

Fractional Home Ownership (FHO) is an Urgent Issue

If you haven't heard about this new form of homeownership, we encourage you to attend the City Council meeting on Tuesday, March 14th at 5:30, 100 Civic Center Drive. Learn about this latest threat to our peaceful neighborhoods

If you have heard about FHO's, and are concerned about the effect they will have, or are having as it relates to quality of life issues, you will want to learn about what is being done to curb these "timeshare-like" homes that are popping up in our residential neighborhoods (12 to date).

The following information was provided by SPON (Still Protecting Our Newport)

The basics are this:

A real estate/management company purchases a home in a residential neighborhood. One such company is "[Pacaso](#)". Companies like Pacaso may pay market price --- or sometimes more -- for a property. They remodel it with high-end amenities, and sell "shares", usually to eight different buyers. The shares are usually sold at an inflated price which is where the real estate/management company makes a profit. The buyers are allowed to stay in the home for short increments, usually two weeks at a time. Owners cycle in and out of the property, and are free to rent their share just like a short-term rental. Additionally, there are housekeeping crews, maintenance workers and landscapers who all work to maintain the property. This translates to a lot of activity: traffic, parked cars and trucks, on a regular basis at these homes.

Here are some of the other issues with Fractional-Owned Homes:

- * Fractional Homeowners often treat these as "vacation homes"; neighbors often describe these as "party homes."
- * Fractional Homes do not pay Transient Occupancy Tax (TOT) like hotels or short-term lodging. The money the City receives from TOT helps to offset the cost of Police and Fire services that these residences might require.
- * The management companies (like Pacaso) who schedule the shared homeowner's visits and the property maintenance can be fired by the homeowners, leaving no point of contact or management for the property.
- * Owners can give their weeks away, or rent them as they please.
- * Fractionally-owned homes reduce our housing stock - permanently. It is unlikely that eight owners will all agree to sell the house at the same time, and even if they do, they will likely be unable to sell the property at a price that is high enough to recoup their investment. Therefore, once a home is sold under this model, it will probably never be a single-family home again.
- * Fractional Homeowners have their primary residences in other cities. They do not have the same perspective as full-time residents. Their kids don't go to school here. They don't belong to

local charitable organizations. They are here on vacation and, therefore, not as connected to the community.

* Because the fractional owners own the property, it is difficult to regulate these homes in the same way the City regulates and permits "Short Term Lodging". You can't take away an operating permit with these homes the way you can with Short Term Lodgings.

Here is what we want the City Council to do:

Approve the Preferred Recommendation, as it is written in the Staff Report to the City Council for Tuesday's meeting, to "broaden the definition of timeshares to include Fractional Homeownership" in all residential zoning districts.

Eastbluff residents can attend the Tuesday, March 14th City Council meeting to show our opposition to this type of "timeshare" home. You don't need to speak, unless you want to, just show up to let the City Council know that you are opposed to Fractional Homeownership. The meeting begins at 5:30.

You can also submit questions or express your opinion to City Council for consideration by sending them to the City Clerk at cityclerk@newportbeachca.gov.

**Thank you
Ron Rubino**