

A REVIEW OF STR REGULATIONS AND IMPLICATIONS FOR PROVINCETOWN

**Report by Economic and Public Policy Research, UMass Donahue Institute
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INTRODUCTION

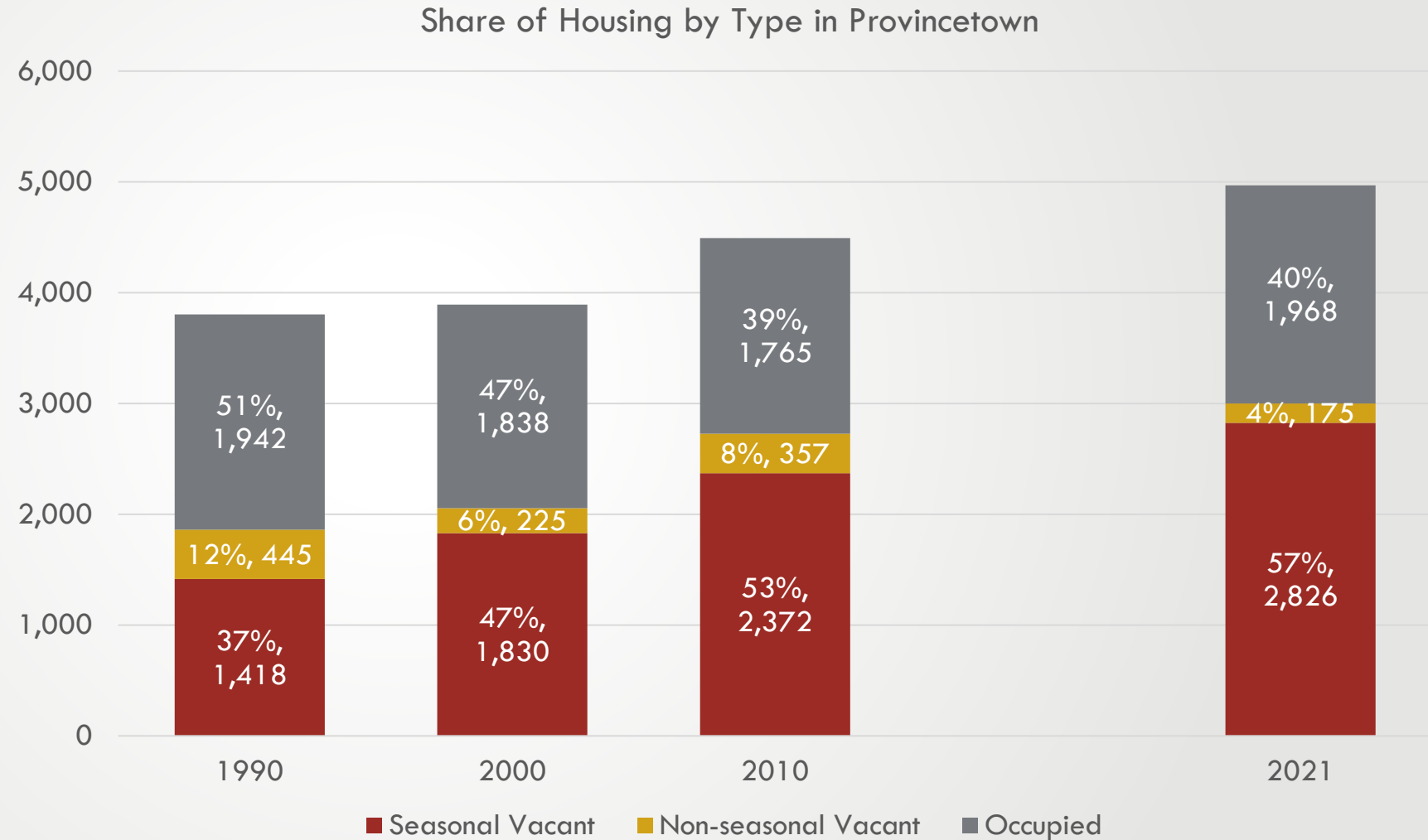
As a seasonal tourist destination, Provincetown experiences **three distinct and mutually exclusive demands** on its housing stock:

1. **Year-round residences**
2. **Vacation homes**
3. **Summer workforce housing**

The study examines current practices nationwide around short-term rental regulation and identifies what lessons these regulations may offer to Provincetown, especially regarding increasing the availability and attainability of year-round housing.

