SUBMISSION – GLEN NGAN TIAN

Item 5 of the Report of the Standing Policy Committee on Property and Development, Heritage and Downtown Development dated April 5, 2022 regarding Regulating Short-Term Rentals

Attention: City Council

There's a perception among public officials that Airbnb and other short-term rental platforms are a problematic form of housing. The assumption is that homeowners or investors rent their spare units to vacationers, thereby taking supply from full-time residents who need rental housing. Many cities have passed ordinances that restrict the use of housing for these rentals.

But that misidentifies the short-term rental customer base. This kind of housing is no longer just for vacationers; it's for workers who need temporary housing for too short a time to sign a six- or 12-month lease. By serving them, too, short-term rental companies are providing a crucial form of workforce housing that is needed in our dynamic, mobile economy. "24 percent of our business is not travel," Airbnb CEO Brian Chesky told Yahoo Finance recently.

The large number of Airbnb clients looking for a month-plus stay is diverse. Some are remote workerswho do not need to be in a fixed location. This includes those who are employed in one city but may have reason to live for a month or two in a different one.

Yet the potential for short-term rental business goes beyond relatively well-off remote workers. Other examples include low-income renters who can't sign long-term leases because they can't pass a credit check or afford deposits; college students who do not want to pay (or cannot afford) the high rates of campus housing; temp workers who are in a city for a few months, such as traveling nurses or pipeline installers; and couples who need somewhere to stay before purchasing a home.

Many municipal ordinances discourage short-term rentals, particularly ones that present a middle ground between vacations and extended leases. Take Blacksburg, Va., home to a major university, Virginia Tech. One would expect the town to have many short-term rental options. But Blacksburg has a "homestay" ordinance that forbids landlords from renting out property on a short-term basis unless the landlords themselves reside there.

Blacksburg is not an outlier. Honolulu has complex regulations that outlaw rentals beyond 30 days. Some jurisdictions treat stays of over 30 days as equivalent to long-term rentals for the purposes of allowing evictions. In Georgia, Atlanta forbids these rentals in neighborhoods zoned for single-family homes, while South Fulton requires them to have off-street parking. Portland, Ore., forbids entire homes from being rented short-term, maintains a 30-day stay cap, and requires landlords to live on site for 270 days out of the year. Other markets ban short-term rentals for non-vacation purposes altogether.

The rationale, aside from short-term rentals' perceived contribution to home shortages, is rooted in quality-of-life arguments. Short-term rentals are, perhaps contrary to the original mission of companies such as Airbnb, getting snapped up by remote investors and leased out via property managers who handle the rapid tenant turnover. Long-term residents believe this brings transience to their communities; the idea of letting only owner-occupants rent out their homes is viewed as a compromise.

But the effect of these rules is to freeze out competition, reduce listings and increase prices for short-term rental tenants. Given the shortage of supply, providers such as Airbnb and VRBO tend to have high markups, affordable mainly to a middle- to high-income clientele. Most lower-income working transients reside in extended-stay hotels, which themselves charge markups. The Georgia-based housing nonprofit LiveNorcross studied these hotels and concluded that they served their clients poorly, most of whom were full-time tenants. Of the residents studied, “some 85 percent are cost-burdened (paying more than 35 percent of their income towards housing costs). They are spending so much to stay in the extended-stays that they have no ability to save.”

This should refute the idea that short-term rentals necessarily “take” housing from the market. In some places, they are housing full-time locals who simply can’t afford long-term leases. In other cases, these units house a growing crop of outside workers who, due to enhanced mobility in the current economy, need places to stay for a month or two. Rather than using ordinances to limit short-term rental options for either group, cities should recognize that these are legitimate workers in need of places to stay.

This article featured additional reporting from Market Urbanism Report Content Manager Ethan Finlan.

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