taxation, zoning, and licensing for short term residential rentals
- The Challenge
- Where We Were
- Experiences Elsewhere
- Philly’s Philosophy
- What We Did
- Where We are At
- Questions and Discussion
- meeting the needs of the emergent economy using traditional tools
- preserving neighborhood quality of life
- providing a path to compliance
- leveling the playing field
traditionally, short term rental was illegal unless accommodation was zoned as a hotel, motel, or bed and breakfast.
where we were already providing their houses for short term rental; with estimated 2 million visitors to WMoF, the need would only grow
Activity was taxable but illegal under zoning.

Administration, enforcement, and compliance of the tax and zoning codes were intended for traditional hotel transactions, with formal accounting departments, lawyers and other professional support.
lessons from other cities:
San Francisco, CA; Portland, OR;
Washington D.C.; Chicago, IL;
San Jose, CA
know & prioritize the specific concerns in your community:

neighborhood quality, parking, tourist experience, affordable housing, parity with traditional hotels, public safety, revenue generation, tax compliance, discrimination, business friendliness....
“Understand that you may already be receiving some of these taxes now, but once AirBnB begins collecting, you will have a harder time tracking who is paying and who is not.”
-Washington D.C.

“all code/ordinance should be completed with the goal of leveling the [hotel tax] playing field [...] so that short term rental market operators are willing to comply.”
-Portland, OR

“waiting for comprehensive solution from the entire city government takes too long.”
-San Francisco, CA
<table>
<thead>
<tr>
<th>CITY</th>
<th>TAX TITLE</th>
<th>TAX RATE</th>
<th>Max # of Stay (Days)</th>
<th>Tax permits</th>
<th>Non-tax permit</th>
<th>Owner Occupant available?</th>
<th>Fines for non compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>San Fran</td>
<td>Transient Occupancy of Hotel Rooms</td>
<td>14%</td>
<td>&lt;29</td>
<td>SF Business license, Certificate of Authority (collection purposes), $500k liability insurance coverage</td>
<td>Short Term Renters Permit, Register with City Planning Registry</td>
<td>ONLY O &amp; O units. PRs must reside there 275 days out of the year.</td>
<td>Tenants renting rooms may not charge more than their rent. If they do, $1000 fine per day.</td>
</tr>
<tr>
<td>Portland</td>
<td>Transient Lodging Tax</td>
<td>11.5%</td>
<td>&lt;30</td>
<td>Certificate of Authority</td>
<td>Accessory Short Term Rental License (ASTR)</td>
<td>ONLY O &amp; O units. PRs must reside there 276 days out of the year.</td>
<td>AirBnB faces fines for listing hosts who do not have ASTR</td>
</tr>
<tr>
<td>D.C.</td>
<td>Hotel Tax for Transient Accommodation</td>
<td>14.5%</td>
<td>&lt;90</td>
<td>Basic Business License</td>
<td>Certificate of Occupancy, Home Occupation Permit</td>
<td>Yes, with both Certificate of Occupancy and Home Occupation Permit</td>
<td>N/A</td>
</tr>
<tr>
<td>San Jose</td>
<td>Transient Occupancy</td>
<td>10%</td>
<td>&lt;30</td>
<td>Business Tax Certificate</td>
<td></td>
<td>Yes, only up 180 nights a year.</td>
<td>N/A</td>
</tr>
</tbody>
</table>
philly’s philosophy

- a system that people can comply with easily
- that matches the reality of activity already occurring
- that prevents and addresses problem properties without declaring the City unfriendly to innovation or the emergent economy
- the emerging economy and traditional industry
- neighborhood quality of life
- an easy path toward compliance
what to consider

• Occasional or Regular - # of nights per year
• Homeowners & Investors
• Restricted Geography or Everywhere
• Licenses – None? Existing? New?
• Public Safety Requirements
• Payment and/or reporting by Booking Agents
what we did

**tax**
- “booking agent” added to Hotel Tax Code
- “booking agents” given option to collect and remit or to just report
- made it easier for individuals to create Hotel Tax accounts and remit payments to the City

**zoning**
- created new definition of "limited lodging"
  - the provision of visitor accommodations in a building or dwelling unit the primary use of which is for household living where the total visitor accommodations provided is for fewer than thirty-one (31) days a year.

