands provide near complete geographic coverage

- These companies generally do not manage the property; they are paid a fee to connect owners and renters
- In addition, we have 46 local property management firms offering similar services, plus providing local support

<table>
<thead>
<tr>
<th>Beach Properties</th>
<th>Goode Vacation Rentals</th>
<th>Island Getaway</th>
<th>Reflections Services, Inc</th>
<th>The Vacation Company</th>
<th>HH Island Rentals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beachside Getaway</td>
<td>Harbourside III</td>
<td>Coastal Home &amp; Villa</td>
<td>Resort Rentals</td>
<td>Travel Advantage Network</td>
<td>TurnKey Vacation Rentals</td>
</tr>
<tr>
<td>Beverly Serral</td>
<td>Hilton Head Properties R&amp;R</td>
<td>Low Country Coastal Rentals</td>
<td>RMC - Ocean Cove</td>
<td>Trident Villa Rentals</td>
<td></td>
</tr>
<tr>
<td>Carolina Property Management Group</td>
<td>HHI Vacation Direct</td>
<td>Low Country Realty and Rentals</td>
<td>RMC - The Village</td>
<td>Wyndham Vacation Rentals</td>
<td></td>
</tr>
<tr>
<td>Ferguson Vacations</td>
<td>HHI Vacations, Inc</td>
<td>Luxury Home Concierge</td>
<td>Sea Pines Villa Vacations, LLC</td>
<td>Vacation Homes of Hilton Head, Inc</td>
<td></td>
</tr>
<tr>
<td>Coastal Vacation Rentals</td>
<td>HHIHideaway</td>
<td>McDougul &amp; Associates, Inc</td>
<td>Sea Turtle Getaways</td>
<td>ABC Test Company</td>
<td></td>
</tr>
<tr>
<td>Destination Vacation</td>
<td>Hilton Head Rentals &amp; Golf</td>
<td>Palmetto Dunes Oceanfront Resort</td>
<td>Seabreeze Vacation Rentals</td>
<td>MCP Management, LLC</td>
<td></td>
</tr>
<tr>
<td>Five Star Properties</td>
<td>Inspirato</td>
<td>Palmetto Sands Vacation Rentals</td>
<td>Sunset Rentals</td>
<td>Sandy Beach Vacation Rentals</td>
<td></td>
</tr>
</tbody>
</table>
The Short Term Rental Market is Large and Growing

- Demand for short-term rentals as a lodging alternative increased 81% between 2012 and 2017 and is predicted to increase 59% between 2017 and 2022


![More Listings Than Top 5 Hotel Brands](image-url)

*Airbnb is larger than the five largest hotel brands in the world combined. Photo credit: Airbnb*
It’s in the News—and the Courts

Anti-Short Term Rental

StarTelegram
Another Texas city is banning short term rentals over complaints of trash and noise

November 14, 2018 12:09 PM

HURST — Hurst is banning short term rentals after city officials said they received complaints about noise, trash and other problems.

The Island Packet
Will a Hilton Head gated community ban short-term rentals soon? Here’s what they decided

October 16, 2018 07:25 AM

The Hilton Head Plantation board of directors announced a big step toward banning temporary rental units in the community.

The New York Times
Can I Stop My Neighbor From Running an Airbnb?

By Ronda Kaysen
April 21, 2018

In New York, short-term rentals have been kept in check, at least to some extent, by a state law that prohibits apartment owners from renting out their units for less than 30 days. A tenant who rents an apartment on a short-term basis could face eviction for violating the lease. But that rule does not govern single-family homes.

Judge halts Savannah short-term vacation rentals

By Jan Skutch
March 19, 2018 at 4:47 PM

A judge on Monday ruled the city of Savannah can shut down a group of short-term vacation rentals in forbidden residential zones until litigation challenging them can be concluded.

Pro-Short Term Rental

GOVERNMENT

The Vacation Rental Dilemma, Briefly Solved, Is Back Again

The City Council voted Monday to rescind strict rules passed in July that limited vacation rentals to a homeowner’s primary residence. Here’s what we know about what led up to that decision and what may be next.

Airbnb Is Suing Boston Over Their Anti-gig Economy Laws

JAZZ SHAW
Posted at 2:31 pm on November 14, 2018

Court temporarily blocks Miami’s ban on app-based short-term rentals

5 Miami hosts back Airbnb lawsuit

By Glenn Hillsberg
Posted at 3:45 PM, April 20, 2017

Statesman

Vexed by licensing, some short-term rental owners fight back

By Lila Mack
Posted at 12:16 PM

Austin’s ordinance limiting the scope of short-term rentals, approved by the City Council in 2016, has grown in scope and complexity. The city is being sued by several rental owners, and others could soon be emboldened as Texas courts increasingly rule that homeowners have a right to rent their properties for as short a period of time as they wish. Given January, the Texas Legislature will open its biennial session, and lawmakers are expected to reprise previous efforts to overturn local short-term rental rules.

