

Regulation of Short-Term Rentals:  
Addressing Cape Cod's Housing Crisis

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## **Abstract**

Cape Cod, like most of the state and country, is facing a housing crisis, with limited rental vacancies and increasing housing costs for homes and year-round rentals. These issues are exacerbated by the Cape's development constraints, as much of the land is already developed as single-family homes or cannot be developed because of limited septic tank capacity or environmental restrictions (Donahue Institute 2023a). Cape Cod's housing market also consists of many second homes, with 40% of housing units being used as secondary, seasonal homes, which leaves them vacant during most of the year (U.S. Census Bureau 2022a). Additionally, the Cape has seen an increase in the number of seasonal homes and short-term rentals (STRs) since the COVID-19 Pandemic in 2020 when many looked to the Cape for a place to spend time and work remotely (Donahue Institute 2023a).

STRs have provided local homeowners, including those who live in their homes year-round, with extra income, as well as allowed municipalities to fund infrastructure projects from increased tax revenue. However, allowing STRs to remain unregulated or under-regulated may lead to further reductions in available year-round rental housing and continued increases in property values, putting all housing - homeownership and rental - out of reach for low-and moderate-income households.

In this thesis, I examine the impacts of increases in STRs on Cape Cod, as well as opportunities to mitigate impacts on the local housing market and the community through regulation and creation of financial incentive programs that encourage and promote year-round rental availability. Additionally, I do not just consider regulating STRs alone, because while they are a piece of the housing issues on Cape Cod, decreasing or eliminating their presence is not the only solution needed to uplift year-round housing availability. These alternative considerations

include updating zoning to allow for ADUS, mixed-use development, and multi-family housing to offset the overabundance of single-family housing on the Cape.

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## Chapter 1: Introduction

Across the United States, short-term rentals have become a hot-button topic due to their impacts on local tourism economies as well as their impacts on local housing markets and community dynamics. Cape Cod, Massachusetts, while having a long history of short-term rentals (STRs), has become a unique example of the complexities communities face with STRs, which promote seasonal tourism but can contribute to a decreasing year-round supply of rental housing units.

Cape Cod is a coastal region of Massachusetts that makes up Barnstable County and contains fifteen towns. All the towns rely heavily on the summer tourism season that runs from late May to early September (Vorhees 2022). Cape Cod as a whole is already facing a shortage of year-round housing that is affordable to low-to-moderate-income (LMI) workers and residents (Donahue Institute 2023a). The housing shortage on the Cape is a result of several factors, including the prominent vacation home and STR market, as well as limitations that restrict development on the Cape (Ibid.). These limitations include zoning restrictions, the capacity of septic tanks, and environmental regulations that prevent more housing from being developed in parts of Cape Cod (Ibid.).

Cape Cod has seen an increase in the number of seasonal homes and STRs since the introduction of sharing-economy brands like Airbnb and Vrbo, as well as since the start of the COVID-19 Pandemic in 2020, when many people took to the Cape for an escape and deciding to purchase second homes or investment properties. These increases in STRs have continued after COVID (Ibid.). Cape Cod has had a long history as a tourism destination, and the presence of vacation rentals has traditionally provided tourists with alternative stay options to hotels. Vacation rentals were typically rented out through newspaper ads, word-of-mouth, postings

outside of the property, or through travel companies, and families looking to get away would traditionally rent a property by the week or month (Castelli 2023). Because of this long history, the presence of vacation rentals has been a long-standing tradition on Cape Cod, existing well before the establishment of sharing economy brands like Airbnb and Vrbo. Today, with the presence of STRs rented through sites like Airbnb or Vrbo, it is even easier to own and stay at a STR, or vacation rental, for hosts and guests (Donahue Institute 2023a).

However, while the Cape's long standing tourism history has been influenced by the existence of STRs, it has been the increased conversion of previously year-round units to STRs and vacation homes that has contributed to increasing pressures on the existing housing stock (Ibid.). This conversion has been incentivized by the financial gain Cape Cod homeowners receive from renting out their properties as STRs, especially during summer months, earning an average of about \$12,000 per month (Cape Cod Commission 2023, 1). Comparatively, year-round rental properties earn on average around \$1,900 per unit per month (Ibid.), meaning it takes less than two months for STRs to earn what a year-round rental would make in one year.

As of October 2023, all fifteen towns on Cape Cod had over 17,000 STRs registered through the Massachusetts Department of Revenue (DOR), which is a 71% increase from 2021 when the Cape had only 12,100 units (calculated from DOR n.d.). Barnstable County has about 40% more housing units than households, with 164,523 housing units and just 98,163 households (U.S. Census 2022a). The number of units above the number of households represent seasonally vacant second homes. The difference indicates a wide disparity between the number of housing units used as a primary residence and those used for other housing types, including as vacation homes or STRs (Data Cape Cod 2022). With a rental vacancy of just 1% and an average home

price of \$670,000 in 2022, there is little opportunity for LMI workers and residents to rent or purchase year-round units (Editorial Board 2023; HAC 2023).

Ultimately, as demand for affordable year-round housing on the Cape increases and its availability decreases, year-round residents face housing instability, especially LMI workers and residents (Donahue Institute 2023a). If homes continue to be converted to STRs and current residents are not able to renew their leases, residents may be forced to find rentals that are off-season and temporary, or more expensive year-round rentals. Some residents may even need to join waiting lists for affordable units or eventually may need to move off-Cape altogether (Quinn and Coxe 2018).

While there is existing literature on STRs and their impacts on local economies and housing markets, much of the literature exists for cities outside of the United States. Additionally, there is limited data available for Cape Cod regarding how much the STR market has grown over the years. This is primarily because of limited data released from STR sites like Airbnb and Vrbo, but also because of limited accessibility to registration data from the Massachusetts DOR, which is responsible for collecting the Room Excise Tax as part of the state's required STR registration process.

Additionally, because this topic is actively changing, many municipalities on Cape Cod updated their regulation policies around STRs as well as application fees and their local rooms excise tax percentages during the writing of this thesis. This shows that this policy area is changing very quickly, and towns are attempting to keep up and work on finding a balance between protecting their communities and benefitting from the earned tax revenue and tourism dollars that STRs bring.

In this thesis, I aimed to identify the current short-term housing regulations that towns across Cape Cod have adopted, as well as the history of STRs and their role in the economy, their impacts on the housing market, and the role they play in the ongoing housing crisis in this community. I also sought to identify opportunities to update or implement new restrictions or programs in order to promote additional year-round housing through using case studies of other tourism communities that have implemented STR restrictions and financial incentive programs. The range of case studies on STR regulations in this thesis includes: New York City, Los Angeles, San Diego, Fairhaven, MA, and Somerville, MA. The case studies of financial incentive programs include: Vail InDEED, Rent 365, Lease to Locals, and Boston's Landlord Incentive Program.

### **Research Questions**

1. What regulations have Cape Cod towns and other tourist communities enacted to mitigate the impacts of STRs on the local housing market?
2. What opportunities exist to update and improve regulations on Cape Cod to increase the supply of year-round housing for residents and local workers?

### **Thesis Outline**

In Chapter 2, Methodology I discuss the methods used for this thesis, which include a literature review, case studies of other tourism communities, and qualitative interviews with planning and housing officials and housing and business organizations on Cape Cod. In Chapter 3, the Literature Review, I explore the history of STRs, provide context and information on the housing market on Cape Cod, and include a review of the positive and negative impacts of STRs, as well as opportunities for STR regulation. In Chapter 4, Case Study Communities, I use case

studies of other tourism towns that have enacted regulations of STRs or financial incentive programs to promote year-round rental housing, to show how other communities have handled the impact of STRs and worked to increase year-round housing. Chapter 5, Regulatory Environment, includes an analysis and evaluation of the current regulations of STRs throughout all fifteen towns on Cape Cod, as well as an explanation of taxes and fees charged to STRs by each municipality and by the Commonwealth of Massachusetts. Chapter 6, Interview Findings, includes an analysis of the contexts and impacts of STRs and the housing market in general through interviews with local planning and housing officials, as well as local business and housing organizations. Lastly, Chapter 7, Recommendations, draws from the previous chapters' information and analysis to offer policy recommendations for municipalities on Cape Cod. The Chapter also includes limitations of the thesis and areas for further research on STRs and opportunities for preserving and promoting year-round housing.

## Chapter 2: Methodology

To answer my research questions below:

1. What regulations have Cape Cod towns and other tourist communities enacted to mitigate the impacts of STRs on the local housing market?
2. What opportunities exist to update and improve regulations on Cape Cod to increase the supply of year-round housing for residents and local workers?

I used a multi-method approach of literature review, data collection, online searches, semi-structured interviews, and phone and email communications with town officials. I used these methods to describe and compare existing conditions of short-term rental regulations on Cape Cod and in tourist destinations across the United States, as well as the influence of STRs on the local housing market.

For my literature review, I began by conducting a broad search of news articles, municipal documents, and scholarly articles to determine what regulations currently exist for STRs in U.S. tourism communities, with a specific focus on Cape Cod, Massachusetts. I collected information on communities with STR regulations around the U.S., but outside of Cape Cod, in order to determine if there are communities with similar characteristics to Cape Cod that were able to see a benefit in creating regulations. I used the information collected from these communities as case study communities.

For STRs on Cape Cod, I used data collection to determine how many STRs were registered within each town, as well as the population size, number of households, and number of housing units within each town in order to establish characteristics for each community. Additionally, for each Cape Cod town, I collected tax information from Fiscal Year (FY) 2023 to show how much towns have earned from taxes on STRs.

