

FAQ

Masthope Mountain Community – Rental Policy Proposal

What was the reason for this new Rental Policy?

At the August 24, 2019 meeting of the Masthope Mountain Property Owners' Council Board of Directors (BOD), the *ID Pass and Rental Policy Committee* (the Committee) was chartered to draft a new Rental Policy for our community. The need for an overhaul of the existing policy was driven mainly by anticipated legal changes for short-term rentals due to a 2019 ruling of the Pennsylvania Supreme Court, and the fact that the existing policy had not been revised for several years.

How was the Rental Policy drafted?

The Committee had members that represented a wide variety of views regarding rentals at Masthope. We had members who are actively renting their property, members who are concerned about the growing business aspects of rentals at Masthope, members who have had property in Masthope for a long time and members who were relatively new property owners. The Committee derived its recommendations through detailed discussion during work sessions, using available data and resources whenever possible. All recommendations were decided through a vote of the Committee members.

As a starting point, the Committee used the existing Masthope rental policy, plus a template short-term rental document drafted for the use of municipalities in Monroe County. Additional input was sought from surrounding communities, and feedback from Masthope's legal counsel, Alan Young, our auditor and accountant, Bill Owens, and Masthope's management and office staff.

Why are there so many new regulations in the new policy?

While the proposed new Rental Policy keeps with some established provisions of the existing policy, several new concepts were introduced:

- Distinction between rental occupancy and amenity access: The new proposed rule distinguishes between the property owner's rental rights and the access to Masthope's amenities.
- Limits on number of occupants: The number of renters allowed is proposed to be aligned with the size of the house, using a formula of (number of bedrooms times 2) plus 4. The maximum occupancy of a 3-Bedroom home would therefore be 10 occupants. The draft policy also limits the total occupancy for any guests of the renters without overnight stay privileges.
- Insurance: A requirement to carry a minimum amount of General Liability insurance for each Rental property, and to name Masthope as additional insured has been introduced.
- Permits and Registrations: A new permit concepts has been introduced through which the actual fit for rental, the number of available parking spaces and the number of bedrooms will be verified. This is separate from the Registration of each individual rental, and needs to be renewed every year.
- ID Passes: Each ID Pass needed to access amenities must be purchased. The draft policy reduces the maximum number of 12 rental ID Passes to 10.

- Long-term versus short-term rentals: The existing distinction between long-term and short-term rentals has been kept, but the duration of a short-term rental has been adjusted to a standard of 30 days.
- Restrictions: The draft policy excludes amenity use other than compactor for renters during the Independence Holiday Weekend as defined by Masthope (it does not exclude rentals during that weekend).
- The draft policy prohibits issuance of rental ID Passes during the first year of home ownership, other than for ID Passes needed for use at the compactor.

Why do we need the address and email information for all renters when they get registered?

Rental parties frequently consist of groups of friends, or others who do not share a common household. If the community needs to contact individuals in the rental party, we need to be able to do so.

Why were the registration fees increased?

The current fee schedule has been in effect for a long time and does not reflect the cost impact to the community. An increase of the fees had been discussed between management and board members for a while.

Why is there no rental fee per day? The fee applies regardless if it's a weekend or a whole week

Many property owners have complained about the steep increase of short-term / weekend rentals in the community and feel that it is not consistent with the family oriented community. The simple fee structure is meant to encourage longer term rentals and to reduce rapid turnover.

Why is there a two-tier fee system? Why do fees go up after 12 rentals in a year?

The original intent to allow rentals was for property owners to have an opportunity to offset dues by renting their homes. A property owner has the choice of either renting their home once a month throughout the year, or to distribute the rentals between the ski season or the summer season. Higher frequency of rentals will lead to more short-term rentals and rapid turnover of occupants, which is discouraged.

Not all rental homes are the same size or age, some are smaller, some larger, some are original, some are newer. Why does everyone have to pay the same?

The community needs to establish a common and reasonable set of rules for all property owners who lease their homes. Requiring different registration amounts given the size or age of the home would increase the administrative burden tremendously.

When the rules say I can rent 12 times a year at the lower rate, does that mean I can only rent once a month?

