

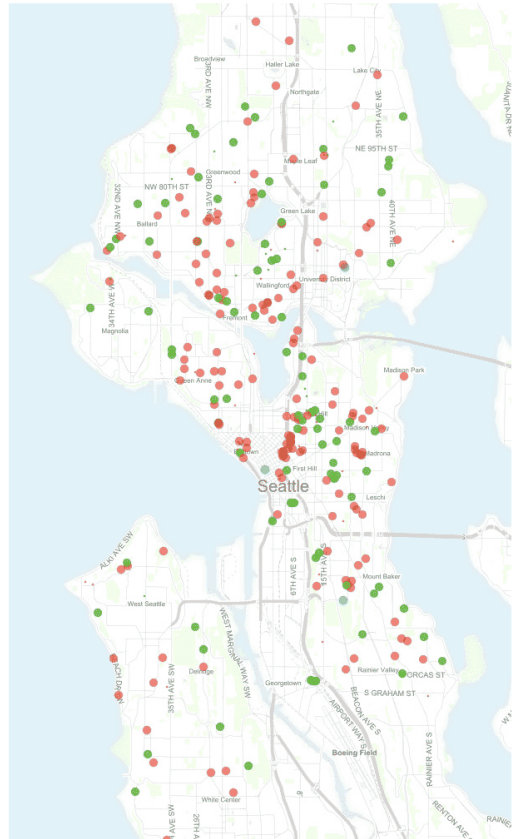
# REGULATING SHORT TERM RENTALS

AFFORDABLE HOUSING, NEIGHBORHOODS & FINANCE COMMITTEE

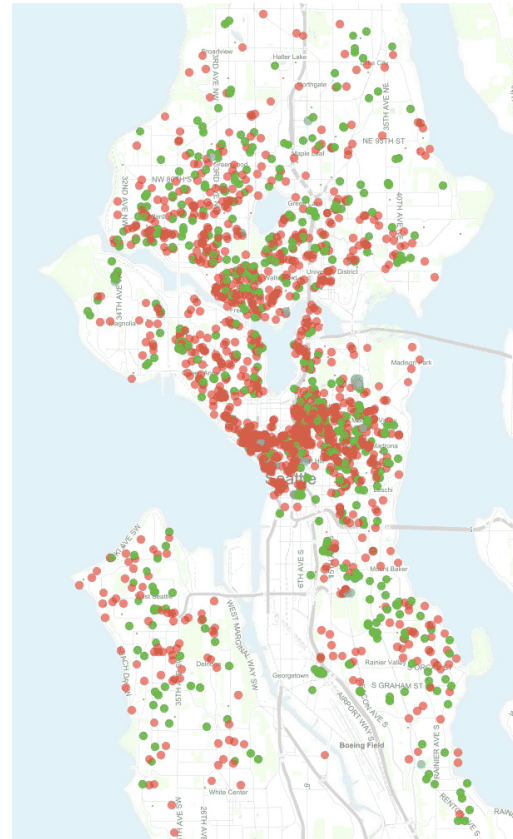


Seattle City Council // June 15, 2016

Presenters: David Mendoza, Mayor's Office of Policy and Innovation; Aly Pennucci, Council Central Staff; Nate Van Duzer, Councilmember Burgess' Office



