

**DESERT MOUNTAIN MASTER ASSOCIATION
HOME RENTAL AND EXCHANGE PARAMETERS AD HOC COMMITTEE CHARTER**

PURPOSE:

The committee is an ad-hoc committee for the sole purpose of identifying home rental/exchange community issues, gather factual data related to the issues identified, and offering recommendations to the Directors of the Desert Mountain Master Board and Management Staff.

TERM:

The Ad-Hoc Committee shall exist at the discretion of the Master Board.

NUMBER OF MEMBERS:

- The Committee will have at least seven (7) members including at least one Master Board member, who will serve as the Committee Chair, and the Community Manager.
- Volunteers will be solicited and appointed by the Committee Chairman, with the approval of the Desert Mountain Master Board.
- This Committee will strive for a broad cross section of diverse interests and skills to maximize the opportunities they will address.

SELECTION OF MEMBERS AND TERMS:

- The Chairman of the Committee shall be appointed by the Master Board to a one-year term, renewable up to two times at the discretion of the Board.
- Members of the committee will be drawn from the community for a one-year term limit, also renewable up to two times at the discretion of the Board. The three (3) year term limit may be extended by a majority vote of the Board, when it determines that such an extension is in the best interest of the Community. All community members in good standing are eligible.

COMMITMENT TO GOOD SERVICE:

- Committee members are expected to demonstrate mutual respect for fellow Committee members, even at times of disagreement and respect the majority opinion understanding there may not be unanimous support of every action.
- To the extent email is used as a means of Committee communication, to refrain from having secret communications with fewer than all Committee members or community members that are not members of the Committee.
- To maintain confidentiality with respect to the Committee meetings, discussions and communications.
- Allow fellow committee members a reasonable opportunity to speak on matters without interruption, threats or harassment.
- Committee member are expected to follow parliamentary procedures at all meetings, to refrain from speaking out of turn, to avoid unnecessary or unproductive verbal sparring (participate in a business-like manner), to keep their temper and to excuse herself or himself if they cannot maintain respect.
- Committee members are expected to resign or may be asked to resign from the Committee if they cannot maintain this Commitment to Good Service

RELATIONSHIP TO BOARD OF DIRECTORS:

- Meetings will not be regularly scheduled and be held as needed at the discretion of the Committee members.
- All meetings will require minutes that will be provided to the Board as appropriate.
- The committee will supply a report on its activities to be available at all regularly scheduled Board meetings.

RELATIONSHIP TO MANAGEMENT:

The Community Manager will serve in support of this Committee as needed and as requested by the Committee Chair. Management staff will provide administrative support and act as a resource to the Committee as needed.

DRAFT WORKPLAN – SUBJECT TO REVISION

Problem Statement, Issues, and Key Questions to Answer

What is the problem we are trying to solve?

- Situation - A large percentage of homeowners (~ 78%) at DM believe short-term rentals and/or home exchanges do at least one or more of the following:
 - Take away from the image of DM as an exclusive, private residential community
 - Negatively affect home values
 - Create maintenance and/or appearance issues related to rented homes

- Create nuisance problems in the community
- Create a security risk/liability risk
- Create access problems by allowing non-members, classified as guests, to use Club amenities
- Could negatively impact the Section 501(c)(7) tax status of the Club
- Complication – There are a significant number of homeowners (and Club Members) at DM who moved here, not fully appreciating that the City of Scottsdale, up until 12/31/16, imposed a 30-day rental restriction, thought they could rent/exchange their home for any length of stay, and potential future homeowners (and Club Members) who will want to do this as well
- Key Question – What are the pros/cons of a 30-day minimum rental restriction and a 7-day minimum home exchange restriction for DM homeowners and the Club, and what other options, if any, might be better given the cons?

