

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

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Chairman Phil Mendelson
DC City Council
1350 Pennsylvania Avenue NW
Washington, DC 20004

June 29, 2017

RE: Opposition to Bill 22-92's attempts to deny whole-home sharing

Dear Chairman Mendelson and Members of the Committee of the Whole,

We do agree with reasonable registration requirements for short-term rental (STR) hosts and regularly advocate for use of such registrations. Also, we welcome the opportunity to work on new legislation so that it achieves the goals of registration and tax collection without undermining a burgeoning industry in which hundreds of DC residents partake.

However, we do not think DC should engage in bans on whole-home and non-owner occupied STR.

Eliminating whole-home rentals harms families

When I go out of town with my family for a week-long vacation, we don't want to stay in a hotel. We enjoy the opportunity to easily move from the kids' rooms to the living room. We want a place to have family dinners in private. And we want a feeling of privacy. This is what a whole-home vacation rental provides.

My family is not unique. Families across the country travel to Washington, DC to experience the marvel that is the nation's capital. But this can be a very expensive endeavor.

Average hotel prices over \$165/night. So, a family renting two rooms for a week can expect to pay \$2,300 just for their hotel. Conversely, whole-home vacation rentals in DC would cut these costs to as little as \$700. Not to mention the benefits of having a kitchen and a washing machine.

Without the presence of whole-home vacation rentals, DC may cut-off American families of limited means, who can't afford an extra \$1,500 bill on their vacation.

At the same time, we worry that without whole-home vacation rentals, the costs for hotels may increase – since the removal of competition allows remaining parties to increase their prices. This concern is not based on speculation but is based on statements from the hotel industry.

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

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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.").

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

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

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

But the data shows a different story.

According to Truila,² the average number of homes sold each year in DC 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.

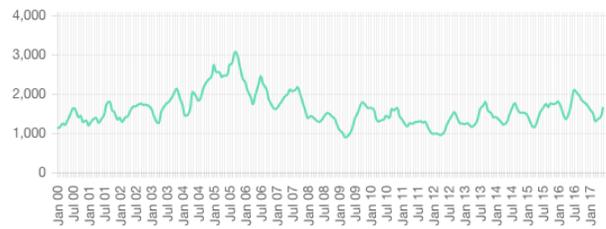
Truila also shows a consistent growth in home prices with no real spike when AirBNB came to DC. Thus, it makes clear that STRs are not driving the increase in home prices. If anything, the rate of growth is flatter now than it was in the first half of 2000 suggesting even less of a connection between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

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.

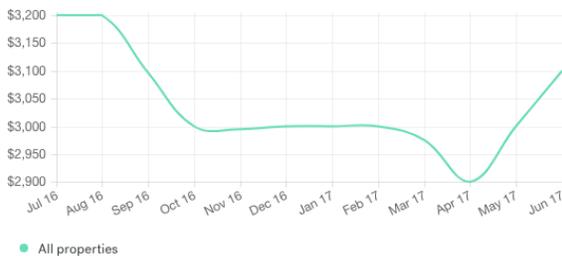
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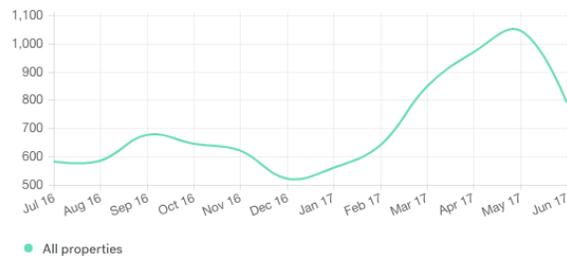
Number of Sales



Median Rent



Number of Rentals



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

The arguments purporting 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 Available at https://www.trulia.com/real_estate/Washington-District_Of_Columbia/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 homeowner 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.

Full-time STRs constitute less than 0.04% of available homes

According to data from a study paid for by the Hotel Industry,³ 99.6% of homes in DC are not Full-Time STRs and less than 97.7% of homes 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 DC just doesn't match the data.

Rather than advance 22-92, which bans vacation and non-owner occupied rentals, 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 more reasonable approach to home-sharing by creating a registration process would benefit all DC 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

³ 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."); <https://www.census.gov/quickfacts/fact/table/DC/PST045216> (finding a total of 3,957 STRs in DC. According to US Census data, there are 313,718 housing units).