

A LOOK AT SOME NUMBERS...

42% of investment property buyers purchased to generate income through renting the property.

37% of vacation home buyers plan to use their property for vacations or as a family retreat.

39% of investors & vacation buyers paid all cash for their property purchases.

Investors typically purchased a median-priced property of \$143,500 – up from \$124,500.

Purchase Locations:

- 40%** vacation buyers purchased in a beach area
- 19%** purchased in the mountains
- 19%** purchased on a lake front

RESOURCES

If your city has considered, or is in the process of considering, any rental restriction type ordinance that will have an impact on your business or services, please reach out to your local REALTOR® Association. Your association may have a Government Affairs Director, or GAD, who may be aware of the issues and can discuss the actions your association plans to take representing your interests. It is important that the GAD or Association Executive hear from you. As members, your involvement and communication is critical at the local level.

For additional information and resources, visit www.realtor.org/resort under *Rental Housing Restrictions*, which includes:

- Rental Housing Restrictions White Paper: The Housing Market, Regulations, and Property Rights
- Investment and Vacation Home Buyers Surveys
- Field Guides
- Industry News Articles
- State and Local Associations' Contact Information

This brochure was developed by the Resort and Second Home Real Estate Committee, with content adapted from the REALTOR® Party's Rental Housing Restrictions White Paper.

Short-Term Rentals: Working in the Sharing Economy

Your role and best practices to improving regulation in your area

THE DEBATE

As long-term residential markets expand and certain short-term rental markets explode, local governments are increasing initiatives to regulate them. If rental restriction ordinances rise locally, understanding the implications will better equip you and your clients.



Why restrict short-term rentals?

- Avoids increase in nuisances (noise, traffic, trash)
- Reduces housing inventory to locals
- Ensures fairer competition with licensed establishments (i.e. hotels, bed and breakfasts)

Impact of Restrictions:

- Infringes upon property rights
- Diminishes value of investment property
- Reduces the pool of buyers able to purchase in high-demand vacation areas

Benefits of Short-Term Rentals:

- Promotes tourism
- Generates revenue for community
- Defrays costs of a vacation/second home
- Helps secure a future retirement home

YOUR STRATEGIC ROLE

As advocates for property rights in your communities, pay attention to any form of proposed residential rental regulation.

Consider the proactive strategy of pursuing state legislation governing local rental regulations. This will assist with having more uniform, fairer, and market sensitive regulations and attempt to prevent short-term rental restrictions.

▶ *Consider if the local legislative body has the authority to adopt a proposed ordinance and received legal counsel. If not, propose to table the legislation pending legal opinion.*

▶ *Identify that the proposed local law or regulation is consistent with the community's general plan or that the potential environmental impacts be determined prior to enactment.*

▶ *Question whether empirical studies and evidence using data have actually established the necessity for regulation, rather than anecdotal evidence. Seek rational basis for the proposed regulation.*

As a last resort, legal action – or even the threat of legal action – can be an effective strategy for fighting undesirable regulation.

Effective rental ordinances should be narrowly tailored to address the specific needs of the community. This can prevent an outright ban or blanket approach and ensure that all parties' concerns are addressed.

BEST PRACTICES

Enhancing Current Regulations

"Grandfathering" provisions - Allow continuation of rental use for owners who've already established their rental property and require a special permit of exemption.

Licensing and Registration Requirements - Owner to register the property as a vacation rental. This enables local governments to create and maintain a database of rentals for code enforcement and transient occupancy tax collection in areas authorized to collect.

Inspection Requirements - These may be justified in cases where a short-term rental ordinance is adopted for the purpose of ensuring the safety of short-term rental tenants. Should be on a periodic basis and/or under specific limited circumstances (fire, flood, or event that caused substantial damage to the structure, etc.)

Enforcement Provisions - Not penalize rental property owners for violations beyond their control; give due process by providing notice of the violation and an opportunity to remedy it.

Owner / Host Provisions

▶ Requiring a short-term rental owner/host to reside in the home for a minimum number of days each calendar year, can protect long-term rental housing inventory.

▶ Legislation that holds online renting platforms responsible for communicating local regulations to owners prior to listing their property.

▶ Owner or host required to maintain a minimum amount of liability insurance.