**permitting**
- if renting for 90+ nights per year, permit required and certain requirements to maintain public safety and neighborhood quality.
- balanced new uses with livability of surrounding neighborhood
The diagram illustrates a continuum of regulation based on the impact on neighborhood quality of life. The left side of the continuum begins with infrequent owner/renter-occupants, who live in their home as a primary residence but rent a portion of it out a few times a year. It moves to frequent owner/renter occupants, who live in their home and rent it out 90-180 nights a year. On the right side, it transitions to infrequent rental property owners, who do not live in the home and rent it for less than 90 nights per year, and finally to frequent rental property owners, who do not live in the home, rent it out for short-term stays 90+ days or occupants renting over 180 days.

A permit is required for the least impactful category, while a rental license is required for the most impactful category.
# License and Permit Summary

## PRIMARY RESIDENCE

<table>
<thead>
<tr>
<th></th>
<th>Rental License Required</th>
<th>Zoning Permit Required</th>
<th>Building Permit Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 90 Days</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>91-180 Days</td>
<td>No</td>
<td>Yes-Limited Lodging</td>
<td>No</td>
</tr>
<tr>
<td>More than 180 Days</td>
<td>Yes</td>
<td>Yes- Visitor Accommodations</td>
<td>Yes- Transient Occupancy</td>
</tr>
</tbody>
</table>

## NON-PRIMARY RESIDENCE

<table>
<thead>
<tr>
<th></th>
<th>Rental License Required</th>
<th>Zoning Permit Required</th>
<th>Building Permit Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 90 Days</td>
<td>Yes</td>
<td>Yes-Limited Lodging</td>
<td>No</td>
</tr>
<tr>
<td>More than 90 Days</td>
<td>Yes</td>
<td>Yes- Visitor Accommodations</td>
<td>Yes- Transient Occupancy</td>
</tr>
</tbody>
</table>
standards for limited lodging

(.1) The dwelling unit shall remain as a household living unit with housekeeping facilities in common, but not to allow for occupancy by more than three persons (including the owner and lodgers) who are unrelated by blood, marriage, adoption, or foster-child status, or are not Life Partners.

(.2) Limited lodging must be accessory and secondary to the use of a dwelling unit for residential household living purposes.

(.3) Limited lodging may not result in changes to the residential character of the residential building in which it is located. No separate building entrance that is visible from the street may be provided for the sole use of the limited lodging.

(.4) The limited lodging may not adversely affect the residential character of the neighborhood. Limited lodging may not, for example, generate noise, vibration, glare, odors, or other effects that unreasonably interfere with any person's enjoyment of his or her residence.

(.5) Accessory signs are prohibited.
standards for limited lodging

(.6) Guests of lodgers shall be allowed only between the hours of 8:00 a.m. and 12:00 a.m.
(.7) Smoke alarms and carbon monoxide alarms shall be installed throughout the dwelling unit per the Philadelphia Fire Code.
(.8) Lodgers shall be notified of the trash and recycle collection days for the property and any applicable rules and regulations pertaining to leaving or storing trash on the exterior of the property. Proper containers shall be provided for the lodgers.
(.9) Lodgers shall be notified that excessive noise is prohibited per Chapter 10-400 362 of The Philadelphia Code and such violators shall be subject to fines and penalties.
standards for limited lodging

(.10) The primary resident conducting the limited lodging shall maintain records for a minimum of one (1) year demonstrating primary residency (either entitlement to a Homestead Exemption or, for a renter, residence for more than half the year); the dates of limited lodging and the number of lodgers. Such records shall be made available upon request of any officer of the City responsible for enforcement of any provision of The Philadelphia Code pertaining to the use and occupancy of the dwelling for limited lodging purposes.

(.11) The owner or his/her designee shall provide contact information to the limited lodgers for the purpose of responding to complaints regarding the condition, operation or conduct of the occupants of the dwelling and have the responsibility to take action to resolve such complaints.

(.12) All limited lodging is subject to the Fair Practices Ordinance, Chapter 9-1100.
Hotel Tax collections increased 5% year-over-year in FY2015 and FY2016;

Revenue from short term rentals account for at least 23% of this growth in FY2015 and 48% in FY2016

Few complaints attributed to limited lodging
next steps

enforcement

School Income Tax and/or Business Income and Receipts Tax auditing

Permit/Zoning Compliance

awareness

Ongoing outreach to short term rental operators & booking agents on tax, zoning, and permitting requirements