

By-Owner Short-Term Rentals



LUNCH AND LEARN

MARCH 20, 2019

INTRODUCTION

- **Welcome**
- **Housekeeping**
- **Objectives/ Agenda**



AGENDA

- **STRs 101**
- **Issues and Notes**
- **Vision vs Reality**
- **Why Regulate**



STRs 101

PREAMBLE –

- ❖ **The nature of unintended consequences**
- ❖ **Presumption of well meaning... from both the private citizen AND the government**



STRs 101

By-Owner Short-Term Rentals (STRs) generally refers to the growing trend of private residential properties made available for commercial rental use.

Traditionally this activity was limited due to minimal access between prospective renters and interested owners.



Origins lie in event rentals and time shares.



STRs 101

Only principal Federal law regarding short-term rentals is **IRS Topic 415** - *Renting Residential and Vacation Property*:

“You're considered to use a dwelling unit as a residence if you use it for personal purposes during the tax year for more than the greater of:

- 14 days, or***
- 10% of the total days you rent it... .”***

“There's a special rule if you use a dwelling unit as a residence and rent it for fewer than **15 days**. In this case, don't report any of the rental income and don't deduct any expenses as rental expenses.”



STRs 101

Internet and search-engine technology enabled market for matching renters and owners, fostering increase in both numbers of properties and renters.

Now anyone can rent from anywhere and reach a prospective customer!

OwnerDirect VACATION RENTALS

VRBO®

HomeAway®

airbnb



Company	Listings	Rental Type	Fees Involved	Hosted ?	No. of Listings Inside Region
VRBO	1 Million+	All Types	- \$349/property listing/yr - Free to list option, 10% commission when booked		
FlipKey		All Types	Free to list, equally distributed to 12 other sites, pay 3% when booked	No	
HomeAway	1 Million+	All Types	- \$349/property listing/yr - Free to list option, 10% commission when booked	No	
HomeStay		Homes/Rooms	Free to list/booking fee paid by renter	Yes	
Booking.com		Hotels/Apartments			
OneFineStay		High-End Rentals Private Homes/Villas		No	

Estimated 12-15,000 STR properties within Georgia



STRs 101

This “*anyone can rent from anywhere*” concept presents a set of challenges from the standpoint of local regulation and community development:

- Land use management policies are predicated on a degree of knowing when and where certain activities occur. (Control nuisance activities, manage impacts on resources, minimize conflicts, etc.)
- Business certification is done to ensure welfare of the practice and equitable application of related laws and taxes.



STRs 101

Communities are now playing catch up in adapting their policies and ordinances

- **Issue deals with multiple aspects of legislation that are legally gray and/or in flux**
- **There has yet to be a “silver bullet”**
- **All parties respect private property rights – At issue is the potential for conflict among individuals**



STRs 101

2015 – Georgia House Study Committee on Short Term Rental Providers

“However, homeowners who frequently utilize their primary or secondary residence as a reliable source of income, is (sic) in essence utilizing that property as a business asset. “

Committee made 7 recommendations that suggested STRs be regulated locally and be governed (ie: taxed and certified) more like a conventional lodging operation.



STATE TAXATION

Ga. Code Ann. §§ 48-8-2(31), -30(f)(1), -59

A 4.0% sales tax is imposed on the sale or charges for any room, lodging, or accommodation in Georgia furnished to transients by “*any hotel, inn, tourist camp, tourist cabin, or any other place in which rooms, lodgings, or accommodations are regularly furnished to transients for a consideration.*” It does not apply to accommodations supplied to any one person for a period of 90 continuous days or more.



STATE TAXATION

“Any person (*including owners of private residences, cabins, or cottages and rental agents who rent such accommodations to transients on behalf of the owners*) *who makes a sale or charges for any room, lodging, or accommodation is considered a retailer and dealer* for purposes of administering the Georgia sales and use tax laws.” Ga. Dep’t Rev. Policy Bulletin SUT-2018-08 (Mar. 8, 2018).

A certificate of registration must be obtained from the Department of Revenue. Local sales and use taxes may also apply. See Ga. Dept. of Revenue *Georgia Sales and Use Tax Rate Chart* (rev: Sept. 18, 2018)



STATE TAXATION

Residential properties used as Short-Term Rentals are **NOT** subject to the \$5 State Hotel-Motel Fee that was passed in 2015.



