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TOPIC: SHORT-TERM RENTALS (UNMANAGED)
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NOTE: Even though “short-term” can refer to any rental period of 90 days or less, this memo deals only with true vacation rentals in which rentals are weekly or monthly. If the rental periods are greater than this, refer to the memo on “Long-Term Leases (Managed)”

Things to Know:

- The Vacation Rental Act applies [See Vacation Rental Act Memo]
- The purchaser of a residential property subject to a vacation rental takes title subject to the vacation rental agreements for all vacation rental periods that begin no later than 90 days after the purchaser’s deed is recorded.
- The buyer steps into the seller’s shoes in every respect. This means the buyer will be:
a) bound by existing reservations; and b) responsible for any deposits paid.

The Listing Agent Should:

1. If the property is being sold rented and/or subject to rental reservations:
 - A. Have a complete and readable copy of each reservation agreement;
 - B. Before contract ratification, disclose in writing all rental reservations;
 - C. Be ready to furnish all renter contact information to the buyer’s agent;
 - D. Furnish the current renter’s rent/deposit information to the seller’s attorney (for proration/transfer); and
 - E. Furnish to the seller’s attorney a complete record of all deposits paid to the seller (because these deposits must be credited to the buyer at closing) as well as rent for the period of closing (because it will be prorated at closing).
2. If a buyer wishes to specify that no further reservations should be booked, be aware the buyer might fail to close and the seller could be left with a loss of revenue. Therefore, it is better to respond that reservations (at fair rental value) will continue to be accepted and, upon closing, the buyer can avail him/herself of the right to cancel those rentals beginning more than 90 days after the closing date.

The Buyer’s Agent Should:

1. If the property is being purchased rented and/or subject to rental reservations:
 - A. Prepare a contract addendum addressing all requirements. A few possible requirements are: a) produce the lease and/or a copy of each reservation agreement within 3 days of

contract ratification; b) lease/reservations (and deposits) assigned at closing**; b) rent for the period of closing be prorated at closing; c) require production of current renter's contact information and contact/payment information for all reservations;

**if "short term" is a weekly/monthly rental, an actual assignment of lease typically is not done.

- B. In that there may be a charge to prepare the lease assignment (this typically refers to a rental period of more than 1 week) and it is logically done by the seller's attorney. It is smart to specify in the contract that the seller will pay any such charge; and
 - C. Furnish to the buyer's attorney a complete record of all deposits paid to the seller (because these deposits must be credited to the buyer at closing) as well as rent for the period of closing (because it will be prorated at closing).
2. If the renter is supposed to vacate prior to closing, prepare an addendum making it a contract contingency that the renter will be out before the closing. It is unwise to allow for the renter to vacate on the actual date of closing because, if the renter "needs another day or two," damages the property or removes appliances/furnishings, the closing is jeopardized.

The Closing Attorney Should:

1. Prorate rent for the period of closing; and
2. Transfer the Security Deposit and/or reservation deposits to the buyer (this is done as a credit from the seller to the buyer on the Settlement Statement).

Extra Things:

- After closing, the buyer should notify the current renter and any reserved renters that the buyer is the new owner and the lease/reservations has/have been assigned. The letter should: a) include a demonstration of new ownership; b) state the reservation deposits have been transferred; and c) provide the buyer's contact information.