Lastly, I interviewed local municipal officials and local housing and economic development organizations on Cape Cod. Town officials were invited from each of the 15 towns on Cape Cod in hopes to gather a variety of experiences seen across the region, and I was able to interview officials from nine towns.

### **Text Research and Data Collection**

To gather context and data for all fifteen towns on Cape Cod, I began by conducting online searches to find information on STR and year-round rental regulations and policies within each community. Additionally, I used local newspapers to provide context on STRs in general within each community, including what regulations currently existed, what alternatives have been proposed in the past, as well as general public opinions around STRs and the concept of regulating them.

Additional data were collected from the U.S. Census on population, households, and household units within each town, as well as from the Massachusetts Department of Revenue (DOR)'s Public Registry of Lodging to determine the number of STRs that are registered within each town.

To gather information on the revenue generated from taxes on STRs within each community, I coordinated with local town offices to determine how much revenue was made for FY 2023. These were not interviews, but a series of communications with the financial or treasury departments in each town.

For the case study communities, I used similar processes to collect information on what towns and cities across the U.S. have done to regulate STRs. I began by conducting online searches of communities that have implemented regulations. I also received examples of towns through word-of-mouth during my interviews with Cape Cod town officials and housing

organizations. Once I found a community that had regulations on STRs, I would gather further information by looking at news articles and town websites.

## **Interviews**

To gain a better understanding of the impacts that short-term rentals have had on Cape Cod, I conducted semi-structured interviews with town officials and local housing and economic development organizations. Interview participants included eleven town planners and housing employees, and four local housing and/or economic development organizations. These groups were chosen because of their direct interaction with the ongoing housing crisis and conversations and public opinion around STRs and regulation policies. Town officials from all 15 towns on Cape Cod were invited to participate in an interview and provide their feedback and nine towns participated.

Participants were identified through an online search of town planners and housing officials in each Cape Cod town and were recruited through email. Through conducting interviews, the list of potential interviewees expanded when participants identified other municipal officials who had knowledge and experience in short-term rentals and the local housing crisis. The interviews were conducted over Zoom and lasted from 30 to 60 minutes. A list of the interview questions can be found in the Appendix. I asked further clarifying questions of participants based on research I had found about the town's registration system or to expand on answers they had given to other questions.

To analyze my interviews, I manually coded the interview transcriptions based on themes, resulting in four overall themes:

- 1) Year-Round Housing Shortage
- 2) Why Owners Choose to not Rent Year-Round

3) Impact of Short-Term Rentals

4) Strategies to Increase Year-Round Housing Availability

The first theme has five sub-themes, and the fourth has two sub-themes, further detailed in Chapter 6, where I discuss interview findings.

These themes provided me with context around the specific local municipality (or municipalities) the participants were working for or with, as well as a regional context based on their knowledge of surrounding communities and the Cape as a whole.

## **Chapter 3: Literature Review**

This chapter includes a review of the history of short-term rentals, as well as the presence of short-term rentals in Cape Cod and the existing conditions of the local housing market. Additionally, this chapter discusses the impacts of STRs, including on housing costs, local tax revenue, the community, as well as opportunities that exist for STR regulation.

### **History of Short-Term Rentals**

Short-term rentals have had a long history in the U.S. and were more commonly referred to as vacation rentals before the creation of online sharing economy brands like Vrbo and Airbnb. In the 19th century, Americans slowly began adopting the long European tradition of families renting villas, cottages, and second homes of family and friends for vacations away from the city (Akande 2015). Second homes were rented out to family and friends for whole or parts of seasons, a practice that became widely embraced in the U.S. in the 1950s, after World War II (Hammond 2013; Dayao 2015). These vacation rentals were commonly shared informally among friends and family members but were eventually seen as a way to earn some income from homes that were underutilized from not being used year-round (Castelli 2023; Hammond 2015; Akande 2015). Before online platforms existed, homeowners advertised their vacation rentals in newspapers, through property management companies, and on signs posted outside of their units with phone numbers to call for bookings (Castelli 2023). These rentals were common for week-long stays, especially in beach towns where families would reserve a home for multiple family members to all stay in the same place. These vacation STRs allowed for renters to have more space, privacy, and flexibility than a traditional hotel or a bed and breakfast.

In 1995, Vrbo (Vacation Rentals by Owner) became the first online platform for short-term vacation rentals, allowing owners to rent out their entire unit easily (Keycafe n.d.). Soon

after Vrbo's creation, other online booking platforms for vacation rentals began to take off, all eventually being acquired under the merger company HomeAway (Ibid.). While Couchsurfing International started in 2004 as the first online platform to promote home-sharing as a way to connect travelers with local hosts, it was a non-profit organization until 2011. Thus, Airbnb, founded in 2008, became the first for-profit platform to allow guests to book single rooms in homes (Keycafe n.d.).

These sharing economy brands have allowed even more flexibility than the original weekly rentals of the previous century. While many Airbnb and Vrbo renters still book units or rooms for multiple days, other renters gain the flexibility of quicker getaway trips, including long weekends or even just an overnight stay. In some cases, Airbnbs or Vrbos can be more convenient and cheaper for guests than hotels, making them more appealing than traditional lodging.

In recent years, controversies have risen regarding short-term rental companies in general, but with Airbnbs at the forefront as the most notorious brand. Some feel that STRs allow owners to increase the use of their underutilized assets and promote community and business opportunities through encouraging tourism. Others, however, believe that STRs have negative impacts on local housing markets and community cohesion, and see them as commercial businesses operating in residential neighborhoods. The controversy over STRs has made its mark across Massachusetts and has been especially prominent in the discussions across the fifteen towns of Cape Cod, the islands of Nantucket and Martha's Vineyard, and other tourist communities in the Commonwealth.

## STRs and the Cape Cod Housing Market

Table 1 shows the population of each Cape Cod town along with the number of housing units, households, and STRs within each town. The table shows the number of housing units in excess to the number of households, indicating units that are not used as a primary residence, along with the percentage of housing units that are used as STRs.

**Table 1:** Population, Housing Units, Households, Units in Excess of Households, STRs, and STRs as Percent of Housing Units in Each Cape Cod Town

Town Name	Population	Total # of Housing Units	Total # of Households	Housing Units in Excess of Households	Total # of STRs	STRs as Percent of Housing Units
<b>Barnstable</b>	48,916	27,452	19,574	7,878	1,661	6%
<b>Bourne</b>	20,452	11,140	8,715	2,425	455	4%
<b>Brewster</b>	10,318	8,243	4,572	3,671	1,171	14%
<b>Chatham</b>	6,594	7,312	3,289	4,023	1,546	21%
<b>Dennis</b>	14,674	15,799	6,994	8,805	2,445	16%
<b>Eastham</b>	5,752	6,105	2,724	3,381	1,415	23%
<b>Falmouth</b>	32,517	22,817	14,237	8,580	1,522	7%
<b>Harwich</b>	13,440	10,485	6,076	4,409	1,123	11%
<b>Mashpee</b>	15,060	10,757	6,788	3,969	724	7%
<b>Orleans</b>	6,307	5,540	3,004	2,536	866	16%
<b>Provincetown</b>	3,664	4,983	1,996	2,987	1,599	32%
<b>Sandwich</b>	20,259	9,689	7,977	1,712	664	7%
<b>Truro</b>	2,454	3,001	1,031	1,970	915	30%
<b>Wellfleet</b>	3,566	4,263	1,975	2,288	1,151	27%
<b>Yarmouth</b>	25,023	17,299	11,037	6,262	1,424	8%
<i>Sources:</i>	<i>2020 Census</i>	<i>2020 Census</i>	<i>2022 ACS 5-yr</i>		<i>DOR July 2024</i>	

Short-term Rentals (STRs) have played a large role in Cape Cod's tourism economy long before the creation of Airbnb and Vrbo. However, with an increase in the number of homes converted to STRs, the impacts have not gone unnoticed. Cape Cod, like many U.S. communities, is in the midst of a local housing crisis, specifically experiencing low availability and high demand for year-round units, leaving any units that are available at a higher cost and out of reach for many LMI residents and workers (Sadlowksi 2022).

In 2010, the median home price on Cape Cod was about \$380,000 and a year-round rental was \$1,336 per month (Editorial Board 2023; Donahue Institute 2023a). The cost of buying a home in 2022, just 12 years later, increased by 76% to over \$670,000 and rental prices increased by 22% to an average of \$1,635 per month (Ibid.; Ibid.). The average income for Cape Cod households in 2010 was \$43,391 for renters and \$83,345 for owners, increasing to just \$50,090 for renters and \$92,209 for owners by 2020, a 15% and 11% increase respectively (Donahue Institute 2023a). This indicates that the average incomes of Cape Cod residents have not kept up with the rising costs of homes and rentals.

The housing crisis on Cape Cod has been exacerbated by the increase in both seasonal home ownership and STRs. Sharing economy brands like Airbnb and Vrbo have made it easier for owners to rent out their unit(s) for short periods of time but have also contributed to increasing home prices on Cape Cod (Editorial Board 2023). The number of units registered with the Massachusetts Department of Revenue (DOR) has steadily increased over the years. As mentioned in the Introduction, as of October 2023, there were over 17,000 STRs registered across the fifteen towns of Cape Cod, an increase of 71% from 2021, when there were just 12,100 units (calculated from DOR n.d.). As part of that increase, between August 2022 and

October 2023 alone, over 2,000 new units were registered as STRs on Cape Cod (calculated from DOR n.d.).

Additionally, while Barnstable County is home to 164,523 housing units, there are only 98,163 households, or 40% more housing units than households (U.S. Census Bureau 2022a). The number of units above the number of households represents seasonally vacant second homes.

