

Vermont Legislative Research Service

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It is important to note that the conclusions in this report were based strictly on statistics about Airbnb. Other online short-term rental platforms exist, but this report focuses solely on the potential impacts of legislation regulating Airbnb, the largest online short-term rental platform. Any regulations that impact Airbnb would also impact other online short-term rental platforms like Travel Tech and HomeAway.

It also must be noted that some of the data in this report was gained through studies conducted by Airbnb. For example, the section describing Airbnb's economic impact on San Francisco utilizes data collected by Airbnb. While still relevant, the nature of this source must be considered when evaluating this study.

What is the Sharing Economy?

The sharing economy, also known as the gig economy or asset economy, is an increasingly popular business sector that encompasses peer-to-peer transactions.⁷ These transactions are facilitated by companies via the internet and various apps.⁸ PricewaterhouseCoopers, an auditing firm, reported that the sharing economy's five key sectors: automotive, hospitality, finance, staffing, and media streaming, generated \$14 billion in global revenue in 2014.⁹

occupancy tax. There has, however, been a noticeable decrease in San Francisco listings on Airbnb since the regulations were imposed. In August 2017, Airbnb had over 10,000 listings in San Francisco.³³ The *San Francisco Chronicle* reported that by January 17, 2018, when the registration requirements started being enforced, almost 5,000 listings had been removed from Airbnb's website, with local listings decreasing to just 5,500.³⁴

Although the new regulations have decreased the number of local listings, this does not necessarily mean the short-term rental business has been damaged. Many listings that were removed were dormant listings that were rarely, if ever, rented.³⁵ According to District Three Supervisor Aaron Peskin, the decrease in listings opens up seldom-used properties for rent by San Francisco residents, helping to address the city's housing crisis.³⁶ The regulations also help ensure that the properties being rented are generating money for the city of San Francisco and meet the same standards as other rental properties in the city.

Airbnb listings have contributed to the San Francisco sharing economy. In 2012, Airbnb conducted a study of the economic impact of its listings on San Francisco. Although there were fewer listings in 2012 than 2018, they still generated \$56 million in local spending and provided hosts with \$12.7 million.³⁷ In 2012, fifty-six percent

With a registry, local governments can impose penalties of up to \$500 against those who fail to register.⁴³ Localities that do implement registries may require that property owners notify adjacent neighbors, gain permission from the locality to offer the property for rental, and carry a minimum of \$500,000 of commercial premises liability insurance.⁴⁴ If a locality chooses to ban all short-term rentals, any person or entity violating those terms can be subjected to a fine of up to \$10,000. Localities are also permitted to charge a reasonable registration fee for short-term rental operators that is related to the cost of establishing and maintaining the registry.⁴⁵

This bill passed with strong bipartisan support, but its current impact is difficult to measure, as it is unclear how many localities have established or plan to establish registries.⁴⁶ Despite bans of short-term rentals in some cities, rentals continue to operate. Virginia Beach, for example, prohibits short-term rentals but reports that around 300 continue to advertise lodging.⁴⁷

Florida

Florida was one of the first states to act to ensure that the option of Airbnb remains available.⁴⁸ There is a strong divide on this issue. Property owners want more freedom to use residential property for short-term rentals through website platforms such as Airbnb.⁴⁹ Groups supporting regulation include local governments, who want zoning control and the ability to regulate certain problems associated with vacation renters.⁵⁰ Homeowners associations, whose members do not want to live amongst short-term renters, and the hotel industry, which opposes the competition, are also among those that support regulation.⁵¹

In early 2017, Florida State Senator Greg Steube introduced S.B. 188, “An Act Relating to Vacation Rentals.”⁵² This bill is modeled after a bill that passed in Arizona in early 2017.⁵³ Under S.B. 188, local

⁴³ “S.B. 1578, An Act Relating to Short-Term Rental of Property; Registration of Persons Offering Property for Rental.”

⁴⁴ “S.B. 1579, An Act Relating to Short-Term Rental; Affirms Right of Localities to Regulate Rental of Property,” Virginia Senate, 2017, <https://lis.virginia.gov/cgi-bin/legp604.exe?171+sum+SB1579>.

⁴⁵ § 15.2-983, *Creation of Registry for Short-Term Rental of Property*, State of Virginia (Virginia Law Library 2017), <https://law.lis.virginia.gov/vacode/title15.2/chapter9/section15.2>

governments will not be allowed to prohibit short-term rentals or treat them differently from other forms of housing.⁵⁴

Currently, municipal governments in Florida are imposing regulations on short-term rentals including \$10,000 a day fines, licensing fees, special utility assessments, government inspections with short notice, and requirements for privacy and noise buffering fences.⁵⁵ Some state legislators oppose the regulations, arguing that they damage the industry.⁵⁶ Senator Greg Steube says, “As these examples show, local governments’ goal is often to so heavily regulate short-term rentals that they are essentially prohibited. Additionally, because they can single out short-term rentals and treat them differently from all other forms of housing, local governments feel unfettered to pass these onerous regulations.”⁵⁷

Florida’s Constitution offers the same protection to homeowners whether they choose to rent their property on a long-term or a short-term basis, but towns can implement their own regulations.⁵⁸ Additionally, Florida’s local governments’ regulatory powers are susceptible to statewide preemption.⁵⁹

Conclusion

Vermont would not be the first government entity to enact legislation regulating short-term rentals. As highlighted by the case studies of San Francisco, Virginia, and Florida, various types of legislation have been proposed to accomplish this goal. Such regulation has positive and negative consequences: San Francisco’s regulations have increased revenue for the city through tax collection and registration fees, and they have also allowed the city to better enforce housing standards that accompany more traditional rental properties.⁶⁰ But enforcement of the regulations has caused a substantial decrease in Airbnb listings, many of which were previously active.⁶¹ A change like this could have negative economic implications if the regulations cause the short-term rental market to shrink.

The legislation passed in Virginia highlights that statewide efforts have been made to regulate Airbnb and other short-term rental platforms, but enforcement of these policies can be difficult. Without strict and potentially restricting enforcement practices, short-term rental legislation could be ineffective.

The legislation in Florida works to deregulate municipal governments’ ability to unfairly penalize short-term renters. S.B. 188, which prohibits different treatment of short-term rentals, would be a step in the state trying to increase freedoms of property owners, and renters.⁶²

⁵⁴ Jared Meyer, “How To Save Airbnb From Local Governments.”

⁵⁵ Jared Meyer, “TJETQ.0.00000912 0 612 792 reW*nBT/F4 9.96 Tf1 0 0 1 135.74 174.86 Tm0 g0 G0B3PJETQ.0.00000912 0 612 792

The current Vermont legislation on short-term rental regulation would follow actions taken by other states and municipalities, and as highlighted by the case studies provided, the legislation could have potentially positive and negative implications. It could help ensure short