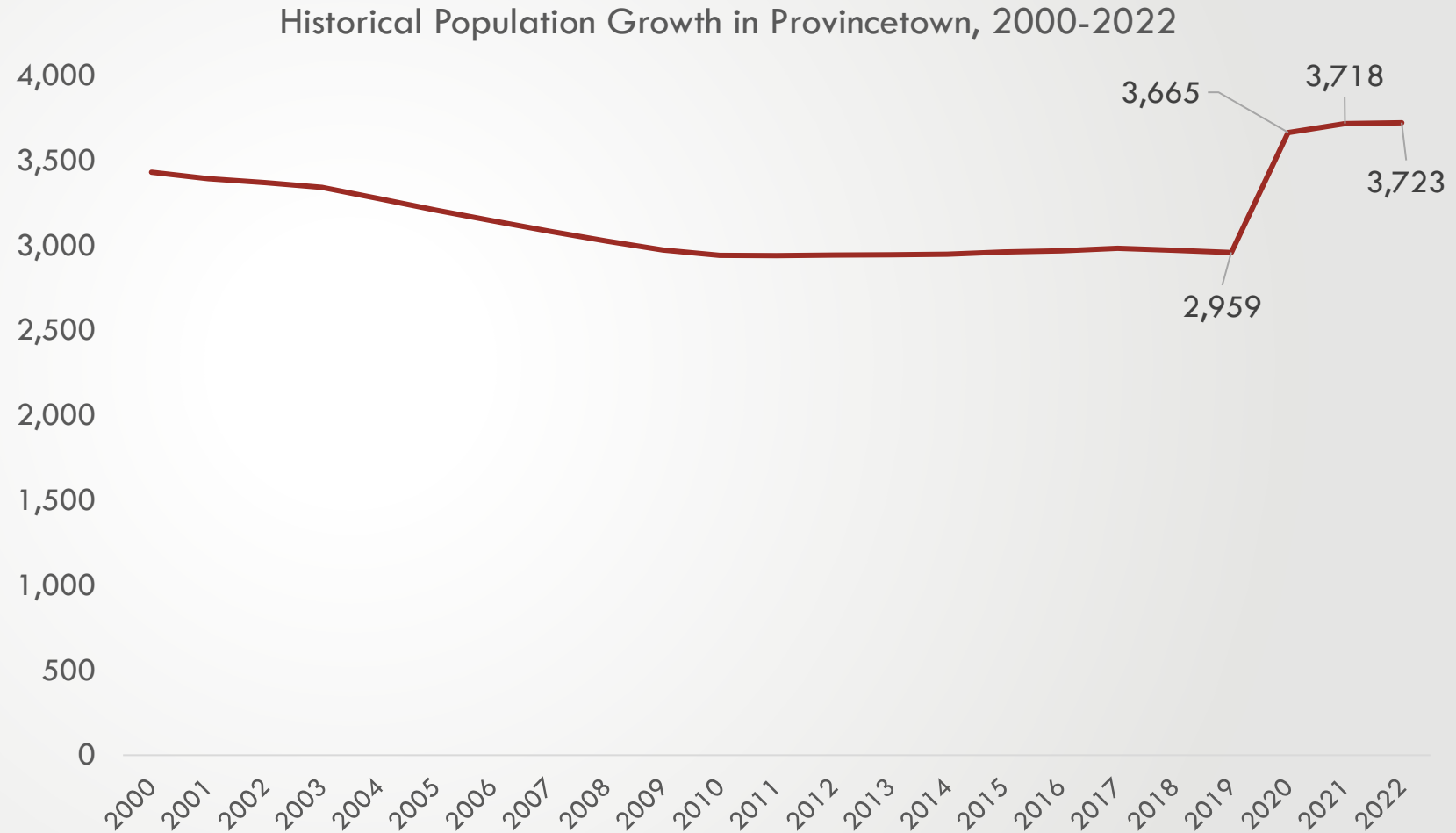
THE PRIMARY USE OF HOUSING IN PROVINCETOWN IS FOR VACATION HOMES

- In 2021, there were approximately 2,000 households for nearly 5,000 housing units. However, **most of these housing units were vacant for seasonal use.**
- The primary driver of local demand for housing is for vacation homes.



