



GNOHA's Position on Short Term Rentals in New Orleans

The Greater New Orleans Housing Alliance (GNOHA) appreciates the spirit and deliberation with which the City Council and the City Planning Commission and staff have studied the Short Term Rental (STR) issue. We supported the Planning Commission's original proposal which banned whole-home-non-owner occupied units, but at the time we expressed concern over the amount of resources that would be needed to enforce STR regulations. With the recently-released Preliminary Staff Report and reconsideration of the whole-home ("Principal residential" and "Commercial") classification, GNOHA has prepared the following point-of-view document to summarize our outlook on short-term rentals in New Orleans.

GNOHA is seriously concerned about the potential for whole-home rentals to act as a factor in exacerbating New Orleans' housing crisis. According to principles of supply and demand, allowing traditional housing units to be converted to short-term rentals would decrease available housing stock and drive up housing prices. We also still have reservations that the enforcement of regulations on Accessory and Temporary STRs could be ineffective and pull away much-needed resources from code enforcement activities that address existing substandard housing conditions. The administrative infrastructure, costs, and partnerships with the listing companies necessary to carry out these regulations should be carefully considered before any new regulations are passed so that enforcement is feasible, cost-efficient, and does not rely on the scarce dollars that currently support housing programs in the City.

Every Unit Counts, so Permanent, Non-Owner Occupied Short Term Rentals Should Not Be Allowed: Short-term rentals are just one factor out of many that may negatively impact our housing supply. However, our housing supply challenges are such that every potential rental and ownership unit that is not dedicated to local residents contributes to rising prices and potential displacement throughout the city. The *HousingNOLA 10-Year Strategy and Implementation Plan* estimates that New Orleans will need to construct or rehabilitate 33,600 units over the next ten years, or an average of 3,360 units per year, in order to meet the demand for new housing in the city. If this demand is not met, housing prices are likely to continue their climb, making the city increasingly unaffordable for low-, moderate-, and middle-income residents. However, since 2010, the number of occupied addresses has climbed by an average of only 2,211 per year (including over the 12 months between June 2015 and May 2016 when a total of 2,229 new addresses were registered with the Post Office). This means that the city will need to increase supply by over 1,000 units per year in order to meet the estimated demand and keep prices from rising further out of reach for even middle-class families. With that in mind, "principal residential" uses and "commercial" uses – which allow the dedication of housing units exclusively for short-term rental use – should be prohibited.

Although whole-home short-term rental units are not the largest or the only factor driving prices upward, they are still contributing to the

overall challenge of rising prices and displacement by taking units off the market that could otherwise be dedicated to housing New Orleanians.

Listing Companies Should Take Responsibility for Enforcement GNOHA opposes any enforcement or regulatory structure that will require additional funding from other city sources, diverting precious resources from addressing our other housing challenges. Where other cities that have regulated short-term rentals and attempted to enforce their ordinances without demanding cooperation and data sharing from the listing companies, those programs have seen extremely low sign-up rates, thereby requiring diversion of existing housing funds to the enforcement of the regulations: Just 10% of listed properties in [Portland](#) are registered for a permit, while [San Francisco](#) had a mere 4% sign-up rate, despite having a special planning office with six dedicated employees for short-term rentals. The City of New Orleans has a unique opportunity to learn from the experiences of other cities, and should work with the various listing services (Airbnb, VRBO, HomeAway, etc.) to design a process that would distribute responsibility for implementation and ongoing utilization across all parties to ensure a high rate of permitting and fee collection. Without a regulatory structure that requires sharing who is renting units and where, requiring permit fines and fees will not work, and hosts will have no incentive to legalize their short-term rentals. New Orleans would not be alone in requiring strict compliance and enforcement, coupled with punitive action when hosts and listing companies don't comply with the regulations - the cities of Los Angeles, San Francisco, Chicago, and Denver are all currently considering ordinances that place some responsibility on the listing companies for ensuring that their users hold valid permits issued by local government. As proposed in San Francisco, violators of this ordinance would face daily \$1000 fines for each unit listed illegally. Such a measure would avoid diverting \$175,000 - \$300,000 annually away from regulation and code enforcement on substandard rental properties and vacant properties, which hurt long-term residents' quality of life.

Institute a 2% Transaction Fee on All Short-Term Rental Transactions to Benefit the NHIF:

- Short-term rentals in New Orleans are not a new phenomenon. Long before Airbnb and other Web-based platforms were available, New Orleanians were renting out portions of their homes during major events. Given that history, GNOHA does not oppose legalization and permitting of temporary, accessory, and partial-home short term rental uses. As the costs associated with renting and homeownership continue to rise, we recognize that some residents rent out portions of their owner-occupied property to supplement their income, help pay the mortgage, or defray the expense of increased property taxes. Further, it is our position that any effects on a neighborhood's quality-of-life will be mitigated as long as owners are on-site to oversee their rentals in person. GNOHA proposes adding a 2% fee to each short-term rental transaction on a Web-based service to benefit the Neighborhood Housing Improvement Fund, which would appropriately capitalize on this new revenue source to help offset any loss of affordable housing units.
- The Neighborhood Housing Improvement Fund, or NHIF, is a local housing trust fund that helps New Orleans address one of its critical challenges: a strong need for more subsidized and affordability-restricted housing for low-to-moderate-income families. A pinched housing supply makes living in New Orleans more difficult for middle-income residents, but it makes finding quality housing almost impossible for many of our residents who work in lower-wage jobs in the tourism or hospitality industry. When these residents do find housing, it is often of low quality or in areas of the city that are far-flung and have poor

access to jobs, opportunity, and critical services. The *HousingNOLA 10-Year Strategy and Implementation Plan* calls for mobilizing all available resources to address this need for deep affordability and move toward creating at least 5,000 subsidized and affordability-restricted units in the next five years. In short, GNOHA maintains that Every Affordable Unit Counts. Adding a 2% transaction fee to fund the NHIF represents a tremendous opportunity for the City, the Council, and proponents of the regulation of short-term rentals to channel their concern for the plight of long-term residents and the affordability crisis into tangible action that can improve the lives of residents.

Critical Actions to Benefit Long-Term Residents: While the proliferation of short-term rentals in New Orleans may prove to have a negative impact on the availability of housing units for long-term residents, many of those residents faced challenges that negatively impacted their ability to live in safe, quality, affordable housing prior to the emergence of a significant short-term rental market. Even if short-term rentals were completely eliminated from New Orleans' housing market, residents would still face a housing affordability and housing quality crisis. The recommendation to regulate short-term rentals alone will not fix these problems for New Orleanians – instead, they only help to ensure that a bad situation doesn't get worse. To address the concerns about housing that proponents and opponents of short-term rentals have raised, GNOHA urges City leaders to – in addition to regulating short-term rentals – implement policy solutions aimed at improving the quality of life in New Orleans' neighborhoods and solving the housing crisis. These actions are outlined in the *HousingNOLA 10 Year Strategy and Implementation Plan*, which received the benefit of thorough public vetting among consumers, housing providers, and other stakeholders. These solutions include:

1. A rental registry to ensure long term rentals meet basic health and safety standards.
2. Incentivizing affordable units in otherwise market rate developments.
3. Facilitating transit-oriented development in areas with strong public transit access.
4. Leveraging existing publicly held land assets.

We welcome the opportunity to continue to work towards solutions that benefit all New Orleanians, and encourage the Council to devote the resources and attention necessary to implement solutions for long-term residents who have seen their housing become less affordable and have been pushed out of their neighborhoods.

Special thanks to the work and consultation of Jeffrey Goodman, which were invaluable resources to GNOHA on this subject.