PRESS RELEASE
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DC Council Is Paying Too Much for Short-Term Rental Reforms

Proposal Sets Asides Millions More than Needed, Taking Money from Other City Needs

The DC Council is voting today on legislation that puts new regulations on Airbnb and other short-term rentals, and is considering an unprecedented and inefficient approach that will set aside far more money than needed for the legislation, according to the DC Fiscal Policy Institute. It would leave millions in tax revenue sitting in DC's bank account that could not be used for other city needs, like housing and schools.

The Council proposal would set aside $27 million in DC tax dollars every year to offset the expected loss of tax collections from a reduction in the supply of short-term rentals. (Short-term rentals pay DC hotel taxes.) Yet this estimate, from the DC Chief Financial Officer, assumes that *all* short-term rentals in DC will disappear, because short-term rentals are technically not allowed under DC zoning rules. The Council legislation, which makes important reforms to prevent homes from being taken off the housing market for use as short-term rentals, will in no way eliminate short-term rentals that are now widespread in DC.

This means that the actual loss of revenue from the legislation will be far less than $27 million. And that means the Council is planning to set aside far more for these reforms than is really needed, which would leave DC tax dollars in the bank and render them unavailable for other uses.

The Council approach is not necessary. The DC Council has asked the Zoning Commission to change rules to make short-term rentals allowable, which then would enable any short-term rentals that meet the new Council legislation requirements to remain in business. At that point, the impact of the short-term rental legislation would be far less than $27 million.

"If you could pay a lot for something now but much less a little later, the choice is obvious: wait," said Ed Lazere, Executive Director of the DC Fiscal Policy Institute. "Funding the Airbnb legislation this way not only fails Finance 101, it also will unnecessarily take revenue away from other important resident needs, like housing and schools."

DCFPI recommends that rather than setting aside millions more than is needed now, the Council should adopt this legislation "subject to appropriation," meaning that it will become DC law but won't go into effect until funding is provided. This very common approach to passing new legislation would allow the Council to wait until zoning rules change to support short-term rentals, resulting in a lower tax-loss estimate of short-term rental legislation, and provide the right level of funding at that time.

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