OCTOBER
2023

Peak Possibilities

Your Monthly Guide to Informed Real Estate Decisions

ICOR™
Investment Community of the Rockies
COLORADO'S REAL ESTATE INVESTORS ASSOCIATION

6795 E. Tennessee Avenue
Suite 401
Denver, CO 80224
970-682-4267
icorockies.com

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Five Key Considerations for Colorado Real Estate Investors in 2024

By Troy Miller

Investing in real estate can be a lucrative venture, but success often hinges on staying ahead of market trends and economic indicators. In Colorado, a state known for its diverse landscapes and growing population, real estate investors must keep a close eye on emerging opportunities and potential challenges. As we approach 2024, here are five crucial factors that savvy Colorado real estate investors should be watching closely to make informed decisions and maximize their returns.

Join ICOR, October 12th, 17th, & 19st for Real Estate Investor Hot Seat Q&A & Happy Hour: What's Working in Today's Market & How You Can Capitalize!

1. Market Conditions and Trends

Colorado's real estate market has witnessed significant fluctuations in recent years, influenced by factors like supply and demand. As 2024 approaches, it's imperative to monitor the pulse of the market.

Supply and Demand: One of the fundamental indicators to track is the balance between housing supply and demand. Low inventory levels can indicate opportunities for investors, as they may result in increased property values and rental income. Conversely, an oversupply of homes can lead to stagnant or declining prices, potentially impacting your investment returns.

Price Trends: Analyzing historical and current price trends is essential. Are property values consistently appreciating, stabilizing, or declining in your target markets? Understanding these patterns can help you identify areas with the most potential for long-term profitability.

2. Interest Rates and Financing

Interest rates play a pivotal role in the real estate market. As an investor, you should closely monitor interest rate movements and consider their potential impact on your investments.

Interest Rate Trends: Keep a close eye on interest rates set by the Federal Reserve. Rising rates can affect the affordability of homes and overall demand in the real estate market. Higher borrowing costs may deter some potential buyers, potentially slowing down property appreciation.

Financing Costs: Assess how changes in interest rates might impact your financing costs. If you have existing mortgages with adjustable rates, consider refinancing to lock in more favorable fixed-rate financing.

3. Economic Indicators

Colorado's economic health is closely tied to its real estate market. Strong economic indicators can signify a robust real estate environment.

Employment Rates: Favorable employment rates often correlate with increased demand for housing. A growing job market can attract more people to the state, potentially boosting rental income and property values.

GDP Growth: Colorado's GDP growth rate can provide insights into the overall health of the economy. Robust economic growth can translate into a vibrant real estate market.

Population Growth: As Colorado continues to attract new residents, the demand for housing is likely to rise. Population growth can be a positive sign for real estate investors, especially in areas with limited available housing.

4. Legislation and Regulations

Real estate investors must be aware of any legislative

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OCTOBER MEETING INFORMATION

October @ ICOR

Real Estate Investor Hot Seat Q&A & Happy Hour: What's Working in Today's Market & How You Can Capitalize!

Are you eager to excel in today's real estate market, but nervous about interest rates, the economy, inventory numbers, and policy and regulation changes?

It's time to leave your fears behind and take a leap into the future of real estate. Join us for an electrifying Investor Hot Seat Question & Answer event at the upcoming Real Estate Investors Association meeting.

Here's why you can't afford to miss it:

- **Spotlight on a Real Investor:** Each month, we put one successful investor in the hot seat to reveal their journey, strategies, and portfolio in a candid conversation. Get an exclusive peek into their world and discover firsthand what's working in today's real estate market.
- **Adapting to Change:** Learn how these seasoned investors have transformed their approaches over the past year to navigate today's shifting real estate landscape. Their real-time experiences offer invaluable lessons on staying agile in the market.
- **Market Trends Unveiled:** Get the inside scoop on the latest industry trends directly from those who are thriving. Understand where the real opportunities lie and how to capitalize on them for maximum gains.
- **Your Path to Prosperity:** Gain actionable insights to not just survive but thrive in the next 6-12 months. Discover strategies that work and make informed decisions to secure your financial future.
- **Join the Conversation:** Don't let fear keep you on the sidelines while others prosper. Take control of your real estate journey, engage in meaningful discussions, and build the diversified portfolio you've been dreaming of.
- **Mark your calendar and join us at the Investor Hot Seat event.** Don't miss this golden opportunity to connect with real investors, harness the power of shared knowledge, and make informed decisions to build and diversify your own real estate portfolio. Reserve your spot now!