July 2013



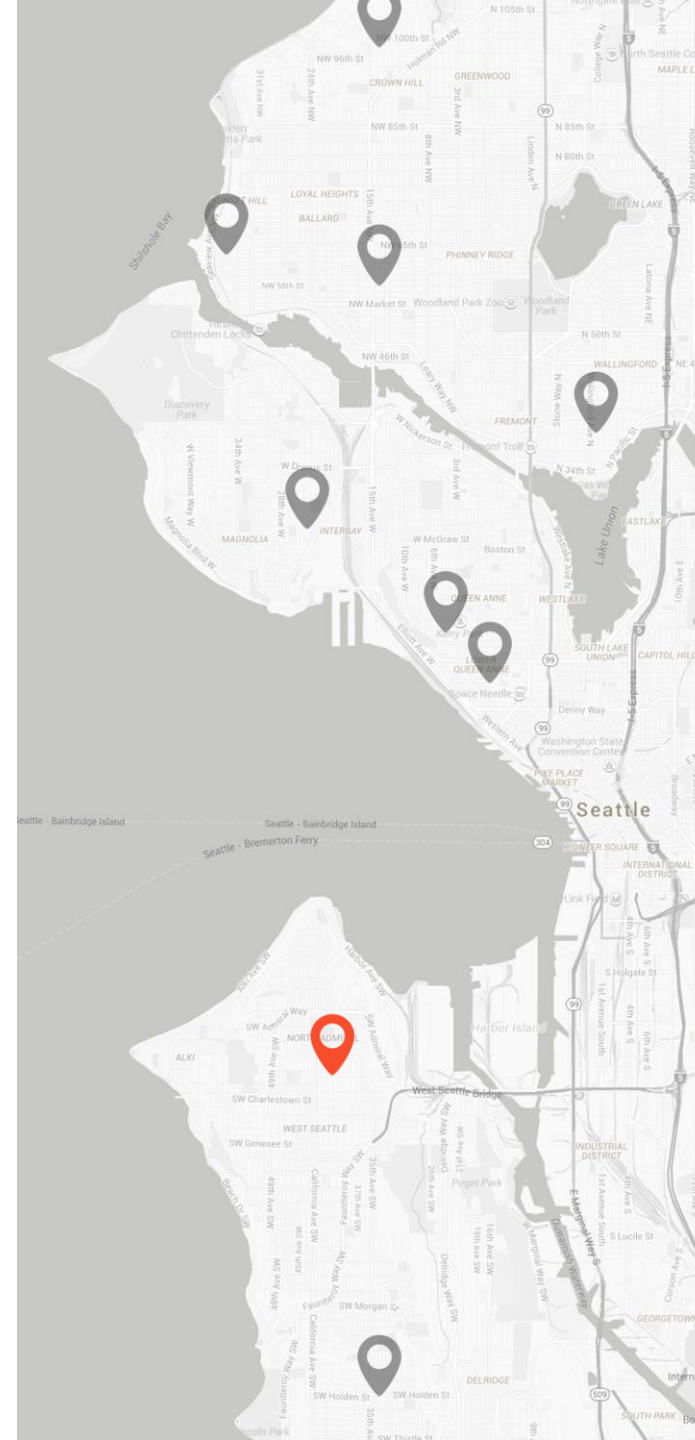
July 2015

# Growth of Short Term Rentals

Estimated Airbnb rentals in Seattle.