STRs 101

HB 523 (2019):

Short Term Vacation Rental Regulation Preemption

This bill would prohibit local governments from:

- Prohibiting rental transactions, imposing occupancy limits, restrict the use of, or regulate the duration or frequency of a rental of short-term rental property;
- Requiring the inspection, licensing, or registration of short-term rental property;
- Requiring the licensing or registration of

Note: This bill is opposed by both GMA and ACCG rental property;



STRs – ISSUES AND TRENDS

Use Conflicts - Rental versus Owner Occupied

- *“I don’t know my neighbor”*
- Impact of rental use on property maintenance
- Bad actors as renters
- Debate over occupancy constraints
- *“There goes the neighborhood”*



STRs – ISSUES AND TRENDS

Use Conflicts - Rental versus Owner Occupied

“I don’t know my neighbor”

- **Smaller towns aspire for quiet predictability**
- **Preference for knowing neighbors, sense of community**
- **Fear of precedent/ the next guy**
- **Fear of criminal activity**
- **Is the land owner being mindful of the renters?**

Many (most?) private residential communities prohibit rental conditions except when the owner lives on site.



STRs – ISSUES AND TRENDS

Use Conflicts - Rental versus Owner Occupied

Impact of rental use on property maintenance

- Does rental use mean increased traffic, parking?
- Are rental uses damaging the property?
- Will the owner invest at same level as a purely residential property?
- Will the owner invest in something out of scale/ inappropriate to increase rental value?



STRs – ISSUES AND TRENDS

Use Conflicts - Rental versus Owner Occupied

Bad actors as renters

- **Frat parties/ Oversized events**
- **Traffic/ Noise/ Litter**
- **Criminals/ Sex Offenders**



STRs – ISSUES AND TRENDS

Use Conflicts - Rental versus Owner Occupied

Debate over occupancy constraints

- Oversized events
- Parking
- Fire/Safety hazard

“There goes the neighborhood”

- What if block/neighborhood shifts to more rental?
- ***“This isn’t why I bought my property!”***
- Possible fallout effect on property values and land use trends



STRs – ISSUES AND TRENDS

Business/Ownership Conflicts

“Lost” tax revenue

- **Unregistered STRs unlikely to collect/pay taxes**

STRs vs Traditional Hotels/ Motels

- **Unregistered STRs operating under different rules**
- **Unregistered STRs can be in violation of insurance policies**

Government communications

- **Ability to reach owner over matters of code compliance or emergency response**



STRs – ISSUES AND TRENDS

BOTTOM LINE

There are ordinances and laws, both local and State, designed specifically for managing lodges and related industries.

There are ordinances and laws designed specifically for private residences.

Those have different standards and expectations for the diverging uses.

STRs typically operate more in line with the lodging industry



WHY REGULATE

- **City of Savannah: 2017/2018**
- **City of Sandy Springs: 2018**
- **Hall County: 2018/2019**
- **White County: 2019 (in progress)**



WHY REGULATE

Reasons For a STR Ordinance

- **Identify and manage where STR's operate and have them registered as businesses since they operate as such.**
- **Ensure safe rental housing that follows all applicable codes and have an identified responsible party available in the event of a complaint.**
- **Ensure proper taxes and fees are collected.**
- **Preserve the sense of place for locals and visitors.**



WHY REGULATE

Ensure Safe Housing Conditions

- **Identify properties to ensure site safety and that the building does not have any conflicts in use, zoning violations, or violate fire, police, ems safety codes, nor conflict with occupancy guidelines.**
- **To identify an emergency contact (either owner or property management group) in the event of an emergency.**



WHY REGULATE

Recapture Lost Income/ Fair Playing Field

- **Register/certify annually those properties which operate as Airbnb, STRO, VRBO, etc. to collect appropriate business/tax revenue.**
- **Ensure that properties have sufficient insurance coverage.**



WHY REGULATE

Protect Neighborhood Sense of Place

- **Protect neighborhoods and neighbors (and notify them of existing and proposed STR's) who may not be aware that adjacent properties are operating as such.**
- **Ensure that they follow all applicable codes, ordinances, trash and parking requirements and if necessary, regulate how many can operate within so many feet of each other.**