For full details or to register visit www.icorockies.com/events

Save the Date for ICOR's October Meetings

ICOR – Colorado Springs	ICOR – Denver	ICOR – Northern Colorado / Fort Collins
Thursday, October 12th 6 PM-9 PM (MDT) *2nd Thursday of Every Month*	Tuesday, October 17th, 6 PM-9 PM (MDT) *3rd Tuesday of Every Month*	Thursday, October 19th, 6 PM-9 PM (MDT) *3rd Thursday of Every Month*

Upcoming Webinars & Workshops

"Solving The Special Needs Housing Crisis In The US" Workshop

In Person

Friday and Saturday, October 20-21st

Today's market rents make it completely unaffordable for adults with developmental or physical disabilities to rent a place on their own. Most all efforts to solve this problem have been through the creation of nonprofit organizations. The reason this model doesn't work is because there's only so much money to go around. Every city in every state has a long waiting list for people who need housing.

The Creative Investor Playbook: How To Find & Convert Sellers

Virtual

Saturday and Sunday, October 21-22nd

Become a seller financing, subject-to, and master leasing expert. Say goodbye to banks and cash. We'll teach you how to make deals happen without breaking the bank or waiting for loan approvals. Learn the step-by-step process to complete a real estate transaction from start to finish. We'll hold your hand through the entire deal, making sure you don't miss a beat.

Tax Essentials for RE Investors Who Like Money Webinar

Virtual

Wednesday, October 25th

You Will Learn:

- Investor or Dealer — Which am I? (Yep, there's a meaningful difference.)
- Real Estate Professional Status — What is it? How can I benefit? Do I qualify?
- Cost Segregation Studies
- Passive Losses from Rentals to Non-Passive Losses — How do I elevate them to reduce taxes?

Find out more and register online at www.ICOROCKIES.com/events

SATURDAY, NOVEMBER 18, 2023
9:00 AM - 4:00 PM • DENVER, CO

Understanding Mid Term Rentals & Arbitrage Investing Workshop

How to Create a Profitable Extended Stay Airbnb in 30 Days Using None of Your Own Money

1. Discover how to instantly know if your market is suitable for making a fortune with extended stay rentals.
2. Uncover the secret to securing a "workforce rental" and furnishing it with/without using your own money.
3. Hear how to make a furnished rental more findable so you can maintain a 95% occupancy all year-round.

$125 for members, $175 for Non Members
https://www.icorockies.com/events/midtermrentals1123

Five Key Considerations for Colorado Real Estate Investors in 2024

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or regulatory changes that could impact their investments. Laws and regulations related to zoning, property taxes, rent control, and housing development policies can have significant consequences.

Zoning Laws: Changes in zoning laws can affect a property's use and development potential. Be aware of any zoning changes in your target areas that could impact your investment strategy.

Property Tax Rates: Property tax rates can vary widely across Colorado. Changes in property tax rates can affect your ongoing operating expenses and overall profitability.

Rent Control Measures: Some cities in Colorado have explored or implemented rent control measures. These regulations can limit your ability to increase rental income, so it's essential to understand the local rental market dynamics and regulations.

5. Emerging Neighborhoods and Development Projects

Colorado is a state marked by growth and development, which can create opportunities for real estate investors.

Emerging Neighborhoods: Identify emerging neighborhoods or areas undergoing revitalization. Gentrification and new development projects can significantly impact property values and rental income potential. Research areas where infrastructure improvements or business development projects are planned.

Development Projects: Stay informed about significant development projects in your target markets. New commercial developments, entertainment venues, or corporate headquarters can drive housing demand and appreciation in nearby areas.

Preparing for 2024 and Beyond

To navigate the Colorado real estate market in 2024 and beyond, investors should consider the following steps:

Market Research: Stay updated on the latest market reports, forecasts, and industry news. Local real estate associations and online resources can provide valuable information.

Network with Local Experts: Build relationships with real estate agents, property managers, and other professionals who have local market expertise. They can provide insights and help you navigate the market effectively.

Diversification: Diversify your real estate portfolio across different property types (e.g., residential, commercial, multifamily) and geographic areas to spread risk.

Financial Planning: Review your financing options and assess how changes in interest rates may impact your investments. Consider locking in favorable rates if possible.

