

The Impact of Airbnb on Condominiums: What Your Association Should Know About Short-Term Rentals

Jan 05 2017

Practice Area: Community Associations

An increasing number of homeowners are renting out their properties on a short-term basis. While short-term leasing is not a new concept for homeowners, the increase is due, in part, to the popularity of home-sharing websites such as Airbnb, VRBO, and HomeAway, to name only a few. These websites offer a convenient method for homeowners to connect with out-of-town travelers in need of a place to stay for a night or several nights. Homeowners are able to earn extra income by offering their houses, units, apartments, or rooms for rent to paying guests, and travelers are provided with alternatives to hotel accommodations that are often cheaper than hotel stays.

Airbnb is perhaps the most popular of the home-sharing websites. As of the date this article was written, Airbnb had over 2 million listings of rooms, homes, units, and other accommodations (even castles) available to rent worldwide. In Wisconsin, according to data released by Airbnb in December, the number of owners using the website to offer their accommodations for rent in 2016 was about 2,600— an increase of 73% from the previous year. Owners in Wisconsin using Airbnb made over \$13 million by hosting over 100,000 guests in 2016—an increase of 164% from the previous year.

While short-term rentals can be lucrative for homeowners, they present unique challenges and concerns for condominium and homeowners associations. For example, renters have access to the common areas and facilities of a condominium, like hallways, elevators, rooftops, parking lots and pools, which are used by all the residents. Due to the short nature of their stay, renters are less familiar with an association's rules and policies, and they may misuse or take advantage of common areas and facilities to the detriment of other owners. Short-term renters may create more noise and traffic, and the revolving door of guests coming and going may reduce other residents' sense of security and community.

Condominiums with short-term rental units may not be eligible to obtain FHA certification. FHA does not allow units to be used for transient leasing (*i.e.*, terms of less than 30 days) or for hotel-like purposes. Short-term rentals could be in violation of municipal codes or ordinances. Another concern is whether the condominium's insurance policy would cover claims involving a short-term renter.

Because the home-sharing trend appears to be on the rise, your association should be prepared, or at least informed, about how to deal with them.

If your association desires to prevent or control short-term rentals, there are several options available to you. The first thing you should do is check your governing documents. If your condominium's governing documents prohibit rentals, it is likely that short-term rentals are prohibited, as well. However, they may not address the situation where an owner is living in his or her unit but is renting out an extra bedroom. If your declaration or bylaws do not address these type of rentals, you may consider amending them.

If your association allows short-term rentals, the board should consider adopting rules to regulate how the rentals are conducted. For example, the board could require unit owners to provide the board or property manager with the contact information of guests, or require unit owners to prepare and send a list of rules regarding the use of the common areas in advance of their guest's stay. The board should also consider adopting a fining structure to aid in the enforcement of your association's rental rules and restrictions.

Because every condominium and homeowner association is unique, we recommend you consult with your attorney to determine your association's needs and approach that will work best for you.

Be sure your association is informed and protected, otherwise a short-term lease could lead to long-term headaches.

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