

NetChoice Promoting Convenience, Choice, and Commerce on The Net

Carl Szabo, Vice President and General Counsel
1401 K St NW, Suite 502
Washington, DC 20005
202-420-7485
www.netchoice.org



January 8, 2019

New Orleans City Council
1300 Perdido Street, Second Floor West
New Orleans, LA 70112

RE: **Opposition to City Council Motion (M-19-4) – Creating a Ban on STRs**

Dear member of the New Orleans City Council,

We ask that you not move forward with City Council Motion M-19-4 as it essentially creates a ban on whole-home vacation and short-term rentals (STR) while at the same time handing a de-facto monopoly to big hotels who can use their monopoly power to surge prices on families visiting New Orleans.

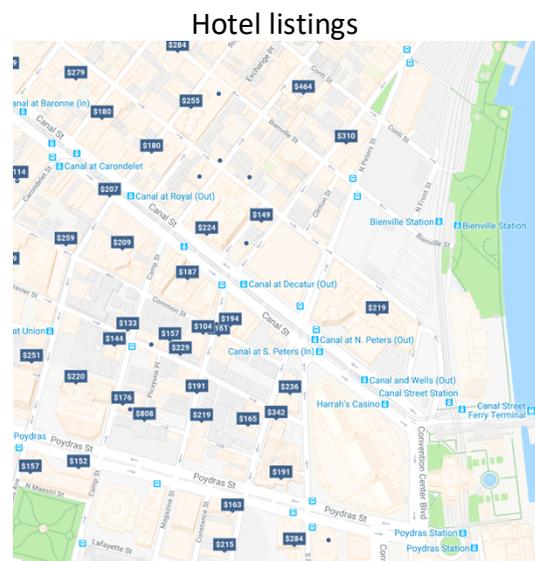
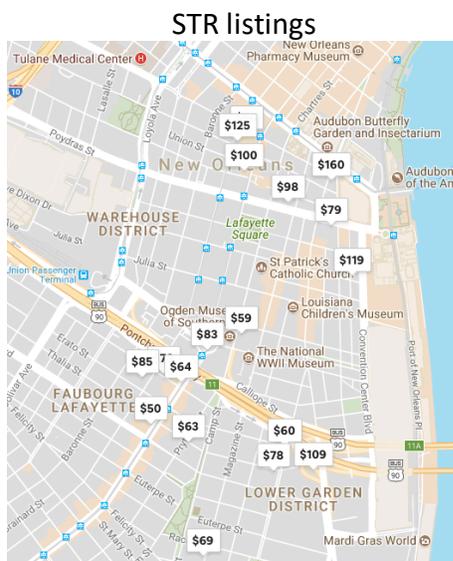
We do, however, agree with reasonable registration requirements for STR hosts and regularly advocate for use of such registrations.

Benefits to your constituents of short-term rentals

Short-term rental services provide necessary income to many of your constituents. 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 from across the country for graduation ceremonies at Tulane or Loyola University. Or consider families wanting to stay near loved ones at Tulane Medical Hospital. Short-term rental services allow your constituents to earn income by sharing their homes while providing affordable rentals for families looking to spend money in your city.

The presence of short-term rental services also brings new money into the city as families can more readily afford to visit (see images below showing the substantially lower median price for STRs compared to hotels).



Guests who stay in your city via short-term rental services bring income to your districts as they visit restaurants, grocery stores, and businesses.

The ban on whole-home STRs in City Council Motion M-19-4 directly impacts *families* visiting New Orleans. As a father of two small children, I know that I would want a whole-home STR – not a reenactment of roommate living. This is why the attack on whole-home STRs are so concerning for families that travel.

Big hotel chains benefit most from City Council Motion M-19-4's passage

Big hotel chains are backing City Council Motion M-19-4 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 New Orleans have more money to spend with New Orleans businesses. Likewise, when your constituents travel, short-term rental services help them find more reasonably priced accommodations.

As you can see from the image on the previous page, the average price for a hotel in Historic New Orleans is around \$200/night as opposed to only \$75/night for a short-term rental.

It's important to keep short-term rental services as a competitive market as a check on hotel price inflation. And STRs make it so not only the privileged can afford to visit New Orleans.

Imposing unreasonable requirements on STRs depresses tax collection

We've seen high compliance rates when localities create reasonable registration and regulation for short-term rentals. By achieving a high level of compliance, New Orleans would enjoy a more reliable source of tax revenue from registered home owners.

Unfortunately, City Council Motion M-19-4 creates a ban on many STRs already under operation in New Orleans.

We know that such actions serve only to diminish compliance and send STRs underground. This means less tax revenue for the city and less oversight of short-term rental activity.

City Council Motion M-19-4 makes it more difficult for New Orleans residents to afford their homes

Many families acquire secondary homes, not as investment properties, but for a myriad of personal reasons. By imposing substantial restrictions on the ability of these families to earn additional revenue on these homes, it makes it even harder for them to afford them.

Consider the mother that receives her parents' home when they die. Or the family that can't yet move into their new home because of job requirements. These are the types of people who seek to earn income via STRs to pay homeowner's fees and property taxes on their secondary properties.

But City Council Motion M-19-4's limitations on secondary STRs makes it harder for these families to keep these additional homes.

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.")

City Council Motion M-19-4 hurts local businesses

It's not just the hosts that lose from banning STRs, but also New Orleans's local businesses. When travelers save on lodging, they have more to spend at New Orleans's local restaurants, shops, and stores. Moreover, short-term rentals encourage travelers to visit parts of New Orleans not serviced by hotels.

In essence, short-term rentals mean more money for New Orleans's small businesses.

In fact, surveys have found that local voters believe having short-term rentals in the city brings benefits to local residents and the local economy.

There is no evidence that STRs rentals are impacting home prices, or rental stock

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

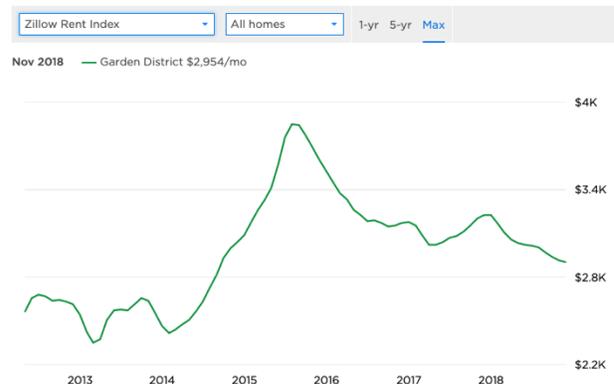
But the data shows a different story.

There is no direct correlation between the increasing number of STRs in New Orleans and rent prices.

According to Truila² there has been a significant decrease in rental prices over the past three years. This shows that there is no direct correlation between the increasing number of STRs in New Orleans and rent prices.

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.

Moreover, this drop in rent is even more significant in the Garden District of New Orleans.



² Available at <https://www.zillow.com/new-orleans-la/home-values/>

Homeowners are not 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 \$2,954/month as a long-term rental (average in Garden District) or \$90/day as a whole-home vacation rental.

In this scenario, even if the whole-home vacation rental were rented the entire year, the homeowner would not make as much money as if it were a long-term rental.

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.

Rather than advance City Council Motion M-19-4, which imposes all these burdens and unintended consequences, we instead encourage you to look to reasonable regulations that have proven beneficial in other jurisdictions.

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

A thoughtful approach to home-sharing by creating a registration process would benefit all New Orleans residents. Registration 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.

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