

Short Term Rental Regulation in Connecticut

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Short term rentals, or STRs, (known colloquially by their brand names such as ‘Airbnbs’ and ‘VRBOs,’ short for ‘Vacation Rental By Owners’) are currently a growing segment of the travel market. Locally, Connecticut has seen a significant increase in the number of hosts of STRs in the past several years. Per the Hartford Business Journal, Airbnb alone had nearly 6,000 hosts in Connecticut between Memorial Day and Labor Day of 2019, hosting approximately 93,300 guest stays in that period (20,400 of which were in New London County).¹ That represents a significant increase since 2016, when 1,600 hosts were registered statewide.² These figures, while notable, are just a small piece of the global supply of short term rental units:

“The sharing economy, including short-term accommodations, is growing fast. Already, Booking Homes (part of the Booking Holdings Group) has over 5.6 million listings in 227 countries, with an average of 1.5 million room nights booked daily; Airbnb has over 5 million listings in 191 countries, with 400 million cumulative guest arrivals.”³

It appears that, while people of all ages utilize STRs, the accelerating popularity of such rentals is fueled by younger travelers, and millennials in particular. According to *Conde Naste Traveler*, seven in ten millennial business travelers express interest in staying in short term, locally hosted rentals.⁴ The continuing growth of this market presents distinct challenges and possibilities for municipalities within Connecticut.

Short Term Rental Challenges

There are common concerns that are associated with the presence of STRs within communities. Some residents and local governments become concerned that the character of residential neighborhoods will change dramatically with the spread of STRs due to an increase in traffic and

¹ Hartford Business Journal. “Airbnb: CT Hosts Earn Record \$27M in Summer Rentals.” September 2019. <https://www.hartfordbusiness.com/article/airbnb-ct-hosts-earn-record-27m-in-summer-rentals>









² Hartford Courant. “Airbnb Brings Connecticut Millions in Tax Revenue, But This Town Is Saying ‘No.’” August 2018. <https://www.courant.com/news/connecticut/hc-news-airbnb-tax-revenue-20180807-story.html>

³ The Wharton School of the University of Pennsylvania. “How the Sharing Economy Is Transforming the Short-term Rental Industry.” February 2019. <https://knowledge.wharton.upenn.edu/article/short-term-rentals-the-transformation-in-real-estate-and-travel-set-to-check-in/>

⁴ Conde Naste Traveler. “What Millennials Can Teach Us About Business Travel.” March 2017. <https://www.enrtraveler.com/story/what-millennials-can-teach-us-about-business-travel>

parking issues. Noise concerns are also common, as neighbors can become anxious that STRs will turn into loud houses where parties are routinely held by visiting renters. There are also wider concerns that STRs may not be safe for visitors if the renters are packed into areas that would not otherwise be suitable for overnight habitation, especially since STRs are not inspected in the same way as officially designated motels and hotels. Particularly in areas with housing shortages, there are worries that STRs will further decrease the number of housing units available for long term residents.

Places to stay in Lisbon

 <p>ENTIRE CABIN · 1 BED Vinola-Lakeside Cabin on Beach Pond with Sauna \$98/night ★★★★★ 368 · Superhost · Details</p>	 <p>ENTIRE CABIN · 6 BEDS Ellis-Lakeside Cabin on Beach Pond with Sauna \$98/night ★★★★★ 290 · Superhost · Details</p>	 <p>TINY HOUSE · 1 BED Water Forest Retreat-Tiny house \$104/night ★★★★★ 153 · Superhost · Details</p>	 <p>ENTIRE VILLA · 2 BEDS Peaceful Spa Escape near Mohegan Sun Casino! \$89/night ★★★★★ 127 · Superhost · Details</p>
 <p>ENTIRE GUESTHOUSE · 1 BED Ashwillett Gardens Studio \$90/night ★★★★★ 347 · Superhost · Details</p>	 <p>ENTIRE HOUSE · 4 BEDS Minutes to casinos, HOT TUB. Amazing views. \$88/night ★★★★★ 132 · Superhost · Details</p>	 <p>ENTIRE HOUSE · 12 BEDS Unique Historic Mansion near Casinos \$900/night ★★★★★ 62 · Superhost · Details</p>	 <p>ENTIRE APARTMENT · 1 BED Quaint apt 5 miles to Mohegan sun 10 to \$30/night ★★★★★ 52 · Superhost · Details</p>

A search for short term rentals in Lisbon, CT reveals numerous houses, apartments, and other accommodations near the town shown in this screenshot from <https://www.airbnb.com/s/Lisbon--CT>. Taken on August 30, 2019.

Benefits of Short Term Rentals for Municipalities

Based on the potential for issues arising, some municipalities may be tempted to prohibit short term rentals entirely, but many potential neighborhood issues could be addressed with the preparation of regulations or ordinances (indeed, noise concerns are likely already addressed in municipal noise ordinances). Safety concerns can also be addressed with a rental inspection program and specific requirements for rentable rooms.