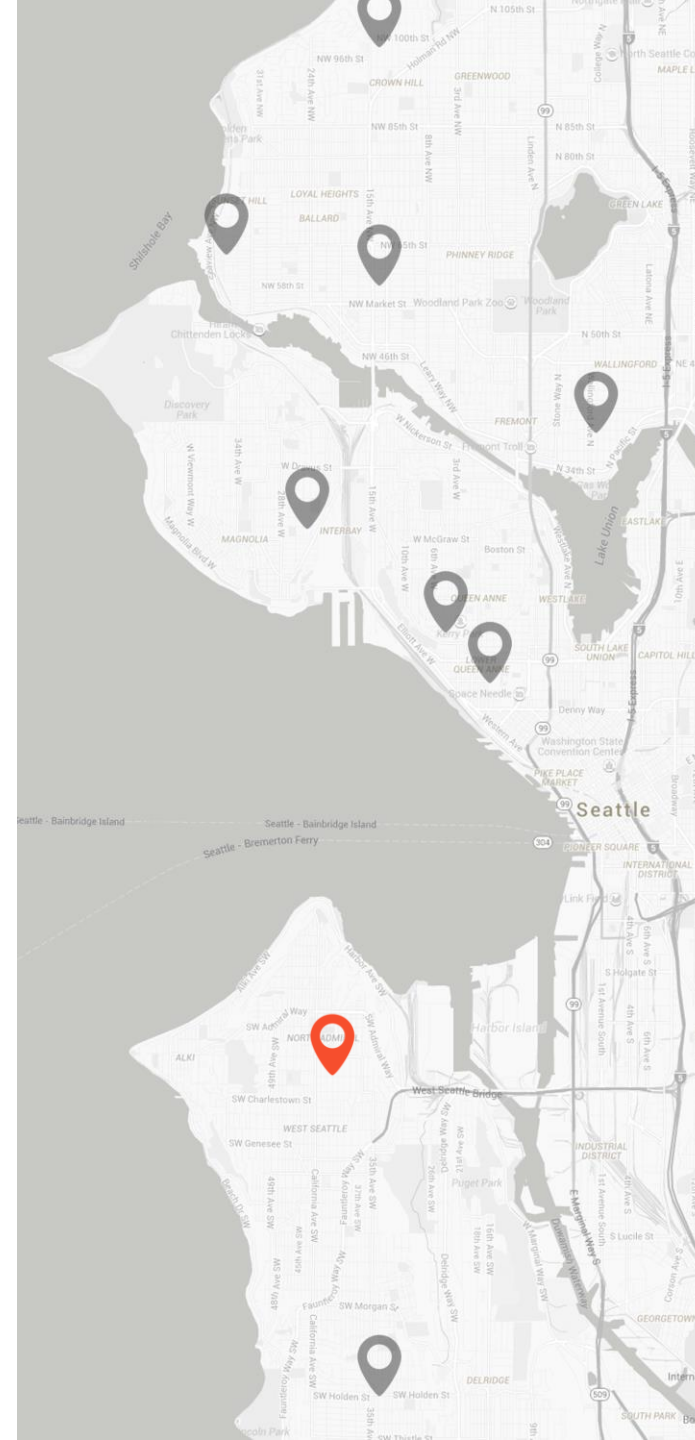
# Benefits of Short Term Rentals

- Provide supplemental income to individuals and families
- Allow for more efficient use of housing stock when used in a primary residence
- Offer a less expensive alternative for large visiting groups who bring economic benefits to the city through their collective spending power



# Challenges of Short Term Rentals

- Remove units from the long-term housing supply
- Pose challenges to a level regulatory playing field with established industries (e.g. bed and breakfasts, hotels)