No, the frequency and the distribution of 12 rentals are up to the property owner. Some property owners like to lease their home for the ski season, others like to lease their home in the summer. Masthope has rentals throughout the year, whether the focus is on a season or the rentals are spread out over the year is the property owner's decision.

How will the rental funds be allocated in the budget?

The rental fees are part of the general operating budget. For the amenity passes, the community can drive an allocation decision to either offset amenity expenses or contribute to capital asset funds.

Why do we exclude renters only on Independence Holiday, why not on Memorial Weekend and Labor Day Weekend?

The Independence Holiday week and weekend are historically the busiest part of the summer season. With a large number of property owners and their guests looking to use the amenities, the Committee chose this holiday to give preference to those property owners.

Why are renters automatically allowed up to 10 amenity passes?

Only renters whose names appear on the lease agreement may request an amenity pass as part of their rental agreement with the property owner. Each rental or amenity pass needs to be paid for and is not automatically handed out.

Why was the number of renter passes reduced from 12 to 10?

The Committee looked at the increasing renter population and the impact on the community and our amenities. The total number of renter ID passes was reduced to lessen that impact.

Why do we need to be available within 1 hour, or have an agent available that quickly?

Without a property owner on premises, a responsible party needs to be reachable in case of complaints, violations or emergencies. If the property owner cannot be present within an hour, a Person in Charge needs to be named.

Why do properties need to be registered and inspected before we can rent?

With new occupancy rules, facts such as number of bedrooms and parking spaces need to be established to know how many renters and their cars can be accommodated. A physical inspection may not be needed if these facts can be established otherwise, either through plans, permits or certificates of occupancy. If these are not available, a physical inspection may be needed.

Will owners who want to lend their houses to friends and family have to register them as renters?

This is not new, the current rules state that "all known non-owner occupants of improved properties within the community, except designated immediate family and their guests, shall be considered subject to this policy".

Did the Committee take into account that changes to the rental policy can void the ski contract?

Yes, the Committee is aware that changes to the rental policy will be reviewed by Recreation Management to identify impacts on running the ski operation. The Committee has tried to minimize an impact to ski by using December 1 as the starting date of the 12-months rental period at basic fee levels, and not requiring amenity passes for ski (other than one pass to use the trash compactor). See also following question.

Why was December chosen as the beginning of the 12 months period for rentals?

The Committee chose the beginning of December in order to ensure that rentals could align with the start of the ski season, even an early start.

Will my rental be grandfathered in?

Community policies are fundamental rules that need to be applied even handedly to all property owners. Everyone leasing their home needs be treated under the same rules.

How long will these new rules last? Can they ever be changed?

Policies are procedures underlying the course of actions by the Board for the community. Policies need to be kept current with the needs of the community and need to be either confirmed or revised when it makes sense.

When will these new rules go into effect?

As is usual with new policies, the Board will decide on an effective date if and when the final policy is adopted. This will need to take into account rentals already registered and the fiscal year of the community.

Update June 6, 2020; Additional Questions Submitted

Was a special meeting called regarding Renter Regulations? Was a notice of meeting regarding renter regulations sent out to all members outlining the changes thirty (30) days prior to any meeting and/or discussion?

During a regularly scheduled Board meeting last August, the Board requested the committee to prepare a draft Renter Policy for their review. There was no special meeting needed. Likewise, there was no meeting to announce with 30 day prior notice. The committee presented their draft policy to the Board for their review and made the recommendation to hold a Town Hall for the information of the community. This recommendation was taken up by the Board during their regularly scheduled Board meeting in May.

How much money does the community make on rentals? What is the breakdown of revenue generated from renters from all areas such as tiki, bars, restaurants, ski slope, lessons, rentals, marketplace etc.? Has a financial analysis been made? If so, does Masthope feel it has conducted the proper analysis to show the accurate amount of revenue a renter generates in all areas? How is the revenue tracked?

Renters are an important clientele for the ski operation and contribute to the Food and Beverage operation. For the 2019-2020 Fiscal Year, the income from renter fees was \$109,000 (unaudited). Overall income (meaning from guests, renters and property owners) from stables and fitness usage fees was very small, \$12,450 and \$2,750, respectively. Combined, these three areas represent only 4.3% of our budget.

