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## Short-Term Vacation Rentals Impact Neighborhood Stability

Commercial Investors Create Housing Shortages Through AirBnB

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By Julianne Couch

Placing a rarely used bedroom or house in the short-term rental market through a service like AirBnB can be a good way for a homeowner to bring in extra cash. It can also help communities that are short on hotel space make room for more visitors, which benefits the local economy.

But too much of a good thing can be, well, too much, resulting in some painful unintended consequences. Sometimes the tipping point is the entrance of commercial investors into the scenario.

That's why community leaders in cities large and small, from Boston to Miami Beach, from the Rocky Mountains to the Pacific Northwest, are figuring out how to keep commercial investors from dominating the short-term rental market. So far, they are passing regulations, and considering ways to enforce them. But they must use finesse as they protect the rights of local property owners while managing commercial investors and the growing online rental market platforms, such as AirBnB.

Colleen Fitzpatrick of the Fenway Community Development Corporation in Boston has seen her city negotiate the unintended results of a burgeoning short-term rental market. She says that around 2013, her community noticed investors buying up properties that had been rental housing and using them for very brief overnight stays, basically turning them into hotels.

People were coming and going from housing units that had previously been occupied long term. In other words, people used to know who their neighbors were, but increasingly, the "neighbors" were only there for a few nights. It also meant that folks who would normally have stable, affordable long-term rental options were being priced out of the increasingly expensive rental market.

Residents approached the city with concerns about this turnover, and what it meant for neighborhood stability. Fitzpatrick says the city's Inspectional Services department sent out a letter to rental property owners that they were looking into what seemed to be a trend, but that they weren't planning to enforce any regulations. Although it may have been an unintended consequence, "that gave people permissions to keep going," Fitzpatrick believes.

Then about a year ago, Fitzpatrick says, a working group formed among the Alliances of Downtown Civic Organizations, Local 26 of the Boston Hotel and Food Service union, the Chinese Progressive Association and others. The labor organization was primarily concerned about housing for their workers, but also that by cutting into hotel business, workers' jobs were at risk. Together, these groups held a forum with community and elected officials and presented their findings about commercial investors taking over the rental market. Fitzpatrick said when this issue was first raised, she was surprised to learn about the extent and depth of the problem and believes city officials might have experienced that same surprise.

"Once the research was presented, elected officials were moved at that meeting to do something about it," she said.

The advocacy groups presented to the city research from a study by UMass specific to Boston about how AirBnB and other online rental platforms were affecting rent costs. Others in the community did their own research, sleuthing out prices of rental properties by following up with advertisements they found online. In some cases, they discovered, the per-room rate was \$200-\$300 a night. That nightly rate would add up for a person with a long-term lease. Money was being made and that made it difficult for small community organizers to win the battle.

"People came to this cause with different concerns: quality of life, or displacement, or upward pressure on rent. We made it a housing issue working with tenant groups and union members." Fitzpatrick said they knew that investors and rental hosts were going to push back against regulation because they had something to lose. "The coalition was outgunned because they are volunteer community groups, and don't employ full time policy directors devoted to the cause," Fitzpatrick said.

She said the group was never against the "one host, one home" model of short-term renting in which a typical homeowner could rent out a room for a short period of time. But Boston had reached the point where even corporate short-stays were no longer rented for a month or two as intended, but rather for just a few nights and for higher rates.

In June 2018, the Boston City Council passed an ordinance eliminating investor unit listings and regulating other short-term residential rentals. It established a registration and data collection system that will allow the city to more effectively monitor the impacts of this industry on its residential housing supply. "At the same time, it continues to allow owner-occupants to rent out extra rooms on AirBnB for as many as 365 days, or their entire home while on vacation," the ordinance explains.

Fitzpatrick says that having data about who owns properties and how they are managed as rentals is a very important piece of the puzzle for city leaders to possess. It would be helpful, but not practical, to access the databases of companies such as AirBnB, which has a very sophisticated registration platform. Without access to information, it can be difficult for communities to move from registration to enforcement.