TIPS FOR MOVING FORWARD

- **Have a strong public engagement process ahead of adoption. Be sure to include all stakeholder groups**
- **Emphasis is mitigation to prevent influence of bad actors among owners and renters**
- **Emphasis also to ensure equity in managing traditional lodging forms vs STRs**
- **Develop local tracking system to log and monitor rental properties, with effort to track any related code violations and/or criminal incidents**



TIPS FOR MOVING FORWARD

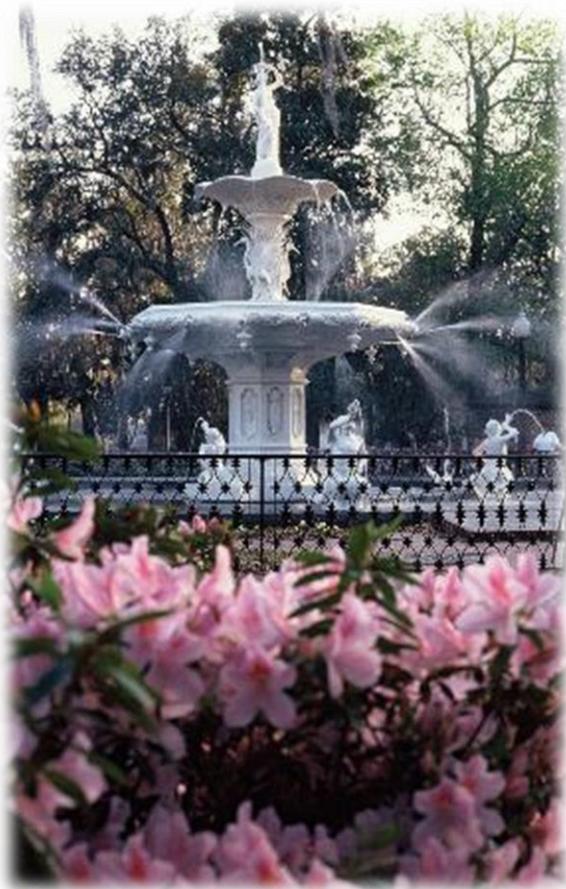
- **Promotion and education of need to register as a business/rental and collect taxes is key. (Enables inspection and monitoring)**
- **Should be some form of local registration which includes proof of insurance, code compliance, and emergency contact info.**
- **Require owner/manager have response time for emergencies and violations. (1-2 hours)**
- **Require notification to adjoining properties if the use is not allowed by right.**



TIPS FOR MOVING FORWARD

- **Property should be maintained in accordance with standards of applicable RESIDENTIAL scales and use policies.**
- **Establish restrictions regarding occupancy, parking, additions, etc., should be clearly delineated and match prevailing residential standards.**
- **Require use and activity policies be shared with renters that clearly prohibits violation of above standards, paid events, etc.**
- **Prohibit any on site signage of rental uses**





Short-Term Vacation Rentals in Savannah

Georgia Association of Regional Commissioners
Wednesday, November 7, 2018

Tourism Profile

- Visitors: 14.1 million¹
 - 8.0 million overnight
 - 6.1 million day trippers
- Total Visitor Spending: \$2.31 billion¹
- Hotel/motel tax collections: \$19.8 million²
- Each Chatham County household would need to be taxed an additional \$1,036 per-year to replace taxes generated by tourism economic activity³