Issues and Key Questions to Answer

Image of Residential Exclusivity, Privacy

- How many properties are being rented/exchanged at DM now?
- What is the number of additional people who are on the Mountain due to rentals?
- How many properties could we estimate to be rentals/exchanges based on growth rates and demographics (in the coming years)?
- What number/percentage of current DM rental/exchange properties are for:
 - 3 days?
 - 7 days?
 - 14 days?
 - 30 days or more?
- How are the properties marketed on the relevant websites, and does this marketing affect how DM is perceived?
 - Would the image of DM change?
 - Would there be an impact on the Club’s exclusivity?
 - If DM image is affected, what options exist to change how properties are marketed?
 - What impact does social media have on the community and the Club?

Nuisance Problems/Compliance Issues

- How many instances from rental/exchange homes have been reported in the last two years?
- What constitutes a complaint?
- What are the specifics of incidents that community homeowners have had with their rental/exchange neighbors, and how were they dealt with? How do these incidents compare with complaints about homeowners/members who don’t rent their homes?
- What disciplinary options exist for the Club, and/or DMMA, for dealing with rental/exchange property issues? If these were improved or able to be enforced, would we still need rental restrictions?
- Can we determine if previous renters were offered “proration of stay” clauses that violated the City of Scottsdale ordinance of minimum 30-day rental periods? What could be done, if necessary, to enforce compliance with any restrictions proposed?

- If restrictions are in place, should we consider a limited “waiver” request for situations that may arise for renting/home exchanges? What might those circumstances be?

Security Risk/Liability Risk

- What are the top 3 security risks and how does the security risk from Rental/Exchange Properties compare?
- Is the process for security with renters/home exchange different from contractors, former employees, or Home Tour visitors? If not, should it be?
- What is the current security protocol for renters/home exchange coming onsite at DM, and what options exist for improving security with regards to people renting/exchanging properties at DM?
- Are we exposing the community to additional liability risks (DMMA and Club) by allowing renting/home exchange within the DM community?
- To what degree is the community (or individual homeowners) losing privacy?

Current Homeowners who do NOT rent/exchange their homes

- How many would consider leaving Desert Mountain if the community becomes less exclusive?

Current Homeowners (and Club Members) who rent/exchange and would be affected by Rental/Exchange Restrictions

- For those homeowners who rent their property for <30 days or exchange their homes for <7 days, what financial impact will the proposed <30/<7 day minimums have?
- What other options might there be?
- For those homeowners who would potentially no longer be able to rent their property for <30 days or exchange their properties for <7 days, how many would highly consider leaving that are current Club members?
- To what degree are affected homeowners (who rent) likely to talk negatively about Desert Mountain in the broader community or on social media (and thereby affect future home sales)?

Potential Homeowners and Club Members who could be affected by Rental/Exchange Restrictions

- What is the target demographic for our Club?
 - What impacts, if any, would a 30-day minimum rental restriction or the 7-day exchange restriction have on targeting these people?
- What number/percentage of current Club members rented here for less than 30 days?
 - For those who did, how important was the ability to stay here at DM?
 - What percentage used the non-golf amenities and how important was that?
 - Should renters be classified as “guests” and allowed to use the non-golf amenities?
 - Should renters be classified as “guests” and be allowed to use golf amenities of the Club?
- When prospective homeowners enquire about DM, what percentage ask about the ability to rent their home?
- When prospective homeowners show interest in purchasing or building a home, what percentage do NOT proceed because a rental property is adjacent to their proposed location?

- When prospective members inquire about the club, what percentage rent for less than 30 days at DM? What about <30 days somewhere else?
- What percentage of realtors believe a 30-day minimum rental restriction will have a positive impact on home values (e.g. because of exclusivity/privacy?) and why do they believe that?
- What percentage of realtors believe a 30-day minimum rental restriction will have a negative impact on home value (e.g. because of potential buyers not being able to do shorter term rentals) and why do they believe that?
- What positive or negative impact, if any, do the Sales/Marketing executives at DM Club believe a 30-day restriction will have on number of prospects?

Enforcement

- What are the punitive measures that should be defined if homeowners who rent do not comply with covenants?
- What is a reasonable set of fines?
- How will DMMA enforce these penalties?
- In what ways can we try to circumvent homeowners who will still try to “game” the system?

