

## The Rental Equalization Program Beaver Run Resort

**What is Rental Equalization?** – The rental equalization program was developed by Beaver Run's Board of Directors to provide an equitable method for allocating guest nights (income) to the homeowners. The goal of this program is to have each building's similar condominiums to be within 5% of the average income. This program factors in Owner Usage with **Guest Revenue** to arrive at the equalized revenue.

**How does owner use affect revenue?** – As with any second home rental property, using the property for personal use affects your income. Beaver Run has developed a way to quantify owner usage so that all owners are treated fairly. They start by calculating an **Owner Usage Rate** for the time you stay. The **Owner Usage Rate** is arrived at by multiplying the *Daily Room Rate* x 75% (a given factor) x the *Average Occupancy Rate for the Previous Year's Rate Period* x the *Number of Days of Stay*. **An example:** If you stay at your condominium for one week during June and the *Average Occupancy Rate* for that rate period (Summer) is 50% with the *Daily Room Rate* for your condominium being \$120.00 per night, the **Owner Usage Rate\*** would be  $\$120 \times 75\% \times 50\% \times 7$  days or \$315.00. This **Owner Usage Rate** is not an actual cost to the owner. The actual lost revenue for the owner is 55.5% of the **Owner Usage Rate** or \$175 for the one week stay, plus requested maid service and any personal charges.

At the end of the year, the **Owner Usage Rate** is then added to the **Guest Revenue** to arrive at the **Gross Equalization Revenue**. The **Gross Equalization Revenue** less the **Comp and Trade Allocation** (see below) gives you the **Equalized Revenue** that at the end of the year will be within 5% for the **Equalized Revenue Group Average** for your condominium type.

The **Comp and Trade Allocation** is an amount authorized and regulated by the homeowners. It is to be used by the management company for promotion and marketing purposes. Please note that all calculations for pro forma are based upon the **Equalized Revenue Group Average** after the **Comp & Trade Allocation**.

**An example of how owner usage impacts on annual revenue.** Assume for a calendar year that the **Equalized Revenue Group Average** for a Colorado Suite was \$34,189. The **Equalized Revenue** for each Colorado Suite condominium in Building IV should be between \$32,480 and \$35,898 (+ or - 5%). If an owner uses his/her condominium for several weeks during the year, which results with an **Owner Usage Rate** of \$2,552 and **Guest Revenue (after Comp & Trade Allocation)** of \$32,335, the year would end with an **Equalized Revenue** of \$34,887. This is slightly higher than the **Equalized Revenue Group Average**, but within the 5% deviation allowed. Condominiums, which fall outside the 5% range, would have their guest nights (revenue) adjusted upwards the following year to bring them closer to the **Equalized Revenue Group Average**.

### Sample Statement

<u>Guest Revenue</u>	<u>Owner Usage Rate</u>	<u>Gross Equalized Revenue</u>	<u>Comp &amp; Trade Allocation</u>	<u>Equalized Revenue for Unit</u>	<u>Equalized Revenue Group Average</u>
\$33,604	\$2,552	\$36,156	(\$1,269)	\$34,887	\$34,189

\*Please note that this "Owner Usage Rate" is NOT paid by the owner. It is an amount which is not earned.