

SHORT-TERM RENTALS IN NEW ORLEANS

Airbnb in Orleans Parish (source: insideairbnb.com):

- the number of listings in New Orleans have **increased 54%** since last June
- **72% of listings are whole-house rentals** (NOT a room in someone's home, but an entire independent living unit such as a condominium, apartment, or house)
- **86% of revenues** come from these whole-house rentals

Local legislation

At the request of the City Council, the City Planning Commission staff completed a [Short-Term Rental Study](#). The Commission forwarded the study to the City Council after voting to remove non-owner-occupied whole-house rentals (NOOWHRs) from the list of proposed short-term rental types. City Council is now drafting legislation based in part on that study. The Landrieu administration has also weighed in, in support of NOOWHRs, and has outlined an aggressive time frame for passage of an ordinance.

May 5 – Council motion directed the CPC staff to come up with a recommended amendment to the Comprehensive Zoning Ordinance to allow a wide variety of STRs, including NOOWHRs

June 14 – CPC votes on the recommended CZO amendment

June 23 – the vote of the CPC goes to the City Council to be received (but not voted on)

July 14- August 11 – zoning docket is on Council agenda, although Council can vote on the matter on July 14, July 28, or August 11.

July 28 – November 3 – Council introduces “companion” ordinance that would amend the CZO

August 25 – December 5 – Council adopts the ordinance, which would go into effect on January 1, 2017

State legislation

HB 59: Passed. This bill clarified the definition for STRs statewide, and was part of a larger package whose intention is to create a tax framework

HB 722: pending final House approval. This would create that tax framework. New Orleans cannot set up an STR system locally without some kind of state tax approval.

HB 952: Dead. Killed in Commerce Committee, despite strong support from the State Fire Marshal and over a dozen supporters who showed up at the committee meeting. This bill would have given the SFM the authority to enforce [basic life safety codes](#) (fire extinguishers, unobstructed egress, etc. – the kinds of requirements that are already in place for most single-family residences), but was strenuously opposed by the STR industry.

Major Issues Surrounding Short-Term Rentals

Affordability and availability of housing

With over 4000 units available on Airbnb alone, it's undeniable that a sizeable number of housing units in New Orleans have now been taken out of the pool available for full-time residents, both in the sale and the rental categories. As the supply of apartments goes down, prices have gone up, particularly in the historic neighborhoods. Many areas are losing their socio-economic diversity, which was once the hallmark of most parts of New Orleans. Data-sharing (see below) would allow analysts and policy-makers to accurately gauge the impact of this industry on rents. As for the sale market, when investors are bidding against would-be residents, they are looking at the property as a revenue generator, and not as a home, which skews the numbers and puts home buyers at a disadvantage.

Harm to Legitimate Industry

The tourism industry is the backbone of the local economy, and hotels and B&Bs are an integral part of that industry. For the first time since its formation, the [local B&B association reports](#) that 20% of its members have vacancies over Jazz Fest weekends. Hotels are less forthcoming about their vacancy rates, but with 20,000 JF reservations on Airbnb alone, it's safe to say that the illegal rentals are hurting those who've followed all the rules. The Greater New Orleans Hotel and Lodging Association, and the New Orleans Convention and Visitors Bureau issued [a joint letter](#) to the City Council with concerns not just about the regulated hotels and B&Bs, but about the damage to the “brand” of New Orleans should our authentic neighborhoods continue to be emptied of residents.

Residents are economic engines for cities

Many claims have been made about the economic importance of tourists, but it's important to remember that full-time, permanent residents are the backbone of our local economy. (In San Francisco, [a study revealed](#) that for every housing unit removed from the market to be used as a STR instead of a permanent residence, the city lost between \$250,000 to \$300,000 per year, per unit.) In addition, locals support other activities and vital institutions that tourists generally don't: they attend schools and churches; shop at grocery and hardware stores, participate in civic efforts like crime watches and neighborhood groups, and, importantly, **they vote**.

Frequently Asked Questions about STRs

Can't we just legalize this industry so we'd get the tax revenue?

This approach peels off just one element of operating a legitimate business in New Orleans: taxing. It does not address the critical question of **where** these businesses can be located. (After all, we don't let liquor licensees open bars anywhere they choose.) That is determined by zoning, and our zoning code was just

revised, after years of work and with the participation of thousands of citizens. Allowing STRs anywhere as long as they agreed to pay taxes would create a huge loophole in our city's zoning.

