

KEYSTONE RANCH HOMEOWNERS' ASSOCIATION c/o Basic Property Management, Inc.

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January 30, 2023

Dear Keystone Ranch Homeowner:

Re: Regulation of Rentals and Commercial Uses Amendment to the Declarations.

Following this letter, you will be receiving from Kerry Hartnett with Basic Property Management an e-mail containing, per the Board's recommendation, an Amendment to the Declarations that regulates rentals and commercial uses of homes in the Keystone Ranch HOA. You will also receive a paper version of the Amendment via USPS.

YOUR VOTE IS NEEDED ON THIS VERY IMPORTANT AMENDMENT AS IT IMPACTS WHO WE ARE AS A COMMUNITY.

All votes must be received by **March 15, 2023**, however, the sooner you submit your vote the better to allow time for the Board to pursue any delinquent votes and ensure all homeowners have weighed-in and are represented on this important issue.

In order for the Amendment to pass there must be a supporting vote of 67% of the membership (50 out of 74 homes).

Background and What Influences Led to the Board's Amendment Recommendation:

The issue of rentals and short-term rentals was raised at the July 1, 2021, HOA meeting by homeowners in attendance who expressed concern for the impact short-term rentals were having on the community and their personal enjoyment of their homes. While there have been rental homes in the HOA for years the growing popularity of short-term rentals that are promoted via websites such as VRBO and Airbnb are contributing factors to such homeowner concerns. There was a discussion among the homeowners with varying perspectives represented. The Board was asked by the majority of homeowners present at the meeting to pursue looking into adopting rental restrictions. This is not a Board initiative. The Board is doing its duty to address the issue per the request of the homeowners.

Following the meeting telephone calls were made to more homeowners to determine if there was sufficient support for the Board moving forward with a more formal survey. There was, and the Board then sent out a Short-Term Rental Survey to the membership to receive detailed input from all Keystone Ranch HOA homeowners on the rental issue.

Homeowner input reveals that there are basically three positions on the rental issue:

1. homeowners who do not rent and oppose rentals (short-term rentals in particular) as they do not want to live next door to a rental home.
2. homeowners who do not support rental restrictions as they want to generate income from their home.
3. homeowners who do not rent but want their families to be able to do so, if necessary, to allow current or future generations the ability to generate income to help off-set operating expenses and taxes so they don't 'lose the home'.

Various justifications have been made by all sides of the issue to support their positions.

Those in favor of rentals/short-term rentals have proposed implementing user impact fees or restricting the number of rental homes allowed in the HOA. Those opposed to rentals or who live next door to rental homes say user impact fees do not resolve neighbors' concerns for noise, traffic, and safety or address concerns for impact to community infrastructure and amenities (dumpster, pool, roads, and water use).

The Board received an overwhelming response to the Short-Term Rental Survey to which 73 out of 74 homeowners responded. Not all homeowners responded to every question. The Survey results are a major influence in the Board drafting and endorsing this Amendment to the Declarations.

The survey asked multiple questions including the question: Do you believe the Keystone Ranch HOA should adopt restrictions regarding short-term rental activity? 67.6% of the 71 homeowners who responded to this question said yes, the HOA should adopt restrictions regarding short-term rental activity. Also, when asked the question: Should the HOA adopt restrictions on the maximum number of tenants who can occupy the residence, 71% of the homeowners who responded to this question said yes, the HOA should adopt restrictions on the maximum number of tenants who can occupy the residence.

Given the growing popularity of on-line vacation rental homes, homeowners expressed concern for what the Keystone Ranch community will look like in five, ten, twenty years from now if the number of short-term rental homes continues to increase. This is not a concern particular to Keystone Ranch.

In addition to the results of the Short-Term Rental Survey the Board also considered what our declarations say about the intended character of the Keystone Ranch, i.e., "Declarant desires to protect and maintain the Keystone Ranch as a prime mountain residential area of the highest possible quality and value for the purpose of enhancing and protecting the value, desirability, and attractiveness of the Keystone Ranch".

