



SHARED USE AGREEMENTS

VACATION AND RECREATIONAL PROPERTIES

Who might own
vacation/recreation
properties in
common?

Families

Friends

Strangers

How might families, friends and strangers hold title to vacation/recreation properties?

Tenants in common
– each owns a
deeded interest to
the property

In an entity - each
owns a personal
property interest in
the entity.

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How do you decide how to hold property?



The Family Cabin

- Do you hold title as tenants in common or in an entity?

The Family Cabin

- Pros of holding as Tenants in Common
 - Each member owns an interest in real property
 - Easier to sell to third parties – but family would want to restrict that.

CONS OF HOLDING AS TENANTS IN COMMON



Cousin

Cousin

Cousin

Uncle

Aunt

Cousin

Cousin

Cousin

Uncle

Aunt

Cousin

Cousin

Cousin

Uncle

Aunt

Grandfather

Grandfather

Grandmother

Grandmother

Cousin

Cousin

Cousin

Uncle

Aunt

Cousin

Cousin

Cousin

Uncle

Aunt

Cousin

Cousin

Cousin

Uncle

Aunt

The Family Cabin

Pros of holding as Entity

- Easier to manage
- Limited potential for random liens
- Limited potential for rogue sales

Cons of holding as Entity

- No member owns an interest in real property – It is Personal Property
- Can be more difficult to get out with any value

The Family Cabin Limited Liability Company

- Can provide for control through managers;
- Can provide for sharing arrangements for costs and use;
- Can provide for transfers of membership interests to stay within family;
- Minimizes chances that liens are placed against individual owners' interests



Friends and Strangers

- Do you hold title as tenants in common or in an entity?

The Shared Vacation Home

- Issues to Consider in Determining Owning as Tenants in Common or in a Limited Liability Company
 - Relationship of the Parties
 - Number of Owners
 - Transferability
 - Financing
 - Operation and Control



Shared Vacation Home Limited Liability Company

- What is the relationship of the Parties?
Close friends or strangers?
 - Do you want to be in an entity with strangers?
 - How do you handle breaking up with friends?
- How many parties?
 - Will it be easy to determine usage?
 - Is it important that you know the owners?
- Will financing be necessary?
 - Financing for initial purchase or for each owner's purchase?

The Shared Vacation Home Tenants in Common

- With proper documentation, works well with friends or strangers;
- With proper documentation, works well with few or more than a few;
- With proper documentation, ownership interests can be financed;
- With proper documentation, sharing of costs and use is straightforward.

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What is the proper documentation?

Declaration of Covenants, Conditions and Restrictions

- Recorded against the real property;
 - Initial owners and future owners are bound by its terms
 - Puts everyone on notice of use restrictions
- Creates the ownership interests;
 - Creates interests that can be financed (not all lenders will lend on this type of arrangement, but some do)
- Creates a mechanism for sharing of use, management, sharing of costs, assessments, etc.

Declaration of Covenants, Conditions and Restrictions

- Sharing of Use:
 - Each owner has a set use schedule
 - Rotating use schedule
- Management:
 - Managing Owner
 - HOA
- Sharing of Costs:
 - Budgets, assessments, enforced by HOA (liens on interests)

Questions or comments?

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