¹ Longwoods International, 2017

² City of Savannah, 2017

³ Georgia Department of Economic Development, 2015



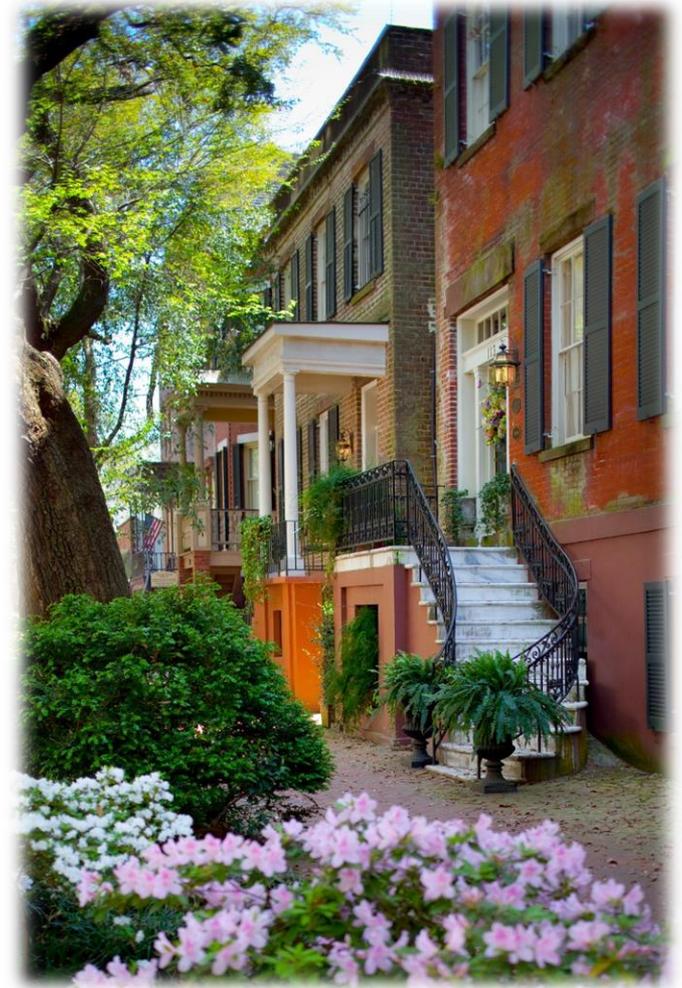
Best Practices for Regulations

- Geographically based restrictions
- Occupancy limits
- Parking requirements
- Postings
- Designated 24-hour representative
- Licensing/approval process



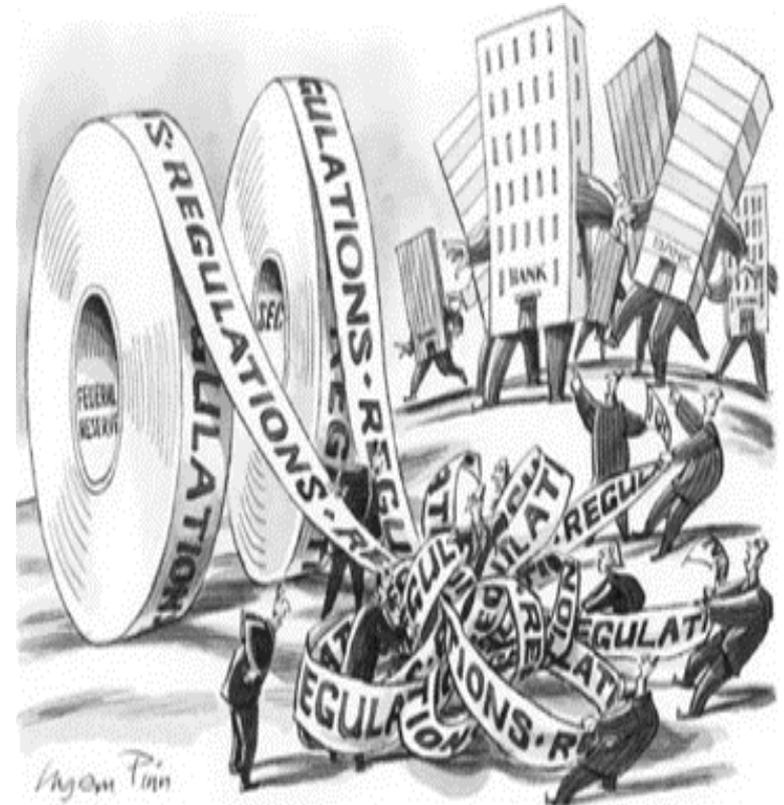
Short-Term Vacation Rentals

- **Short-term Vacation Rental:** An accommodation for transient guests where, in exchange for compensation, a residential dwelling is rented for lodging for a period of time not to exceed 30 consecutive days. Such use may or may not include an on-site manager. For the purposes of this definition, a residential dwelling shall include all housing types and shall not include group living or other lodging uses.
- **Transient Guest:** A person who resides at a place other than his usual place of residence for no more than 30 consecutive days in exchange for compensation.



