



Town of Yountville

6550 Yount Street
Yountville, CA 94599

Staff Report

Agenda Item #: {{section.number}}C

Yountville Town Council Staff Report

DATE: April 6, 2021

TO: Mayor and Town Council

FROM: Steve Rogers, Town Manager

PREPARED BY: Gary Bell, Town Attorney

SUBJECT:

FRACTIONAL AND CO-OWNERSHIP OF RESIDENTIAL REAL PROPERTY DISCUSSION

Discussion and possible direction regarding fractional and co-ownership of residential real property held by LLCs and other entities.

DISCUSSION/BACKGROUND

Town Staff has recently become aware of business ventures promoting fractional and co-ownership of residential real property in which an individual may purchase a fractional (e.g., 1/8 or 12.5%) ownership stake in a property with other individuals who are otherwise unrelated. The business connects the individuals for this purpose, forms a Limited Liability Company (LLC) or other legal entity, provides private financing to the other co-owners, and the individuals co-own and occupy the residential real property in a similar manner to a timeshare by booking stays in advance for predetermined time periods. At the end of the process, the co-owners are subject to the LLC Operating Agreement, which controls the relationship between them including obligations and limitations on use, maintenance, and expenses of the residential real property.

This hybrid arrangement contains elements of ownership and tenancy, in which a co-owner acts much like a landlord when not occupying the residential real property and much like a tenant when occupying the residential real property. And occupancy may occur for periods less than 30 consecutive days. The Yountville Municipal Code already prohibits short-term rentals for periods of less than 30 consecutive days and requires registration for long-term rentals. The short-term rental ordinance requires “payment” including “any form of compensation, monetary or trade of goods or services.” (YMC §§ 17.18.010, 17.18.030.) The rental registration ordinance requires “rent or consideration” including “any form of compensation, monetary exchange, or trade of good or services” (YMC § 8.08.020.). While both ordinances likely apply to the arrangement discussed above, some jurisdictions have clarified similar ordinances to expressly prohibit or regulate fractional and co-ownership of residential real property in this manner.

The purpose of this staff report is to make the Town Council aware of this arrangement and to provide an opportunity for direction to Town Staff if the Town Council wishes.

ENVIRONMENTAL REVIEW

Exempt per California Environmental Act (CEQA) Guideline, Section 15061(b)(3)

FISCAL IMPACT

Is there a Fiscal Impact? No

Is it Currently Budgeted? N/A

Where is it Budgeted? N/A

Is it Mandatory or Discretionary? Discretionary

Is there a Staff Resource Impact? Nominal

STRATEGIC PLAN GOAL

Is item Identified in Strategic Plan? No

If yes, Identify Strategic Goal and Objective. N/A

Briefly Explain Relationship to Strategic Plan Goal and Objective. N/A

RECOMMENDATION

Receive staff report and direct questions to staff.

Receive public comment.

Conduct Council discussion on this item.

Provide possible direction to staff regarding fractional and co-ownership of residential real property held by LLCs and other entities.