There are benefits, primarily economic in nature, which can be attained by communities that have regulations or ordinances permitting STRs. The Wharton School of the University of Pennsylvania notes that “governments that look ahead and adapt to these developments [short

term rentals] will derive substantial benefits for their economies and their communities.”⁵ By permitting STRs, communities that have limited or no conventional lodging can open themselves up to tourism dollars that would not otherwise be available. Municipalities that do have conventional lodging stand to gain from visitors who are looking for a more personalized travel experience. Additionally, by hosting a short term rental, permanent residents can supplement their income and consequently be in a better financial position to maintain and improve their home. Between Memorial Day and Labor Day in 2019, Airbnb hosts in Connecticut earned a collective \$27 million, a 30.4% increase from the same timeframe in 2018.⁶

Current Short Term Rental Law in Connecticut

At this time, the State of Connecticut has no legislation in place regulating short term rentals statewide (other than a room occupancy tax rate of 15 percent⁷). While bills containing rules and regulations for STRs was proposed during the 2019 Legislative Session (House Bill 6937 and 7177), it died in committee. It is not inconceivable that the State Legislature will introduce relevant bills in future legislative sessions, but it is currently left to individual municipalities to decide how best to regulate (or not regulate) these types of rentals. This provides local governments with the opportunity to tailor STR laws to their unique community concerns and goals. There are generally three options municipalities utilize to address STRs: regulation through local zoning regulations, regulation through municipal ordinances, or by maintaining a status quo without establishing any new STR-specific laws. Each of these options presents distinct benefits and challenges, and are outlined briefly in the following sections.

Short Term Rental Regulation via Zoning Regulations

Several municipalities in Connecticut have chosen to regulate short term rentals through their local zoning codes (these municipalities include Hartford and Preston). Zoning regulations have the ability to allow STRs in certain zones only, and can also allow the Planning and/or Zoning Commission to review site plans for the proposed use to ensure adequate parking and other site improvements are in place which the Commission has deemed necessary. Approvals through zoning would run with the land, until the use is expressly discontinued/abandoned by the property owner. There are certain characteristics of zoning that could limit the ability to effectively govern STRs:

- Zoning regulations are enforced by local zoning enforcement officers, who routinely work at most a Monday-Friday basis and rarely at night, when most noise and parking complaints would occur.
- In some cases, properties have been rented out as STRs by owners for decades. This can create an issue of legal non-conformities where new regulations would not apply to homes that have been rented for many years.

⁵ The Wharton School of the University of Pennsylvania. “How the Sharing Economy Is Transforming the Short-term Rental Industry.” February 2019. <https://knowledge.wharton.upenn.edu/article/short-term-rentals-the-transformation-in-real-estate-and-travel-set-to-check-in/>

⁶ Hartford Business Journal. “Airbnb: CT Hosts Earn Record \$27M in Summer Rentals.” September 2019. <https://www.hartfordbusiness.com/article/airbnb-ct-hosts-earn-record-27m-in-summer-rentals>

⁷ CT Dept. of Revenue Services. Policy Statement: Room Occupancy Tax on Short-Term Rentals. 2017. <https://portal.ct.gov/-/media/DRS/Publications/pubsp/2017/PS20173pdf.pdf?la=en>

Short Term Rental Regulation via Municipal Ordinance

The legislative body of a municipality could choose to adopt an ordinance pertaining to STRs, which could require an owner/operator to obtain a license and follow certain criteria. This process would have several distinct advantages over zoning. Complaints could be addressed to local law enforcement who would be able to respond on weekends and off-hours. Additionally, by requiring a licensing process, renewals could be required, and a new license would be required for new property owners. This would eliminate any 'grandfathering' issues that could arise through zoning. However, local Planning and/or Zoning Commissions would not be involved in approving site plans to ensure parking and other site requirements are being reviewed by the Commission with that expertise.

Maintaining Status Quo

Some municipalities have chosen, at least temporarily, not to update any regulations or ordinances and instead to classify STRs as traditional bed and breakfasts or boarding houses and regulate them as such. In some cases, this requires special permit or site plan approval from the Planning and/or Zoning Commission. Other municipalities have chosen not to regulate STRs at all, continuing a tradition in those communities of unregulated short term rental. Still others have taken the position that as STRs are not expressly permitted in their zoning regulations, they are prohibited. These solutions all come with their own challenges and benefits. While it is easier not to draft and approve any new standards for STRs, current regulations and standards rarely address the issues inherent in these uses. STRs are not exactly like traditional bed and breakfast establishments or boarding houses, and as such new regulation is likely warranted. Additionally, if the anticipated continued growth in STRs does indeed come to pass, municipalities would most likely want to have some safeguards in place to ensure smooth operation.

Conclusions and Future Actions

Of the options outlined above, regulation of STRs through a municipal ordinance seems to present the greatest number of benefits with the fewest drawbacks. It would allow for more effective enforcement, and also eliminates any issues of grandfathering that may arise from zoning regulations. While the Planning and/or Zoning Commission would likely not have a chance to review the site, specific site criteria could still be built in to the ordinance which would prevent people from obtaining a license to operate an STR if the site requirements are not met.

For the foreseeable future, STRs will be present and likely growing in number and popularity. This expansion will impact municipalities nationwide and in Connecticut. It is therefore important for southeastern Connecticut municipalities to determine if and how to best regulate STRs locally, sooner rather than later.