

'Extended Stays' Create A New Set of Problems

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One phenomenon in the RV park and campground industry over the past few years is the increasing demand for longer stays. While many parks have offered seasonal rentals for a number of years - perhaps for as long as they have been in existence, many parks have found that this new type of occupant presents an entirely new set of problems.

For the purpose of this discussion, I'd like to differentiate between what I call "seasonal guests" and "extended stays."

- Seasonal guests normally occupy a site for less than full time and are given a special seasonal rate. Although they leave their RVs on site, they normally visit the park only on weekends and holiday periods.
- Extended stays use their RV as a residence full time or for months at a time and rent the space with the intent of occupying it on a nightly basis. These are the guests we will consider in this article.

While some parks might refer to "extended stays" as "permanents," I believe that this is a very unwise choice of terminology. My experience indicates that the term "permanents" unduly raises the concerns of local government. Furthermore, I believe that no one ever moves into an RV park or campground with the actual intention of making it his or her home until "the role is called up yonder." Be that as it may, accommodating extended stays has advantages and disadvantages of which a park operator should be aware when making a final decision regarding them.

The pluses

First, let's look at the positive side of allowing extended stays.

1) Extended stays can build the annual occupancy percentage without having a significant effect on the operating budget. While there will be some increase in utility costs, only in extreme cases of energy waste will the utility cost be more than it would be if the site were rented each night of the month by a short term occupant.

An energy-wasting tenant will require closer observation and management action. If local authorities allow a park operator to meter electric usage and establish a monthly rental charge plus electric, the operator might, in fact, find the cost per site to be less than that of sites occupied by overnighters.

2) While increasing occupancy percentages, extended stays should increase the net profit. Many parks have off-season periods where the basic maintenance and staffing can handle increased occupancy. In every park, there is a level of expense that stays constant even if occupancy increases; in this case, more occupancy means more net profit. Additional revenue also will come from the laundry and store. Each park operator must decide if increased occupancy through accommodating extended stays can increase his or her net profit.

Before deciding to cater to these guests, a park operator must look at several budget figures - annual percent of occupancy, cost per camper night and average income per camper night.

Just in case you're not familiar with the terminology, let's use CTPA's explanation of a "camper night." Since it can be confusing, I want to keep it as simple as possible.

A "camper night" is each night a site is occupied for a fee. If you have 100 sites and 50 were occupied that night, you did 50 camper nights. If you rent a site for a week and give one night free as a discount, all seven nights are considered camper nights.

If you rent a site for the season with a seasonal fee, all the nights of the entire seasonal period would be counted as individual camper nights. If an RV is allowed to remain on the site after the season for a storage fee, the nights in this period are not counted as camper nights.

How do you figure your annual occupancy percentage?

1) Multiply your total number of sites by the number of days in the year. This gives you your possible annual camper nights, e.g., 100 sites x 365 days = 36,500 possible camper nights.

2) Divide your actual number of camper nights by the number of possible camper nights. For example, assuming 10,000 actual camper nights - $10,000 \div 36,500 = .274$. To turn this number into a percentage, multiply by 100 - $.274 \times 100 = 27.4\%$

For a park that's open only part of a year, the potential number of camper nights is determined by multiplying the number of sites by the number of days the park is open for camping.

Cost per camper night is determined by dividing total expenses by the number of camper

nights. If total expenses for the park used in the example were \$100,000, its cost per camper night is \$10 - \$100,000 divided by 10,000.

Average income per camper night is determined by dividing total camper income by the number of camper nights. If total camper income for the park used in the example were \$150,000, its income per camper night is \$15 - \$150,000 divided by 10,000.

Don't forget to be honest in figuring these statistics. A weekly occupancy should be counted as seven camper nights and a monthly occupancy as 28, 29, 30 or 31, depending upon the month and the year.

Now that you have these figures, you can manually, or with several readily available computer programs, begin to develop numerous "what if" variations with your budget to see if expanding or beginning to accommodate extended stay occupants will benefit you.

The minuses

Now let's consider some of the negatives of renting to extended stay guests.

1) One of the negative factors which often besets parks owners (at least in California and, I'm sure, in other states) but which does not involve the extended stays themselves has to do with local officials. This is particularly true if the park required a "conditional use permit" at the time of construction.

Planning commission members, who often know nothing about our business but often feel that they are authorities on everything, choose to establish through the use permit process some conditions as to the length of time anyone can be a customer of a park in a year or during some time period.

Since planning commissions never put such time limits on other types of businesses, why they feel it necessary and, in some cases, mandatory for RV parks and campgrounds has always been a mystery to me.

Undoubtedly, it comes from a misconception regarding the reason for time limits most government facilities impose on the length of occupancy of their guests. While the government facilities must serve, in theory, all taxpayers with the number of sites they operate and, to do so, must limit the duration of occupancy, this is not the intent or purpose of private commercial parks and campgrounds.

One park in California, for example, was saddled with a ridiculous two-day time stay limit

for all occupants. Needless to say, it would be hard to operate any private facility profitably if all guests had to be told to leave after the second day.

The California Travel Parks Association sought to alleviate this problem with an insertion into the California Health and Safety Code which allows any park owner to ask for an exemption from imposed occupancy time limits and establishes limitations on the powers of local government to require enforcement. While this has been effective in some cases, other parks have found that local government ignores the preemptive state statutes. When this happens, park owners are faced with the prospect of spending I piles of money in litigation against the local government or cowering before their blatant disregard for the state law.

