

How a hotel condominium rental program works

IS PARTICIPATION MANDATORY?

Most rental programs are completely voluntary.

HOW ARE INDIVIDUAL RESIDENCES SELECTED FOR RENTAL?

A computerized reservations program – using a rotation points system – tracks all residences in the rental program. This ensures fairness to all owners.

HOW DO OWNERS GET PAID – AND HOW MUCH?

In general, most rental programs provide for a 50/50 split with the owners, after deducting the costs of hotel management. Keep in mind, however, that revenues generated from the hotel's guest services – spa, meals, shops, golf, etc. are not shared with the owner. Most programs send a monthly statement with the owner's revenues and/or expenses accounted for.

Standard rental program procedures

TERMINATION CONDITIONS

Notice provisions may vary, but standard termination conditions require written notice from the owner at the end of any rental agreement term regarding termination.

INSURANCE REQUIREMENTS

Specified liability and personal property insurance coverage for the residence's contents is the responsibility of the owner. Usually, the policy must have an endorsement stipulating that no change may be made to the policy prior to 30 days' written notice to the hotel.

ROOM RATES AND OTHER CHARGES

Room rental rates are determined by the hotel rental program terms. Depending on season, current market conditions and local demand, rates may vary. There will be a nominal cleaning charge for any owner who declines daily housekeeping while in residence, before re-entry into the rental program. After occupying the residence, the owner is responsible for charges such as mini-bar, telephone, food and beverages, which are to be paid at checkout.

FEES AND ASSESSMENTS

All agreed-upon fees, assessments and other expenses are typically due in advance, on a monthly schedule. This usually varies based on the size of the condominium hotel residence.

DEBT SERVICE

Mortgages or other financing are the owner's responsibility.

REVENUES AND RESERVES

Net revenue represents the income generated from rentals, less the hotel expenses. It is generally distributed on a 50/50 split between the owner and the hotel, usually on a monthly basis. Retaining a percentage of gross room revenues for the purpose of upkeep to the residences is standard. These reserves are used for replacement of items such as hotel furnishings and certain amenities.

STANDARD RENTAL AGREEMENT TERMS

- The owner may occupy the residence at any time, based on availability, subject to limitations by local laws, and the specific rental management agreement.
- An initial lease term typically runs for 5 to 20 years. After the initial term, re-negotiation can proceed based on the owner's specific requirements.
- Maintenance of the room or suite to the hotel's standards is mandatory for participation in the rental program.

TAXES AND UTILITIES

Paying property taxes is the owner's responsibility. Other than utilities included in the owner's maintenance fee schedule, the owner is responsible for paying all utilities while staying in their residence.