

MetroBridge Project Memo

To: Planning Department, Town of Watertown

From: Urban Public Policy Lab Course, Political Science Department, Boston University

Date: May 2019

RE: Research Findings on Options for Addressing the Rise of Homeshare Uses

Introduction

In Spring 2019, Prof. David Glick's Public Policy Lab course collaborated with Watertown to help the town think through options for regulating homeshare services like AIRBnB. At the time of the project, homeshare was becoming increasingly popular. It was also essentially banned in Watertown because the town had not disseminated a set of regulations – not necessarily because a full ban was the desired policy. This also meant that the property owners who were respectful of the rules and regulations could not operate short term rentals, while many individuals did so illegally.

Research Question & Methodology

Watertown sought information on background, options, and considerations around regulatory strategies. It asked MetroBridge for help researching regulatory options that exist, as well as the potential impacts – both intended and unintended – of each approach. Two teams of students focused on these issues. Among other things, they considered things such as implications to the revenue stream for short-term renters, neighborhood disruption and parking issues, whether or not to welcome “investor” operators, and the impact on availability of affordable housing in Watertown. The town also had concerns about the enforcement of any new regulations, as inspectional staff and other enforcement resources are limited. The teams' focus was on providing the town information to help them make decisions about questions such as “what are effective solutions that would not create too much of a financial or administrative burden for the town?” “Should owner-occupied units be treated differently than investor owned ones?” “Should Watertown add local option taxes to generate revenue?”

To do this work the student teams conducted a general literature review, estimated the current market for AirBnB rentals in Watertown, analyzed qualitative responses the town collected via a resident survey, summarized regulatory case studies from jurisdictions outside of the region and those that were also subject to the same Massachusetts laws.

Key Findings

Residents' primary worries were about impact on culture and housing prices. One of the student teams coded 295 specific reactions from 144 residents' responses on a town administered survey. The most frequently cited concerns were about a new "transient culture" (17%) related to not knowing ones neighbors or having people coming and going and the impact on the housing market (13%). Parking/traffic, safety, and noise were also resident concerns. Eleven percent said they had no concerns.

Watertown had roughly 120 active AIRBnB listings at the time of the study: The teams used two different approaches to reach similar estimates of the number of listings in Watertown during the time when short term rentals were not permitted. Using data from AirDNA, one team estimated 111 active rentals. Notably, the majority of these were single room rather than whole house options. Using a sample of actual listings from Tripping.com (an aggregator), the other team estimated between 120 and 150 active properties in town. This team's analysis also showed that the majority of these properties were listed frequently rather than even now and then. Further analysis showed that whole home short term properties in Watertown were often rented for more than half of the days in a month. Based on prevailing long term lease prices and AirBnB data it is likely that there is more money to be made renting on the short term market than the long term one.

Other Communities Around the State and Country Provide Intriguing Models. Both teams conducted case studies of other places' regulatory efforts. These cases yielded a number of interesting ideas. One is relying on a third party company such as "Host Compliance" to monitor use and automate the collection of taxes. Another idea is an abutter notification system in which hosts must notify their neighbors. Both teams also summarized instances of cities and towns banning full time investor properties but allowing people to rent out their primary homes. Finally, these scans of others' policies yielded examples of simple graphics and requirements for hosts to share practical health, safety, and courtesy information with short term tenants.

Recommendations

While providing information was their primary goal, the students did offer some recommendations for Watertown to consider:

1. Allow short term rentals at owner occupied or owner adjacent properties only.

- Would align Watertown with other local communities' policies
- Mitigate concerns about impact on housing prices

2. Institute the state's maximum allowable tax

- Could generate meaningful revenue
- Could deter some overuse of short term rentals

3. Consider third party enforcement and/or aggressive fines

- Third party solutions such as “Host Compliance” could reduce enforcement costs and increase tax collection
- Escalating violation process with considerable fines and potential removal from state registry for non-compliant owners

4. Create communication materials for hosts and renters about regulations and renter guidelines

Image 1: Information pamphlet and neighbor communications from Colorado Springs, CO.