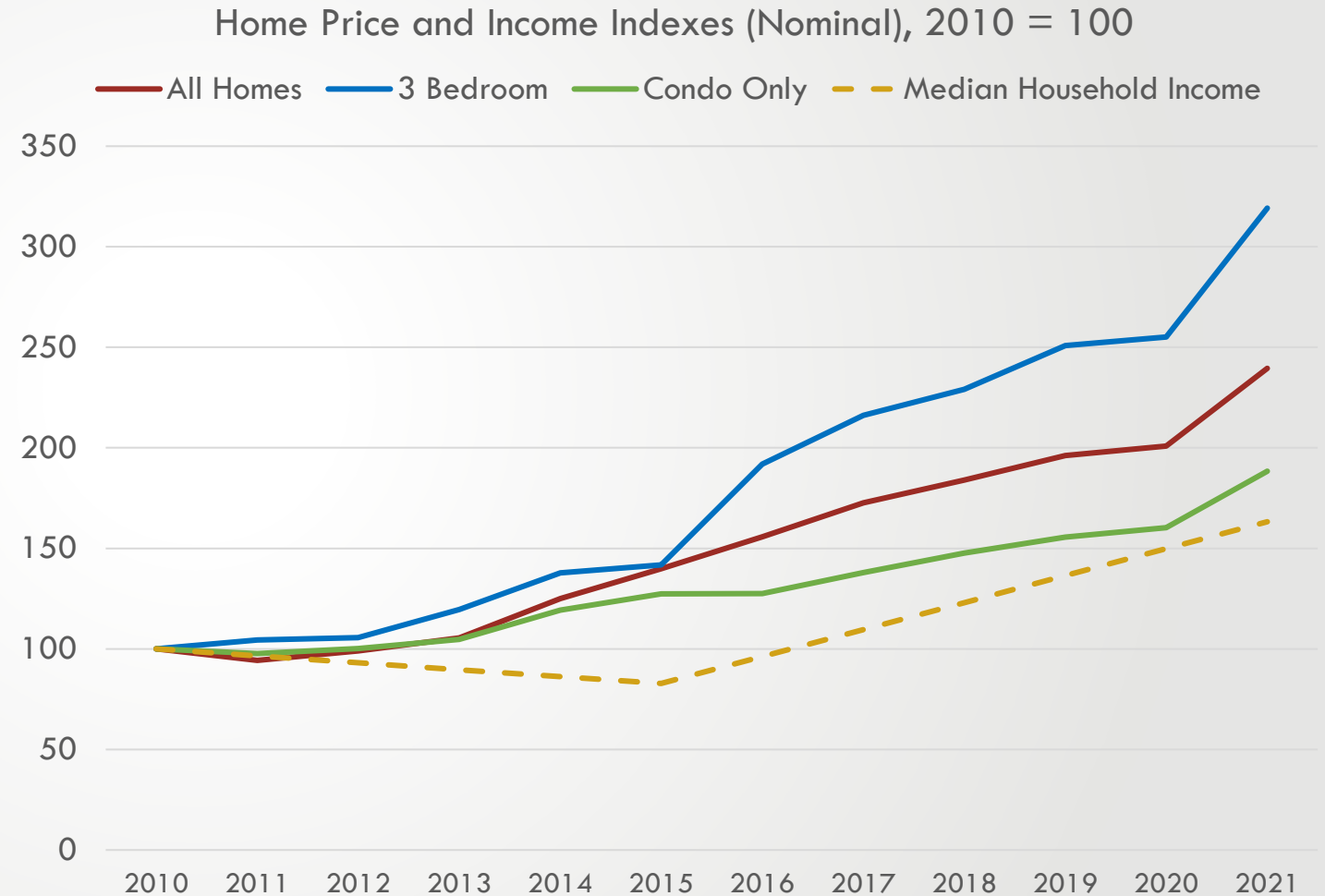
POPULATION GREW BY A QUARTER IN 2020

- Between the 2010 and 2020 decennial censuses, Provincetown experienced **25 percent growth in its population, while its housing stock only grew 11 percent.**
- The population growth occurred primarily in 2020, followed by small increases in 2021 and 2022.