Risk Management: Develop a risk mitigation strategy to handle unexpected market fluctuations. This may involve setting aside cash reserves or having contingency plans for vacancies and maintenance.

Long-Term Perspective: Real estate investment is often a long-term endeavor. While short-term market conditions are important, also consider your long-term goals and whether a property aligns with them.

In conclusion, Colorado real estate offers exciting opportunities for investors in 2024, but success requires vigilance and adaptability. By staying informed about market conditions, economic indicators, legislation, and emerging trends, investors can make well-informed decisions that lead to profitable and sustainable real estate ventures in the Centennial State.

PRIVATE BANKING SYSTEM EXPERT
OLIVIA McGRAW / OMCGRAW@UNBRIDLEDWEALTH.COM / UNBRIDLEDWEALTH.COM

The Misinformation Around the Infinite Banking Concept

In this age of information, we're all too aware that it's also an age of misinformation. Discerning truth becomes a test of both our knowledge and instincts. Even then, most of us have to admit we've been the victims of lies that were more believable than the truth. When it comes to learning about the Infinite Banking Concept (IBC), we often spend at least one meeting addressing misinformation and explaining why it is incorrect. Let's look briefly at some of those myths we are keen to bust.

It's too expensive. If that were true, I wouldn't be here. The most important part of my job is making sure this strategy fits with each person's financial situation, is affordable, and will be in place for the rest of your life. If it is currently unaffordable, there is always a back-up plan that can set you up for success in the future. Our job is to let the math tell us where there is a good place to start

It's better to start later with more than now with less. When is the best time to plant a tree? 30 years ago. The second best time? Today. Thanks to compounding interest, this concept is more about time than amounts. Waiting for a windfall or big pay out isn't necessarily the most advantageous strategy. Starting today with a conservative plan and becoming acquainted with the principles that make the system work will equip you with the tools needed to steward a larger sum in the future.

I can take out more than I put in right away. That would be magical and amazing! Unfortunately, what you put into the machine determines what you can take back out. You're learning how to bank, and thanks to compounding interest, there will be a time in the future, generally at retirement, that you can take out more than you've put in. But not right away.

IBC is a bad investment. I can make more in the S&P 500. I would be extra wealthy if I had a dollar for every time I heard this one! Let's look at the first part. The infinite banking concept is creating an asset not an investment. And fair enough... go make money in the S&P. But you're subject to market turns, negative years etc. However, your money will only ever be in either the S&P or some other investment. With IBC you can actually do both- which in reality allows you to have a safety net for those other investments. Yes, IBC is slow to start... but that's the nature of compounding interest. It's always slow in the beginning. But we're playing the long game. There is no comparison when we look 30 years down the road. You will have built a REI empire and have access to tax-free income for life if you've learned how to bank properly. This is the beauty and the magic of infinite banking. Once you understand the mechanic of the banking process, which doesn't take long, you will see how the math and flexibility work. No other vehicle on the planet works this way.

If you have questions or other points of discuss regarding IBC, let's talk! We love addressing questions- and prefer to do this before anyone starts down the road of starting their own bank. That way no one has buyer's remorse, and you can confidently change the financial trajectory for both you and your family.

EVE HOELZEL / EVE.DSTANSFIELD@FARMERSAGENCY.COM / EVEINSURANCECOLORADO.COM

Strategies to Reduce Property Insurance Premium

In the last few years, property insurance premiums have been on people's minds with the large increases from different carriers. Most of the factors causing these increases are out of the insured's control, but there are a few things they could do to pay less for their investment property insurance. We will discuss some of these strategies you can use to reduce the premium for your rental property's insurance.

1. Working with an insurance agent who understands the priorities of a real estate investor is essential. The ideal agent or broker is an important part of any business transaction. It begins with the quoting process, necessary coverage, adding discounts, and choosing flexible payment plans.

2. Reviewing your rental property's construction materials could help you lower your insurance premium. In Colorado, replacing and updating your roof with one that is more impact resistant to wind and hail could open the door to a significant discount. If you recently made improvements to your rental properties, be sure to contact your insurance agent to see if you qualify for any rate reductions.

3. Investing in a risk prevention system for floods or fires. A risk monitoring system could help with preventing and minimizing future losses for your single-family or multifamily rental. Water or gas leak detection systems and freezing pipe sensors are all a great strategy to make your rental property safer and more profitable. Your insurance underwriters would like to know about these proactive property management practices.

