

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

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Assembly Member Mark Stone, Chair
Judiciary Committee
California Assembly

March 26, 2018

RE: **Opposition to AB 1731 removing Short-term Rentals in California**

Dear Chairman Stone and Members of the committee,

We ask that you not advance AB 1731. While well intentioned, we worry that AB 1731 will discourage development of California's underserved areas.

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

Benefits to constituents of short-term rentals

Short-term rental services provide necessary income to many of California'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 California for graduation ceremonies or visiting California's amazing sights. Short-term rental services allow your residents to earn income by sharing their homes.

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

Big hotel chains benefit most from limits on excessive STRs

Big hotel chains are backing the AB 1731 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 California have more money to spend with California businesses. Likewise, when your constituents travel, short-term rental services help them find more reasonably priced accommodations.

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.")

STRs constitute less than 0.28% of available homes

According to data from a study paid for by the Hotel Industry,² 99.72% of homes in San Diego *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 San Diego 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 Trulia,³ the average number of homes sold each year in San Diego are about the half what they were 17 years ago — and the lowest they have been since the 2008 recession. This disproves the argument that STRs are encouraging people to go out and buy a home to use as STRs.

Trulia also shows 2 and 3-bedroom home prices are *lower* today than they were a year-ago. Thus, it makes clear that STRs are not driving the increase in home prices.

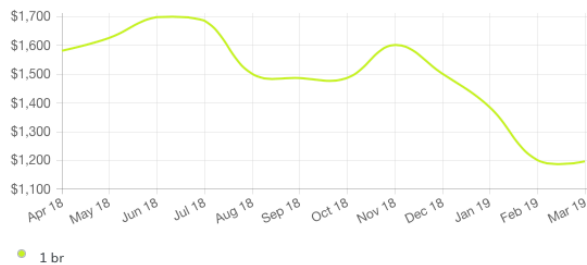
Moreover, there are *more rentals* available today than a year ago. Median rental *prices are lower* than they were a year ago. Since the presence of STRs is increasing, there can't be a correlation between STRs and rental prices and/or rental availability as the data is moving in the opposite direction.

Median Rent in San Diego

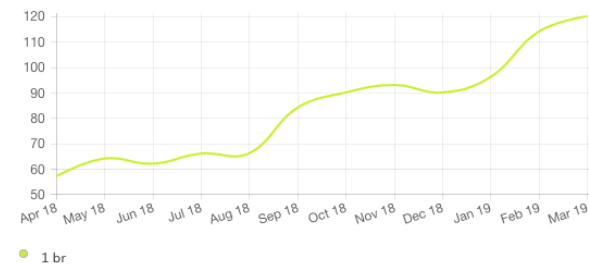
1 Br 2 Br 3 Br 4 Br All properties

6 mo 1 yr

Median Rent



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

² John W. O'Neill, *From Air Mattresses to Unregulated Business: AN ANALYSIS OF THE OTHER SIDE OF AIRBNB* (May 2016), available at https://www.ahla.com/sites/default/files/Airbnb_Analysis_September_2016_0.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 3,500 STRs in San Diego. According to US Census data, there are 1,214, 208 housing units – <https://www.census.gov/quickfacts/fact/table/sandiegocountycalifornia,ca/PST045217>

³ Available at https://www.trulia.com/real_estate/San_Diego-California/market-trends/

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.

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 California 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

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