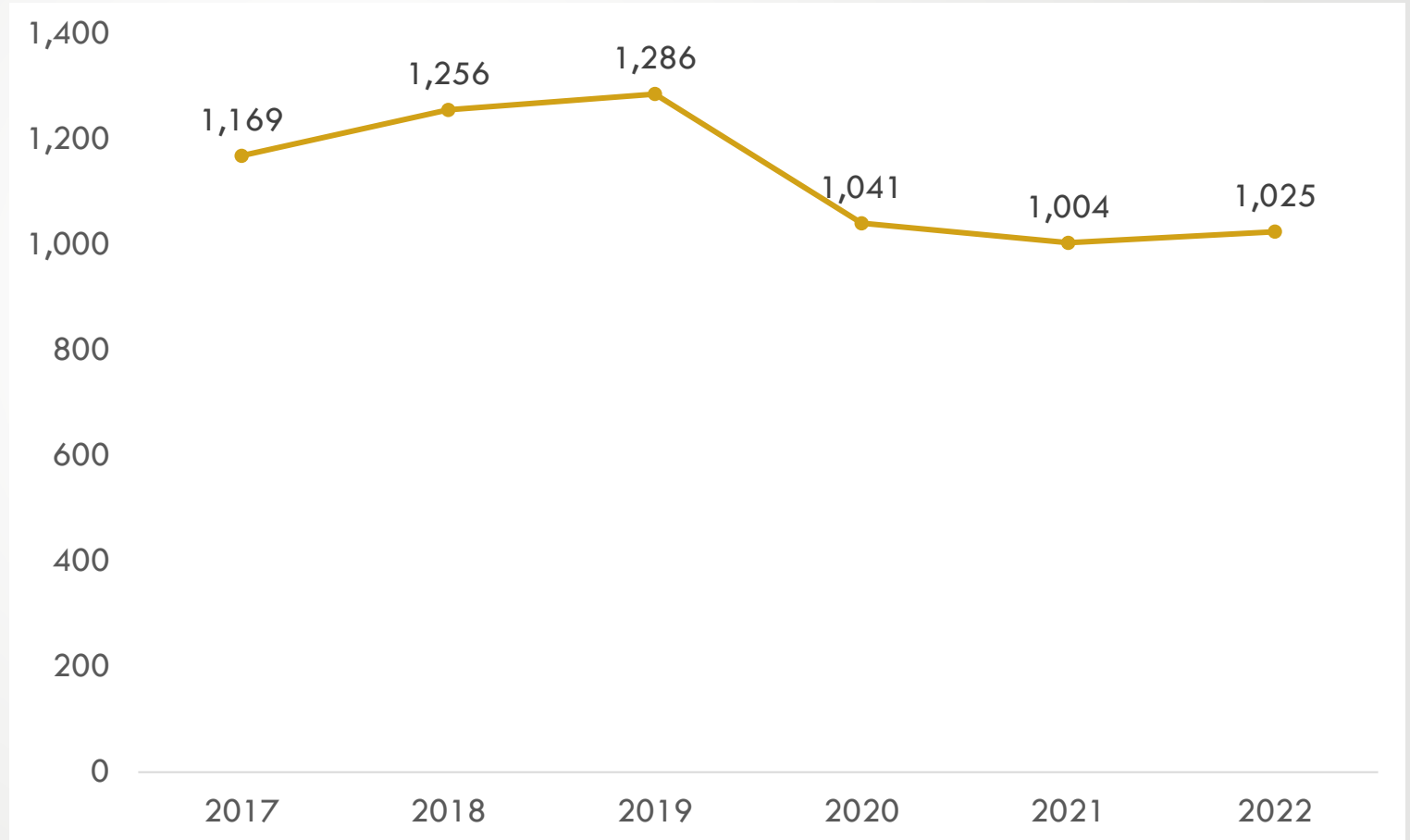
HOME PRICE GROWTH IS OUTPACING INCOME GROWTH

- The COVID-era population growth was also accompanied by a notable jump in housing values with **prices increasing by 55 percent from July 2019 to July 2023**, according to data from Zillow.
- This **one-year 25 percent jump in population and recent rapid home price appreciation** are perhaps two reasons why housing issues have felt especially acute.
- When plotted against median incomes locally, the data shows that **income growth has not kept up with the prices of housing generally, three-bedroom homes, or condos.**