Data Collection – Potential Sources

- Responses from Initial Notification
- Survey Responses
- VRBO/AirBnB searches
- Local realtor searches (Russ Lyons, Power of 4, etc.)
- Home exchange website searches (Third Home, Home Exchange, etc.)
- Security Records
- Membership Records
- Interviews with Club Executives
- Interviews with Realtors (maybe survey as well?)
- Interviews with people who rent their properties
- Interviews with people affected negatively by renters
- Comparison of rental/exchange restrictions imposed by other communities in the area
- Brainstorming sessions with Committee, other participants

Club/Board Leadership Interview Guide – Draft Subject to Revision

Opening comment to interviewee: Please start by providing background of our committee and what we are trying to do. Assure the individuals that all information shared will be compiled and aggregated, but individual information will be kept anonymous.

Q1. Based on the Club’s current marketing plan, who are the primary target audiences for homeownership and membership?

Q2. Based on the targeted audiences, what impact, if any, could 30-day minimum rental or 7-day exchange restrictions have on getting them to see DM? (e.g. people still working not being able to stay less than 30 days unless part of an exchange)

Q3. What brand is the Club trying to project to the public? (e.g. Exclusive/private)

- What impact, if any, do you believe short-term rental/exchange properties have on this brand image for prospective members?
- Do you believe there is a cost consequence to the Desert Mountain brand because of short-term rentals? If so, please explain.
- What is most important attribute to projecting this image?

Property values?

Club amenities?

Marketing?

Short-term rental restrictions?

Other?

Q4. What number/percentage of current Club members rented for less than 30 days before they joined?

Q5. How important was the ability to stay on property at DM important to those members?

Q6. Does the current ability for renters/exchange residents (classified as “guests”) to use the amenities other than golf help drive prospects and ultimately sales?

Q7. What is the direct or indirect cost to the Club due to renters at Desert Mountain?

Q8. How does the Club distinguish members’ guests from renters?

Q9. What is the reflection on the Club via social media or external brand from renters?

Homeowners Disrupted by Renters, Exchange or Other Owners Interview Guide

Opening comment to interviewee: Please start by providing background of our committee and what we are trying to do. Assure the individuals that all information shared will be compiled and aggregated, but individual information will be kept anonymous.

Background on resident:

How much of the year do you reside in the Desert Mountain community? Are you a member of Desert Mountain? How long have you lived in the community? How long have you lived in your current home?

Q1. Based on your observations, how often do you have residents that rent/exchange near your DM property (or properties)?

Q2. What is the typical rental/exchange period you have observed:

- 3 days (or fewer)?
- 7 days?
- 14 days?
- 30 days or more?

Q3. Have you had any problems with the people that rented/exchanged or with other owners – e.g. reported violations to Security, Police, Club, etc.?

- If so, what was the nature of the problem?
- How was the problem handled?

Q4. DMMA is in the process of proposing a restriction of 30-day minimum rental/7-day minimum exchange similar to what was in effect under the City of Scottsdale ordinance that was repealed effective January 1, 2017. What is your reaction to the proposed restriction?

- If disciplinary policies existed that could be enforced by the Club and/or DMMA, would you still feel the same?

Q5. If there was a limited “waiver” or exception from the restrictions for a specific rental/exchange, would that be helpful or relevant for your situation?

- If so, what circumstances in your mind would warrant that exception?
- How many “waivers” would you think is appropriate?

Homeowners who Rent/Exchange Interview Guide

Opening Comment to Interviewee: Please start by providing background of our committee and what we are trying to do. Assure the individuals that all information shared will be compiled and aggregated, but individual information will be kept anonymous.

Background on homeowner who rents property:

How much time do you or your family spend at your rental property during the year? Are you a member of the Desert Mountain Club (if so, for how long)? Do you own rental properties in locations other than Desert Mountain?

Q1. How often to you rent/exchange your DM property (or properties) per year?

Q2. What is the shortest rental/exchange period you allow for your property?

Q3. What percentage of your rentals/exchanges are for:

- 3 days?
- 7 days?
- 14 days?
- 30 days or more?

