

PCE Covenants Meeting – Rentals
Saturday, 1/6/18

Introductions were made by Steve Nathan:

Steve introduced the Covenants Committee: Steve Nathan (board member), Bill Arth (board member), Cate Wilson (board meeting)

Other board members attending: Riley Knight

Meeting Topic: Long Term Rentals, Short Term Rentals

A handout was given from Gwen Flaniken about Short Term Rentals and restrictions from Metro:

Owner-Occupied

Not Owner – Occupied (Ex. House bought to be permanent Air BNB),

Not Owner – Occupied Multifamily

Our zone is limited to 37 permits in our area

Metro is considered changing the 3% limit on permits to 1% in our area and there is a vote on 1/16/18.

Steve Nathan: Doesn't want to limit existing owners from renting houses in the case of inability to sell their house. His opinion is that he wouldn't want investors to buy houses specifically as rental property.

Riley Knight: How would we police any covenant rules? How would we know what is happening?

Gwen: There will always be people that circumvent any rules. Investors will look at covenants before purchasing and may be dissuaded from purchasing in our neighborhood. Typically, corporate owned rentals are maintained better than owner-managed rentals.

Chris Sticklin: How strict can the HOA be in enforcing covenants.

Bill: We have a lot of freedom of what we can put in the covenants.

Steve: We have the flexibility to make the rules and there are several options in enforcing violations of the covenants.

Brenda Nathan: What is preventing us from enforcing violations. Would like to have board approve any rentals with the lease documents

Riley: Contact information is a problem and tracking down the owners for rented properties. I think we have 4 rentals in the neighborhood.

Gwen: When the market is good, we have less rentals but in a bad market, we will see more rentals. Generally, rentals are limited to 1%

Gwen: suggested a cap with exceptions allowed via board approval.

Bob Neal: Do we have fines in the current covenants?

Bill: Language exists in the covenants about fines for failing to pay dues, but there are fines for failing to comply. We suspend their right to vote. We can put a lien on their house. A lot of the cases we have been dealing with money is why homeowners are meeting covenants. We could build in fines for rentals and not

Gwen: Some associations charge a fee to apply to register a home to rent that has to be re-upped annually. This could be a deterrent to folks wanting to buy to rent. We could also

Bob: It makes sense to charge a fee annually for rentals.

Bill: Our covenants could include in the covenants that homeowners need to follow Metro rules about rentals. This gives the board the ability to turn violations into Metro.

Steve: Would like to see covenants that rental terms requirements. The board should approve all new rentals prior to tenants moving in. Owners will be required to step in if the renters don't maintain the property properly.

Gwen: Metro code restricts the ability to rent a room in their house to a non-family member.

Brenda Nathan: Can the lease agreement include what we require in the neighborhood.

Gwen: We could require specific provisions in the lease to address covenants requirements.

Gwen: AirBNB investors are paying more for the properties because they expect to do AIRBNB which is very profitable. Need to consider what limitations we would like to put in the covenants are rentals and factor in

Steve: Would want to include a provision to include hardship exceptions approved by the board in our covenants.

Bob: Would want us to protect ourselves from Corporate ownership.

Bill: We could build language about specific hardship exceptions.

Bill: Could we require a bond to be taken out for rental property or a simply deposit with the board.

Gwen: She doesn't know if that is done elsewhere. The issue is usually the out of state owners. Corporations are generally better at managing properties. They typically purchase in down markets. Corporations usually rent properties for a year and have strict covenants. Antioch neighborhoods that became primarily rental in the economic downturn and the home values went down significantly and takes very long to recover.

Bill: We don't have always contact info. Would like to require homeowners to keep current contact information with the HOA in the covenants.

Gwen: There is a form in the closing that we could require current contact information on it.

Bill: Will reach out to the business office about what we are giving out and getting back from the forms that are signed at closing.

Mary: She wants us to include whatever we can in the covenants to let homeowners aware of metro codes, procedures, zoning, etc.

Bill: What is our appetite for fines and penalties?

Mary: We need centralized records and history of property issues that transfer across different HOA boards.

Gwen: Do we have a database regarding properties.

Steve: We don't have anything historical.

Bill: Some may be available with the business office this year. Bill see when bills are paid. Agreed that we have perpetual records. The business office sends out the letters. Bill will inquire with the business office about historical data.

Gwen: A basic CRM system would handle this. We may need to consider having a property management company to help with HOA. Board members have a lot of liability personally. Property managers know the laws.

Riley: The board has entertained the option of hiring a property management company but cost has been the restrictions

Bob: Are we saying the board should consider employing a property manager.

Steve: We will discuss at next meeting employing a property manager.

Gwen: Communities that have property managers have seen bettered property values.

Gwen: Another option for not allowing AIRBNB, we could put in a minimum rental period (ex. 90 days) which effectively eliminates AIRBNB options. 90-day rentals are ideal for families relocating that need time to find a house.

Mary: Provided some examples where 90-day rentals make a lot of sense.

Bill: What penalties/fines should be in the covenants. A lot of the issues encountered have a monetary hardship on homeowners not maintaining their properties. Right now, the covenants don't include fines.

Steve: The will to enforce covenant violations varies by board and that makes the case for a property manager.

Bill: Discussed examples of covenant violation

Steve: Thanks there should be fines

Bob: Agrees about fines. Would like to add to the agenda for future discussions about fines.

Steve: Thinks we need more people on the Architectural committee to build in fairness because things are subject to personal preferences.

Meeting adjourned.