In my consulting, I always warn would-be buyers about conditional use permits. If you are contemplating serving extended stays or have already begun to do it' you should check to see if the park you own has a use permit and what the conditions attached to it are. It is much better to know you have a potential liability and plan to address it than to discover that you have such a liability by means of a notification of violation from some government agency. Remember, the best defense is always a good offense.

2) In evaluating whether or not you should serve this segment of the market, you should ask yourself: "What effect will those extended stays have on my regular business?" Accepting extended stays could have a substantial effect on your regular RVers and campers. Many guests get more than a little concerned if they see people establishing themselves as "permanent occupants."

While there are ways of minimizing the impact through proper management, you cannot fail to address the concerns of other guests. Remember, their impressions might be based on an old mobile home park (now calling itself an RV park) filled with some of the "other types of people with different values and intents" which they've seen.

Some extended stays forget that you cannot put 10 pounds of peaches in a five-pound bag; hence, these guests continue to acquire possessions beyond their ability to properly store them. Soon the site is full and running over with every imaginable prized possession from extra cars to deep freezers, weightlifting equipment and an assortment of children's toys. Once this happens on one site, it spreads like the plague. Soon the whole park looks like it is an ongoing flea market, and, once this has occurred, it is almost impossible for the owner or manager to regain control.

3) Another question you must answer is: Will those extended stays be welcomed only in the off season (when you need the money in the worst way), or will they be allowed to

stay as long as their hearts desire? I believe it is a good idea to have a firm park policy regarding the length of time any guest can remain in the park during one stay. Let me state unequivocally that this should be a management decision and not a government decision. Naturally, we want guests to return again and again; however, it has been my experience that seeing them return was a unique joy that sometimes could be diminished if they stayed too long.

In California, the Recreational Vehicle Park Occupancy Law has helped - owners with the problem of establishing a park policy regarding length of stay. This has been done by placing requirements on both occupants and park owners. While individuals who are occupants of an RV park for nine months or longer can only be evicted for "just cause," occupants for less than nine months can be evicted without a stated reason. This would seem to require close management attention and to encourage parks to set a length of occupancy that is less than nine months.

4) Another problem that can arise in the case of extended stays is an attitude of ownership. Of course, this also can be a problem with seasonal occupants. I remember discussing the issue of seasonal occupants with a Forest Service supervisor in Utah several years ago. He indicated that even in National Forest campgrounds seasonal renters felt they owned their spaces. There was a problem with trees being trimmed to the occupant's liking, flowers planted and other site alterations, according to him. Once campers begin to refer to "your park" as "our park," the danger signals should be seen clearly.

5) A similar problem develops if park personnel become friendly with guests rather than hospitable. There is a vast difference between being hospitable and friendly. Once a guest feels that he is a friend, it is amazing how often he feels that he's entitled to special consideration and deals or that management should cut him a little slack if he bends or breaks the rules a little bit.

Also, this can be a problem with frequent guests, and employees at every level must guard against it. It might be a good idea to learn to differentiate between "business acquaintances and associates" and "friends." As a manager, I have had better working relationships with both customers and employees when I kept them separate from my friends and was always personally aware of the difference between them.

My son is now going through all kinds of problems because he made the mistake of hiring a high school chum as an employee and was unable to establish and maintain in both of their minds the difference between friendship and a boss/employee relationship. He has now vowed never to hire another friend as an employee. It can be a very difficult

and expensive lesson to learn but a most valuable one. Far too often, a friendship developed with a customer can end up in the loss of both a friend and a customer just as hiring a friend can end in the loss of both a friend and an employee.

Things to consider

Should you decide to accommodate this segment of the industry, here are a few things you might wish to consider.

- a) Develop an addendum to your park regulations that can be added to the regular regulations if you rent to extended stays.
- b) Develop a special rental agreement for these monthly extended stays.
- c) Check your park's use permit.
- d) If you have various size sites, consider giving the larger ones to extended stays.
- e) Try to locate all extended stays in one section of the park, if possible, rather than scattering them among short-term campers.
- f) To assist these occupants in keeping their sites clear so that park personnel can service them, consider providing some type of small, enclosed storage on the site. If there is no room on the site, consider providing it in another location within the park.
- g) When you establish your monthly rate for the extended stays, remember to calculate into it an increase in utility costs. Also, check with your local authorities or power company about installing electric meters and charging guests according to their actual power usage. Some states have strict regulations regarding this practice. If you are unable to use meters, just I remember that RVs can use a tremendous amount of electricity, depending upon each occupant's habits.

During California's battle over this, one park reported an individual sitting outside during cool weather with an electric heater at his feet. When approached by management, he stated that his wife would not let him smoke in their RV and that he had no other choice because it was too cold to just sit outside.

Some monthly users also were observed with windows or doors open and heat or air conditioning operating during the various seasons. Reports from parks indicated that the average cost per month ranged between \$30 and \$50; however, isolated cases indicated

an electrical cost as high as \$300 per month.

One thing is clear regarding extended stays. While many of these guests will be as nice as you could wish for, there will always be those who require very close management. Superb management is must if you are to serve the extended stay market.

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