Industry Actions

Marriott Experiments With Homesharing and 11 Other Hospitality Trends This Week

Sarah Eelman
SKIR - Apr 28, 2018 1:30 pm

VRMintel
Northwest Vacation Rental Professionals Launch NorthwestStays.com

AECOM MAP
October 31, 2018
Fundamental Issues

• Some perceive that short term rentals disrupt the community—with those renting unfairly benefiting while residents are left to deal with the consequences

• Neighbors dislike:
  - High turnover of new people into previously “stable” communities
  - Over-occupancy of homes—and the creation of “party houses”
  - Noise and after-hours activities
  - Excessive traffic
  - Disregard for parking locations and rules
  - Excessive trash
  - Disregard for local residents and the community’s implicit/explicit rules

• In response, some communities have sought to:
  - Ban short-term rentals—outright
  - Control short-term rentals via laws and regulations

• But there are challenges that owners can raise
  - Arbitrary and unreasonable rules
  - Rights of property owners
General Impact of Short-Term Vacation Rentals within the United States

Benefits:
- Greater residential property values of 6% to 31% (average of 18%)
  - Helps pay for mortgage, expenses, etc.
- Added vibrance into communities with a large second-home population
- Greater revenue for travel-related businesses: restaurants, activities, etc.
- Heightened demand for construction, landscaping and pool services
- More revenue for towns and municipalities: taxes, permits, etc.

Concerns:
- Lower revenue and/or pricing power for the hospitality industry
- Fewer long-term rental properties (converted to short-term rentals)
- Increased traffic, noise and declining quality of life for residents
- Perception that residents are subsidizing rental “businesses”
- Fading “sense of community” due to transiency
Short-Term Rental “Warning Signs”

1. Explosive traffic: requires added or updated infrastructure
2. Increased complaints: unhappy residents
3. Slowing velocity of property sales: greater DOM, lower sales price, etc.
4. Unkempt properties: “investor” rather than “owner” mentality
5. Increasing conflict followed by growing crime
6. Declining neighborhood perception or “quality” among owners and potential buyers
7. Declining short-term rental (weekly or daily) volume and/or rates
The Emergence of Short Term Vacation Rental Ordinances

• Due to AirBnB and VRBO and similar firms, many resort and non-resort communities are being forced to explore and address the impact of short term vacation rentals

• **Rather than ban**, many communities have adopted **Short Term Rental ordinances** to address concerns about:
  - Community safety and “Good Neighbor” practices
  - Community traffic, parking, noise levels and trash
  - Renter safety (building integrity, fire prevention, etc.)

• Conduct a Google or Bing search: (most have or shortly will enact an ordinance)

<city> short term rental ordinance
Short-Term Rental Policy Essentials

• Agreed upon community objectives

• Clear and well understood practices
  - Administrative processes
  - Fees
  - Taxes
  - Compliance

• Active enforcement
  - Adherence to rules
  - Identification of owners/renters actively ignoring/violating the rules
  - Adoption of technology to automate enforcement

• Ongoing policy reassessment
Elements of the Dominant Short-Term Rental Solution

1. Clear definitions
   - Duration of “Short Term Rental”
   - Occupancy and parking limits
   - Owner Present/Not-Present Requirements
   - Consequences of violations (fines, revocation of rental abilities, etc.)

2. Requirement for an annual license or permit
   - Building, Safety and Fire inspections
   - Defined building occupancy and parking limits
   - Placard in every rental property citing rules: noise, parking, occupancy, trash, etc.
   - 24 hour complaint “hotline”
   - Requirement for management company to be on site within 60 minutes of complaint
   - Advertisements must include permit number
   - Non-automatic renewals

3. Ongoing enforcement (by neighbors, communities and property agent)
   - Large “shock and awe” fines (> $1,000) for violations: split between renter and owner
     - No warnings, no amnesty: owners are responsible if renters do not pay
   - 3 strike rule: 3 complaints, revocation of license for the year
   - Substantial fines for renting without a license
Local Examples

