

NetChoice *Promoting Convenience, Choice, and Commerce on The Net*

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Chairman Michael Flaherty, Chair
Boston City Council
1 City Hall Square
Suite 550
Boston, MA 02201-2043

February 12, 2018

RE: Concerns with Ordinance allowing short-term rentals in the City of Boston

Dear Chairman Flaherty and Members of the committee,

While well intentioned, we worry that the “Ordinance allowing short-term rentals in the City of Boston” (hereinafter “Ordinance”) will discourage development of Boston’s underserved areas and expose the privacy of Boston residents using Short-term rentals (STR) in Boston.

We do, however, agree with reasonable registration requirements for STR hosts and regularly advocate for use of such registrations.

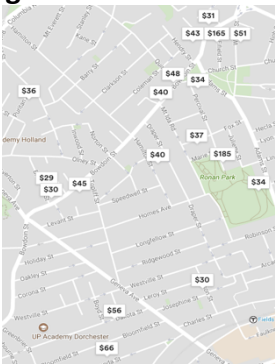
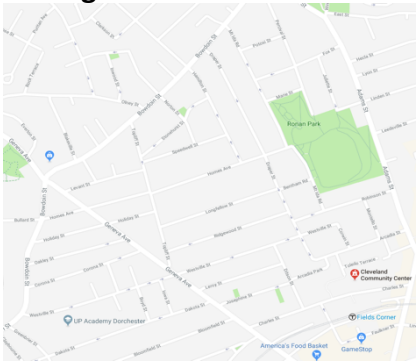
To that end, we suggest:

- removing night caps on “investor-owned” STRs and
- removing the mandate for platforms to disclose to the government the private information about Boston residents.

Benefits to constituents of short-term rentals

Short-term rental services provide necessary income to many of Boston’s residents. Over 52 percent of hosts nationwide live in low-to-moderate income households. More than 48 percent of the income hosts earn through certain short-term rental services is used to cover household expenses.

Consider, for example, families coming to Boston for graduation ceremonies at University of Massachusetts Boston or visiting John F Kennedy Memorial Library. Short-term rental services allow your residents to earn income by sharing their homes.

STR listings in and around Dorchester	Hotel listings in and around Dorchester
	

The presence of short-term rental services also brings new money into areas of Boston's underserved or underserved by hotels. Since there are few hotels in many parts of Boston, travelers are not likely to encounter those areas' businesses. Conversely, guests who stay in underserved areas of Boston via short-term rental services, bring income to these areas as they visit restaurants, grocery stores, and businesses in the underserved parts of Boston.

Big hotel chains benefit most from limits on excessive STRs

Big hotel chains are backing the Ordinance for entirely selfish reasons. Big hotel chains see short-term rentals are a threat to their business model – however, it's not for the reasons you may think.

Presently, the hotel industry enjoys record setting occupancy and pricing. However, the presence of short-term rental services is seen by some in the hotel industry as forcing hotels to keep prices at reasonable levels. For instance, LaSalle Hotel Properties's CEO told investors that a law curtailing short-term rental services would allow hotels to boost their prices by eliminating competition.¹

Lower hotel room prices mean that visitors to Boston have more money to spend with Boston businesses. Likewise, when your constituents travel, short-term rental services help them find more reasonably priced accommodations.

As you can see from the image above, the area around Dorchester is underserved by hotels. However, short-term rentals are available for as little as \$29/night. It's important to keep short-term rental services and a competitive market as a check on hotel price inflation.

STRs constitute less than 0.24% of available homes

According to data from a study paid for by the Hotel Industry,² 99.76% of homes in Boston *do not* engage in STRs of any kind. This includes owner-present, whole-home, and non-owner occupied homes. To suggest that STRs or vacation-rentals, or non-owner occupied homes have a material impact on Boston just doesn't match the data.

There is no evidence that STRs or non-owner occupied rentals are impacting home prices, or rental stock

Some falsely claim that the presence of STRs and non-owner occupied rentals are causing a dearth in rental properties, a surge in purchases of homes to turn into STRs, are increasing home and rental prices.

But the data shows a different story.

According to Truila,³ the average number of homes sold each year in Boston are about the same now as they were 17 years ago — and much less than in 2004-2006. This disproves the argument that STRs are encouraging people to go out and buy a home to use as STRs.

Truila also shows a consistent growth in home prices with no real spike when AirBNB came to Boston. Thus, it makes clear that STRs are not driving the increase in home prices. If anything, the rate of growth is flatter now than it was in the first half of 2000 suggesting even less of a connection between STRs and home prices in Boston.