Q4. Do you know the number of people who are staying at your rental property during these times?

Q5. How do you market your rental/exchange – e.g. which websites do you use?

What screening process do those websites use? Are you satisfied with the process used?

Q6. Do you market any of the Desert Mountain amenities along with the property, and if so, what information do you share? Does your rental advertisement indicate that Desert Mountain amenities are for Desert Mountain members and their guests only?

Q7. What percentage of your renters/exchange guests use the DM Non-Family Guest Pass?

Q8. How many of your renters/exchange guests have inquired with Realtors and/or Membership Sales?

Q9. How many rent/exchange guests have either bought houses or club membership, or both after their stay?

Q10. How many of your renters are Desert Mountain members?

Q11. How many of your renters are building or remodeling a home on Desert Mountain?

Q12. Have you had any problems with the people that rented/exchanged – e.g. reported violations to Security, Police, Club, etc.? Have any of the neighbors of your rental properties had issues?

- If so, what was the nature of the problem?
- How was the problem handled?

Q13. DMMA is in the process of proposing a restriction of 30-day minimum rental/7-day minimum exchange similar to the City of Scottsdale ordinance that was repealed effective January 1, 2017. If you chose to purchase a home and/or join the club after January 1, 2017, how likely is it that you would you have still purchased/joined if those restrictions were in place?

- Very likely?
- Not likely?
- Not sure?

If you purchased your home and/or joined the club before that date, were you aware that those restrictions were in place at that time?

Q14. If the community votes or the DMMA BOD approves the 30-day minimum rental/7-day minimum exchange, what kind of impact, if any, will that have for you – e.g. financial, need to move, etc.?

Realtor Interview Guide

Opening comment to interviewee: Please start by providing background of our committee and what we are trying to do. Assure the individuals that all information shared will be compiled and aggregated, but individual information will be kept anonymous.

Q1. Does your agency offer/manage rental properties? If so:

- How many properties at any one time (e.g. min/max)?
- What percentage of rentals are for:
 - o 3 days?
 - o 7 days?
 - o 14 days?
 - o 30 days or more?
- How do you market the properties (e.g. website, word of mouth)?
- What percentage of rentals are to DM members? Homeowners who are remodeling their homes? Members who are building a home?
- Does your agency provide a vehicle with a transponder or a portable transponder to the renter(s)?

Q2. Do you personally have a home for rent in Desert Mountain? Are you a member of the Club? Do you live in the Desert Mountain community?

Q3. Based on your experience, when prospective buyers inquire about DM:

- What percentage ask about the ability to rent their home?
- What percentage do not wish to purchase a lot or home near a rental property?

Q4. Do you, or does your agency, have any information on the number of people that rented for <30 days and then bought/joined the club?

Q5. Based on your experience, do you believe a 30-day minimum rental/7-day exchange will have a positive or negative impact on home values, and why?

- Positive because of image of privacy/exclusivity?
- Negative because potential buyers will not be able to rent properties short term?
- No difference?

Restaurant and Sonoran Management Interview Guide

Opening Comments to Interviewee: Please start by providing background of our committee and what we are trying to do. Assure the individuals that all information shared will be compiled and aggregated, but individual information will be kept anonymous.

Q1. How often do you encounter people that rent/exchange properties (e.g. Unaccompanied Member Guests) at your facilities?

- Daily?
- Weekly?
- Hardly ever

Q2. Have you had any problems with the people that rented/exchanged – e.g., rude behavior by renters toward DM staff, reported violations to Security, Police, Club, HOA, etc.?

- If so, what was the nature of the problem?
- How was the problem handled?

Q3. Have you received complaints from Club members regarding their inability to use your amenities for any reason?

- If so, what was the nature of the problem?
- How was the problem handled?

Q4. Do you think people who rent/exchange create access issues for the members? Are the facilities being used to capacity (i.e., during the busy season)?

Q5. Are you aware of incidents where people that rented/exchanged used a member's number (as opposed to the non-family guest pass) to gain access to your facility?

- If so, how was that situation handled?