Having exact numbers for all of our amenities would need everyone, property owners, guests, renters and – for Food & Beverage operation and Ski – external visitors provide IDs that are being tracked. This is not currently required.

What is the additional cost of hiring individual to deal with the new regulations such as security, office staff, and inspectors, etc? Do the additional fees justify the additional staff positions?

The increase of renters over the last few years has increased the workload for our administrative staff, which is one of the reasons we increased the basic fee. As we do not currently have a final approved policy, it is difficult to state the impact of the policy on our staff.

What happens when there is a reduction in rentals since the regulations are meant to deter people from renting - who pays the difference in funds? Are the member dues going to increase?

Our policy recommendations are not designed to deter people from renting. We recognize that renting a home is a valuable tool for property owners to offset the cost associated with a second home. However, the steep increase of short-term rentals and high turnover rates in some properties, are addressed through the proposed two-tier system of registration fees.

In accordance with Article VIII Amendments, proper notice was not given to the members of Masthope (which is normally 90 days) regarding these changes?

The Board of Directors are solely responsible to making policy decisions. A 90 notice is only required for Bylaws changes.

How is the rental increase from \$50 to approximately \$225 to \$350 in fees justified?

The Registration fee is recommended to increase from \$50 to \$100. We have given the property owner the option to allow their renters to access our amenities at a very reasonable fee. We recommended that only one renter be required to purchase an amenity pass which will include access to our compactor area. All other amenity pass purchases are based on agreements between the renters and the property owner.

Why are people who rent being punished for exceeding 13 rentals per year with an additional fee?

The committee wanted to be supportive of those property owners who occasionally rent their homes to offset household ownership expenses. We have seen an increase in property owners purchasing homes for the sole purpose of investment/renting. Masthope is a single family residential and recreational community, not a resort, and we feel that while we did not want to cap a property owner's ability to rent more than 12 times, we did not want to encourage it. That is why the administrative fee increases after the 12th rental.

What legal ramifications will Masthope incur due to these changes?

The committee reviewed the entire draft policy recommendation document with both our legal counsel and our auditor to ensure our recommendations were within the law and general accounting principles.

Why are renters being discriminated against?

All property owners will be subject to whatever policy the Board approves. No one is being discriminated against. There will be no discrimination of any renter who rents from any property owner either.

Why does an owner need to obtain a renters policy naming Masthope as an insured when the property being rented is private and already insured by the homeowner for renters?

Masthope has an obligation to protect itself and the community from lawsuits that could result from rental activities. A General Liability policy that names Masthope as an additionally insured is prudent.

What is the financial impact residents will have during a potential recession/pandemic? People may have to rent to keep their homes.

We would not want to suggest we know what each individual property owners' financial situation is or how the current pandemic might affect them. Under the proposed new policy, every property owner has the opportunity to rent their home – long term or short term – up to 12 times per year at the basic rate and more often at the higher rate.