Zoning Text Amendment

- Defined short-term residential rentals
- Established in mixed-use zoning districts where “inns” were already permitted
- Created occupancy requirements
- Limited visible evidence of rental
- Provided parking requirements



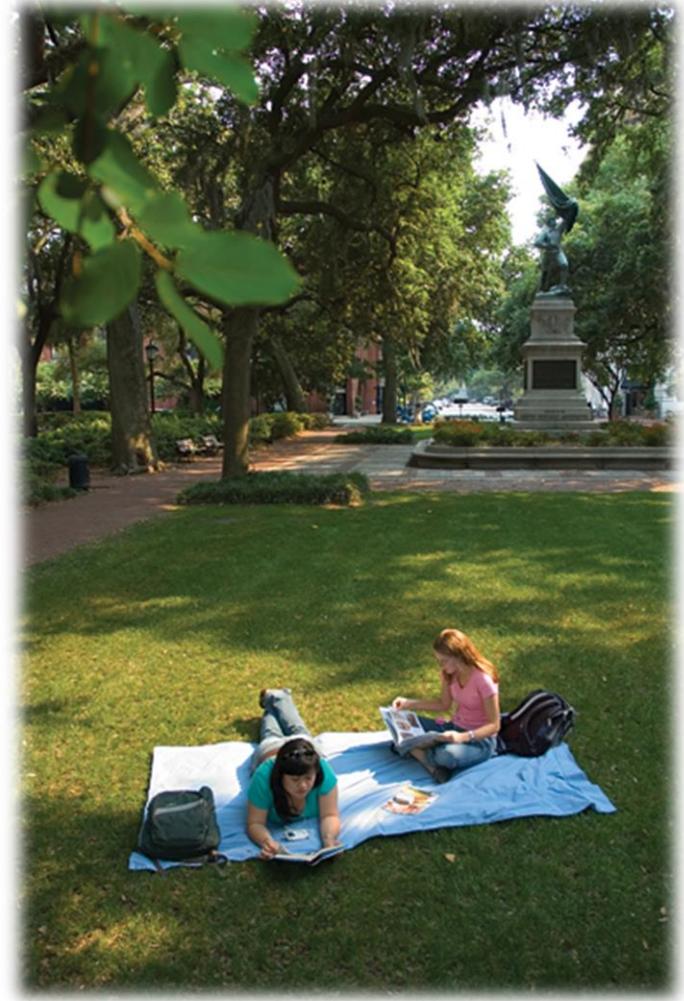
Regulatory Ordinance

- In 2015, established certification process:
 - Application
 - Business Acceptance Approval (Zoning Verification)
 - Sworn Code Compliance Verification Form
 - Written Exemplar between property owner/rental management company and tenant
 - Proof of ownership & insurance



Regulatory Ordinance

- Define responsibilities of rental agent
 - Respond within two hours after notified by City of issue(s)
 - Monitor the STVR for compliance
- Provide process to address violations
 - City must notify owner of citation for a code violation
 - Three-tiered fine structure:
 - \$500 first offense
 - \$750 second offense
 - \$1000 third offense
 - Three code violations for property within 12 months result in the City revoking certificate for one year



Regulatory Ordinance

- Require Business Tax Certificate
- Remit hotel-motel tax remittance
- Require posting of STVR certificate number on any advertising
- Pay annual fee



2017 Additional Issues

- Need to preserve character of neighborhoods and sense of community
- Protect residents' quality of life
- Increasing number of STVRs
- Serve as a new platform for lodging/tourism with economic benefits to owners & community
- This is a solution looking for a problem
- More education by the City on STVRs



Recommendation

- Continue to work with stakeholder groups to develop recommendations to:
 - Manage growth
 - Enhance administrative procedures
- Create 2 working groups to:
 - Analyzing data/maps
 - Developing survey of certified vacation rental owners
 - Researching best practices
 - Expanding/incentivizing use into blighted areas
 - Examine bed & breakfast homestays
- Report back to City Council with formal recommendation



Manage Growth (Zoning)

- Reduce occupancy requirement
- Per ward cap on the number of STVR for residential zoned parcels
- Exempt cap if owner on-site



Administrative Enhancements (Regulatory)

- Exemplar includes location of available off-street parking and occupancy limits
- Exemplar posted in unit
- Advertising includes neighborhood/house rules—or links to them
- Insurance rider specifies property is used as a STVR
- Notification to adjacent property owners of new STVR
- Change in rental agent notification within 5 days
- Condo declaration



LOCATION

- Historic: 1,087
- Victorian: 258
- Mid-City: 26
- TOTAL: 1,371