This indicates the wide disparity between housing units that are used as a primary residence on Cape Cod and those used as a vacation home, while STRs are found in both (Data Cape Cod 2022). This large supply of seasonal homes and STRs on the Cape is exacerbating the housing shortage by leaving potential year-round units underutilized. The number of STRs is expected to continue to grow over the next five years, all while demand and need for housing is set to outpace supply by 2035 (Quinn and Coxe 2018; Donahue Institute 2023a). With an estimated demand of 188,000 to 198,500 units by 2035, the housing supply is projected to be short by about 11,000 to 22,000 units (Donahue Institute 2023a).

While homeowners who choose to rent out their units will experience a boost in income, the increasing number of STRs has meant that fewer units are available for rent or purchase for individuals and families who want to live year-round on Cape Cod.

The impact that the lack of available housing has had on the community extends beyond the housing market into the Cape's businesses and tourism economy. Local employers have experienced staff shortages around Cape Cod due to the lack of available and affordable units that their employees can buy or rent (Enwemeka 2023). The high cost of living is limiting employers in their ability to retain and attract workers (Donahue Institute 2023a). Employees who do retain jobs on Cape Cod may choose to live outside the Cape to save on costs,

committing to longer commutes when traffic increases during peak-season months (Enwemeka 2023). Ultimately, not everyone is able to make this commitment, which has resulted in employees deciding to leave or not take jobs, creating staffing shortages (Enwemeka 2023). Some employers have attempted to take matters into their own hands by offering down-payment assistance, purchasing workforce housing, or providing emergency assistance to employees (Donahue Institute 2023a). Ultimately, this kind of assistance is not feasible for most businesses and does not help to alleviate the financial burdens households are facing with housing costs across the Cape.

The housing crisis and the issue of STRs have been topics of conversation across all fifteen municipalities of Cape Cod in recent years, with differing responses and actions taken in order to monitor and regulate the impact of STRs. Many towns on Cape Cod have chosen to increase local tax rates for STRs as well as to create a registration process with associated fees. Several towns have also chosen to use third-party services in order to keep up with monitoring STRs not in compliance of their bylaws or to help with maintaining the registration process.

### **Impacts of STRs**

The regulation of STRs has become a topic of policy debate over the last decade, specifically around whether they should be allowed in general, and if they are allowed, what rules they should be held to (Garcia, Miller, and Morehouse 2021). One common concern over the presence of STRs is that they disrupt local housing markets, leading to housing cost increases, pricing local renters out of town. Other concerns regarding the expansion of STRs include positive impacts on local government tax collection and negative impacts on neighborhood residents.

## *Housing Costs*

Several studies have documented that short-term rentals increase housing costs (Mauricio 2023; Barron, Kung, and Proserpio 2020; Zou 2019; Bivens 2019; Horn and Mercante 2017). Some have found that restricting the number of STRs decreases both home prices and rents (Chen, Wei, and Xie 2022), while others found the opposite (Garcia, Miller, and Morehouse 2021). The limited but growing literature about STRs is inconclusive about their effect as they can have positive and negative cost impacts on local housing markets.

In 2021, the Center for Growth and Opportunity at Utah State University released a report on the impacts of STRs and home prices, finding contradictory results. A community experiencing an increase in STRs could lead to either an increase or decrease in housing prices. The report contributed these housing cost impacts to the net impact that STRs had on the positive or negative amenities and characteristics within the specific community or neighborhood studied (Garcia, Miller, and Morehouse 2021). The positive and negative amenities and attributes that were considered included the number of restaurants, parks, and lodgers, as well as density, crime rates, and rent prices. In West Hollywood, CA a 10% increase in Airbnb listings resulted in a housing cost increase of 1.55%.

In Santa Monica, CA, however, a similar increase in Airbnb listings caused home prices at first to decrease by 2.66%. In 2015, Santa Monica chose to implement an ordinance banning the rental of an entire unit for less than 30 days and required owners who wanted to rent their units to get a business license from the city. David Martin, the Director of Planning and Community Development in Santa Monica, stated in 2018 that the ordinance had been passed to ensure that residential rental housing would remain available to long-term residents. Martin also noted that STRs impacted the stability and character of the community, resulting in increased

rent prices. The Utah State University study found that in the years following the ordinance in Santa Monica, housing costs increased by 8% throughout the city (Garcia, Miller, and Morehouse 2021).

Opposingly, a study conducted by the University of Pennsylvania looked at a dataset of Airbnb listings in the U.S. along with rent prices and home prices and found that with an increase of 1% in Airbnb listings, it correlated with an increase of 0.018% in rent prices and 0.026% in home prices (Mauricio 2023). While these increases may seem small, they can create further cost burdens, especially for low-to-moderate income households. Additionally, another study conducted in Boston, MA found that an increase in the number of short-term rentals increased local rents for long-term residents and reduced the number of available year-round rentals (Horn and Merante 2017). Through their study, they found that a one standard deviation increase in Airbnb density in a given census tract correlated with a 0.4% increase in rent throughout Boston. Further, in the census tracts that had the highest number of Airbnb listings compared to total housing units, the increase in rents ranged from 1.3% to 3.1%. Additionally, they also found that a one standard deviation increase in Airbnb density correlated with a 5.9% decrease in the number of rental units available (Ibid.).

In addition to these studies, Josh Bivens of the Economic Policy Institute (EPI) conducted a cost-benefit analysis of Airbnbs, especially related to policymaking efforts regarding taxes and operating regulations. This analysis reports that the largest cost impact of Airbnb's expansion is the reduction of supply in housing as units shift from housing local, year-round residents to housing short-term travelers, which hurts local residents further by increasing housing costs (Bivens 2019). This is because when units are converted from a long-term rental to a short-term rental, the effects of supply and demand cause rents to increase as the availability of units

decreases (Mauricio 2023). Additionally, because investors are willing and able to pay a premium for units in popular and sought-after locations, especially in tourist communities, they ultimately price locals out of being able to buy a home (Mauricio 2023). This furthers the housing cost problem in these communities for both renters and homeowners.

The EPI analysis also notes that because housing demand is inelastic, even relatively small changes in the availability of housing supply can cause price increases. New York City is an example of this, with studies indicating that the introduction and expansion of Airbnbs in the city led to the average rent prices increasing annually by \$400 (Bivens 2019). This report also points out that Americans have a more pressing economic need for housing cost reduction rather than a cost reduction in travel accommodations, which is a noted benefit of the expansion of Airbnbs and other STR companies.

### ***Local Tax Revenue***

A guidebook developed by the Sustainable Economies Law Center suggests that because of the effects that STRs can have on housing affordability and displacement, cities should use most, if not all, earned tax revenue towards affordable housing initiatives or other social support services (Eskandari-Qajar and Orsi 2016). All communities on the Cape currently allocate tax revenue towards wastewater infrastructure, housing efforts, and/or the town's general fund; however twelve towns do not use their STR tax revenue towards housing initiatives. The guidebook argues that requiring taxes for all lodging types, including STRs and traditional lodgers, helps to level the playing field, treating STRs equally to traditional lodging business (Eskandari-Qajar and Orsi 2016).

While Massachusetts and Cape Cod as a whole have implemented larger taxes on short-term rentals in recent years, which will be further discussed in Chapter 5, the taxes imposed are

on all lodging types, including traditional lodgers like hotels, motels, and bed & breakfasts, which are competitors of STRs. The EPI report noted that another potential cost of the expansion of Airbnbs is the impact to local government tax collections if STRs expand enough to drive traditional lodgers out of business (Bivens 2019). On the Cape specifically, these taxes help to pay for vital projects like wastewater treatment and affordable housing development, but any decrease in traditional lodgers could lead to a decrease in tax revenues for municipalities (Bivens 2019).

### *Community*

The analysis conducted by Bevins and EPI discussed the potential impacts to neighboring properties when a home has absentee owners, or owners that reside outside of the property. These owners may be unaware of noise, parties, and late night disturbances coming from their property or may not realize the strain placed on the infrastructure in the neighborhood from increased guests (septic systems, parking, trash, etc.) (Bevins 2019). Bevins argues that short-term renters may have less of an incentive to care about the neighborhood they are staying in than a long-term renter would, and therefore may be more likely to cause disturbances in the area. Additionally, any drastic change to a neighborhood could impact the character of the community. In the case of STRs, because their presence can price long-term residents out of a community, it can also lead to a decreased community cohesion (Mauricio 2023).

A literature review conducted on the perceived impacts of Airbnb expansion by stakeholders included the positive and negative influences perceived by local communities and neighbors (Hati, Balqiah, Hananto, et al. 2021). While they noted that local residents and tourists can create social ties, establishing connections they otherwise may not have found, the review also notes concerns over contributions to gentrification and changes in local culture. These

changes can impact local authenticity and traditions (Ibid.). Additionally, they discuss how increased tourism from the expansion of Airbnbs contributes to the creation of job and business opportunities, providing economic benefits to communities (Ibid.). By contrast, the review also notes concern over locals experiencing increased competition for parking, access to public spaces, service at local retail, as well as issues with waste management and water scarcity (Ibid.).