One group pleased with the outcome in Boston is the American Hotel & Lodging Association (AHLA). Its president and CEO Katherine Lugar said in a [press release](#) that the hotel industry applauds the mayor and city council in Boston for their "decisive leadership to safeguard Boston residents and communities from the negative impact of short-term rentals." She called the new rules common sense to "protect true home-sharers while reining in commercial operators who are tearing apart the fabric of Boston communities, reducing affordable housing options and diminishing the quality of life in residential neighborhoods."

Common sense rules can go a long way, but some cities, including Miami Beach, Fla., find they struggle to enforce those regulations. According to a [story](#) on CNBC, Miami Beach is one of the most popular resort cities for short-term rentals. The city took the step of considering neighborhood character, looking at which areas were mostly residential and which were most appealing to tourists. They now allow short-term rentals in only certain areas. In order to advertise on rental platforms, homeowners have to submit an affidavit to the city that their property lies in an area approved for short-term rentals and that they have obtained a business tax receipt and resort tax account. If they are part of a condo association, they need to prove that short-term rentals are allowed there.

The Miami Beach Code Compliance office defines [short-term rentals](#) as, "rental periods of less than six months and one day." But, these are prohibited in all single-family homes and in many multi-family housing buildings in Miami Beach. "If a building or unit is found to be operating a short-term rental illegally, tenants/visitors will be evicted and fines, starting at \$20,000, will apply to the owner."

In Denver, Colo., [taxation](#) is the focus. In recent years the city imposed regulations and taxes on short-term rentals, of which 1,672 were previously unregulated. The Denver city auditor found that regulations generated nearly \$1.1 million in revenue in the first eight months of 2017. Investigation by the Denver Post found that as of December 2017, that city had a short-term rental registration rate better than 70 percent, which exceeds the rates in other cities that have started regulating it. The audit estimated the licenses issued accounted for only about 63 percent of the short-term rentals being offered through online services.

And in nearby Estes Park, residents found they were increasingly sharing their community with tourists, rather than long-term neighbors. That's partly because fewer people live in small remote mountain towns with long harsh winters, and partly because so many of the four million annual visitors to nearby Rocky Mountain National Park need a place to stay. The Larimer County Commissioners and Estes Park Board of Trustees cooperated on short-term vacation rental regulations in order to have a consistent policy in place across the city and county.

The [ordinance](#) requires all vacation rental owners to register. The application fee for vacation rentals within Estes Park is \$200 plus \$50 per bedroom. The ordinance caps the number of rentals within residential zones, with a limit of eight people per home. A review process is required for any owner who wishes to house nine or more people. In order to ensure complaints are resolved quickly, a local representative or property manager must be designated. Employee housing, attainable housing and accessory dwelling units cannot be registered as vacation rentals.

Walla Walla, Wash., is in the southeast part of the state, near the Cascade Mountains. A city of about 30,000, it is in an increasingly popular district for winery tourism. Partially for that reason, the community has experienced a rapid increase in the number of short-term housing rentals. In November 2017, the city banned absentee-owner properties for use as short-term rentals. This ordinance was contested, according to the [Union-Bulletin newspaper](#).

Some in town took a pro-business position, wanting to encourage tourists to enhance economic development. They also wanted to allow for short-term rentals for newcomers or those considering a move to the area. Others disliked disruption in residential neighborhoods. They also noted the harm to the city's hotels and motels, which are zoned, taxed and must meet codes for safety and other requirements.

The new ordinance does not allow new short-term rentals whose owners inhabit them for fewer than 275 days per calendar year and rent them out for up to 29 days at a time. Property owners faced a short compliance window of just a few weeks to register their rentals as businesses and show that they paid applicable taxes while operating their rentals. Many people were unable to meet that quick turnaround, resulting in confusion.

Colleen Fitzpatrick of the Boston CDC has some words of advice for communities grappling with sharp, sudden increases in short-term rental housing. She notes that for many people, a rental unit is an investment unit, part of the basket of ways individuals make a living. Communities that decide to regulate these businesses need to consider what is fair, but at the same time, watch for "loopholes," Fitzpatrick says.

"What helps renters the most is having housing stock to rent, not tied up with short term stays," she says. She suggests communities get renter advocacy groups involved, as well as social and civic organizations, in order to take action.

"Stop the displacement of renters and the upward effects on rent," said Fitzpatrick. "Get to know what your rental vacancy rate is. When it is down to 3 percent it is hard to find an apartment. Try to get that number up."

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