

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS**



Public Hearing
On
Implementation of Law 22-307, the Short-Term Rental Regulation Act of 2018

Testimony of
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Director

Before the
Committee of the Whole
Chairman Phil Mendelson

John A Wilson Building
Room 412
1350 Pennsylvania Avenue, NW
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November 21, 2019
10:00 am

Good morning, Chairman Mendelson, Councilmembers, and staff. I am Ernest Chrappah, the Director of the Department of Consumer and Regulatory Affairs (DCRA). I am here today to testify on the implementation of the “Short-Term Rental Regulation Act of 2018” (Law 22-307).

Broadly speaking, Law 22-307 requires DCRA to license, monitor, and investigate the operation of short-term rentals in the District and became applicable law in the District on October 1, 2019. Now that the Zoning Commission has unanimously approved an emergency text amendment to the zoning regulations on October 24, 2019, DCRA is able to move ahead with implementing Law 22-307. My goal today is to shed light on the Department’s progress and overall plans regarding implementation of Law 22-307.

I. Background on Law 22-307

Short-term rentals, defined as rentals where the host is present, and vacation rentals, defined as short-term rentals where the guest has exclusive use of the property, have increased exponentially in popularity in recent years through platforms such as Airbnb and HomeAway.

Law 22-307 imposes restrictions and requirements on short-term rentals and booking services, details the necessary components of a short-term rental license application and how it is to be issued, and outlines mechanisms for enforcement and penalties for violating the law. Following the Zoning Commission’s action in October, DCRA moved forward with the rulemaking process by drafting an emergency and proposed rulemaking. In addition to elaborating upon the restrictions and requirements in the law, the emergency and proposed regulations outline procedures for denial, suspension, and revocation of a license, as well as procedures for issuing Notices of Violation, Notices of Infractions, and Orders including Cease and Desist Orders.

Chairman, as you know, before a rulemaking can be published in the *D.C. Register*, it must first be vetted, including gaining legal sufficiency from the Office of the Attorney General (OAG). I am pleased to share that this process has moved quickly, and we expect the emergency and proposed rulemaking to be published in the *D.C. Register* on December 6, 2019. All persons desiring to comment on the rulemaking will have thirty days to do so. At that point, DCRA will consider all comments and update the rulemaking where appropriate.

II. Implementation

Turning now to implementation, there are currently 8,000 to 10,000 short-term rentals operating in the District. Obviously, the process of licensing these short-term rentals is a large undertaking, and one which DCRA has been anticipating for the last several months. As it stands now, the short-term rental license application will be exclusively online. Applicants will be required to upload the required documents and pay the licensing fee through DCRA's website. DCRA plans to start accepting applications after the emergency and proposed rulemaking is published and the 30-day comment period has ended. For the sake of clarity, I would like to walk you through a timeline outlining the milestones we have set over the next several months.

Implementation Timeline:

- **(Day 1 – 30):** DCRA's Emergency and Proposed Rulemaking implementing the Act is published in the *D.C. Register* for people to comment on.
- **(Day 31 – 60):** Hosts can apply for a temporary, Short-Term Rental License online.
- **(Day 1 – 90):** DCRA conducts a public outreach campaign to ensure everyone, especially short-term rental hosts, are aware of the new regulations.

- **(Day 1 – 120):** DCRA develops new Standard Operating Procedures (SOPs), hires additional staff, and conducts staff trainings.
- **(Day 1 – 240):** DCRA moves ahead with the procurement of systems for licensing, monitoring and compliance; along with system design and implementation.
- **(Beginning Day 120):** DCRA will begin enforcement actions for non-compliance.

In order to implement the labor intensive provisions of Law 22-307, DCRA plans to add 17 full-time employees—three managers and 14 staff members. These new employees will have different roles, such as assisting with the review and processing of license applications, investigations, enforcement, and program and data analysis. Investigators and analysts will be enrolled in a variety of internal and external trainings designed to train them on the specifics of the short-term rental law itself, as well as general investigative and data analytics techniques.

DCRA is also planning an extensive outreach campaign to educate the public about this new law. The objectives of the outreach campaign are to make sure residents, community leaders, and stakeholders understand the new law from licensure to enforcement. DCRA intends to post useful information on our website, including FAQs for people interested in doing short-term rentals. DCRA will also be holding community meetings with ANCs, Council Constituent Service Representatives, and other community stakeholders to educate them on the new law and its requirements. Also, DCRA will of course be sharing all information with the relevant large and small short-term rental platform companies so that they can inform their hosts.

III. Enforcement

To enforce the law, DCRA has been given authority to monitor, investigate, issue administrative penalties and orders, and refer violations to the Office of the Attorney General when necessary; including when an administrative search warrant may be necessary to obtain the information we need.

At the end of a 90-day enforcement grace period, to ensure everyone has ample time to come into compliance, DCRA will be working to enforce the law both proactively and reactively. In addition to investigating complaints about suspected illegal rental activity, we are working with other agencies, and outside sources, to gather sufficient data to identify potentially noncompliant properties, educate these owners regarding their responsibilities under the law, work to get them into compliance with its provisions, and issue Notices and Orders when circumstances warrant.

An important component of enforcement will be working with the Office of the Chief Financial Officer (OCFO) to ensure that a host's property is eligible to be a short-term rental. In order for a property to be a short-term rental, it must be eligible for the homestead deduction pursuant to D.C. Official Code § 47-850. DCRA has initiated conversations with OCFO to iron out how we will obtain the necessary data for DCRA to ensure only those who are eligible for the homestead deduction are issued the licenses, and to proactively identify properties that are operating these rentals without licenses.

DCRA anticipates complaints will be a main source of information relating to enforcement of and compliance with the law and has resources in place to address the volume of incoming complaints. Investigations for potentially unlicensed short-term rentals are expected to largely follow the existing investigatory process in use, which includes conducting interviews with relevant parties, researching public records and other data sources, and conducting site visits. In

addition to new staff allocated for the implementation of the short-term rental law, existing investigators and analysts will also be trained to conduct these investigations.

Given that most, if not all, short-term rentals are being advertised and booked online, DCRA will leverage technology solutions that will connect DCRA to the various short-term rental booking services to proactively identify properties that are not in compliance with the law. DCRA has already started the procurement process with the Office of Contracting and Procurement to identify and procure the most efficient technology solutions.

IV. Conclusion

Chairman Mendelson and members of the Council, thank you for the opportunity to testify and for allowing me to provide what I hope are some insights into how DCRA plans to efficiently and effectively implement the Short-Term Rental Regulation Act of 2018. I am happy to answer any questions you may have.