

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

Beach Properties	Goode Vacation Rentals	Island Getaway	Reflections Services, Inc	The Vacation Company	HH Island Rentals
Beachside Getaway	Harbourside III	Coastal Home & Villa	Resort Rentals	Travel Advantage Network	TurnKey Vacation Rentals
Beverly Serral	Hilton Head Properties R&R	Low Country Coastal Rentals	RMC - Ocean Cove	Trident Villa Rentals	Property Management Pros
Carolina Property Management Group	HHI Vacation Direct	Low Country Realty and Rentals	RMC - The Village	Wyndham Vacation Rentals	Island Rentals of Hilton Head
Ferguson Vacations	HHI Vacations, Inc	Luxury Home Concierge	Sea Pines Villa Vacations, LLC	Vacation Homes of Hilton Head, Inc	VacanSeas HH Vacation Homes
Coastal Vacation Rentals	HHHidaway	McDougal & Associates, Inc	Sea Turtle Getaways	ABC Test Company	Beach Vacations of Hilton Head
Destination Vacation	Hilton Head Rentals & Golf	Palmetto Dunes Oceanfront Resort	SeaBreeze Vacation Rentals	MCP Management, LLC	
Five Star Properties	Inspirato	Palmetto Sands Vacation Rentals	Sunset Rentals	Sandy Beach Vacation Rentals	

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

<https://www.vrmintel.com/former-airbnb-exec-shaun-stewart-discusses-the-state-of-the-vacation-rental-industry-at-liverez-user-conference/>

More Listings Than Top 5 Hotel Brands

AIRBNB BETTER ALIGNED WITH WHAT CONSUMERS ARE LOOKING FOR, PROVIDES MORE CHOICES



Source: Hotel News Now

Airbnb is larger than the five largest hotel brands in the world combined. Photo credit: Airbnb

And this
is just
AirBNB

It's in the News—and the Courts

Anti-Short Term Rental

Star-Telegram

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

BY ELIZABETH CAMPBELL
liz@star-telegram.com

November 13, 2018 09:20 PM
Updated 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

BY KATHERINE KOKAL
kkokal@islandpacket.com

October 16, 2018 06:57 PM
Updated October 18, 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.

savannahnow
Savannah Morning News

Judge halts Savannah short-term vacation rentals

By Jan Skutch Posted Mar 13, 2018 at 4:47 PM
Updated Mar 13, 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 Vacation Rentals

The Vacation Rental Dilemma, Briefly Solved, Is Back Again

Lisa Halverstadt
October 22, 2018

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 Glenna Milberg - Reporter Posted: 5:45 PM, April 20, 2017

Statesman

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

By Elizabeth Findell Posted Sep 3, 2018 at 12:01 AM
Updated Sep 26, 2018 at 12:18 PM

Austin's ordinance limiting the scope of short-term rentals, approved by the City Council in 2016, faces growing pushback on multiple fronts. The city is being sued by several rental owners, and others could grow 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. Come 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

Rooms, Hotels

Marriott Experiments With Homesharing and 11 Other Hospitality Trends This Week

Sarah Enelow, Skift - Apr 28, 2018 1:30 pm

VRMintel

Northwest Vacation Rental Professionals Launch NorthwestStays.com

ALEXA NOVA OCTOBER 13, 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.

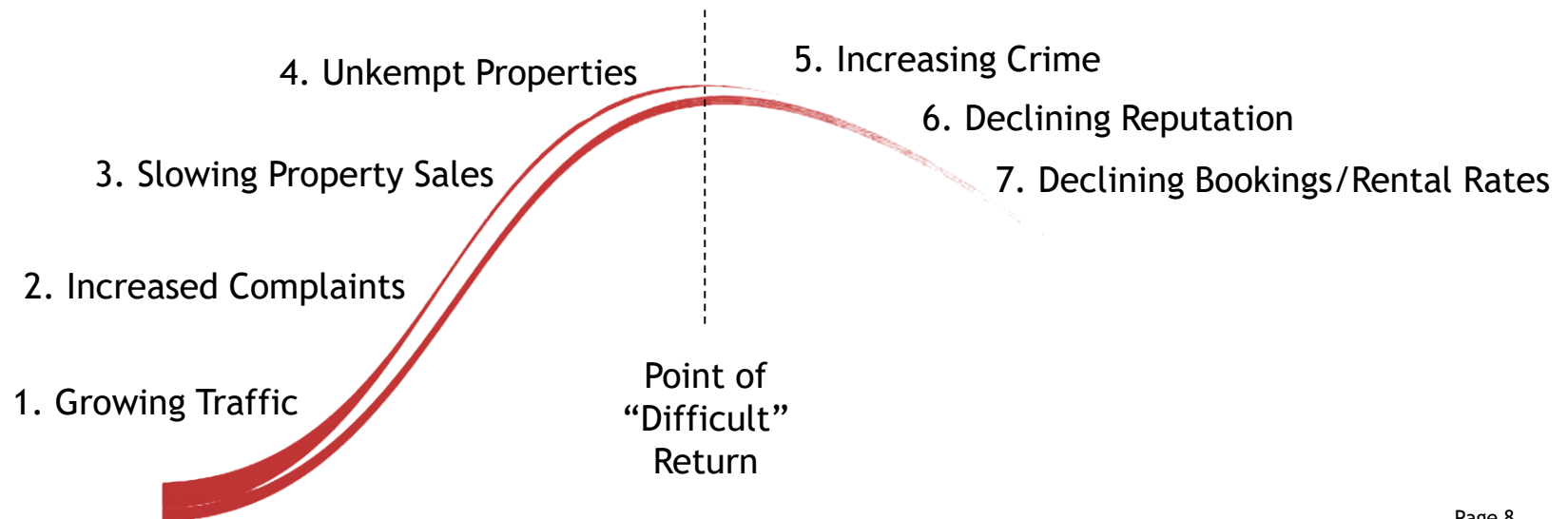
Concerns:

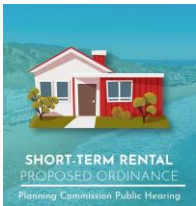
- Lower revenue and/or pricing power for the hospitality industry
- Fewer long-term rental properties (converted to short-term rentals)
- Increased traffic, noise and declining quality of life for residents
- Perception that residents are subsidizing rental “businesses”
- Fading “sense of community”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

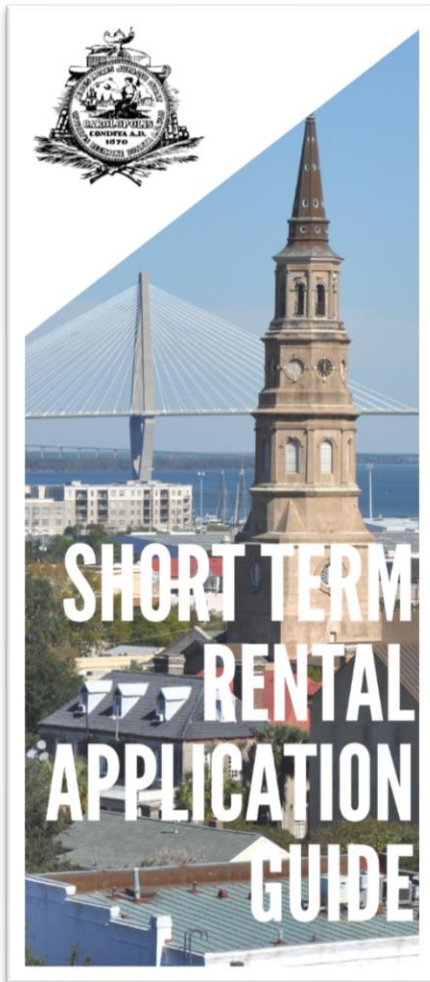
- Building, Safety and Fire inspections
- Defined building occupancy and parking limits
- Placard in every rental property citing rules: noise, parking, occupancy, trash, etc.
- 24 hour complaint “hotline”
- Requirement for management company to be on site within 60 minutes of complaint
- Advertisements 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

Short Term Rental Registration Number: _____ (REQUIRED)

City Of Tybee Island Short Term Rental Registration Form

Please complete one form for each rental property. The Registration Fee is \$100.00 per property. Annual Renewal Fee is \$100.00 per property. All short-term vacation rental property owners will need to secure a business license unless it is managed by a company with a City of Tybee Island Business License.

Property and Property Owner Information

Property Address: _____ Unit # _____ Property Name: _____

Type of Property: ☐ Single Family Home ☐ Condominium ☐ Townhome ☐ Apartment ☐ Other _____