### **Opportunities for STR Regulation**

Because the conversation around STRs and whether or not to regulate them is ongoing, Granicus, a third-party monitoring platform used by local governments to monitor STRs, released a guide for regulating STRs at the local government level (Binzer n.d.). These recommendations come with a reminder for communities to be intentional when thinking about their planning and policy goals, as well as the impact on the greater community, before deciding which type of STR regulation to adopt. An example given in the guide is that a community with a goal to revitalize their downtown and support local businesses likely should not commit to a complete ban of STRs. The guide recommends that officials make a list of specific goals they want to accomplish through any regulations they create to avoid those that would be unnecessary, contradictory, or even obstacles in furthering their objectives. For the purposes of assisting local governments, the guide simplifies the decision-making process by offering a list of potential policies that match goals towns commonly have. These recommendations include requiring an annual permitting process, permanent residency requirement, limiting the number of individuals who can stay or visit the property, as well as others depending on the goals of each specific community (Binzer n.d.).

In addition to this guide, the Sustainable Economies Law Center's guidebook establishes several recommendations for local governments when creating restrictions around STRs

(Eskandari-Qajar and Orsi 2016). The guide recommends establishing clear definitions within regulation policies in order to make the sanctions easy to understand and follow for everyone. Additionally, the recommendations suggest that short-term rentals be limited to primary residences and require registration renewals each year to ensure accurate and updated information. To help with enforcement, they recommend that cities require hosts to advertise their permit numbers in listings, and to help protect the wellbeing of tenants, that hosts adhere to basic standards for health and safety. While they do not recommend a required inspection, they do suggest requiring hosts to submit a self-inspection checklist along with their registration and require inspections in the event of safety complaints. The guidebook also takes into account the wellbeing of neighbors, suggesting cities create accessible channels for complaints to be filed if hosts are not following the specific sanctions set out in the registration policy. Additionally, in an attempt to preserve neighborhood quality, the guidebook also suggests that cities prohibit functions and events at STR properties, such as weddings and parties, to prevent noise. Lastly, as mentioned earlier, the guidebook also suggests that taxes earned from STRs are an important way to offset impacts on housing availability, as the revenue can be used towards housing projects and other social services (Eskandari-Qajar and Orsi 2016).

## **Chapter 4: Case Study Communities**

The purpose of this chapter is to review existing regulations and programs within other communities around the U.S. as ways to mitigate the impacts of short-term rentals and to promote an increase in availability of year-round homes and rentals.

Tourism communities around the U.S. have seen the impacts that STRs have had on their local housing markets and have started to implement regulations on STRs to help reduce the effects. These regulations have come in different forms, with some communities choosing to cap the number of registrations, some choosing to create tiered registration systems, and others choosing to establish residency requirements for hosts. The range of STR regulations can be seen in five communities: New York City, Los Angeles, San Diego, Fairhaven, and Somerville.

An alternative strategy to combating the impacts of short-term rentals on housing and communities as a whole are through financial incentive programs. These programs create opportunities for owners who see the financial benefits of operating a short-term rental instead of a year-round rental, especially for those who use their STRs revenue to pay for housing costs on their primary homes. The goal of these programs is to incentivize year-round occupancy of units for owners who have traditionally rented out their units short-term or who do not want their units to become STRs in the future. Financial incentive programs include payment stipends that support owners in renting their unit out year-round, as well as a deed-restriction program that pays larger sums to owners of units who rent out to a year-round tenant who is also a local employee.

## **Regulation of STRs**

### ***New York, New York - Registration and Primary Residency Requirements***

Starting on September 5, 2023, New York City began enforcing regulations that limit residents' ability to rent out their units as a STR, especially through formal sharing economy platforms like Airbnb and Vrbo (Zaveri 2023). The regulations began after the city decided that STRs rented through these platforms had contributed to rent increases and to the ongoing housing crisis across the city (Zaveri 2023). Under new regulations, hosts of units accepting stays that are less than 30 days must register with the NYC Mayor's Office of Special Enforcement (OSE) and be a permanent occupant of the dwelling unit they are renting out (City of New York 2023). Online booking platforms are responsible for preventing transactions between customers and unregistered or non-compliant STRs (Zaveri 2023). Any host or online platform found in violation of these regulations could face fines of up to \$5,000 for hosts, if they are repeat offenders, and up to \$1,500 for online platforms (Zaveri 2023).

In an attempt to fight against these regulations, Airbnb filed a lawsuit arguing that the process was unnecessarily complex, that STRs contribute greatly to New York City's tourism economy, and that exceptions should be made; however, the Airbnb lawsuit was dismissed (Zaveri 2023).

### ***Los Angeles, California - Tiered Permitting Structure, Fees, and Registrations***

Los Angeles' Home-Sharing Ordinance, enforced since November 2019, prohibits anyone from renting out units that are not their primary address and requires hosts to register their units and pay a fee (Los Angeles City Planning n.d.). Hosts can apply for one of two types of registrations: the standard home-sharing permit or the extended home-sharing permit (Los Angeles City Planning n.d.). The standard permit allows for the renting out of all or a portion of

a unit for up to 120 total days each calendar year and has a yearly fee of \$192 (Los Angeles City Planning n.d.). The extended permit allows for more than 120 days with a fee of \$1,030 each year (Los Angeles City Planning n.d.). In addition to the yearly registration fees, all hosts must pay a \$3.10 fee for each night that their units are rented (Los Angeles City Planning n.d.).

### ***San Diego, California - Tiered License Structure, Caps, Taxes, and Fees***

Since May 2023, STR owners in San Diego, California have been required to apply for a short-term rental occupancy (STRO) license and to obtain a transient occupancy tax (TOT) certificate in order to legally operate their STR (City of San Diego 2023a; City of San Diego 2023b). The TOT certificate requires that any unit rented to a transient (a renter/occupant) for less than 30 days pay a 10.50% fee each month directly to the City of San Diego (City of San Diego 2023b). STRO licenses are capped at one per person, and there are four tiers of STR eligibility, depending on the number of days rented, the location, and the number of rooms.

Tier one licenses are for hosts who rent out their units for less than 20 days each year, with no requirement for the owner to be onsite during the rental period. Tier two licenses are for hosts who rent a room or multiple rooms in their home for more than 20 days each year, with a requirement that the owner be onsite during the stay, but allowing for up to 90 days for the host to not be present each year (City of San Diego 2023a). Tier three licenses are for any rentals of an entire home for over 20 days each year where the owner does not need to be present. Tier four licenses have the same criteria as tier three, but are specifically for units located in the Mission Beach area of San Diego (City of San Diego 2023a). Application and licensing fees for each tier range from \$125 to \$1,075, with tiers one and two having no limit on the number of licenses that can be given, while tiers three and four have more specific limitations. The number of tier three licenses available are capped at 1% of the city's total housing units, excluding Mission Beach,

while tier four licenses are capped at 30% of the total Mission Beach area units (City of San Diego 2023a). These caps are intended to limit the number of short-term vacation rentals in the city in order to expand housing units to long-term residents.

After these regulations went into effect, it was found that some property owners were able to acquire additional licenses, despite the regulations limiting them to one per person (Molnar 2023). This is a result of owners using proxy hosts to register their units, allowing some to maintain multiple units as STRs instead of selling them or renting them out long-term to tenants (Molnar 2023).

### ***Burlington, VT - Residency Requirement, Fees, Preservation of Affordable Housing***

In August 2022, the City of Burlington, Vermont enacted legislation that limited the conversion of year-round housing to STRs in a way that attempted to both preserve housing supply while also allowing for homeowners to generate income from renting out their properties.

The limitations around STRs restrict them to only be “on-site” of the host’s primary residence, with some exceptions. An “on-site” STR means that it is located in the host’s primary residence, a dwelling unit on the same lot, or in the same building that the host occupies. The only exceptions to the primary residence requirement, where the host is not required to be on site, are if the unit is a seasonal home or is within a building with two or more units where the host rents the additional unit(s) to a tenant receiving federal or state rental assistance or is rented out as an affordable unit, in addition to any existing inclusionary zoning requirements (City of Burlington n.d.). The City of Burlington exempts seasonal homes from the primary residency requirement because homes with the seasonal home designation in Burlington are not able to be used year-round, as they lack the heating necessary for winter and are typically located along Lake Champlain (Burlington Housing Manager, email message to author, August 5, 2024).

These units cannot be occupied between November 1<sup>st</sup> and March 31<sup>st</sup>, and the seasonal home designation is given by the City Assessor (Ibid.). The exemption from the primary residency requirement for STRs allows for these units to be used by tourists instead of remaining vacant when owners are not using their home (Ibid.).

In addition to these restrictions, hosts must also register their STRs with the city, and are required to pay a registration fee of \$110 annually for whole unit registrations or \$80 annually for partial unit registrations (City of Burlington n.d.). All STRs in Vermont are also taxed at a rate of 9% for the Meals & Rooms Tax (State of Vermont n.d.).

When discussing and working on potential options for regulations, the City of Burlington understood the impacts that STRs were having on their local housing supply and started to contemplate banning them. However, after receiving feedback from the community, they determined that allowing some STRs was beneficial to the local economy and the community (City of Burlington n.d.). STRs have financially benefited both the town, through generating tax and tourism revenue, and Burlington homeowners who are renting out their units (City of Burlington n.d.). Additionally, the city has created regulations around STRs that have the potential to benefit the community through the creation of affordable housing units if owners want the ability to rent out additional units.

### ***Fairhaven, MA - Registration Caps, Fees***

Fairhaven, Massachusetts is located about 25 miles west of the entrance to Cape Cod. In June 2021, the town enacted a new short-term rental bylaw for the purposes of protecting the health, safety, and welfare of both the rental occupants and the general public (Town of Fairhaven 2021). The bylaw was created with the intention of providing the orderly operation of

STRs within the town and to prevent impacts on the availability and prices of housing, the character of the communities, and the existing infrastructure.