ACTIVE STR LISTINGS DOWN BY 20% FROM 2019

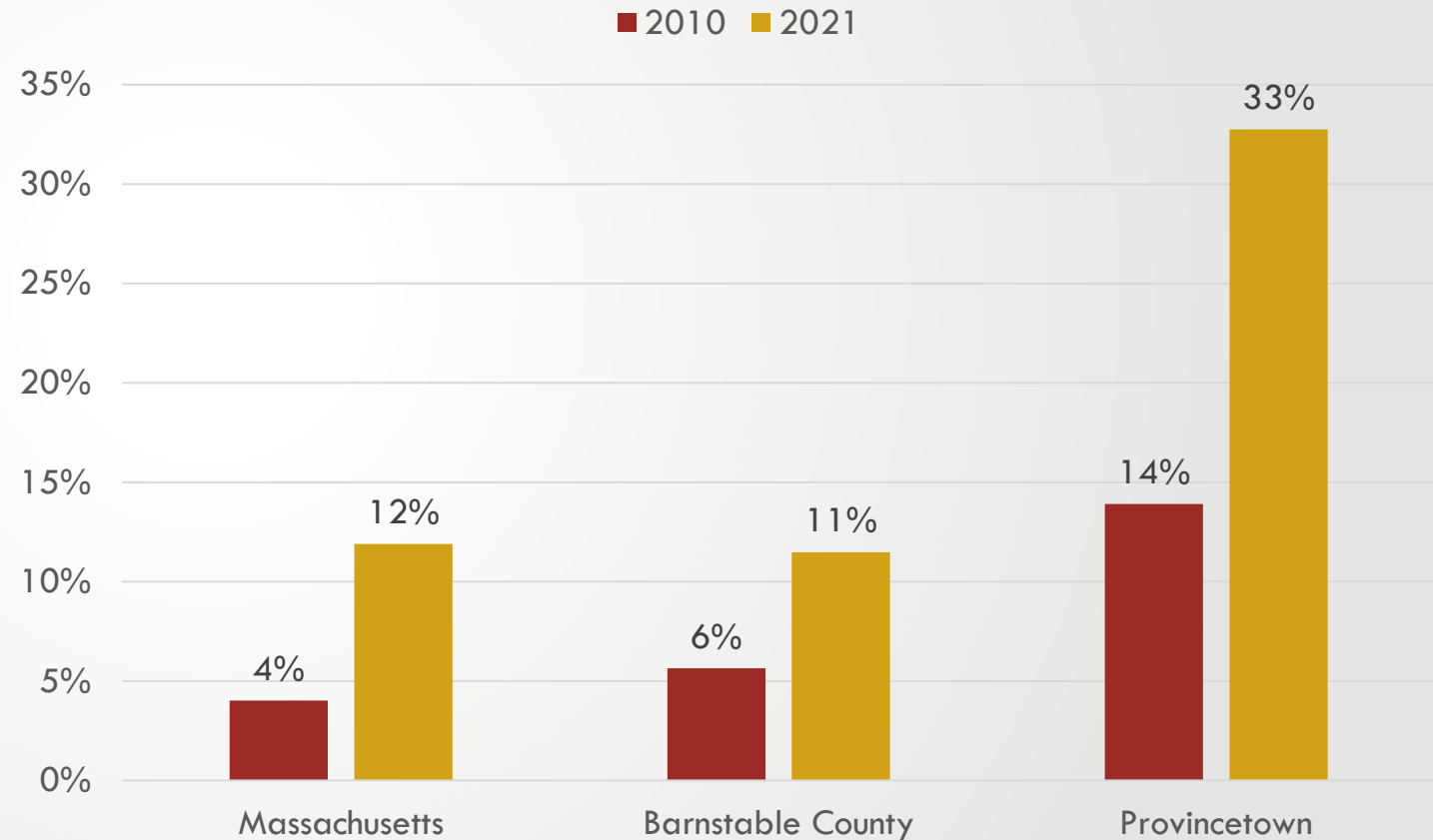
- Concurrent with the spike in population and home prices in 2020, Provincetown saw a roughly 20% drop in active STR listings.
- Taken together, the data analyzed in this study suggest owners converted occasional use homes into something more permanent at the onset of the pandemic
- This change has proved durable so far.