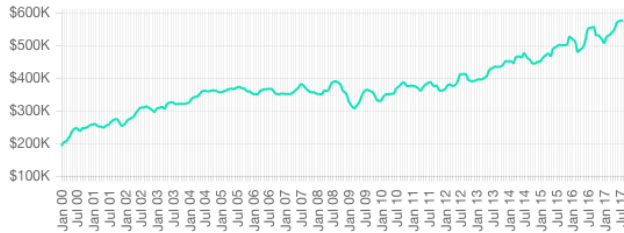
¹ Gaby Del Valle, *Hotel CEO: New Airbnb Regulations Should Allow A 'Big Boost' In Hotel Room Rates*, Gothamist (Oct. 27, 2016) (Passage of a law limiting short-term rental services "should be a big boost in the arm for the business, certainly in terms of the pricing.")

² John W. O'Neill, *From Air Mattresses to Unregulated Business: AN ANALYSIS OF THE OTHER SIDE OF AIRBNB* (May 2016), available at http://hhd.psu.edu/media/shm/Center-for-Hospitality-Real-Estate-Strategy/files/AHLA_Airbnb_Summary_2016_May_National.pdf ("This study was primarily funded by the American Hotel & Lodging Educational Foundation. Additional funds provided by the American Hotel & Lodging Association.") Finding a total of 2,769 STRs in Boston. According to US Census data, there are 1,199,000 housing units – https://www2.census.gov/programs-surveys/ahs/2013/factsheets/ahs13-4_Boston.pdf

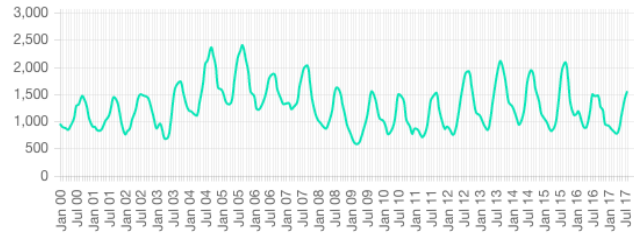
³ Available at https://www.trulia.com/real_estate/Boston-Massachusetts/market-trends/

Moreover, there are *more rentals* available today than a year ago. Median rental *prices are lower* than they were a year ago. Since the presence of STRs is increasing, there can't be a correlation between STRs and rental prices and/or rental availability as the data is moving in the opposite direction.

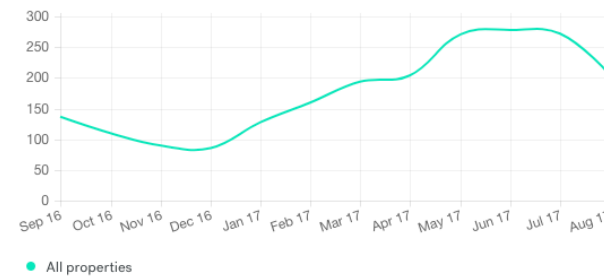
Median Sales Price



Number of Sales



Number of Rentals



Homeowners are not en masse moving to replace long-term rentals with STRs

The arguments saying that homes used for long-term rentals are *en masse* being turned into whole-home vacation rentals rely on incorrect assumptions.

First is the assumption that whole-home vacation-rentals are always more profitable than long-term rentals. Take for example a 2-bedroom condo that could be rented either for \$3,000/month as a long-term rental or \$100/day as a whole-home vacation rental. In this scenario, the whole-home vacation rental would need to be occupied 360 days of the year. This is highly unlikely to occur and thus, the long-term rental is more financial attractive.

Second is the maintenance and upkeep costs of STRs. Unlike a long-term rental, STRs often require venues to be furnished, for the home-owner to pay for utilities, engage regular cleaning services between occupants. These can be very costly and time intense processes often not required in long-term rentals.

The Ordinance exposes the privacy of Boston residents and short-term rental guests to law enforcement

Protection under the 4th Amendment of the Constitution from unlawful search and seizure is a core privacy protection. Unfortunately, the Ordinance requires platforms to disclose records and information about hosts and guests to the government. Moreover, this disclosure does not require law enforcement to first obtain a warrant.

We worry that these investigations by law enforcement could be abused.

Recommended changes to the Ordinance

Rather than advance the Ordinance as written we instead encourage you to:

- allow for unlimited number of days for “investment properties” and

- remove the mandate for platforms to disclose to the government private information about Boston residents.

We've seen high compliance rates when localities create reasonable registration and regulation for short-term rentals.

A more reasonable approach to home-sharing by creating a registration process would benefit all Boston residents. Such an approach would also ensure the home-sharing boon to homeowners and visitors also benefits non-participating residents through revenue collection that is funneled back into the local economy and city initiatives.

We welcome the opportunity to work with you on reasonable regulations that allow all to prosper.

Sincerely,



Carl Szabo

Vice President and General Counsel, NetChoice

NetChoice is a trade association of e-Commerce and online businesses. www.netchoice.org