The Fairhaven STR Bylaw began capping the number of STR registrations in 2022 to 140 units at any given time. At that time, the town had 7,718 housing units (U.S. Census Bureau 2022b). STRs can only operate in single-family, two-family, or multi-family units and the bylaw specifically excludes accessory-dwelling units (ADUs) from being able to operate as a STR (Town of Fairhaven 2021). These limitations and caps apply to the town as a whole, regardless of location in town or in specific neighborhoods. All registrations are valid until the following December 31st and have an annual fee of \$200. Registrations are not transferable, even upon sale of the unit within the same year of a registration. STRs are restricted from being rented out for less than one day and for commercial or meeting purposes (Town of Fairhaven 2021). There is a mandatory initial inspection for all registered units with a required follow-up inspection every two years.

Additionally, in an attempt to combat against impacts of STRs to neighborhood character, the town of Fairhaven has also adopted a requirement for registration applicants to notify abutters within 300' of their property about their application for STR registration. The town will also post the contact information for STR owners on the town website, along with information needed in order for neighbors to file a complaint when they feel there is an issue. Ultimately, as a town with little tourism history, this was viewed as a step towards preventing their community from being impacted by STRs and in a way getting out ahead of it.

### ***Somerville, MA - Primary Residence Requirement, Fees***

The City of Somerville, Massachusetts adopted a short-term rental policy in 2020 requiring that STRs be rented only out of an owner or renter's primary residence. The policy

restricts owners of multiple units to only rent out their own unit as a STR, even if they have additional units within the same building. This policy requires owners to be on property during tenant stays, but allows for them to be away for up to 90 days within a calendar year. Owners of STRs are required to apply for a rental certificate prior to operation, with an application and certification fee of \$250 (City of Somerville 2023). The policy also prohibits owners from renting to multiple parties, even if occupying different bedrooms, which limits owners from being able to have multiple postings on rental sites for different bedrooms (City of Somerville 2023). The policy also limits the number of STR tenants to a maximum of ten people, or two people per bedroom, whichever is fewer (City of Somerville 2023).

### **Financial Incentive Programs**

#### ***Vail InDEED - Vail, Colorado***

Created in 2017, Vail's InDEED program was established in order to create more affordable housing for year-round residents and local employees by allowing the town to purchase permanent deed restrictions from homeowners and developers to limit future occupancy to workers in Eagle County (HUD n.d.). The program was created out of a local need for workforce housing, especially to support the tourism sector. The program is funded through the Town of Vail's general fund and is managed by the Vail Housing Authority (VLHA) (HUD n.d.). This program has allowed for the creation of deed restrictions on nearly 200 properties in Vail, and the town's goal is to acquire a total of 1,000 properties by 2027 (HUD n.d.).

A deed-restricted unit may be occupied by the owner or by another tenant, but in either case the unit must be used as the individual's primary residence and the owner or tenant must work in Eagle County, Colorado for a minimum of 30 hours per week (Town of Vail n.d.). While the program's deed restrictions are permanent, there is no cap on the appreciation of a unit or on

its sales price (Town of Vail n.d.). Additionally, if an owner has multiple properties, there is no limit on the number of units they can deed restrict (Town of Vail n.d.). How much an owner gets for a deed restriction is based on the town's assessment of a fair value for the property, which is done through an appraisal, a comparison of similar properties, and through negotiation between the homeowner and the Board of Vail Housing Authority (Town of Vail n.d.).

While Vail is a smaller community than all but three of the fifteen towns on Cape Cod, with just 4,835 full-time residents and about 5,000 part-time residents, the ski and snowboard community brings in a large seasonal tourism crowd of about 1.6 million visitors each winter (Vianna 2022; U.S. Census Bureau 2022d). As of 2020, Vail had 7,300 housing units and as of 2022, 2,370 households, meaning that only 30% of housing units are occupied by full-time residents (U.S. Census Bureau 2022d). Because of Vail's uniqueness as a seasonal tourism community, they have seen similar housing shortages as Cape Cod due to the large number of units used for vacation homes or as STRs.

Since Vail's enactment of this program, nearly 20 other communities in the U.S. have adopted or are beginning to adopt similar programs, including Park City, Utah and Old Forge, NY (Feiereisel 2022).

### ***Rent 365 Program by Housing Assistance Cape Cod - Cape Cod, MA***

In 2018, the organization Housing Assistance Corporation (HAC) in Cape Cod launched a pilot financial incentive program called Rent 365 (Cape & Plymouth Business 2024). The program was designed to provide housing stipends to STR owners to agree to a year-round lease and provide them with a stipend of \$1,000 to offset some of the costs associated with converting their unit from a STR to a year-round rental. The initial program helped to convert 26 units

within the first year of the program, but was eventually paused due to a lack of funding (Cape & Plymouth Business 2024).

The program has recently received a donation to help it relaunch and will now provide a stipend of between \$2,000 and \$3,000 for owners to convert their STR to a year-round rental. The stipend amount is based on bedroom size, with 1-BR units receiving \$2,000, 2-BR units receiving \$2,500, and 3 or more - BR units receiving \$3,000 (HAC 2024a). The landlords and properties involved in the program are limited to receiving the stipend only once, and the properties must not have been rented out year-round within the previous three years (HAC 2024a). Landlords are required to maintain their property as a year-round unit for an additional year after the initial lease (HAC 2024b). If owners do not maintain their property as a year-round rental for the additional year, they will be required to refund the stipend (HAC 2024b).

HAC has stated that the community will benefit from this program by providing additional units in order to help reach local housing goals and needs for the year-round workforce on Cape Cod (HAC 2024b).

### ***Lease to Locals by Placemate - Several Locations***

Placemate, previously named Landing Locals, is a marketplace for rentals located in participating communities that are considered vacation towns, defined as municipalities where a large portion of the housing stock is used as second homes or STRs. Their mission is to help locals, especially workers, of these communities find housing (Placemate n.d.). Placemate acknowledges the important impact workers have on tourism communities and how the lack of available housing for workers can be a detriment to both the tourism industry and communities as a whole (Placemate n.d.). Placemate began their Lease to Locals program as a quick way to convert existing housing stock to new rental housing by providing homeowners with cash

incentives to convert their properties into new long-term rentals for local workers (Placemate n.d.).

The Lease to Locals program currently operates in eight tourism communities within the U.S., including Woodstock, Vermont; Eagle County, Colorado; Eastern Placer County, California; South Lake Tahoe, California; Wood River Valley, Idaho; Nantucket, Massachusetts; and Provincetown, Massachusetts. The latter will be discussed further in the next chapter. Across these eight communities, the Lease to Locals program has helped to unlock 541 new units and house 1,217 people (Placemate 2024a).

The Lease to Locals programs are overseen and funded by the local governments the program is serving or by non-profits. Placemate serves as a third-party that works with local housing experts to gather information on the types of housing inventory local municipalities would like to target with their incentive program. Once they have established the best structure and amounts for a community's incentive structure, Placemate organizes applications for potential homeowners and helps to maintain listings of available units on their website for qualified tenants (Placemate 2024a). Placemate is also in charge of compliance of the program as well as collecting information and data on the impact the program is having on the community and availability of housing (Placemate 2024a).

This program allows for the customization of incentive programs that best meet the needs of each community. Other communities with Lease to Locals programs even have incentive opportunities for both five-month and full-year leases. The five-month leases may help to incentivize homeowners who might be unable to commit to a full-year lease, but could still support tourism workers. Overall, the Lease to Locals programs exist to help communities

encourage owners to convert their units from STRs to longer-term leases by offsetting the cost of switching.

The island of Nantucket, Massachusetts, which had 12,169 housing units in 2020, began its Lease to Locals program September 1st, 2023 (U.S. Census Bureau 2022c). The program has been paused since February 1st, 2024 due to a lack of funding. However, despite the pause, over four months the program helped to house 53 people and helped unlock 23 new units that were previously not used as year-round housing (Placemate 2024b). The program was started by a non-profit, ACKNow Community Initiatives (ACKNow CI 2023), which was formed to identify initiatives to help protect and improve the quality of life for the year-round community on Nantucket (Placemate 2024b; ACKNow CI 2023). The island has seen a decrease in available housing by 600 units in the last ten years, which has resulted in a decrease in workers for the most vital sectors on the island (Placemate 2024b). These sectors include education, healthcare, local government, and other essential local businesses and services (Placemate 2024b).

Nantucket's Lease to Locals program was awarded \$400,000 in private funding from ACKNow CI, with homeowners being able to receive between \$4,500 to \$27,000, depending on bedroom size and number of qualified tenants. Each property is eligible to receive no more than two grants (Placemate 2024b). In order to qualify for the Nantucket program, an owner cannot charge more than \$5,000 in monthly rent for their unit, with a suggested rent of between \$1,000 to \$1,500 per month per bedroom. A qualified household for the Nantucket program must have at least half of the adults in the home working and must not have a blood relation to the owner. A qualified tenant must meet one of the following qualifications (Placemate 2024b):

- a. Be employed year-round at least 30 hours per week (or over 1,500 hours per year) for any employer based in Nantucket or with a physical location in Nantucket.
  - i. Exceptions to the 1,500 hours per year requirement can be made for employees in the education sector

- b. Meet one of the following exemptions:
  - i. Be a person who is unable to work or does not have a work history due to qualifying for disability as defined by the Americans with Disabilities Act (ADA)
  - ii. Be a full-time, single parent or guardian of a child under the age of 4
  - iii. Be a full-time, informal caregiver of a child or an adult with a disability if either caregiver or care-recipient lived in Nantucket for at least the five previous continuous years
    - 1. A caregiver is defined as a person who resides with a person(s) with disabilities who is:
      - a. Essential to the care and wellbeing of the person(s);
      - b. Not obligated to support the person(s) with the disabilities; and
      - c. Would not be living in the unit except to provide the necessary supportive services

Ultimately, Nantucket’s Lease to Locals program was the first of its kind as funding was received through private funders, rather than from government funding (Geddes 2023). The program was determined to be a success and is continuing to accept wait-list applications from owners for when additional funding is raised (Placemate 2024b).