Charleston, SC

Tybee Island, GA

Beaufort, SC

Kiawah, SC
World-Class Resorts: Enacted Short Term Rental Ordinances

https://www.cityofslt.us/DocumentCenter/View/11720/ORD_NO_1120?bidId=


https://www.vailgov.com/short-term-rentals

https://www.cityofdestin.com/468/Residential-Rentals

https://www.savannahga.gov/1476/Short-Term-Vacation-Rentals
Example Enacted Short Term Rental Ordinances

https://www.cityoftybee.org/347/Short-Term-Vacation-Rentals

https://www.nola.gov/short-term-rentals/


https://www.kiawahisland.org/rental-property-ordinance-changes/

https://www.jacksonwy.gov/335/Short-Term-Rentals
<table>
<thead>
<tr>
<th>State</th>
<th>City</th>
<th>Year Enacted</th>
<th>Short Term Definition</th>
<th>Notes</th>
<th>Inspection Required</th>
<th>Defined Maximum Occupancy</th>
<th>Defined Parking Rules/ Maximum Spaces</th>
<th>24 Hour Contact Ability</th>
<th>Time Until On-Site Presence</th>
<th>Permit Duration</th>
<th>3 Strike Rule</th>
<th>Interior Rules Signage</th>
<th>Include License Number in Advertise</th>
<th>Defined Quiet Periods</th>
<th>Annual Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>CA</td>
<td>South Lake Tahoe</td>
<td>2017</td>
<td>&lt;30 Days</td>
<td>Maximum of 1,400 units in South Lake Tahoe; no multi-family units;</td>
<td>Yes</td>
<td>Defined by Ordinance tables</td>
<td>Defined by Ordinance tables</td>
<td>Yes</td>
<td>1 Hour</td>
<td>Calendar Year, Not Transferrable</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>10PM to 8AM</td>
<td>$200 (1-4pppl) to $850 (&gt;12 ppl)</td>
</tr>
<tr>
<td>CO</td>
<td>Breckenridge</td>
<td>2018</td>
<td>&lt;30 Days</td>
<td></td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>1 Hour</td>
<td>Calendar Year, Not Transferrable</td>
<td>4 Strike Rule</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Defined by other town Ordinance</td>
<td>$100 (studio) to $325 (4+ bedrooms)</td>
</tr>
<tr>
<td>CO</td>
<td>Vail</td>
<td>2017</td>
<td>&lt;30 Days</td>
<td>Self Inspection</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>1 Hour</td>
<td>Calendar Year, Not Transferrable</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>11PM to 7AM</td>
<td></td>
</tr>
<tr>
<td>FL</td>
<td>Destin</td>
<td>2018</td>
<td>&lt;6 Months</td>
<td></td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>1 Hour (within 30 miles of the property)</td>
<td>Calendar Year, Not Transferrable</td>
<td>Yes and Exterior Signage</td>
<td>Separate ordinance (Chapter 14, Article 2)</td>
<td>$200</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GA</td>
<td>Savannah</td>
<td>2017</td>
<td>&lt;30 Days</td>
<td></td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>2 Hours</td>
<td>Calendar Year, Not Transferrable, No Renovations</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Per City's Noise Ordinance</td>
<td>$300</td>
<td></td>
</tr>
<tr>
<td>GA</td>
<td>Tybee Island</td>
<td>2016</td>
<td>&lt;30 Days</td>
<td>Owner Defined</td>
<td>Owner Defined</td>
<td>Yes</td>
<td>Calendar Year, Not Transferrable</td>
<td>Yes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LA</td>
<td>New Orleans</td>
<td>2017</td>
<td>&lt;30 Days</td>
<td>Owner can occupy building with renters</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Calendar Year, Not Transferrable</td>
<td>Yes</td>
<td></td>
<td>$200 to $500</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NM</td>
<td>Taos</td>
<td>2018</td>
<td>&lt;=30 Consecutive Days</td>
<td>Fire Marshall</td>
<td>Yes (2 per Beddom)</td>
<td>Yes</td>
<td>Yes</td>
<td>Reasonable Timeframe</td>
<td>Calendar Year, Not Transferrable</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Defined by other town Ordinance</td>
<td>$35</td>
<td></td>
</tr>
<tr>
<td>SC</td>
<td>Beaufort</td>
<td>2017</td>
<td>&lt;30 Consecutive Days</td>
<td>Notify if in an HOA</td>
<td>Safety</td>
<td>Yes (2 per Bedroom)</td>
<td>Yes (1 Parking per bedroom)</td>
<td>3 Hours</td>
<td>Calendar Year, Not Transferrable</td>
<td>Yes</td>
<td></td>
<td>9PM to 8AM</td>
<td>$100 plus Revenue %</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SC</td>
<td>Charleston</td>
<td>2018</td>
<td>&lt;30 Consecutive Days</td>
<td></td>
<td>Fire</td>
<td>Yes</td>
<td>Calendar Year, Not Transferrable</td>
<td>Yes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$300+ plus Revenue %</td>
<td></td>
</tr>
<tr>
<td>SC</td>
<td>Kiawah</td>
<td>2017</td>
<td></td>
<td>Owners, not rental agencies, are responsible for compliance</td>
<td>Fire, Maintenance</td>
<td>Yes (2 per Bedroom + 2)</td>
<td>Yes</td>
<td>Calendar Year, Not Transferrable</td>
<td>24 points in 2 years (2/4/8 pts per violation)</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>11PM to 7AM</td>
<td></td>
<td></td>
</tr>
<tr>
<td>WY</td>
<td>Jackson</td>
<td>2015</td>
<td>&lt;30 Consecutive Calendar Days</td>
<td>Notify Neighbors within 300 feet</td>
<td>Fire, Building</td>
<td>Subject to Existing Fire Codes</td>
<td>Yes</td>
<td>Calendar Year, Dec 31</td>
<td>Yes</td>
<td></td>
<td></td>
<td>Yes</td>
<td>$100</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Takeaways

