

Are short-term vacation rentals helping or hurting neighborhood?

By Ilyce Glink
and Samuel J. Tamkin
Tribune Content Agency

Q: I've been scouring the internet (without success) looking for data regarding whether short-term rentals (STRs, e.g., Airbnb, HomeAway, etc.) increase or decrease property values in the areas around them, as well as whether homebuyers are more likely to pay more for a home that can be rented as an STR.

It would be great if you could look into this. There is a major debate about this in my condo community, as well as in the city of Austin where I live.

A: We can see that short-term rentals are of increasing concern to homeowners, real estate agents, local communities, and the National Association of Realtors. In fact, at the 2016 Realtor Legislative Meetings, which took place in May, a panel of industry experts spent 90 minutes discussing whether short-term rentals infringed on property rights.

According to a press release published after the event, co-moderator Christopher McElroy, a Realtor from Colorado and chair of NAR's State & Local Issues Policy Committee, said owning property comes with a "bundle of rights," including the opportunity to rent owned property to another individual. However, advancing technology has expanded choices for consumer travel and changed traditional rental market time frames to much shorter periods.

McElroy said, "The increased popularity of short-term rentals puts additional pressure on availability and affordability [of lodging options] in tourist communities, and now local governments are looking at ways to tax them in a similar way as hotels or bed-and-breakfasts."

Also noted in the release, Brian Blaesser, a real estate attorney partner at the Boston office of law firm Robinson & Cole LLP, explained that local governments are seeking to regulate rental housing in various ways, including through registrations and inspections.

"Fundamental property rights state that you should be able to buy, rent or sell a property. Limiting renting is taking away one of those three rights, and further



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regulations beyond registration and inspection can be dangerous," he said.

The panel agreed that renting a property for less than 30 days was still a residential activity, versus a commercial activity. In other words, just because you lease your home overnight doesn't necessarily make it a commercial property.

There are other concerns afoot. In the January 2016 issue of Realtor Magazine, a story by contributing writing Carolyn Schwaar covered a variety of issues relating to short-term rentals, including zoning and other local law restrictions on short-term rentals, the shifting nature of those laws, and the effect of short-term rentals on property values and the second

home market.

In terms of the effect short-term rentals have on neighbors, it's a negative effect if the neighbor is renting what's known as a "party house" but a positive if a property can advertise "rentable areas," such as an in-law unit or coach house with its own entrance.

In areas where short-term rentals are accepted or encouraged, and neighbors aren't hostile to it, a home with "rentable" features might sell for more money, according to some Realtors. And in some areas, according to Craig Kalkut, vice president of government affairs at the American Hotel & Lodging Association, there's evidence that vacation home

sales are going up because these sorts of platforms have become an accepted way to book a vacation.

But there are many communities looking to restrict online options such as Airbnb, HomeAway, VRBO and FlipKey, or at least make money from the transactions. Portland, Ore., legalized Airbnb short-term rentals, requires homeowners to have a permit, and receives tax and lodging fees. In your home town of Austin, Texas, city officials are looking to strengthen short-term rental restrictions, and perhaps even outlaw it in some neighbors. In San Francisco, an upcoming ballot initiative would increase restrictions, according to Realtor Magazine.

Condo buildings often have their own restrictions relating to rentals and typically do not allow short-term rentals of less than six months, or in some cases one year. That would mean overnight or even monthly rentals would not be allowed. Those condos that do permit monthly rentals are often in vacation communities, where people might want to rent a house in the mountains for a month in the summer, or by the beach in the winter.

From a sales point of view, condo buildings should tread carefully, as it's easy to run afoul of Fannie Mae or Freddie Mac's rules regarding what would make a building ineligible for loans by either of these quasi-governmental organizations. Fannie Mae, for example, will not buy a loan for a property if the building allows units to be rented out by the day. In effect, that rule means buyers in your condo building would become ineligible for a Fannie Mae loan.

According to a spokesperson for the National Association of Realtors (NAR), the organization hasn't taken a position on either side of the argument. After all, someone is still buying and selling these properties, whether they're primarily owner-occupied, vacation homes, second homes or investment homes.

Given the new nature of these rentals and occupancy issues, it may vary greatly from one neighborhood to another whether short term rentals help or hurt a neighborhood or a particular development.

We hope this helps.