Also considered was input from various external sources, most importantly District Water Commissioner Troy Wineland. At the July 1, 2022, HOA meeting Troy stated: 'The assumption in the court decree (for Vail's Keystone Ranch water rights) was an average of 3.5 people per household, 100 gallons per person per day and 109 homes. He went on to say: 'One of the other concerns is that the cistern is not refilling overnight during the summer. Irrigation is likely a contributor to this problem but high occupancy in short-term rental units could also be a factor. This is especially concerning given the high fire danger and the fact that the fire hydrants are connected to this system'. While this is unpleasant for some to accept it is not something to be ignored.

The Board has considered the viewpoint that restricting short-term rentals could potentially have a negative impact on property values. Likewise considered is the viewpoint of homeowners who feel restricting/regulating rental activity in the community will enhance property values and their personal enjoyment when using their home. There are many factors that can impact property values short-term and long-term, and those factors differ within and among different residential communities. Permitting vs. restricting/regulating short-term rentals is just one variable. Homeowners and home buyers are not all homogeneous. Some may purchase solely for an investment return while others may purchase a particular home in a particular community for personal gratification and without regard for what the maximum investment return may or may not be. Some may not want to own a home in a rental community or live next door to a rental house. Other considerations include but are not limited to location, required design standards and protective covenants, or living in an environment that is quiet and tranquil with concerns for traffic, noise, and safety being top priorities. Throughout this process the Board has taken into consideration a myriad of these factors and has attempted to find a balance between those who own for the purpose of renting short-term for investment returns, those who oppose rentals altogether, and those who want the ability to rent their home, if need be, to help off-set operating expenses but are not renting it as a commercial rental property.

Proposed Regulation of Rentals and Commercial Uses Amendment Requiring Homeowner Vote:

In presenting the Regulation of Rentals and Commercial Uses Amendment the Board hopes to achieve a balance/compromise that takes into consideration not only personal homeowner interests but also serves in the best interests of the Keystone Ranch community including our infrastructure and common amenities.

The Board realizes that not everyone will be pleased if this vote passes or doesn't pass.

This proposed Regulation of Rentals and Commercial Uses Amendment does not restrict all rental activity in the Keystone Ranch HOA, which will be a disappointment to some, nor does it allow for unlimited rental activity, also a disappointment to some. It does allow for some rental activity to generate income to assist homeowners in off setting their operating expenses and taxes to help ensure they won't 'lose the home'. Four rentals per year are proposed to allow homeowners to rent to help off-set home operating expenses and taxes. There is no distinction made between short-term rentals (less than 30 days) vs. long-term rentals. The Amendment does impose a ten (10) person occupancy limit to help mitigate disturbance to neighboring homes and lessen the impact to community infrastructure. The Amendment also imposes responsibilities to the renting homeowner to have their tenants registered, to be accountable for their tenants' behavior, and be responsive to any neighborhood complaints pertaining to their rental guests, just as any lodging operation would do. The Amendment also places restrictions on home-based commercial business activity.

Therefore, your Board of Managers presents to you this Regulation of Rentals and Commercial Uses Amendment for your vote.

Please visit our website keystoneranch.org to see past HOA meeting minutes and related correspondence regarding this rental issue, including a posting of the Short-Term Rental Survey complete with detailed homeowner comments representing all sides of the issue.

Following this e-mail please check your computer's inbox for the Board-endorsed Regulation of Rentals and Commercial Uses Amendment that is being sent to you for your vote by Kerry Hartnett with Basic Property Management.

If you have questions on any of this, please send us an e-mail via the Contact tab on the website or call John Pringle at 970-389-0645.

THANK YOU FOR VOTING. YOUR VOTE IS VERY IMPORTANT.

Sincerely,

Your Board of Managers:

John Pringle, Chris Ornes, Jayn Karl, Kris Ciccolo, Vince Donahue