4. Raise your deductible to reduce your insurance premium. Most property insurance deductibles are above $1,000 for general losses but higher than $2,500 for wind and hail claims. When choosing your rental property's insurance deductible, you will need to take a look at your budget and consider two options: A) Lower insurance premium but higher out of pocket repairs if home is damaged. Or B) A higher insurance rates but a lower deductible when there is a hail claim.

5. Consolidating your rental insurance policies into one master policy. Multiple locations will benefit to multiple discounts, which it will lower your insurance cost overall. Each scheduled location will have the same renewal dates and general coverage to simplify the property insurance process.

Insurance is more complicated with all the several weather disasters within the last 5 years. Insurance agents must get more creative how to bring new business and retain their current policy holders. Insureds must accept the new insurance rules, prepare their budget and work with an agent who understands their priorities. If there are any questions about the above five strategies, please do not hesitate to contact me.

INVESTMENT STRATEGIST
JENNIFER REINHARDT / JENNIFER@REALATLAS.COM / REALATLAS.COM

Building Generational Wealth: A Personal Real Estate Journey

People know that real estate investing is a potent avenue for families to secure their financial future, attain freedom, and establish a lasting legacy. However, fear, self-doubt, and unclear objectives often hinder families from taking the plunge. In this article, I'll share my journey and how real estate investing empowered me to provide for my family, access vital medical care for my daughter with cystic fibrosis and create a safe home environment as a single mother.

Overcoming Fear

My journey into real estate investing began with the battle against fear. As a single mother navigating the complexities of raising a child with the fatal disease cystic fibrosis alone, fear of the unknown was something I dealt with every day. I was hesitant to take risks, but I soon realized that staying in my comfort zone wouldn't provide the financial security and opportunities my family needed. I decided to educate myself, attend seminars, and seek guidance from mentors who had successfully ventured into real estate. Despite coming from a background with no prior real estate experience and little financial means, I discovered that with the right support and education, real estate investing was not out of reach.

Setting Goals

Clear and attainable goals were essential to my real estate journey. My primary objective was to provide a safe neighborhood for my family, especially my daughter, who required a health-conscious environment due to her medical condition. My initial real estate move involved relocating next door to friends and renting out my previous home as my first investment. The early 2000s were a challenging time due to my daughter's cystic fibrosis, and I yearned for both financial stability and peace in our home. I purchased a second house while retaining my first property during the Great Recession to preserve its equity. As I gained experience, I joined a real estate team and learned how to set more specific and intentional goals, which ultimately led me to become a real estate investment strategist.

Learning to Analyze Deals and Markets

Crucial to my journey was the acquisition of the skills to analyze real estate deals and markets. I attended investment boot camps and invested time in learning the intricacies of evaluating investment opportunities. This newfound knowledge allowed me to make informed decisions and navigate the complex world of real estate investments with confidence.

Identifying Limiting Beliefs

Limiting beliefs often held me back from pursuing real estate investing. Initially, I believed it was an unattainable goal for a single mother with little support from her family. However, observing clients who had achieved financial independence through real estate investments inspired me to challenge these self-imposed limitations. I surrounded myself with a supportive community that helped me shift my mindset and approach real estate with confidence.

Building Generational Wealth

Real estate investing became a means to secure generational wealth for my family. The rental income generated by my properties provided the financial stability necessary to afford international medicines and therapies for my daughter's cystic fibrosis until her gene therapy was approved in 2019. Over time, the appreciation of property values further solidified our financial foundation and ensured a brighter future for generations to come.

Achieving Freedom to Live and Work on My Terms

My ultimate goal was to gain the freedom to live life on my terms while providing the best possible life for my children. Through strategic real estate investments, I realized this dream. I have the flexibility to choose my work hours, spend quality time with my children, and live in a safe neighborhood.

Building a Legacy

My real estate journey wasn't just about securing my family's future; it was about leaving behind a legacy. I aimed to pass down not only financial assets but also the knowledge and mindset needed for my children to continue building generational wealth. As I expand my real estate business, I also help other families begin their own journeys to create their legacies.

In conclusion, my personal story demonstrates the transformative power of real estate investing for families. I, Jennifer Reinhardt, used this strategy to overcome fear, set clear goals, challenge limiting beliefs, build generational wealth, and achieve the freedom to live life on my terms. It's a journey that anyone can embark on with dedication and the right support network. By following these steps and maintaining a long-term vision, you can create a legacy that will benefit your family for generations to come.