HOUSING MARKET INFLUENCED BY WEALTHIER CITIES IN THE NORTHEAST

- Since 2020, the increase in remote work has increased the ability of those employed by firms off-Cape to live in Provincetown.
- Property records suggest locally employed residents are competing with buyers from New York City, Boston, Cambridge, and Washington, D.C. for a limited supply of housing
- This leads to a lack of naturally occurring affordable housing for workers and other long-term residents looking to purchase a home.

Share of 16+ Population Working from Home in Provincetown



DEMAND FOR SUMMER WORKFORCE HOUSING RIVALS YEAR-ROUND HOUSING

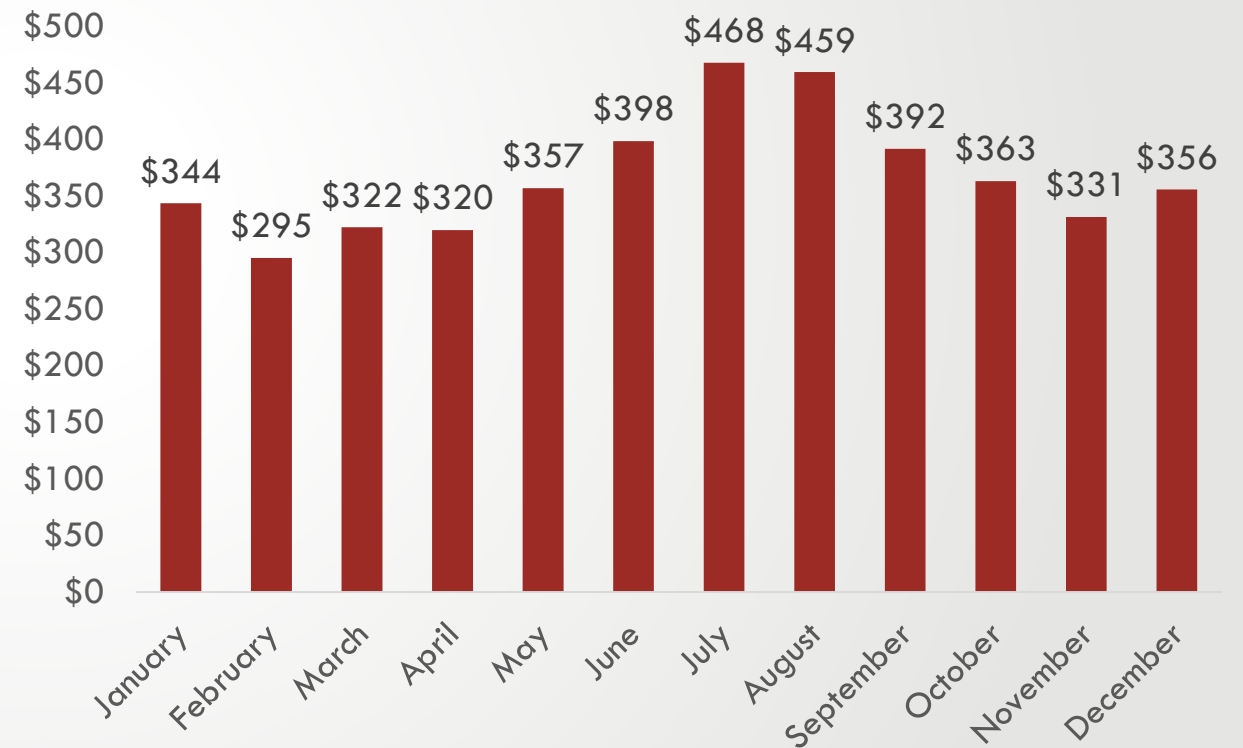
- The shortage of workforce housing felt particularly acutely in the summer when the demand on the existing housing stock increases with the summer workforce. **In 2021, between January and July, employment in Provincetown more than doubled from roughly 1,600 jobs to 3,800 jobs.**
- The implication of this jump in employment is that seasonal workers create temporary demand for housing that rivals that of the year-round workforce.