- Raise concerns about safety and livability issues in multifamily buildings and neighborhoods



# Current Regulatory & Taxation Environment

## Zoning

With the limited exception of bed and breakfasts, commercial lodging uses are not allowed in residential zones

## Business & Occupation Tax

Rentals under 30 days in duration are subject to the B&O tax

Businesses must obtain a city business license tax certificate, but if under \$100,000 in gross annual revenue they are exempt from any B&O taxes but still must file a return

## Sales Tax

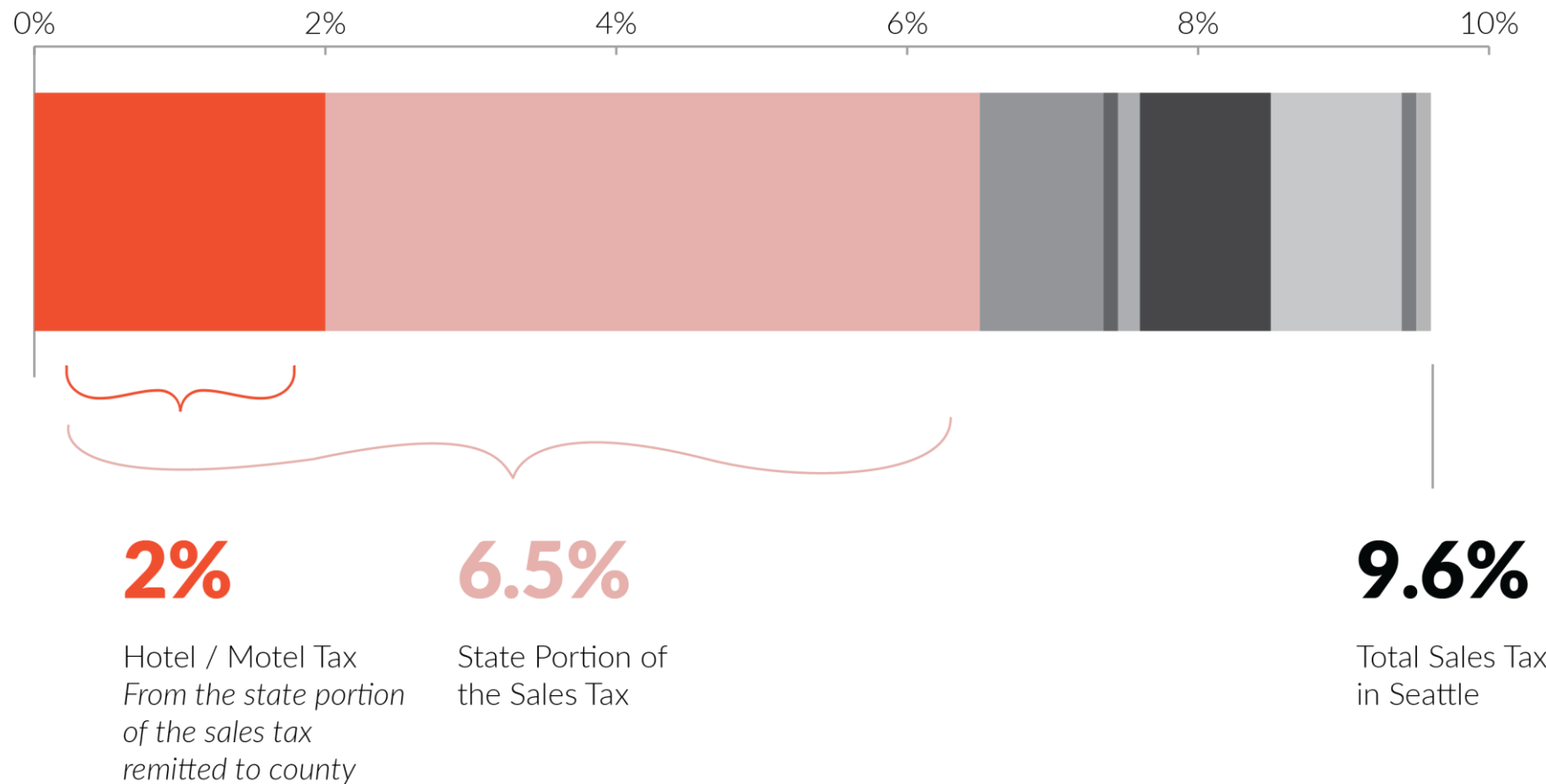
Collected by the Washington State Department of Revenue