PETER MCFARLAND / INFO@FUSIONTAXLAW.COM / FUSIONTAXLAW.COM

Leveraging the Power of a Vacation home

Leveraging the power of a vacation home

Do you need an escape? Considering a second property? Good news from the tax corner: a properly used vacation home or condo does not have to complicate your life or require that you develop a closer relationship with your tax planner (though I'd love to get to know all of you better).

Full disclosure – depending on how you use the property, you typically may need to worry about vacation home tax rules, passive loss rules, or entertainment facility rules. However, the focus of this article is to assist you in simplifying and using the property for two purposes only:

1) Personal pleasure 2) Business lodging

Sound nice? Keep reading…

Personal use does not nullify business use

Members of Congress famously use the tax code to their advantage—they deduct the business part of their Washington DC homes because they use them for business travel. Senator Bob Dole, while serving in the Senate, once stated that the vacation-home rules in the tax code do not disallow the business expenses for travel away from home. Put another way, you can have a vacation home that you use for both business and personal purposes, and the tax code recognizes that the personal use will not nullify the business use.

For example, let's say that you have a beach house, and you use it for overnight lodging for business-related travel 60 times throughout the year. If you have no personal or otherwise rental use of the beach home, your beach home is a 100% business asset and that means you can deduct costs associated with it.

That's the most straight forward situation. However… let's say, instead, that you use the beach house 60 nights for business and 40 nights for personal use. The property is now a 60% business asset.

Important to note in these examples: It is the business use that makes the costs deductible. So the business-based justification for the travel needs to be solid. This is where you may wish to touch base with your tax professional to ensure your reasoning will jive with the IRS.

Rental use changes things

Let's add a wrinkle to the mix. Rather than letting the beach house sit vacant when you're not using it, let's say you decide to rent it out. This rental activity is what changes the landscape, and not in your favor. You could trigger the need to split costs between rental and personal use, thereby losing out on deductions. You could inadvertently classify the property as a rental or personal residence, with dire consequences to your tax bill. You could trigger passive loss rules and really open a can of worms.

The key to avoiding all of that headache is simple: rent the property for 14 days or less (for the entire year). The longstanding Augusta rule (yes – from the golf tourney) says you can rent your home for 14 days or less and not report the rental income on your tax return.

Other gotchas

Don't entertain. There is an absolute bar in the tax code that negates all deductions when there is any entertainment at the property. (Hint: business meals are not entertainment, so save any gatherings for your business use of the beach house and deduct those meals).

Don't be charitable. This goes against every moral fiber in my body, but the tax code has a double gotcha for these deductions. Let's say you donate the use of your beach house to a charity for 1 week in their silent auction. Well first, the week counts as personal use by you of the beach house. Then second, you cannot deduct the donation of the beach house. In other words, this type of "donation" is not deductible, anyway, so you may as well not donate the time, since it will end up counting toward your "personal use" bucket.

Ownership. If you happen to own a beach house in your personal name and you also operate as a sole proprietorship or LLC taxed as a proprietorship, just treat the business percentage as a business expense on Schedule C. If, on the other hand, you operate as a corporation or an LLC taxed as a corporation, submit an expense report to the corporation and reimburse yourself. Do not, however, rent the property from your corporation.

Takeaways

Document a strong business purpose for your travel and use of the second home. The nexus of your use and the business purpose should be justifiable and tailored. And, of course, documentation is critical because if the IRS ever decides to take a look, you need to be able to prove your position on the return.

If you operate a business and have a second home, don't hesitate to put it to use for your tax picture. Likewise, if you simply rent the property for 14 days or less, pocket the rent. Suffice to say that a second home doesn't need to be limited to simply increasing your itemized deductions—there are strategies you can harness to your tax advantage.

And as always, if any of this has left you with questions, it's never a bad idea to check in with your tax advisor to be certain. Happy second homing!

RENTAL EXPERT
PHIL SCHALLER / PHIL@RENTALRIFF.COM / RENTALRIFF.COM

Sealing Windows and Doors: How It's Done

One of the most effective yet often overlooked tasks is sealing windows and doors. This simple act of preventative maintenance can yield significant benefits, both immediate and long-term.

Why Sealing Windows and Doors is Important

Energy Efficiency: Gaps and cracks in windows and doors allow warm air to escape and cold air to enter, making your heating system work harder. Proper sealing can reduce energy consumption and lower your utility bills.

Comfort: Drafty windows and doors can make your living spaces uncomfortable, especially during the chilly winter months.