It's a free country – shouldn't people be able to do what they want with their properties?

Yes, but within limits. New Orleans (and most cities, with the notable exception of Houston) has all sorts of requirements on property – code enforcement, building codes, and, of course, zoning. The 1926 Supreme Court case of [Village of Euclid v. Ambler Realty Co.](#) established the rights of cities to regulate types of land use and the locations of those uses. Zoning has been a vital part of protecting the fragile nature of New Orleans historic neighborhoods, especially against intense commercial intrusions. New Orleans has had a zoning code since the 1950s, which has been revised and adopted as of 2015. The zoning is underpinned by the city's Master Plan, which is enshrined in the city's charter, and has the rule of law.

Don't STRs bring money into our cash-strapped city?

A study commissioned by a local pro-STR group (the Alliance for Neighborhood Prosperity) proved one thing: that people who come to New Orleans spend money in New Orleans. That's the case for all visitors, not just those staying at illegal STRs. Even if the promise of more revenue were true, that should not trump zoning. The standard we have set in New Orleans is that zoning is primary – we don't allow people to open bars or retail shops or doctors' offices in residential zones, even though theoretically those uses would bring in additional tax revenue to the city.

Isn't tourism is good for all parts of New Orleans?

Tourism has become our city's major industry, and has benefitted us all in many ways. But the growing number of STRs have *not* been good, especially in the French Quarter, which has been ground zero for this issue. There are now blocks in the Quarter that used to have 10 or 15 households that are down to 2 or 3, because so many units have been converted into illegal STRs. The same phenomenon is happening in Marigny and parts of Tremé, and increasingly in Mid-City, Carrollton, Central City, the Irish Channel, Broadmoor, Gentilly, Bywater, the Lakefront, and beyond. The resulting loss of residents is affecting not only the character of these neighborhoods, but the commercial activity as well. Quarter grocery stores now carry much less produce and meat, and more snacks and liquor to cater to the growing tourist market. Furthermore, visitors don't go to our churches or schools; they don't shop at hardware stores or go to the dentist; and **they don't vote.**

These are people's houses – shouldn't they be able to keep the locations a secret?

No other industry, and certainly not the hotel and B&B industry, are allowed to conceal their locations from regulators or from the public. Why should this industry be treated any differently? Neighbors, regulators, and would-be buyers (and renters) have the right to know where these commercial operations are located.

Isn't the real problem "party houses," and can't we weed them out?

Party houses and other external nuisances have certainly been a source of complaints from neighbors of some illegal STRs. But at its most basic level, the problem with this industry isn't that some of its users create nuisances, but that housing units that were once occupied by residents are now being used as hotel rooms.

Don't STRs help get blighted properties back into commerce?

Blighted properties in "demand" areas, meaning most historic neighborhoods, are blighted not because of a lack of market interest, but because owners don't want to sell, or because title or lien issues make a clean sale impossible. Blight caused by lack of market interest is generally in areas where there is not much demand for investors to create STRs because those are not areas where tourists wish to stay.

Enforcement

After following and reviewing legalization attempts in other cities across the globe, there is one inescapable conclusion: **the only way to ensure compliance is to require the platforms (Airbnb, VRBO, etc.) to share data on locations, ownership, and room nights.**

New Orleans can, and should, learn lessons from two cities that legalized the practice early on, and are now backtracking. **Austin, Texas** legalized all types of STRs last year and has, at best, a 21% compliance rate. Now, their city council has voted to "undo" the provision that allows whole-house rentals, which will be phased out by 2022. **San Francisco**, the home of Airbnb, also legalized all types last year and has a 20% compliance rate. Their council is now considering a proposal that would hold platforms accountable for illegal listings, and fine them \$1000 per violation per day for unlicensed listings.

The vital check on this industry, and what New Orleans needs to have in its legislation if we ever hope to enforce, is data sharing. Without it, regulators, analysts, decision-makers and neighbors do not have any way to determine the full impact of STRs, nor do they have the means to ensure that only licensed STRs are being offered. Pro-STR groups claim that their industry is good for New Orleans – if that's so, then the data will prove it. Unfortunately, the platforms have fought such requirements in every city where they've been proposed.

If you build it for the residents, the tourists will come. If you build it for the tourists, the residents will leave, and eventually, the tourists will stop coming. –*Roberta Brandes Gratz, award-winning journalists and urban critic*

A neighborhood without neighbors is no longer a neighborhood.