- Many communities have already addressed the challenges of short term rentals—most since 2017
- Most define short term rental as occupancy less than 30 days
- The dominant solution is to require an annual short term rental license or permit for a nominal fee—
  - not to ban short term rentals
  - Nearly all include occupancy and parking limits
  - Many require a 24 hour contact number to address complaints within a few hours
  - Most require in-property placards to inform renters—some external signs, too
  - Nearly all require the inclusion of the STR license number in all forms of advertising to encourage/enable compliance

- The Town of Hilton Head does not require business licenses unless the owner has two or more rental properties—but does require:
  - Local Accommodations (1%) and Beach Preservation Fees (2%)
  - State Sales (5%) State Accommodations (2%) Tax
  - Focus is purely financial—no operational controls
- We can explore the work of others to develop a solution that works for us
Thoughts About Short Term Rentals in Palmetto Dunes
Short-Term Vacation Rentals within Palmetto Dunes

- Short term rentals positively differentiate Palmetto Dunes from many HHI communities
  - Benefit many (if not all) owners
    - Higher property values
    - Creates a pipeline of future potential owners
    - Generates rental income
  - Benefits our resort partner
  - Injects diversity and vitality into Palmetto Dunes

- Within Palmetto Dunes, the short term rental market has grown with the help of VRBO, AirBNB and local property management firms
  - Nearly 1/3 of all homes and 2/3 of all villas currently rent on a short term basis
  - Brings added traffic, noise and community risk
  - Heightened demand on infrastructure, staff and patience
  - No comprehensive method to address occupancy limits

- However, our covenants are unclear if short term rentals are permitted—even if we believe short-term rentals are allowed
  - Long-standing, unaddressed issue
Short-Term Vacation Rentals within Palmetto Dunes

  - Claims: Trespassing, Cutting bushes, Violating covenants, Operating illegal business
  - Resisted providing rental records and P&L; motion to compel; motion granted
  - Arbitration attempt: unsuccessful
  - Awaiting judge hearing and decision
    https://publicindex.sccourts.org/beaufort/PublicIndex/CaseDetails.aspx?CourtAgency=07002&Casenum=2017CP0700280&CaseType=V&Org=CR

• Opportunity
  - Remove ambiguity: grant short-term rentals with limited controls (occupancy, parking, noise, etc.)
    • Eliminate risk of a potentially undesirable court ruling
    • Prevent POA being named directly in a future lawsuit
    • Enable balance among renters and non-renters
  - Maintain property values by avoiding sell-off of income-supported properties
  - Leverage controls to encourage compliance for all in a fair manner
  - Develop an approach that flexibly addresses currently unforeseen situations
  - Avoid conflict and lawsuits
Potential Benefits for Palmetto Dunes?

- Fewer large groups and less noise
  - Defined daily and overnight occupancy limits: avoids overcrowding/party houses and provides a practical solution for “hotel-style” homes
- Less vehicular traffic
  - Clearly defined parking limits for each property: less impact on aging infrastructure
- Faster complaint resolution
  - Quality of life is improved as issues are resolved within 1 hour
  - Incentive to comply: properties that repeatedly offend can have license revoked
- Better guest experience
  - Everyone understands the rules—as they are displayed on large interior designs
  - Helps avoid conflict and fines
- Better owner experience
  - Encourages full-time/part-time owners to buy in Palmetto Dunes
- Flexibility
  - Provides tools to address future rental issues without additional covenant changes
- Potential source of income
  - Diversified (less volatile) source of funds not tied to passes