Pest Prevention: Small openings can be an invitation to insects and small rodents looking for a warm place to stay.

Longevity: Moisture can seep through unsealed gaps, potentially damaging the structure of your home over time.

Why Fall is the Ideal Time for This Task

Fall offers moderate temperatures that are ideal for outdoor work. The sealants adhere better in milder weather, ensuring a more effective seal. Additionally, taking care of this task in the Fall allows you to reap the benefits as soon as the colder weather sets in, rather than scrambling to fix drafts in the dead of winter.

How to Seal Windows and Doors

Materials Needed:

- Weatherstripping or adhesive-backed V-strip
- Caulk and caulk gun
- Door sweeps
- Tape measure
- Scissors or utility knife

Steps

Inspect: Walk around your home and feel for drafts around windows and doors. You can also use a lit incense stick; the smoke will waver where there's a draft.

Clean: Before applying any sealant, clean the area thoroughly to remove dirt and grime.

Measure and Cut: Measure the length of the gaps and cut your weatherstripping or V-strip accordingly.

Apply Weatherstripping: For windows, apply the adhesive-backed V-strip along the sides of the sash. For doors, apply weatherstripping around the frame and a door sweep at the bottom.

Caulk: Use caulk to seal any remaining gaps or cracks. Make sure to smooth it out for a clean finish.

Test: Once everything is dry, test by feeling for drafts again or using the incense stick method.

By taking the time to seal your windows and doors, you're investing in a more comfortable, energy-efficient, and durable property. So grab your sealant and weatherstripping, and make this simple yet impactful task a part of your annual preventative property maintenance routine.

PAMELA MAASS, ESQ. / PAM@LAWMOTHER.COM / LAWMOTHER.COM

Passing Down the Family Legacy:
Succession Planning for Real Estate Investors

Real estate investments have long been a cornerstone of wealth creation and preservation for families across generations. As real estate investors, you understand the value of these assets not just in terms of financial returns, but also as a family legacy that can be cherished and passed down to future generations. However, ensuring a smooth transition of your real estate portfolio requires careful planning and consideration. That's where succession planning comes into play.

Why is Succession Planning Crucial?

Succession planning is the strategic process of preparing for the transfer of your real estate investments to your heirs or beneficiaries. It's about safeguarding your hard-earned wealth and ensuring that your family legacy endures. Here's why it's crucial:

1. Preserving Your Vision: Your real estate investments likely reflect your unique vision and values. Succession planning allows you to maintain that vision, even after you're no longer actively managing your properties.

2. Minimizing Disputes: Without a clear plan in place, family conflicts can arise when it comes to dividing real estate assets. Succession planning helps minimize disputes and ensures a fair distribution.

3. Tax Efficiency: Proper succession planning can help your heirs avoid unnecessary tax burdens, allowing them to enjoy the fruits of your investments without unnecessary financial strain.

4. Maintaining Wealth: Your real estate investments represent a significant portion of your wealth. Succession planning helps protect this wealth and enables a seamless transfer to the next generation.

Steps in Succession Planning for Real Estate Investors

Now, let's delve into the practical steps you can take to ensure a successful succession plan for your real estate investments:

1. Identify Your Goals: Start by clarifying your objectives. Do you want to keep the properties within the family, sell them, or perhaps create a source of income for your heirs?

2. Assess Your Portfolio: Evaluate your real estate holdings, considering factors like location, market conditions, and the preferences of your heirs. Are there specific properties that hold sentimental value or are more suitable for certain family members?

3. Create a Legal Structure: Work with legal and financial professionals to establish the right legal structure for your succession plan. This might involve setting up trusts, creating wills, or forming family limited partnerships.

4. Open Communication: Discuss your succession plan with your family members. Open and honest communication is key to ensuring everyone is on the same page and understands your wishes.

5. Document Your Plan: Ensure that all elements of your succession plan are documented in detail. This includes naming heirs, specifying responsibilities, and outlining the process for transferring assets.

6. Review and Update: Life and circumstances change. Regularly review and update your succession plan to reflect any changes in your portfolio or family dynamics.

Succession planning for real estate investors isn't just about financial matters; it's about preserving a family legacy. With careful planning, you can ensure that your real estate investments continue to benefit your family for generations to come. Start the conversation today, and you'll be taking a significant step towards securing your family's future.

