

NOTICE ABOUT SHORT-TERM/SHARED RENTALS

November 2014

As innocent as the Sharing Economy may seem, short-term rentals offered through sites like Airbnb, HomeAway, VRBO and others pose significant risks, not only to the renters who use them, but to all the other residents in a building. Aside from being illegal, there are serious safety, security and liability issues associated with short-term rentals in multi-unit residential buildings.

Residents in our properties have been carefully screened prior to occupancy through our application screening process. Your building neighbors have all received similar background checks and most have been approved by the same set of expectations and reliability standards. This is NOT the case for short-term renters who, in almost every case, hardly have to give any verifiable or reliable information about themselves before renting a room or apartment on short-term rental sites. The security risk posed by allowing strangers into the building, let alone the fact that these renters have no reason to follow simple building rules and regulations, makes sharing the building with them a tremendous security and safety concern.

Another concern raised by these types of tenancies relates to liability, and the lack of protections covered by insurance or other means. An apartment building's insurance coverage does NOT include hotel-type operations, and many insurance carriers are now canceling policies when they learn of short-term rentals. The insurance provided by Airbnb and other short-term rental sites also does not cover you or your guests unless you own 100% of the building where the rental takes place. The liability for damage caused by an illegal subletting could put the actual resident and all residents in the building at substantial risk – no one is covered, and blame and liability will fall to those who hosted the short-term rental.

Bed bugs are another concern that short-term rentals create. These transient occupancies DRAMATICALLY increase the risk of introducing bed bugs and pests into your living environment. These transient renters have likely just come from hotels or other short-term rentals, and the likelihood that they could transport bed bugs is quite high. Bedbugs can be extremely difficult to control once they get into a building.

There are serious legal issues with short-term rentals as well. These rentals are completely illegal in many ways and could put a resident's tenancy at risk. Almost every lease today has a no-subletting clause making it illegal to sublet a unit, no matter for how long. Recent legislation only confirms this. Most leases have an "illegal use" prohibition, meaning it is illegal to use the unit for anything other than residential occupancy (short-term rentals amount to a business use, NOT a residential tenancy). Violations of these lease terms, and a host of others, constitute a material violation of the lease and could lead to eviction or other actions being taken against a resident who hosts short-term rentals.

Recent legislation passed at the Board of Supervisors does NOT change the illegal nature of short-term rentals where subletting is prohibited; in fact, the legislation strengthens the prohibition. Not only has the City recognized the legality of the prohibitions in leases, but they've created additional hurdles for residents who wish to host short-term rentals, such as requiring registration with the City, requiring minimum insurance be obtained in advance, and providing notification to the building owner. A resident's refusal to follow these new requirements will result in even more significant penalties and, more than likely, eviction.

Short-term rentals also violate building codes and zoning regulations. For one thing, short-term rentals in most communities are illegal by themselves. It is a form of hotel conversion that is banned in municipalities throughout California. Hotels have significantly different building safety code requirements than apartment buildings, too, and violations of building codes can lead to stiff penalties and updated code requirements. Violations of zoning regulations also are a significant concern, with drastic

repercussions for residents, building owners, and neighbors. Most neighborhoods with apartment buildings are zoned specifically for residential and some retail uses, not for commercial hotels or other operations.

The risks and liabilities inherent with short-term rentals make them a terrible idea no matter how you look at them. Because of the myriad concerns and liabilities, we, as the property owner, are actively enforcing our lease provisions and ensuring compliance with local, state and federal laws. The risks are too great, and we hope that if any of you are using short-term rentals, or are considering it, you first consider your neighbors and other building residents, and **DON'T DO IT!**

