

RENTAL RESTRICTIONS IN AN ALREADY-TENSE MARKET

Renting a home can be stressful, especially with today's tight rental market. Availability of rentals has been consistently shrinking, and media reports from around the nation suggest that the declining rental vacancy rate will continue.¹ In fact, the U.S. Census Bureau says that the number of Americans who rent jumped from 34.1-percent of households in 2009 to 35.4-percent two years later.

Less supply and higher demand combined with rising monthly rental prices are making it difficult for renters to find something within their budgets. Consequently, renters are expanding their search. As an alternative to the long-term lease, more people are turning to popular short-term rental sources such as Airbnb, FlipKey, and HomeAway for temporary living arrangements. Additionally, people who are relocating and cannot sell their homes may think of this as a source for possible income instead of traditional property management options. But are casual, short-term rentals legal or just a savvy temporary living alternative?

THE CASE FOR REGULATIONS

With more than one million listings on the three aforementioned vacation rental websites alone, the trend toward short-term rentals is certainly increasing in popularity. And this up-and-coming interest is generating questions for state and local lawmakers such as:²

- > Should hosts pay licensing or registration fees?
- > Will short-term rentals detract from the character of neighborhoods?
- > Should the properties be regularly inspected, have fire sprinklers, or offer onsite parking?

Until recently, the regulation of rentals of less than 30 days has been mainly untouched. Critics of such arrangements say that they violate zoning laws,

building codes, and laws governing hotels and bed-and-breakfasts.³ In response, cities in California, Arizona, and Louisiana have since passed rules against property owners charging for short-term temporary living stays.⁴ Last year, the City Council in Austin, Texas passed an ordinance requiring a license to operate short-term rental properties.⁵ And other local government officials could make it even more difficult because of the possible regulations they're putting into place.

SHORT-TERM RENTALS ADD REVIVAL

The progression of industry regulations provides a glimpse into what may become a trend toward more rules and taxation in other cities across the country. It's important to note that government officials are not against the home rental business. According to a San Francisco study, Airbnb guests contributed \$56 million to the local economy between April 2011 and May 2012, of which \$3 million was spent at the neighborhood level on local businesses – ones that have not previously benefitted from tourist spending.⁶ The overall goal of regulation is to provide a more organized framework for ensuring compliance to protect neighborhoods and property owners.

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¹ Angela Brandt, "7 Tips for Finding a Rental in Today's Tight Market." August 28, 2013, MoneyTalks News.

² Melissa Maynard, "Short-term rentals give rise to regulation issues." June 23, 2013, The Columbus Dispatch.

³ Ibid.

⁴ Alan Farnham, "Airbnb: Towns Crack Down on Homeowners Who Take Guests." September 9, 2013, ABC News.

⁵ <http://www.austintexas.gov/str>

⁶ Ibid.