Bedrooms: _____ Max Occupancy: _____ # Off-street Parking Spaces: _____

Property Owner Name(s): _____

Taxpayer I.D.# _____

Mailing Address: _____

City, State, Zip: _____

Owner's Physical Address: _____

City, State, Zip: _____

Phone: _____ Mobile: _____ Email address: _____

Property Management Information

☐ None / Self-Managed ☐ Property Manager ☐ Other/Local Operator

Property Management Company Name: _____

Taxpayer I.D.# _____ Tybee Island Business License Number _____

Property Management Mailing Address: _____

City, State, Zip: _____

Manager's Physical Address: _____

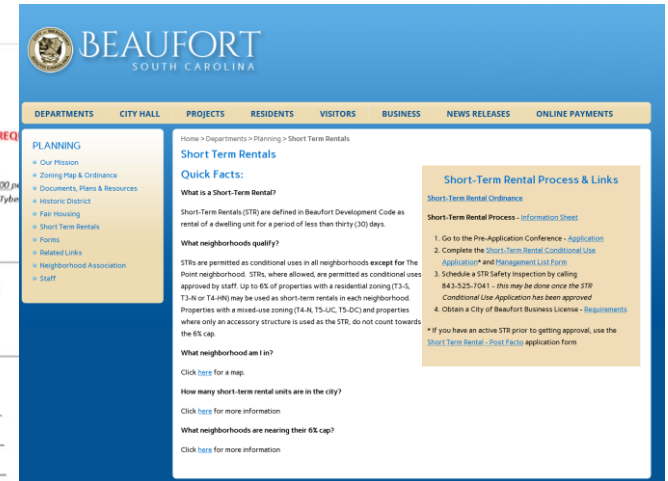
City, State, Zip: _____

Manager's email: _____ Contact Person/Title: _____

Company Phone #: _____ Manager 24 hour Emergency Phone: _____

Please check ONE ☐ to indicate which mailing address correspondence from

Beaufort, SC



Kiawah, SC

Rental Policies for 2018




- ✓ New ordinances
- ✓ New submittal procedures

World-Class Resorts: Enacted Short Term Rental Ordinances



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



<https://www.townofbreckenridge.com/your-government/finance/short-term-rental-landing-page>



<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>



City of New Orleans
Mayor LaToya Cantrell

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



http://www.taosgov.com/planning/Short_Term_Rentals_application%2004-24-18.pdf



<http://www.cityofbeaufort.org/short-term-rentals.aspx>



<https://www.charleston-sc.gov/index.aspx?NID=1520>



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



Welcome to
Town of Jackson

<https://www.jacksonwy.gov/335/Short-Term-Rentals>

Example Resort and Area Communities

State	City	Year Enacted	Short Term Definition	Notes	Inspection Required	Defined Maximum Occupancy	Defined Parking Rules/ Maximum Spaces	24 Hour Contact Ability	Time Until On-Site Presence	Permit Duration	3 Strike Rule	Interior Rules Signage	Include License Number in Advertisements	Defined Quiet Periods	Annual Fee
CA	South Lake Tahoe	2017	<30 Days	Maximum of 1,400 units in South Lake Tahoe; no multi-family units;	Yes	Defined by Ordinance tables	Defined by Ordinance tables	Yes	1 Hour	Calendar Year, Not Transferrable	Yes	Yes	Yes	10PM to 8AM	\$200 (1-4ppl) to \$850 (>12 ppl)
CO	Breckenridge	2018	<30 Days		Yes		Yes	Yes	1 Hour	Calendar Year, Not Transferrable	4 Strike Rule	Yes	Yes	Defined by other town Ordinance	\$100 (studio) to \$325 (4+ bedrooms)
CO	Vail	2017	<30 Days		Self Inspection	Defined by other town Ordinance (2 per bedroom +2)	Yes	Yes	1 Hour	Calendar Year, Not Transferrable	Yes	Yes	Yes	11PM to 7AM	
FL	Destin	2018	<6 Months				Yes	Yes	1 Hour (within 30 miles of the property)	Calendar Year, Not Transferrable		Yes and Exterior Signage		Separate ordinance (Chapter 14, Article 2)	\$200
GA	Savannah	2017	<30 Days		Self Compliance	Defined by each Owner (2 per bedroom)	Yes	Yes	2 Hours	Calendar Year, Not Transferrable, No Renovations	Yes	Yes	Yes	Per City's Noise Ordinance	\$300
GA	Tybee Island	2016	<30 Days			Owner Defined	Owner Defined	Yes		Calendar Year, Not Transferrable		Yes			\$100
LA	New Orleans	2017	<30 Days	Owner can occupy building with renters		Yes (2 per bedroom and up to 5 bedrooms)				Calendar Year, Not Transferrable		Yes			\$200 to \$500
NM	Taos	2018	<=30 Consecutive Days		Fire Marshall	Yes (2 per Bedroom)	Yes	Yes	Reasonable Timeframe	Calendar Year, Not Transferrable		Yes	Yes	Defined by other town Ordinance	\$35
SC	Beaufort	2017	<30 Consecutive Days	Notify if in an HOA	Safety	Yes (2 per Bedroom)	Yes (1 Parking per bedroom)		3 Hours	Calendar Year, Not Transferrable		Yes		9PM to 8AM	\$100 plus Revenue %
SC	Charleston	2018	<30 Consecutive Days		Fire			Yes		Calendar Year, Not Transferrable			Yes		\$300+ plus Revenue %
SC	Kiawah	2017		Owners, not rental agencies, are responsible for compliance	Fire, Maintenance	Yes (2 per Bedroom + 2)	Yes	Yes		Calendar Year, Not Transferrable	24 points in 2 years (2/4/8 pts per violation)	Yes	Yes	11PM to 7AM	
WY	Jackson	2015	<30 Consecutive Calendar Days	Notify Neighbors within 300 feet	Fire, Building	Subject to Existing Fire Codes		Yes		Calendar Year, Dec 31			Yes		\$100

Takeaways

SUMMARY

- 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

- Active lawsuit: Castillo v. DeGennaro (2017CP0700280, filed: February, 2017)
 - 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