

## Ad Hoc Rental Parameters Committee Update

Dear Owners,

In order to more fully examine the issues around short-term rentals and to draw from the experiences of our homeowners at Desert Mountain, the Desert Mountain Master Association (“DMMA”) Board chartered an ad hoc committee on January 29, 2018. The group of 12 homeowner volunteers is exploring the pros/cons of a possible 30-day rental restriction / 7-day minimum home exchange restriction for the Desert Mountain residential community. **Any proposed restriction would not apply to Owners and Club Members who wish to rent other home(s) for less than 30-days.** The committee has completed the first phase of its work. Mike Dings, Board member and the ad hoc committee chair, reported preliminary Phase I findings at the February 26, 2018 DMMA Board meeting.

To do as comprehensive a job as possible in the first phase, the committee defined several distinct sources of input representing (a) homeowners who rent their property, (b) homeowners who have been affected by neighboring rental property or owners, (c) general homeowners – those who neither rent nor have been affected by rental properties, (d) realtors specializing in Desert Mountain properties and (e) Desert Mountain Club management. An email to all homeowners resulted in 231 homeowners asking to be interviewed. Input also was sought from 14 realtors and the CEO of the Desert Mountain Club. All realtors and Club management have been interviewed thus far as well as more than 120 of the homeowners. Remaining interviews will be conducted in the next two weeks.

Data also has been compiled on reported security issues at rental homes, the rental regulations of private communities that compete with Desert Mountain; advertising of Desert Mountain rental properties on popular websites, and articles and reports about national growth trends for short-term rentals and communities with restrictions.

Here are highlights of the detailed update:

- **Common themes:**

- Homeowners decided to purchase in Desert Mountain for the Club amenities and because it is a secure, high-end, private residential community
- Short-term rentals advertised on websites such as AirBnB, VRBO, HomeAway etc. are perceived to degrade the brand of Desert Mountain.
- The potential lack of a robust vetting process on renters or their guests poses security and privacy concerns.
- When purchasing their home, almost no one was aware of the Scottsdale ordinance requiring a 30-day minimum stay for residential rentals. That ordinance was removed on January 1, 2017.
- The vast majority of homeowners consider Desert Mountain a gated, private residential, recreational community, which differs in their mind from a vacation resort.
- Enforcement of restrictions will be important.
- The demand for rental homes from Club members was described as high while the supply of rental properties was described as low. An opportunity exists to more efficiently connect members/owners who need the use of homes for short periods (vacations, weddings, close personal guests, etc.) and those who wish to rent their homes on a short-term basis.
- It was represented that some short-term renters have become owners.

- Renters have access to the Club amenities.
- Some owners are sympathetic toward property rights issues and the potential financial impact of a restriction.

- **Number of Rentals:**

- It is estimated that 154 homes (7.9% of the homes) are advertised for rent in Desert Mountain community – more than twice the number registered with the DMMA. Many offer both short term (less than 30-days) and longer term rentals. Home rentals often are advertised on online websites such as AirBnB, VRBO and HomeAway. Although no trend data specific to the Desert Mountain community has been recorded, the national growth rate of short-term rentals has been greater than 120% in the past five years, now amounting to a \$100 billion industry.

- **Club management:**

- Based on the relevant data reviewed by Desert Mountain Club management, there is little correlation between short-term renters who are completely unaffiliated with a Club member and increased membership sales. Rather, new memberships come primarily from member referrals or friends staying with or visiting members.
- The brand the Club is trying to project is that of a premier, exclusive, private Club with tremendous amenities. Short-term rentals to non-family /non-affiliated persons make Desert Mountain Club appear as a high-end resort rather than a premier, private, member owned golf club.
- The Club recognizes that the “unaccompanied guest pass” program targeting member's dear friends and extended family is being abused. That type of pass was created to provide access to family and close friends of members – and was not intended for persons unknown to the member.

- **Security concerns:**

- While most of the owners renting property interviewed reported to have experienced little or no trouble with their rentals, security incidents have been reported. Since May 2013 Anderson Security has been dispatched 289 times to the estimated 154 rental properties. The issues ranged from routine calls for service, such as snake removal, to more serious concerns such as domestic disturbance and theft.

- **Affected homeowners:**

- These owners fall into two major groups: (1) those that live at Desert Mountain for part of the year and wish/need to defray the cost of ownership and (2) those that spend very little time at Desert Mountain and rent their property as an investment.
- Of the 36 home-renters interviewed, 12 are not Club members. About half of these 36 owners indicated they might need to sell their homes or would suffer some level of financial hardship if restrictions prevented them from renting short term.
- Nearly all who responded to the question regarding the marketing of Club amenities indicated they do not market them in their advertisements. Note, a

search of the MLS shows that 21 of the 52 homes advertised promote Club amenities of golf, tennis, fitness, restaurants, etc. A similar proportion of homes listed on AirBnB, HomeAway and VRBO cite Club amenities.

- This group would support and follow a Code of Conduct for owners & tenants stressing enforcement over restrictions.
- The respondents told us that short-term renters have been converted to owners and often inquire about the Club.
- The other 85 homeowners interviewed thus far fall into two basic groups: (1) those that were disturbed by occupants of neighboring rental properties, and (2) owners who neither rent nor are disturbed by renters. 81 of this group are members of the Club. Note, those disturbed by renters admitted being reluctant to call security or the police (so the estimated number of issues is likely larger than reported above). At this point in the process, over three-quarters of those who responded in group (1) favor restrictions with better enforcement; a majority of those who responded in group (2) favor restrictions with better enforcement.

- **Realtors:**

- Approximately two-thirds of the realtors involved with renting properties rent for greater than 30 days and a high percentage rent to Desert Mountain members, their families or close personal friends of the member.
- Half of the realtors believe property values could be positively affected if the Desert Mountain community had a 30-day minimum rental; half believed it could be negatively affected.
- Half of the realtors believe that a restriction will have a positive image on the community as private and exclusive; half think it will be viewed as a negative and make it harder to sell property.
- This group identified the high demand for rental properties for member/owners but with low supply of properties to rent.

- **Competitive communities:**

- Local private communities, with long standing restrictions on short-term rentals, have stepped up their enforcement policies through strict penalties and other enforcement measures. Communities of comparable size to Desert Mountain are working with their local officials to create an ordinance limiting rentals to a minimum of 30 days, increasing enforcement and, for amenities, instituting fobs or member cards to control non-member access

Our ad hoc committee would like to thank the members of the community who volunteered their time to speak with us. We will be reaching out to the remainder of the community members who we have not spoken to and will update this report shortly.