### ***Landlord Incentive Program - Boston, MA***

The Landlord Incentive Program was created by the City of Boston in 2020 and specifically aims to support landlords who rent to Boston households who are experiencing and moving out of homelessness (City of Boston 2024). The program provides financial incentives to landlords in the form of sign-on and unit retention bonuses and will also pay broker fees and cleaning fees. The program additionally provides support to both tenants and landlords, and has established a customer service line for landlords to call about referrals as well as any tenant issues. The program was created by the City in an attempt to provide landlords with enough financial incentive and motivation to outweigh any hesitation about renting to households experiencing homelessness (Brinker 2023). While there is nothing to prevent rent increases or to

tenant evictions, the financial incentives and benefits landlords receive from participating in the program means that they can make more money than by renting to market-rate tenants (Brinker 2023).

As of February 2023, the program had helped place over 160 people into units (Brinker 2023). A program similar to this may work in communities that are experiencing a low availability of year-round leases, especially in communities where landlords are hesitant to rent their homes to tenants in general. This program could not only provide financial incentives to landlords, but also support in order to prevent conflict between tenants and owners. This ultimately can work to create a system that encourages owners to rent their units, which has the potential to protect year-round rental housing stock.

## **Chapter 5: Existing Conditions and Regulations on Cape Cod**

Cape Cod makes up the entirety of Barnstable County, Massachusetts and contains fifteen towns. The region is split up into four sections: Upper Cape, Mid Cape, Lower Cape, and Outer Cape.

The Commonwealth of Massachusetts defines STRs as an apartment, house, cottage, condominium, or furnished accommodation where at least one room or unit is rented out for a short period of time and is not within a traditional lodging establishment (i.e. hotel, motel, lodging house, or bed and breakfast) (DOI 2019). STRs are required to be registered each year through the Massachusetts Public Registry of Lodging Operators, which is made available to the public to allow consumers to find information about STRs within each community (DOR n.d.). This registry is managed by the Department of Revenue (DOR) and the Executive Office of Housing and Economic Development (EOHED) (DOR n.d.). In addition to the required state

registry, individual municipalities may have their own registration requirements and limitations for operating STRs.

STRs in Massachusetts are charged a 5.7% state room occupancy excise tax, which goes directly to the Commonwealth. Municipalities have the ability to charge an additional local occupancy excise tax of up to 6% (DOR 2023). All fifteen municipalities on Cape Cod have opted to increase their local occupancy excise tax to 6%, with Sandwich being the most recent to increase it from 4% to 6% in July 2024 (DLS 2024a). Municipalities in Massachusetts may also choose to implement a 3% Community Impact Fee, which is charged to owners who have two or more STRs within the same town (DOR 2023; DLS 2024a). Currently, only three of the fifteen municipalities have opted to implement a Community Impact Fee: Wellfleet, Provincetown, and Falmouth (DLS 2024bx). In addition to the state and local excise taxes and the 3% Community Impact Fee, all STRs in Barnstable County are also required to pay a 2.75% fee for the Cape Cod and Islands Water Protection Fund (CCIWPF) (DOR 2023).

The CCIWPF was established in 2018 and is operated by the Massachusetts' Clean Water Trust to provide funding to Cape Cod and Islands towns for water infrastructure and water quality remediation projects; this fund specifically charges fees to traditional lodgers as well as STRs (Cape Cod Commission n.d.). From September 2022 to November 2023, the Cape Cod and Islands Water Protection Fund earned almost \$30 million (\$29,996,547) from all 15 towns on Cape Cod (Cape Cod Commission, email message to author, February 22, 2024). While this amount is not broken down by lodging type, it does show the significant funds that the CCIWPF earned in one year, allowing it to make an impact through funding community projects. The CCIWPF subsidizes a portion of several water and wastewater projects on Cape Cod and the islands of Nantucket and Martha's Vineyard each year. In addition to this fund, every town on

the Cape utilizes at least a portion of the revenue earned from taxes on short-term rentals and other lodgers towards funding local wastewater stabilization projects, offsetting some of what the state and the CCIWPF does not cover.

As mentioned earlier, several municipalities within Cape Cod have also established additional registration requirements, most with fees associated with the application. Below is a breakdown of costs for fees and rates for taxes that STRs in each Cape Cod town are subject to in order to remain in operation.

**Table 2: Cape Cod Registration Requirements, Taxes & Fees, and Water Protection Fund Contributions**

Town	Total # of STRs	STR Registration Requirement	STR Registration Fee per unit per year as of May 2024	Taxes Earned in FY 23	Community Impact Fee earned in FY 24	Cape & Islands Water Protection Fund Contribution for all Lodgers - Sept '22 to Nov '23
<b>Barnstable</b>	1,661	Yes	\$90 <sup>1</sup>	\$1,853,550	N/A	\$3,510,974.27
<b>Bourne</b>	455	No <sup>2</sup>	N/A	\$841,620 <sup>4</sup>	N/A	\$578,907
<b>Brewster</b>	1,171	No	N/A	\$1,488,828	N/A	\$1,916,631.70
<b>Chatham</b>	1,546	Yes	\$50	\$1,769,561	N/A	\$3,890,761.14
<b>Dennis</b>	2,445	Yes	\$250	\$2,477,000	N/A	\$2,413,323.79
<b>Eastham</b>	1,415	Yes	\$75	\$1,534,015	N/A	\$1,394,310.89
<b>Falmouth</b>	1,522	Yes	\$50	\$1,502,961	\$69,081	\$2,687,057.94
<b>Harwich</b>	1,123	Yes	\$200 <sup>3</sup>	\$1,839,278 <sup>4</sup>	N/A	\$1,824,813.98
<b>Mashpee</b>	724	Yes	\$100	\$889,462.89	N/A	\$643,911.93
<b>Orleans</b>	866	Yes	\$0	\$1,296,643	N/A	\$1,066,379.97
<b>Provincetown</b>	1,599	Yes	\$750	\$2,154,254	\$148,078	\$3,364,412.19
<b>Sandwich</b>	664	No	N/A	\$320,209	N/A	\$915,567.32
<b>Truro</b>	915	Yes	\$450	\$1,839,393 <sup>4</sup>	N/A	\$1,257,522.27
<b>Wellfleet</b>	1,151	No	N/A	\$1,619,850 <sup>4</sup>	\$100,546	\$1,109,331.62
<b>Yarmouth</b>	1,424	Yes	\$80	\$1,739,839.84	N/A	\$3,422,641.19

<i>Sources</i>	<i>DOR July 2024</i>	<i>Communications from town officials 2024</i>	<i>Communications from town officials 2024</i>	<i>Communications with town Treasury and Financial Departments 2024</i>	<i>DOR Data Analytics and Resources Bureau 4/30/24</i>	<i>Communication with Cape Cod Commission, February 22, 2024</i>
<b>Notes</b>						
1: \$90 per unit per year, unless on same parcel, in which case is \$25 for each additional unit						
2: Bourne has a voluntary rental registration						
3: \$50 per unit every 90 days adds up to \$200 if you rent your STR year-round						
4: These towns did not report the breakdown of what revenue was earned from STRs vs. Traditional Lodgers, so this includes the total for all lodging types (DOR Division of Local Services (DLS) 2024).						

**Table 3:** Population, Number of Housing Units, Number of STR units, and STR Tax Percentage of each Cape Cod town

<b>Town Name</b>	<b>Population</b>	<b>Total # of Housing Units</b>	<b>Total # of STRs</b>	<b>STR Tax Percentage</b>
<b>Barnstable</b>	48,916	27,452	1,661	14.45%
<b>Bourne</b>	20,452	11,140	455	14.45%
<b>Brewster</b>	10,318	8,243	1,171	14.45%
<b>Chatham</b>	6,594	7,312	1,546	14.45%
<b>Dennis</b>	14,674	15,799	2,445	14.45%
<b>Eastham</b>	5,752	6,105	1,415	14.45%
<b>Falmouth</b>	32,517	22,817	1,522	17.5%
<b>Harwich</b>	13,440	10,485	1,123	14.45%
<b>Mashpee</b>	15,060	10,757	724	14.45%
<b>Orleans</b>	6,307	5,540	866	14.45%
<b>Provincetown</b>	3,664	4,983	1,599	17.5%
<b>Sandwich</b>	20,259	9,689	664	14.45%
<b>Truro</b>	2,454	3,001	915	14.45% <sup>1</sup>
<b>Wellfleet</b>	3,566	4,263	1,151	17.5%
<b>Yarmouth</b>	25,023	17,299	1,424	14.45%

<i>Sources</i>	<i>2020 Census</i>	<i>2020 Census</i>	<i>DOR July 2024</i>	<i>DLS July 2024a</i>
<i>Notes:</i> 1: Will increase to 17.5% in 2025				

## **Upper Cape - Bourne, Sandwich, Mashpee, and Falmouth**

### ***Bourne***

The town of Bourne does not currently have a mandatory rental registration process for any type of rental. Bourne is one of four towns on Cape Cod - along with Brewster, Sandwich, and Wellfleet - that have no required local registration for any rental types, including longer-term rentals. Bourne only has a voluntary registration through the Board of Health, which began in 2019 and there are no fees associated with the voluntary registration (Town of Bourne 2019). The only required registrations for STRs in Bourne are through the Massachusetts DOR registry.