Convention Center Tax (additional 7% in sales tax for hotels with 60+ rooms)

2% Lodging Tax is taken out of the State's share of the sales tax

# Current Regulatory & Taxation Environment

Today the 2% Hotel / Motel tax is already applied to existing short term rentals as part of the total 9.6% sales tax.



# Primary Goal

## ① Balance

Balance the need to maintain supply of long-term rental housing stock available at a range of prices...

...with the economic opportunity created by short term rentals.



# Secondary Goals

## 2 Level Playing Field

Ensure a level playing field for individuals and companies in the short term rental market.

## 3 Rights & Safety

Protect the rights and safety of owners, guests and neighbors of these units.



# Basic Regulatory Framework

**Primary Residence**  
 Short term rental operator resides on-site

**Not Primary Residence**  
 Short term rental operator resides off-site

Rented **90 cumulative nights or fewer** for short term rentals in 12 month period

**Status Quo**  
 (includes having a business license and paying applicable taxes)

**Status Quo**  
 (includes having a business license and paying applicable taxes)

Rented **91 cumulative nights or more** for short term rentals in 12 month period

Requires a **new Short Term Rental Operator's license** in addition to business license.

**Prohibited**

# Under 90 Nights a Year

## No New Regulations

Those operating short term rentals under 90 nights a year will see no new regulations.

## Existing Legal Requirements

Operators must adhere to existing legal requirements:

- Pay all applicable taxes
- Obtain a city business license tax certificate

## 80% Rented Under 90 Nights / Year

According to Airbnb's data, 80% of their entire home listings are rented for fewer than 90 nights a year.



~80%

*of Seattle short term rental operators  
will see no new regulations.*

# Over 90 Nights a Year

## Primary Residence Only

Short term rental activity of more than 90 nights a year is only allowed out of the operator's **primary residence**.

- In single family zones, the primary residence includes in-law apartments and backyard cottages (ADUs and DADUs)

## New License

Operators who pass the 90 night threshold will need a new regulatory license.

## No Year-Round Commercial Listings

This cap means year-round commercial short term rental operations will not be allowed.