Remember that every investor's situation is unique, so it's essential to work closely with estate planning professionals who can tailor a plan to your specific needs and goals. Your family's legacy is worth the effort. At Law Mother, Estate Planning is our focus. We are proud to be sponsors of ICOR and offer ICOR members a complimentary 15 minute call. To schedule your 15 minute call please visit our website: www.LawMother.com/go.

SYNDICATION EXPERT
MITCHELL GORDON, LAW CLERK. / INFO@3PILLARSLAW.COM / 3PILLARSLAW.COM

The War on Short Term Rentals in Colorado Mountain Towns

Short-Term Rentals aren't a new concept to Colorado, however, in recent years the city legislators of many mountain towns in Colorado have been waging a war on short-term housing. In Colorado, a Short-Term Rental ("STR") is defined as a rental unit that is designated as a place of residency but that is leased or made available for a lease for short-term stays of less than 30 consecutive days. Local Legislators have blamed these STRs as the key cause for the spike in home values and rental rates, but some studies point to the contrary.

In recent years, Colorado has become one of the most profitable and attractive locations in the United States to invest in an Airbnb. The endless outdoor activities and vibrant music scene coupled with ease of access from the City of Denver are just some of the many driving factors behind this boom. Local legislators have responded to this rise in STRs by implementing regulations, which many say are overreaching and detrimental to their livelihood. House Bill 23-1287, enacted in 2023, gave local governments greater leeway in licensing and regulating STRs that are not part of a hotel, but regulations have been around for years prior to this. The most common regulations enacted are additional taxes, caps on STR permits, and caps on number of reservations that can be accepted. Mountain towns have increased taxes on STRs, on average, by 2-10%, with the additional tax dollars being allocated to funds that support workforce housing. Some counties have also offered incentives for owners who return their homes to long term rentals. In Summit County, incentives to owners who convert their STRs to long term rentals reach up to $24,000 per year.

An Airbnb study focusing on one-to-four-bedroom STRs with a 60% occupancy rate in Colorado mountain towns showed that a property owner can make the equivalent of a year's salary with a STR. In Breckenridge, the annual revenue potential for an STR can reach upwards of $85,000. In Rocky Mountain National Park, revenues can reach up to $75,000 per year, and the overall average for Colorado mountain towns is over $60,000 per year. Taking away this stream of income from individuals can be difference between their ability to pay or not pay their mortgage.

As regulations increase, complaints from residents of these towns in support of STRs have also risen. Those on fixed incomes who looked to take advantage of STRs feel that they are being targeted. Their attempt to supplement their already limited income is being restricted by local legislators who believe they are the problem. Many homeowners argue that STRs should be allowed backed on the principle of private property rights.

In recent months, Summit County has been home to the most controversial STR regulation. Summit County's new regulation, starting in October, will limit the number of reservations an individual STR can receive to per year to just 35 reservations. In response, more than 100 homeowners have filed suit in the U.S. District Court, claiming that Summit County commissioners' justifications for its excessive STR regulations, including that STRs deprive the County of local workforce housing, are fabricated, and seek to involuntary enlist private homeowners to solve the county's failure to adequately address the workforce housing shortage. Leading this suit is Todd Ruelle, a Summit County homeowner since 1980 and STR owner since 1990. On average, Ruelle hosts around 65 bookings per year. The limitation will cost Ruelle tens of thousands of dollars in lost rental income.

Tommy Jefferies and Doug Turner are both Summit County homeowners who are facing issues due to the STR regulations. Jeffries has lived in Summit County for 13 years and feels he is being cast out as the county makes a push to restrict STRs in hopes it will free more housing for workers. Jeffries lives in and rents out rooms in his home taking an average of 220 reservations per year. On top of that, Jefferies himself is a local worker, managing a ski shop and driving a snowcat. Jefferies claims the narrative that STRs are owned by wealthy second homeowners whose properties are creating a shortage is false. Jefferies said these regulations will render him unable to make his mortgage payments and he will be forced to leave Summit. It is clear these regulations are hurting those they are intended to help.

Turner had a different solution to the regulations, pulling his home from VRBO. Turner has owned a home in Keystone for more than twenty years and relied on income from vacationers to maintain and improve his house. Due to the regulations he now only rents his home in 3-month intervals to those living on the front range. This change hurts the county as it generates no tax revenue for the local communities because the lodging tax only applies to rentals of 30 days or less.

