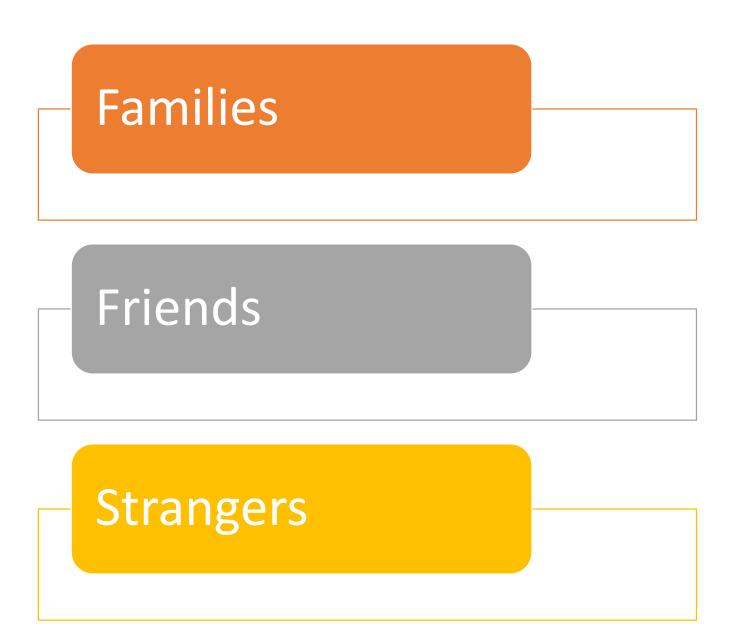
#### SHARED USE AGREEMENTS

VACATION AND RECREATIONAL PROPERTIES

Who might own vacation/recreation properties in common?



# 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.

How do you decide how to hold property?

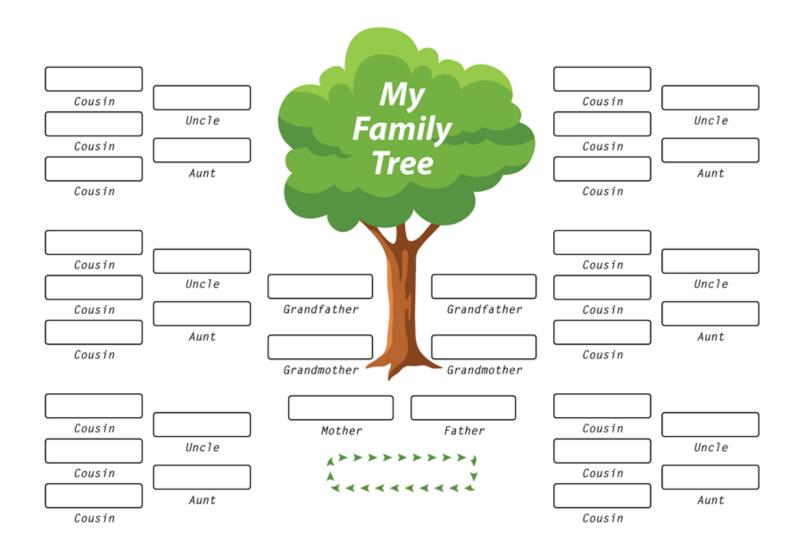


• Do you hold title as tenants in common or in an entity?

### 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



### The Family Cabin

#### **Pros of holding as Entity**

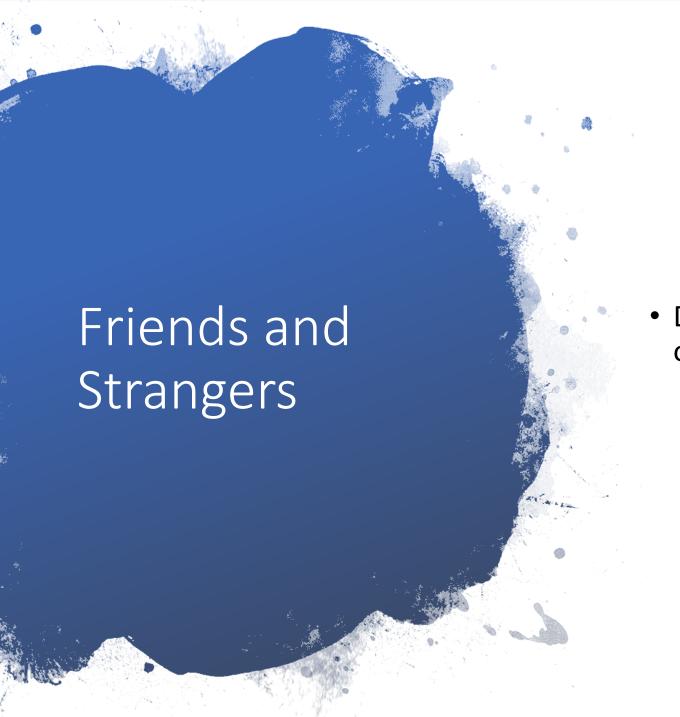
- Easier to manage
- Limited potential for random liens
- Limited potential for rogue sales

#### 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



• 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



- 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.

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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