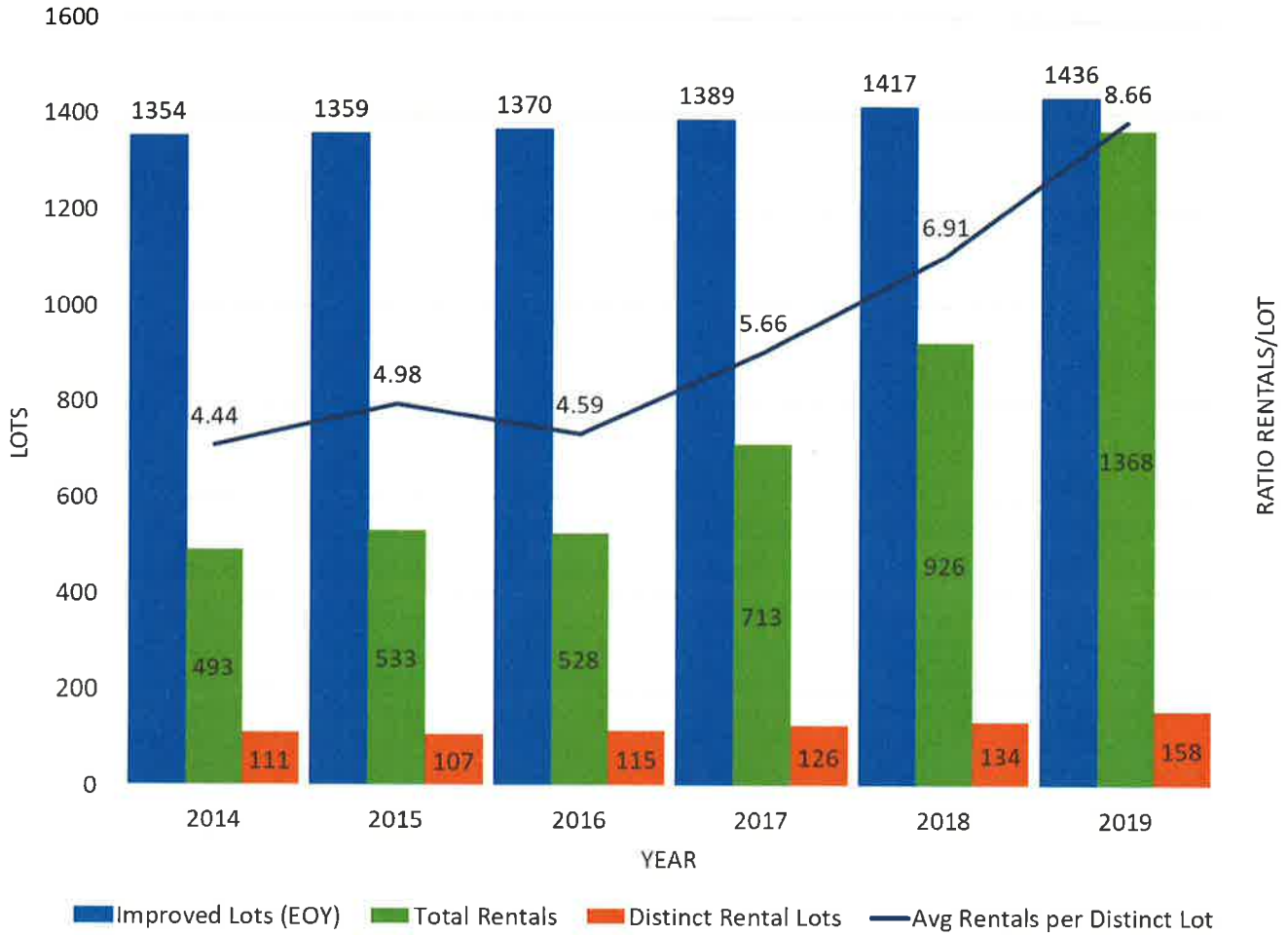
How many Board Members are renting their property?

Currently, there are no board members renting their property. Board members have a fiduciary responsibility to act fairly, in good faith, and for the benefit of the community as a whole. Board members must also avoid any conflict of interest. For that reason, it does not matter whether Board Members are renting their property or not.

Rental Data

Rental Trends 2014-2019

Note: Not every property registered as a rental lot rents every year. For the years 2014-2019, we had data on 288 rental lots, but only the number listed in the orange bars rented for the respective year.



Key Data Comparison 2016 to 2019

The average number of rentals is flat between 2014 to 2016. Beginning in 2017, the total number of rentals and the average number of rentals per rental lot increase drastically. The following is a sample of key data in comparison between 2016 and 2019.

| | 2016 | 2019 | Percent Change from 2016 to 2019 |
|--|------------|-------------|-------------------------------------|
| Total Number of Rentals | 528 (100%) | 1368 (100%) | 259% |
| Duration of Rental: Number of Rentals... | | | |
| ...Up to 3 days | 326 (62%) | 993 (73%) | 304% |
| ...More than 3 up to 30 days | 190 (36%) | 353 (26%) | 186% |
| ...More than 30 days | 12 (2%) | 22 (2%) | 183% |
| Total Number of Rental Lots | 115 (100%) | 158 (100%) | 137% |
| Number of Rentals: Rental Lots with... | | | |
| ...More than 25 rentals | 3 (3%) | 11 (7%) | 367% |
| ...More than 12 up to 25 rentals | 8 (7%) | 27 (17%) | 338% |
| ...Up to 12 rentals | 104 (90%) | 120 (76%) | 115% |