# Operator License for Short Term Rentals

Any short term rental operator who rents for more than 90 cumulative nights will need to secure a new regulatory license by providing the following:

## Proof of Primary Residence

Proof that the unit is your primary residence

## Proof of Liability Insurance

Proof of liability insurance that covers the short term rental use

## Local Contact Info

A local contact number and emergency instructions for guests

## Up to Code

A signed declaration that the unit meets all building and safety codes

# Platform License for Short Term Rentals

Platforms (Airbnb, VRBO, etc.) will also need to register with the City and fulfill the following requirements:

## Provide Info to Operators

Provide information about Seattle's regulations to operators using the platform

## Share Data

Share basic data with the City on a quarterly basis

# Summary of Regulations

## All Rentals

Regulations / Requirements	Operator's Primary Residence	Operator Resides Off-Site	Applicable Policy Goals
Title 5 Business License (existing requirement)	✓	✓	1 2
Pay all applicable taxes (existing requirement)	✓	✓	1 2
Prohibit evidence of STR use from exterior for except for signs as permitted by the sign code	✓	✓	3
Limit # of nights rented for short term stays to maximum of 90 nights in any 12 month period		✓	1

# Summary of Regulations Over 90 Days

Regulations / Requirements	Operator's Primary Residence	Operator Resides Off-Site	Applicable Policy Goals
Provide proof that the dwelling unit offered for short term rental is their primary residence if rented > 90 nights	✓	n/a	1
Require proof of liability insurance that covers the STR use	✓	n/a	2 3
Provide a local contact to all guests	✓	n/a	3
Require operators declare that the unit meets the requirements of the Housing and Building Maintenance Code	✓	n/a	3
Require posting of basic safety information for guests within rental units	✓	n/a	3



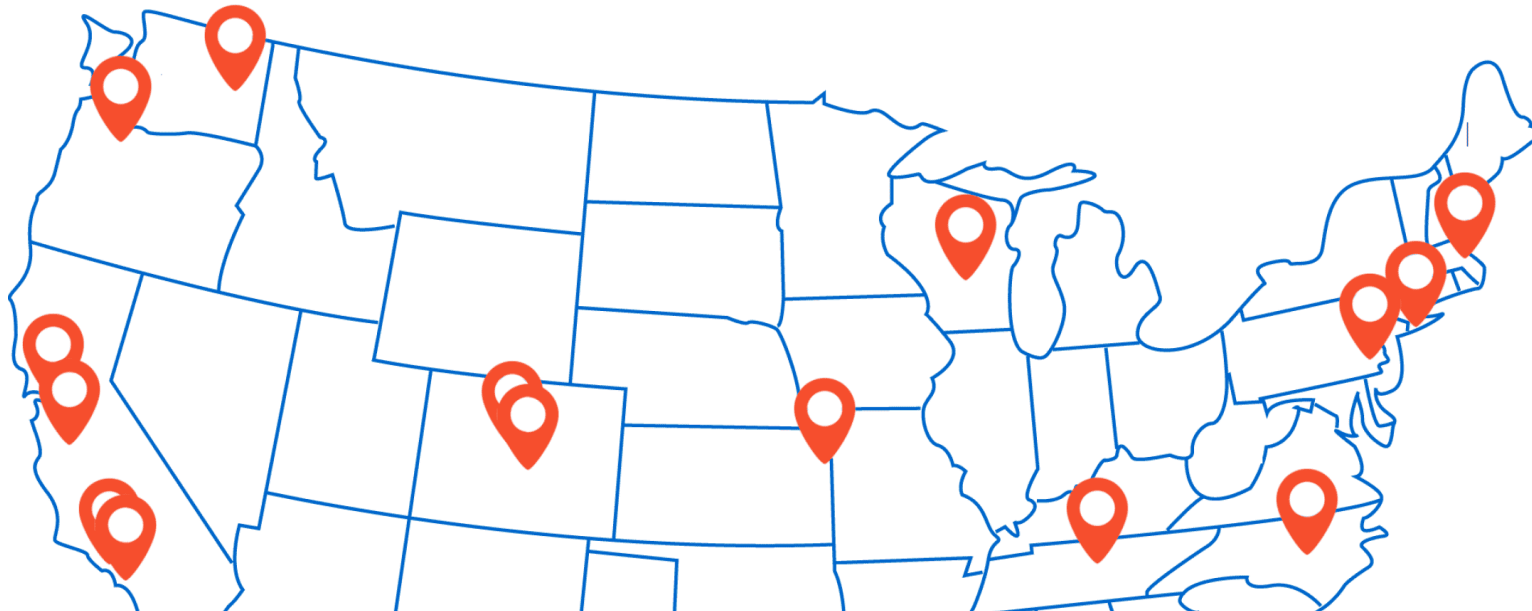


## Relation to HALA

The balanced approach of this proposal is consistent with the spirit of HALA's goals of increasing housing supply and increasing affordability to Seattle residents.