The assumption is that there is an unlimited amount of money in STRs that is waiting to fix all of the county's problems but that isn't true. The money these STR owners make goes back into the economy, through paying local handymen, landscapers, cleaners, and home managers. If STRs become restricted and possibly obsolete, as homeowners have reached their tipping point with local legislators, this money will no longer be pumped back into the economy.

Airbnb conducted a STR impact study on Colorado mountain towns and found that in 2020 across the 5 counties of Summit, Grand, Eagle, Pitkin, and Routt, there were 5.2 million visitors – 30% of whom were STR visitors that spent $1 billion dollars and supported 14.7 thousand jobs for a total of $599 million in wages. A report on job growth in those

5 counties showed that job growth was 17% while the housing inventory only grew by 8%.

In Steamboat Springs, a study showed that visitors booking on platforms such as Airbnb spent an estimated $250 million in 2021. If tourism dropped by just 10% local businesses in the town of about 13,000 residents would lose out on $25 million of revenue. This study also found that only 3% of STRs could be used as workforce housing based on their rental rate. This means that the homes are either too expensive for workforce housing, or they are owned by individuals who wouldn't rent the homes if STRs weren't allowed. Vacation rentals provide lodging options for visitors, help some vacation homeowners and residents afford their homes, and are a key generator in local economies.

A study published in Harvard Business Review found that a 1% increase in Airbnb listings directly correlated to a 0.018% increase in residential units and a 0.026% increase in home prices, a miniscule amount compared to the amount of revenue STRs bring into the local economies. Additionally, California State University found that restrictive policies that reduce the number of STRs leads to less development of residential properties and that can lead to less tax revenue for counties. The study found that on average a 1% increase in Airbnb listings led to a .769% increase in permitting applications which backs their conclusion that an increase in Airbnb listings leads to more development.

Additional concerns regarding the increase of regulations on STRs, specifically the increase in taxes, will lead to less tourists in the local communities. The issue here is cyclical – an increase on regulations means less STRs, leading to higher STR prices. A rise in STR prices will result in less tourists causing less money to be pumped into the economy. Less money in the economy creates a lower demand for workers.

ICOR's Business Member Directory

Service	Contact/Business	Phone	Email
Cleaning/Fencing	Susanna Tabares | Heart & Home Solutions	720.477.8268	heartandhomesolutionsllc@gmail.com
Contractor/GC	Alex Lovera |ManyBuild	720.354.2630	alex@manybuildsolutions.com
Cost Sergregation	Brad Weed | CSSI	970.294.1509	Brad@SagaxRE.com
Estate Planning	Pam Maass | Law Mother	702.706.0036	pam@lawmother.com
Financial Planning	Sarah Shellman | Quest IRA	800.320.5950	Sarah.Shellam@questtrust.com
Financial Planning	Chris Tanner | New Direction Trust Company	877.742.1270	info@ndtco.com
Financial Planning	Jason Powers | Unbridled Wealth	303.957.9175	jpowers@unbridledwealth.com
Foundation Repair	Drew Rogers | Colorado Foundation Repair & Waterproofing	720.266.9331	diggingcolorado@gmail.com
Insurance	Eve Hoelzel | Farmers Insurance	970.970.8019	eve.dstansfield@farmersagency.com
Lender	Tadd Jones | COPA Capital	480.244.4698	tadd@copacapital.com
Lender	Chuck Townsend | Forrest Financial	303.877.3221	chuck@forrestfinancial.com
Lender	Greg Osborne | Bridge Capital Resources, LLC	303.475.5873	gregosborne@bridgelending.com
Lender	Justin Cooper | Pine Financial	303.916.5366	justin@pinefinancialgroup.com
Lender	Tyler Ideker | Indicate Capital	303.567.6333	tyler@costfund.com
Lender	Drew Jeffers | Phoenix Loans	970.420.6472	drew@phxloans.com
Lender	Vanesa Montoya|Boomerang Capital	480.410.0945	vanessa@boomerangcapital.com
Lender	Robert Kearny | Colorado Loans Online	303.902.9100	robert@coloansonline.com
Property Mgmt	Eli Jennings | Atlas Real Estate	303.242.8980	info@realatlas.com
Title	Bill McAfee | Empire Title, Colorado Springs	719.499.0968	bill@etcos.com
Wholesaling	Chase Diamond | The Diamond Group	908.664.2593	chase@diamondgroupco.com
Wholesaling	Jose Sala | Lincoln Asset Management	720.633.0617	jsala@lincolnasset.com