Top 5 Industries by Average Employment	January Employment	July Employment	Establishments	Average Employment	Average Hourly Wage
Accommodation and Food Services	282	1,828	127	999	\$23
Retail Trade	440	787	114	577	\$22
Health Care and Social Assistance	213	219	19	216	\$28
Professional and Technical Services	87	102	30	99	\$30
Real Estate and Rental and Leasing	54	98	15	75	\$24
All Other Industries	367	662	123		
Total, All Industries	1,593	3,796	420	2,608	\$25

HOMEOWNERS CAN EARN MORE RENTING SHORT-TERM COMPARED TO LONG-TERM RENTALS WHILE RETAINING USE OF THE HOME

- The median **average daily rate for a two-bedroom short term rental was \$425 in Provincetown in 2022**. This rate increases in peak summer months and drops over the winter.
- Renting as a short-term rental (STR), homeowners could **earn as much as they would get from a long-term rental in two or three months**.
- Renting short-term also has other benefits. It **allows owners to occupy the unit themselves** any time they choose during the year, or they can share the unit with friends and family.

Median Daily Rate for a Two-Bedroom STR by Month, 2022



FINDINGS SUGGEST THAT BUYERS ARE NOT BUYING HOMES SOLELY TO USE AS A SHORT-TERM RENTAL

- The high cost of Provincetown homes may discourage buying housing for solely commercial reasons, meaning to use as either an STR or for regular residential rentals.
- In the Cape Cod New Homeowners Survey conducted by UMDI in 2021, **90 percent of respondents reported that their new home would be used as, or converted to, a primary residence within 20 years** and 68 percent planned to do so in less than 20 years.
- **Only one-third have plans to offer the property as a short-term rental** (not necessarily exclusively so) during the time it is not used as a primary residence.
- The Cape Cod Second Homeowner Survey, also conducted in 2021, **found that only 30 percent plan to convert their units to primary residences in the next 20 years.**
- **But only eight percent planned to use the unit as a short-term rental** in that timeframe.

POLICY QUESTIONS FOR STRS IN PROVINCETOWN

- Studies on the app-based rental market typically find small increases in home prices and rents in areas where STR units are abundant.
- Note that in these studies, the properties in question are mostly homes being converted from year-round residences to full-time STRs. This case is less observed in Provincetown where the **transition is more likely from residences to vacation homes, with STRs as an ancillary use.**
- The **policy question in Provincetown is whether STR regulation would reduce the number of seasonally vacant homes (vacation homes)** rather than simply reduce the number of full-time STRs.
- Provincetown may wish to **limit STRs to encourage homeowners maintain a connection to the community.** This could be done through limiting the number of STR certificates per owner or banning certain types of corporate ownership.

TYPES OF STR REGULATIONS

Though there is a growing body of work on the impacts of the introduction of STRs into a region, there are still few studies of the direct impacts of STR regulation. Most studies are based in large cities and/or abroad. The experience of regulation in these places is likely different from the experience in a small vacation town in a rural region. Nevertheless, all current STR regulations can be summarized into the following types:

- Quantitative caps on the number of units
- Zoning restrictions
- Limits on total rental nights or rental instances
- Restricting to only owner-occupied homes
- Restricting to only single-family homes
- Related: incentives to rent to workers or year-round residents

SUMMARY OF STR REGULATION IMPACTS

Type of Regulation or Policy	Impact on Number of Short-term Rentals	Impact on Housing Affordability (Rent and Home Prices)	Impact on Housing Availability (Housing Supply)	Possible to have in Provincetown?	Certainty
Fixed Cap, by count or percentage of housing stock	High	Low	Low	Possible	High
Zoning Regulations for STR zones	High	Low	Low	Difficult	Moderate
Restricting number of nights rented in a year	Low	Low	Low	Difficult	High
Restricting STRs to owner-occupied homes	High	Low	Low	Possible	High
Restrictions on STRs to single-family homes	Low	Low	Low	Difficult	High
Limit STRs to one permit per owner	Low	Low	Low	Possible	High
Incentive programs to use housing for year-round residents or workers	Low	Low	Moderate	Possible	High