Bourne does tax the full 6% for local excise taxes on rooms, but does not charge a Community Impact Fee, meaning that Bourne’s current total tax rate and fees on STRs is 14.45%. Lodgers in the town of Bourne contributed \$578,907 to the Cape Cod and Islands Water Fund between September 2022 and November 2023, which includes earnings from both STRs and traditional lodgers (Cape Cod Commission, email message to author, February 22, 2024). Lodgers in Bourne also raised \$841,620 in local excise taxes in FY 2023, which includes all lodging types (STRs, motels, hotels, and B&B’s) (DLS 2023). The town did not report a breakdown of what they earned in revenue for just STRs in FY 2023, or what that money was going towards.

### ***Sandwich***

Currently, the town of Sandwich does not require registrations for any type of rental property, including year-round units. This means the only registration for STRs in Sandwich are through the Massachusetts DOR registry.

Before July 2024, Sandwich was the only town on Cape Cod to only charge 4% for their local excise tax, which they maximized to the allowable 6% as of that date (DLS 2024a). The new rate brings the town's current total tax rate and fees for STRs up to 14.45%, from 12.45% which was previously the lowest across the Cape. From their former tax rate, the town of Sandwich earned just \$320,209 from local excise taxes in FY 2023, the lowest earnings for any Cape community that reported earnings (Table 2). The money received from taxes on lodgers in Sandwich goes mostly towards the town's general fund, with a small portion going to two local visitor boards (Sandwich Financial Director, email message to author, May 6, 2024). The Cape Cod and Islands Water Fund received \$915,567.32 from Sandwich lodgers, which include both traditional lodgers and STRs (Cape Cod Commission, email message to author, February 22, 2024). The increase of the local excise tax for STRs brought Sandwich in line with the other fourteen towns.

### ***Mashpee***

Mashpee approved their Short-Term Rental Regulation bylaw in March 2020, requiring all STRs to be registered and inspected through the Board of Health. The rental registration costs \$100 annually per unit (Lehrer, Evan, Interview by author, March 11, 2024).

Mashpee's current tax rate on STRs is 14.45%, earning \$889,462.89 in FY 2023 (Mashpee Financial Director, email message to author, May 6, 2024). Currently, 75% of the funds earned from taxes on STRs in Mashpee go towards the town's Wastewater Stabilization Fund, and the remaining 25% is deposited into the town's general fund to go towards operations (Mashpee Financial Director, email message to author, May 6, 2024). Lodgers in Mashpee contributed \$643,911.93 to the Cape Cod and Islands Water Protection Fund between September 2022 and November 2023 (Cape Cod Commission, email message to author, February 22, 2024).

## ***Falmouth***

Falmouth has a rental registration requirement for both short-term and year-round rentals to be registered through the Health Department (Falmouth Health Department, email message to author, March 11, 2024). The registration costs \$50 per unit annually for all rental types (Falmouth Health Department, email message to author, March 11, 2024).

Falmouth is one of three Cape Cod communities to have enacted the 3% Community Impact Fee, bringing Falmouth's current tax rate on STRs to 17.5%. Through these taxes and fees, the town of Falmouth has collected \$1,502,961 in local excise taxes, which is partially allocated to affordable housing (Falmouth Finance Director, email message to author, May 7, 2024; Town of Falmouth 2024). The Town Manager recently sent forth a proposal to require either  $\frac{1}{2}$  of the revenue earned from the rooms excise tax or \$850,000, whichever number is greater, to be allocated to affordable housing (Falmouth 2024). The remaining earnings from the rooms excise tax will go towards Falmouth's general fund (Falmouth Finance Director, email message to author, May 7, 2024). From the Community Impact Fee, Falmouth earned \$139,819 in FY 2023, and they have earned \$69,081 as of Q3 in FY 2024 (DLS 2024b). Additionally, lodgers in Falmouth contributed \$2,687,058 to the Cape and Islands Water Protection Fund between September 2022 and November 2023 (Cape Cod Commission, email message to author, February 22, 2024).

Additionally, in April 2024, Falmouth's Planning Board voted to approve the creation of a short-term rental working group (Saito 2024). The goal of this group is to craft a potential bylaw or other regulation around STRs and present their recommendations at Town Meeting in April 2025, with the understanding that the working group may recommend that no action or

changes be made (Saito 2024). This shows the ongoing progress municipalities are making to address concerns over the impacts of STRs.

## **Mid Cape - Barnstable, Yarmouth, and Dennis**

### ***Barnstable***

Any property in Barnstable that is used as a STR is required to register through the town's Board of Health (Town of Barnstable 2020). This requirement began in 2020, while non STR rentals have been required to register since 2006 (Town of Barnstable 2020). The fee for registration is \$90 per unit annually, unless there are multiple STRs on the same parcel, in which case the fee is \$25 per any additional unit (Town of Barnstable 2020). Any owner not in compliance with this registration may receive a \$100 citation (Town of Barnstable 2020). The town additionally has a rental compliance hotline that is available 24/7 for neighbors to make complaints directly to the town if they believe someone is renting out their units without registering it (Town of Barnstable 2020). The town of Barnstable also uses the third-party tracking software, Granicus, to assist with monitoring compliance (Oldham 2024).

Barnstable's current total taxes and fees on STRs is 14.45%. In FY 2023, Barnstable earned \$1,853,550 from taxes on STRs, and all taxes will go towards funding of its Comprehensive Wastewater Management Plan (Barnstable Finance Director, email message to author, May 2, 2024). Additionally, lodgers in Barnstable contributed \$3,510,974.27 to the Cape Cod and Islands Water Protection Fund between September 2022 and November 2023, making it the second largest contributor to the fund that year, after Chatham (Cape Cod Commission, email message to author, February 22, 2024).

## ***Yarmouth***

All STRs in Yarmouth must be registered each year through the Department of Health, with a current fee of \$80 per unit annually (Town of Yarmouth 2023). Additionally, owners of STRs are prohibited from renting their units for less than two consecutive days (Town of Yarmouth 2022). STRs may only be used for residential use, and cannot be used for parties, events, weddings, etc. in order to help preserve the character of the neighborhood and limit impacts on neighbors (Town of Yarmouth 2022).

Yarmouth has not opted into the Community Impact Fee, leaving their taxes and fees for STRs at 14.45%. In FY 2023, Yarmouth earned \$1,739,839.84 from local excise taxes on STRs, with 75% of taxes earned from short-term rentals going towards its Wastewater Stabilization Fund, and the remaining 25% going towards Yarmouth's general fund (Yarmouth Town Treasurer, email message to author, May 8, 2024). Lodgers in Yarmouth contributed \$3,422,641.19 to the Cape Cod and Islands Water Protection Fund between September 2022 and November 2023 (Cape Cod Commission, email message to author, February 22, 2024).

## ***Dennis***

On November 15, 2023, the Dennis Board of Health voted to implement a Short-Term Rental Regulation, requiring all STRs to have a rental certificate beginning in March 2024 (Town of Dennis 2024). STRs in Dennis must pay a registration fee of \$250 per unit annually, with the fee set to increase in 2025 to \$500 per unit annually (Vaughn 2024). This fee was passed through Town Meeting in February 2024, as well as a proposal to use 80% of the STR registration fees towards funding the town's Wastewater Stabilization Fund, with the remaining 20% being deposited to the town's general fund (Vaughn 2024).

Dennis has not yet enacted a Community Impact Fee, which leaves their taxes and fees for STRs at 14.45%. The town of Dennis earned \$2,477,000 in FY 2023 from local excise taxes, with one-third of revenue from these taxes going towards its Wastewater Stabilization Fund and two-thirds going towards the General Fund (Dennis Finance Director, phone call May 29, 2024). Additionally, lodgers in Dennis contributed \$2,413,323.79 to the Cape Cod and Islands Water Fund between September 2022 and November 2023 (Cape Cod Commission, email message to author, February 22, 2024).

## **Lower Cape - Orleans, Brewster, Chatham, and Harwich**

### ***Orleans***

The Town of Orleans passed a bylaw in 2023 requiring rental registrations for all rentals, including for seasonal rentals through the Assessing Department (Town of Orleans 2023). Owners of all rental types are required to register their units annually, but there is no fee for registering any type of unit (Town of Orleans 2023). Penalties for non-compliance of the Rental Registration Bylaw are subject to written warnings for a first offense, a \$100 fine for a second offense, and a \$200 fine for every offense after that (Town of Orleans 2023). Orleans is the only town on Cape Cod with a registration requirement but no registration fee.

Additionally, Orleans does not currently impose the Community Impact Fee to owners of STRs with more than two units, leaving their taxes and fees at 14.45% for STRs. In FY 2023, Orleans made \$1,296,643 in local excise taxes from STRs (Orleans Town Treasurer, email message to author, May 3, 2024). The earnings from taxes on STRs in Orleans are put towards their local wastewater treatment project (Orleans Town Treasurer, email message to author, May 3rd, 2024). Lodgers in Orleans contributed \$1,066,379.97 to the Cape Cod and Islands Water

Fund between September 2022 and November 2023 (Cape Cod Commission, email message to author, February 22, 2024).

### ***Brewster***

Brewster does not currently require STRs to register with the town in any capacity and is one of four towns who have no rental registration requirements. In November 2023, two articles were filed through citizen petitions at Town Meeting, one proposing the creation of a registration with a \$150 fee per unit, and the other proposing a limitation of two STRs per Brewster resident and one STR per non-resident (Cape Cod Chronicle 2023a). A decision on these articles was postponed indefinitely in order to allow community and council members time to refine the articles and make a decision (Cape Cod Chronicle 2023a).