# Comparison to Other Cities

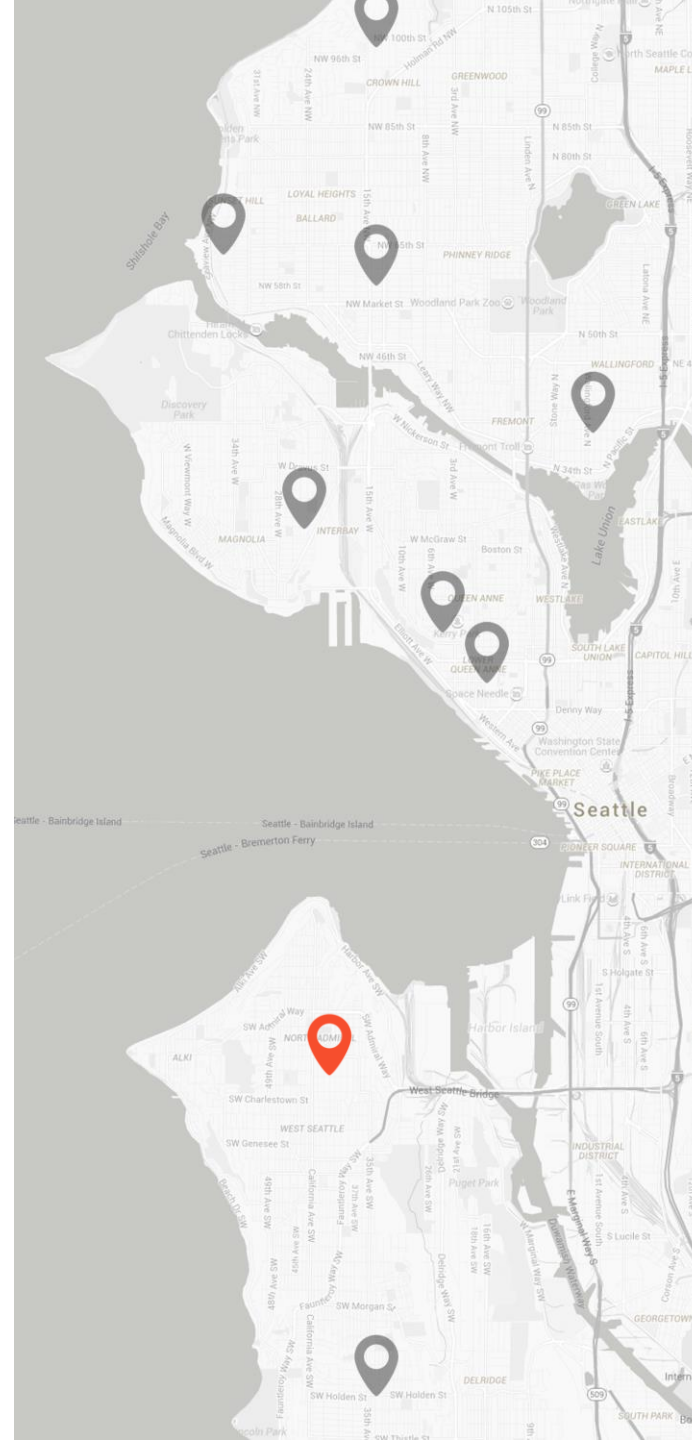


# Comparison to Other Cities

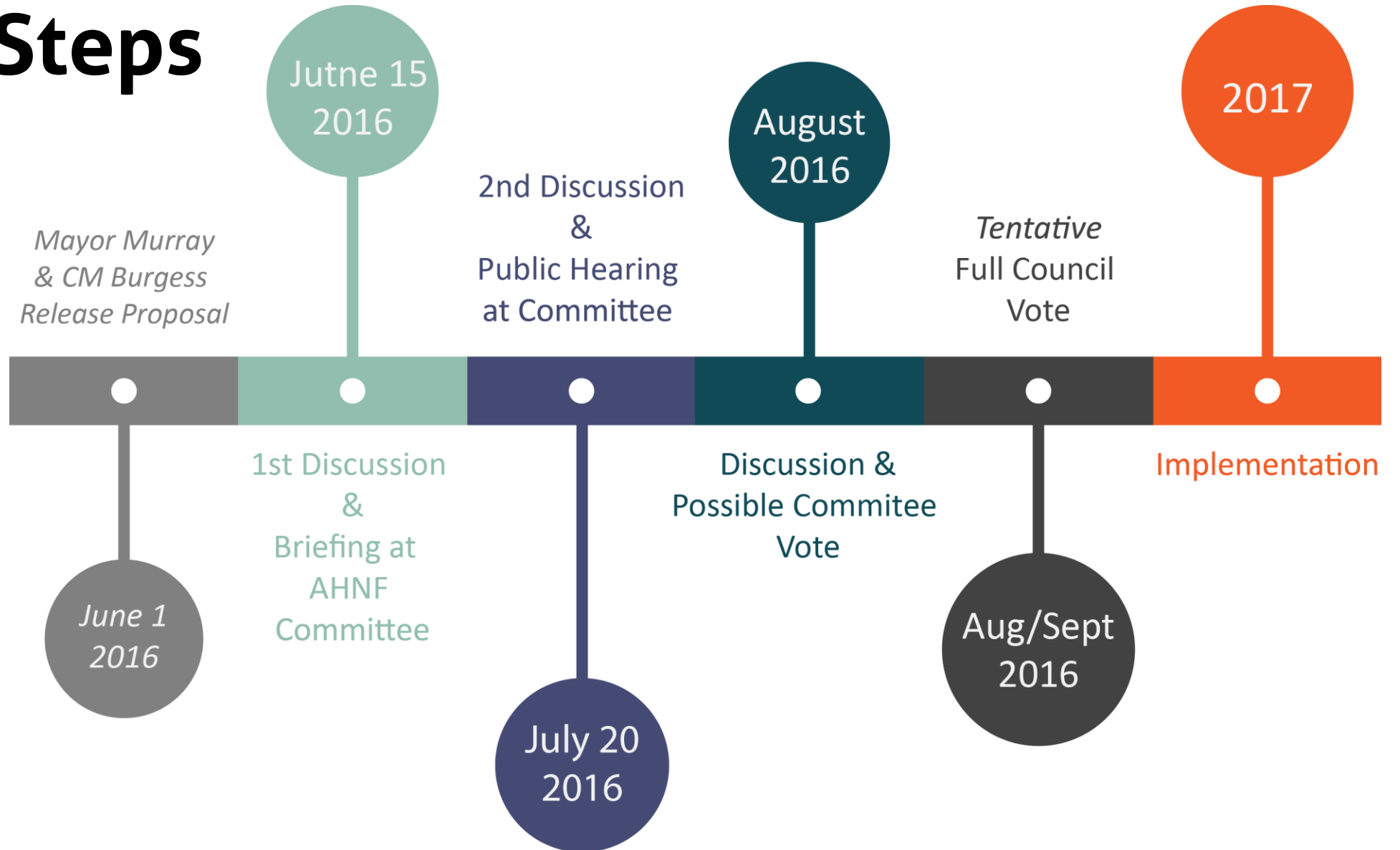
	<b>License, permit or registration required for operator</b>	<b>Maximum # of nights</b>	<b>Permitted in unit that is not a primary residence (i.e. 2<sup>nd</sup> home)</b>	<b>Platform required to provide data</b>	<b>Platform required to enforce/remove illegal listings</b>
Seattle <i>proposal</i>	✓ License	✓ 90 unless primary residence	✓ Up to 90 nights	✓	
LA <i>proposal</i>	✓ Registration	✓ 90		✓	✓
San Francisco	✓ Registration			✓	✓
Portland	✓ Permit & license			✓	
Philadelphia	✓ Permit (if over 90 days)	✓ 180	✓ Up to 90 nights		

# Race & Social Justice Initiative Lens

- Who is most impacted by lack of housing supply and housing affordability?
- If allowed in primary residences, who can benefit from the operation of short term rentals?



# Next Steps





**Questions?**