HOUSING DEVELOPMENT AND STR POLICIES IN PROVINCETOWN

- Of all Cape and Island towns, Provincetown has the highest share of its housing counting towards the Low-Income Housing Inventory. Provincetown is very close to the 10 percent threshold required by Chapter 40B. Planned projects will bring it over the threshold.
 - E.g., projects at VFW and police station.
- The town made notable changes to its STR regulatory framework in January 2023, focusing on changing fees, licensing, and compliance monitoring.
 - Created short- and long-term rental certificates and increased fees for short-term renting
 - New certificate and fee structure coupled with increased and improved compliance enforcement

IMPACTS OF STR REGULATIONS ON PROPERTY VALUE

- Many of these types of policies are still new and have not been fully evaluated. There are few studies that have evaluated the impact of STR policies and regulations on home prices.
- One 2017 study looked at a group of neighboring Florida coastal communities. One community had implemented a regulation on short-term rentals, requiring that renters stay a minimum of 30 days, while the neighboring cities were prevented from adopting similar plans by a state regulation. The study found that this **STR restriction reduced average property values in the restricting city, but that the change varied by the density of the residential zone. The largest decrease was of 15 percent in low-density zones. In high density zones, prices actually increased.**
- Another study from 2021 looked at the Los Angeles short-term rental market. Los Angeles started to regulate STRs as if they were hotels. These **restrictions halved the short-term rental market** in the area which **caused house prices and rents to fall two percent.**

INCENTIVES ARE AN ALTERNATE PATHWAY TO INCREASING SUPPLY

- Examples are primarily found out west, especially California and Colorado
- Typically, municipalities offer owners a financial incentive to rent to year-round or seasonal workers.
 - In Provincetown, an incentive to close the revenue gap between a long-term rental and the median short-term rental for a 2-bedroom unit is estimated to be roughly \$14,000.
 - An outstanding question is what value owners put on their own use of the property.
- Eligibility criteria for tenants is generally dependent on income or place of work.
- Many municipalities support the program through “matchmaking” services to connect owners and tenants.

EXAMPLES OF INCENTIVE PROGRAMS

- Truckee, CA “Lease to Locals” program
 - 5-12-month leases with locally employed tenants
 - Grants from \$2,000-\$18,000
 - Has housed 276 people across 126 units in a city of 17,000
- Placer County, CA “Lease to Locals” program
 - Proof of work of 20 hours per week and not related to owner
 - \$2,500 per tenant for seasonal rental and \$6,000 per tenant for long-term rental
- Summit County, CO “Lease to Locals” program
 - Property owners could receive up to \$20,000 per property depending on number of rooms and length of lease
 - Average incentive of \$5,950 per bedroom and about \$18,570 per unit
 - Requires that the unit was previously rented short-term or at least not occupied on a full-time basis prior to entering the program.

CONCLUSIONS FOR PROVINCETOWN

- Based on existing work and current experiences, **the predicted impact of any STR regulation on the affordability of housing in Provincetown is likely small.** Literature suggests that in many places the growth in STRs only caused small increases in home prices so reducing their supply will likely only undo that small change.
- While most of these studies focused on urban areas that are very different from Provincetown, one of the biggest differences applicable to this study is the level of demand for homes as something other than a primary residence. Once again, **in Provincetown, the core policy question is whether restricting STRs would reduce the number of second homes.**
- The growth in seasonally vacant homes between 1990 and 2010 **suggests a vacation home market that did not need the innovation of app-based rentals to grow.**
- Ultimately, much of the answer to the extent of changes in the composition of the housing market in the face of STR restrictions relies on information regarding **how many owners of second homes, and potential buyers of second homes, need STR income to afford their homes and would therefore be dissuaded from buying in Provincetown** in the face of restrictions on short-term renting. This data is currently unavailable to the research team.

CONCLUSIONS FOR PROVINCETOWN

- Though current data suggests regulating STRs will likely not make a material difference in the availability and affordability of year-round housing, **Provincetown may still wish to restrict this use in various ways with a goal of encouraging every homeowner to continue to have a connection to the community**, whether as a resident or seasonal visitor.
- That can be done through restricting the number of STR licenses available to any single owner or banning certain corporate ownership structures. Other options could include room-night restrictions to limit particularly high intensity uses.
- The findings suggest that targeting workforce housing through continued building and providing incentives where useful is likely the most direct path to increasing accessibility of such housing.