

**BUSINESS DAY**

# Houseguests Who Pay, and Pay Well

By HILLARY CHURA   MAY 19, 2007

Soaring real estate prices, taxes and the associated costs of living in a tourist destination can be an expensive endeavor. A small but growing number of intrepid homeowners, however, have figured out a way to make their prime locations pay.

Big sporting events, festivals, presidential conventions or simply sought-after tourist destinations have homeowners clearing out their homes, packing away the family silver and renting out their homes to deep-pocketed strangers. Sometimes it is for a few days; in other cases, it is for an entire summer or winter. Some people see it as a business, others as a way to pocket a few thousand dollars when they are on vacation. Then, there are those somewhere in the middle.

John Gilderbloom of Louisville, Ky., has rented out his five-bedroom, two-bath Victorian home for the last three Kentucky Derbys. This year, he charged \$3,000 for the first Thursday, Friday and Saturday nights in May. With the Ryder Cup golf tournament coming to town in September 2008 for six days, he expects to bring in another \$6,000 to \$7,000. He says he eventually would like to rent his home for weddings, family reunions and holidays. The extra cash will help pay his son's university tuition, cover his \$850 monthly mortgage or send him on vacation.

"I started with \$1,000 and was just thrilled to get that. And it just keeps on going up. Next year, it'll be \$5,000 or \$6,000. When you're asked to give up your house for four or five days, that's not much of a sacrifice," said Mr. Gilderbloom, who teaches historic preservation at the University of Louisville. "I'm just a college professor — three nights, \$4,000 — that's great. That's half my salary."

It is more common to see people rent out second or vacation homes than it is to see them rent out the place they sleep every night. While the practice is becoming more popular, says Christine Karpinski, the author of “How to Rent Vacation Properties by Owner,” it has room to grow. For example, primary home rentals are now happening mostly in metropolitan cities like New York, Chicago, Atlanta and Los Angeles.

Opportunities, however, also exist for residents in less urban areas. Midsize cities that only occasionally find themselves being a hot spot tend to have fewer hotels than are needed for a Super Bowl, Republican or Democratic presidential convention or Olympics. Short-term hoteliers can capitalize on the imbalance. If they rent their homes for fewer than 15 days a year, they do not have to pay federal taxes on the income. Rental specialists advise consulting with accountants about longer-term rentals because of the state and federal tax implications.

For Annette O’Brien of Stowe, Vt., renting her home is her job. The five-bedroom house is available year-round, with greatest demand in the winter and occasionally in the summer. When it is occupied, Ms. O’Brien locks away just about everything, including family photographs and knickknacks while she travels or stays with neighbors. Before she started renting her home 10 years ago, she upgraded her three and a half bathrooms, installed Jacuzzis and put a hot tub and shower outside so she could better compete with traditional accommodations. She has the house cleaned before and after each rental.

“In winter, I treat this house as a hotel,” she said.

Ms. O’Brien, a former interior decorator for hotels, has a three-night minimum, charging \$400 to \$700 a night and \$1,000 from Christmas to New Year’s Day. She says she has made more than \$30,000 this year. She charges a \$500 deposit and says she has had only a few mishaps. Once, visitors did not retract the awning before it snowed, and it collapsed beside the hot tub. Another time, a family caused huge smoke damage when they brought the outdoor gas grill inside, filled it with charcoal and lighted it. That same day, they extinguished flames in the fireplace with two buckets of water.

“You win some, you lose some,” she said.

Leaving one's home to strangers demands not only a leap of faith but a certain type of personality.

"If you're one who brings your own sheets to a hotel," Ms. Karpinski said, "this probably is not for you."

Ms. O'Brien prefers to handle rentals herself rather than going through an agency. This way she can vet everyone who calls. She estimates she spends \$1,500 a year in advertising on her own Internet site, [houseinstowe.com](http://houseinstowe.com), as well as Web pages like [Homeaway.com](http://Homeaway.com), [Cyberrentals.com](http://Cyberrentals.com) and [Greatrentals.com](http://Greatrentals.com). She takes out ads in The New York Times and The Boston Globe when she has an open weekend because many of her visitors are from Boston and New York.

Renting out a primary home can necessitate a finely timed choreography between the times a family can use its home and when it must make itself scarce. Megan McGonigal of Beach Haven on Long Beach Island, N.J., says her juggling will bring in about \$90,000 this year and pay the mortgage. Even when she has a nightmare guest — like the one who ripped a bathroom sink off the wall and had water shooting out until the valve under the house could be turned off — renting is less work than when she and her husband, Tom, ran the 11-bedroom, 8-bathroom home as a bed-and-breakfast. Guests now even bring their own linen. When the McGonigals have renters — 13 to 14 weeks, throughout the year — they stay at a two-bedroom apartment in town.

In Vermont, Ms. O'Brien — now a widow — moves back home between visitors. Before her husband died last summer, they just relocated for the season.

When Mr. Gilderbloom has renters in Louisville, he stays in one of his vacant rental properties or with his girlfriend. He says his location — in a neighborhood of Victorians with pubs, art galleries and other entertainment within walking distance — allows him to charge more than suburbanites without the amenities can get.

For the equivalent of about \$42 an hour that Mr. Gilderbloom charged one group on Derby weekend, he offered airport pickup, transportation to Churchill Downs, daily maid service, a walking tour of his historic neighborhood, a departure breakfast, and a bottle of Maker's Mark Kentucky bourbon.

His renters this year included Roisin Hughes of Chicago. She and nine friends each chipped in \$300 for the long weekend. In addition to being less expensive than hotels, Mr. Gilderbloom's house allowed the group to live like locals and walk to nightlife rather than worrying about designating a driver, she said.

"We wanted to be able to hang out in an environment that was comfortable and not want to be broken up in several rooms" as they would be in a hotel, she said. "We didn't want to have to go out for every meal."

As he does for all his renters, Mr. Gilderbloom checked their references, charged a \$500 deposit, issued a contract and was paid in advance.

"For someone who travels a lot and stays in expensive hotels, we give them that and more," he said. "They get a working home and office, so they have the computers left on. There are four television sets, Wi-Fi and brand new sheets. They can use whatever they want to."

He says that while he locks his main computers and business documents in the cellar, he is not worried about renters snooping or pilfering.

"We do know rich people sometimes steal, but I'm willing to take the chance. If they want to take my forks and knives or CDs, so be it," Mr. Gilderbloom said. "Those things can be replaced."

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