

# Common Considerations for Homeowner Associations Regarding Short-Term Rentals

## In the Dirt: A Real Estate Legal Update

By Lisa Johnson on January 31, 2023

Short-term rentals have become a popular way for homeowners to earn extra income when they are away from their property. Websites like Airbnb and Vrbo have made short-term rentals easy and accessible.

For homeowner associations (“HOAs”), management companies, and other community members; however, these short-term rentals present various problems.

### [Will insurance cover damage caused by short-term rental guests?](#)

When short-term rental guests are invited into a community, they might have access to common amenities such as pools, gyms, and elevators. These non-residents could disregard community rules and restrictions or damage property including common amenities or the property of other owners.

This leads to questions about whether the insurance policies of the Association and the owner cover such incidents. Without coverage, the HOA may bear those costs, which might also lead to an increase in the HOA's insurance rate. Many insurance policies exclude costs arising from accidents caused by short-term renters or commercial uses or contain provisions that would deny coverage in some instances.

HOAs should determine whether their insurance covers such events. They should also consider imposing limitations on short term rentals that prohibit use of the amenities and common grounds, require proof that the homeowners' insurance policies contain such coverage, and name the HOA as an additional insured.

### [Mitigating risks associated with short-term rentals.](#)

Based upon the location of the HOA, state law, and other regulations affecting its community, the HOA may not be able to outright prohibit short-term rentals or restrict the behavior of tenants as desired.

On the other hand, HOA restrictions and limitations are often upheld if they exist for a legitimate purpose, are applied in a non-arbitrary manner, and are not barred by statute. For example, an HOA could require that a homeowner obtain prior approval from the HOA of its lease form, provide the HOA with a signed copy of each lease acknowledging tenant compliance with the subdivision rules and rules for common areas, and require proof of insurance coverage.

The HOA should provide for the imposition of fines as assessments upon homeowners who fail to comply with the restrictions, including failure to enforce compliance with the restrictions by their tenants, and stipulate that the homeowner is responsible for all damages related to short-term tenants.

HOAs and management companies should consider consulting an attorney to determine how short-term rentals might impact their community, how their insurance policies might apply in the event of damage, and how to mitigate risks associated with short-term rentals by its homeowners.

*\*This blog was written with assistance from law clerk Adrianna Northrop.*

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