The tax rate for Brewster STRs is 14.45%, and they have not enacted a Community Impact Fee. The Town of Brewster earned \$1,488,828.00 from local excise taxes on STRs in FY 2023 (Brewster Finance Director, email message to author, May 28, 2024). The town's current policy allots 50% of the taxes earned from STRs to go towards the Affordable Housing Trust, 25% to Capital Stabilization, 15% to Water Quality Stabilization, and the remaining 10% to the General Fund for other investments (Brewster Finance Director, email message to author, May 28, 2024). Lodgers in Brewster contributed \$1,916,631.70 to the Cape Cod and Islands Water Protection Fund (Cape Cod Commission, email message to author, February 22, 2024).

### ***Chatham***

In April 2023, the Chatham Board of Health adopted short-term rental regulations which require all STRs to be registered by March 2024 (Clapp 2023). While inspections are not currently required, property owners need to sign an affidavit stating that their rental unit meets the requirements of regulations, but the town may inspect a unit if concerns are brought to their

attention regarding health and safety (Cape Cod Chronicle 2023b). Registration fees for STRs are \$50 per unit each year and the STRs are not transferable upon the sale of the property (Town of Chatham 2023).

Chatham's tax rate for STRs is 14.45%, and in FY 2023 the town earned \$1,769,561 from local excise taxes on STRs, which is all allotted to the general fund (Chatham Finance Director, email message to author, May 3, 2024). Lodgers in Chatham contributed \$3,890,761.14 to the Cape Cod and Islands Water Fund between September 2022 and November 2023, making Chatham the largest contributor to the fund that year (Cape Cod Commission, email message to author, February 22, 2024).

### ***Harwich***

The town of Harwich requires any owner that rents their unit for 90 days or less to register with the Harwich Building Official, and their registration is valid for 90 days (Town of Harwich n.d.). Once the 90 days have ended, the owners will have to reregister, and the fee for registration is \$50 per unit per registration (Town of Harwich n.d.). This means an owner who rents out their STR year-round would require four registrations per unit per year, for a total of \$200. There is no inspection required, the owners only have to verify that their home is up to code, that there are carbon monoxide and smoke detectors, and that decks and stairs have guardrails and handrails (Town of Harwich n.d.).

Harwich's tax rate for STRs is 14.45%, and the town earned \$1,839,278 from local excise taxes on all lodging types in FY 2023 (DLS 2023). This revenue is a combination of all lodging types, including STRs, hotels, motels, and B&B's. Room taxes earned from STRs and other lodgers in Harwich are split in half, with one portion going towards the operating budget within the town's general fund, and the other half evenly going towards two special purpose funds, one

for wastewater and one for affordable housing (Harwich Finance Director, email message to author, May 3rd, 2024). Lodgers in Harwich contributed \$1,824,813.98 to the Cape Cod and Islands Water Protection Fund between September 2022 and November 2023 (Cape Cod Commission, email message to author, February 22, 2024).

## **Outer Cape - Provincetown, Wellfleet, Truro, and Eastham**

### ***Provincetown***

Provincetown requires a rental certificate application through its Board of Health, which is required for all rental types, including year-round, short-term, and seasonal rentals (Town of Provincetown 2023). The current fees for certification of a year-round unit are \$300 and are valid for three years, while fees for certifying STRs are \$750 and valid for only one year (Culhane 2023; Town of Provincetown 2023). These fees help to cover the costs associated with the certificate requirement, including to hire additional staff to process paperwork and monitor compliance (Town of Provincetown 2023).

In Fall 2023, Provincetown proposed, and voters approved, a cap that would restrict the number of STR certificates to two per person and banning corporations from being able to obtain any certificates (Razzaq 2023). As of February 2024, this proposal and changes to Provincetown's bylaws are still awaiting approval from the Massachusetts Attorney General's Office, as this is required when bylaws are amended or adopted in the Commonwealth (Razzaq 2023; Office of the Attorney General n.d.).

In addition to the state and local excise taxes and the Cape Cod and Islands Water Protection Fund fee, Provincetown is also one of only three towns on the Cape that have opted to charge the 3% Community Impact Fee to any owner of two or more STRs within the municipality (DOR 2023; DLS 2024a). Provincetown's total taxes and fees for STRs is 17.5%,

which is a fee owners may pass along to their renters, increasing the cost of staying at a STR in Provincetown.

In FY 2023, STRs in Provincetown brought in over \$2 million in taxes (Town of Provincetown 2024a). Taxes earned from the Rooms Occupancy Tax goes towards five different town funds, including the Housing Fund (30%), Tourism Fund (24%), General Fund (18%), Capital Stabilization Fund (18%), and the Sewer Fund (10%) (Town of Provincetown 2024a). Lodgers in Provincetown contributed over \$3.3 million between September 2022 and November 2023 to the CCIWPF, however this did include both STRs and traditional lodgers (Cape Cod Commission, email message to author, February 22, 2024). Since enacting the 3% Community Impact Fee in Spring 2022, Provincetown has made \$22,757 in Fiscal Year 2023 and \$148,078 as of Q3 in Fiscal Year 2024 (DLS 2024b; Benson 2023a). They have not yet had a full fiscal year with the enacted fee.

Provincetown uses the third-party software, Granicus, to assist in monitoring compliance with the STR regulations, finding any non-registered units on rental platforms, and helping owners register their units (Oldham 2024). In addition to the fees that Provincetown is charging owners of STRs, the town is also helping to promote and preserve long-term rental housing in town. Provincetown is the most recent community to join the Placemate Lease to Locals Program, which began as a town pilot program on April 1st, 2024 (Lidner 2024).

The town has allocated \$350,000 from the town's housing fund for the pilot Lease to Locals program, which will expire automatically on March 31st, 2025 if no action is taken to renew it (Lidner 2024; Provincetown 2024). The housing program is partially funded from earnings from the Rooms Occupancy Tax (Provincetown Assistant Town Manager, Email Message to Author, May 2, 2024). In collaboration with Placemate, Provincetown will be

providing up to \$20,000 to homeowners who convert their units into a new year-round rental for qualified local workers and their families (Provincetown 2024b). Owners will receive between \$4,000 and \$8,000 for each qualified tenant, depending on the number of bedrooms and the number of qualified tenants. An owner can receive up to \$20,000 for three qualified tenants in a 3-bedroom unit (Placemate 2024c; Provincetown 2024b). Provincetown has stated that the goal of this pilot program is to increase the supply of year-round housing for community members and local workers in Provincetown and the Outer Cape (Provincetown 2024b).

A qualified tenant in the Provincetown program cannot be blood related to the property owner and their annual income must be below \$130,515. Additionally, to be designated as a qualified tenant, individuals must meet one of the following criteria (Provincetown 2024b):

- a. Be employed with an employer based in or serving customers in the following three towns of the Outer Cape: Provincetown, Truro, or Wellfleet;
- b. Already be a full-time resident of one of the three aforementioned Outer Cape towns and contribute to the Provincetown community by serving on a Town Board/Committee, volunteering with a local organization, participating in the town's art/cultural scene, or providing some similar benefit to the community;
- c. Be a dependent child of a qualified tenant;
- d. Be a person unable to work or who does not have a work history due to qualifying for disability as defined by the Americans with Disabilities Act (ADA).

In order for property owners to qualify for this program they must not currently have a year-round tenant and, in an attempt to combat the rising costs of rent, must not charge more than the maximum allowable rent that is set by the program (Placemate 2024c; Provincetown 2024b). The maximum a participating owner can rent for a unit is \$1,000/month for a private room, \$1,600/month for a studio, \$2,200/month for a 1 bedroom, \$3,000/month for a 2 bedroom, and \$3,800/month for a 3 or more bedroom unit (Placemate 2024c; Provincetown 2024b).

Owners can only receive one grant per property, up to three grants total (Placemate 2024c;

Provincetown 2024b). In addition to providing these incentives to homeowners, Placemate aids qualified potential renters by posting listings of the available participating units on their website.

### ***Wellfleet***

The town of Wellfleet does not currently require STRs to register with the town in any capacity and is one of the four towns on the Cape with no rental registration requirements for any rental types. However, they are one of the three towns on the Cape that have enacted the 3% Community Impact Fee, which they implemented in June 2022. This fee brought in \$15,600 in FY 2023 and \$100,546 as of Q3 in FY 2024 (DLS 2024b; Jung 2022). The additional 3% Community Impact Fee brings Wellfleet's total tax rate on STRs to 17.5%. Wellfleet earned \$1,619,850 in FY 2023 from local excise taxes on all lodging types, including STRs, hotels, motels, and B&Bs (DLS 2023). The town did not respond to inquiries regarding where the funds earned from the Community Impact Fee or from the local rooms excise tax are distributed to. Lodgers in Wellfleet contributed \$1,109,331.62 to the Cape Cod and Islands Water Protection Fund between September 2022 and November 2023 (Cape Cod Commission, email message to author, February 22, 2024).

### ***Truro***

STRs in Truro must be registered each year, with an annual fee of \$450. This is a recent increase as of February 2024 from the original \$200 and was raised in order to help fund further regulation and monitoring initiatives (Oldham 2024). This fee is set annually by the Board of Selectmen, with consideration given to the administrative costs and the benefits received by the owners and tenants (Town of Truro 2021). Offenses for non-compliance of the rental bylaw may result in fines for owners and the potential loss of their rental certificate (Town of Truro 2021). Truro also uses a software company, Hamari, to help monitor the STRs in town. This software

helps streamline registration, keep owners in compliance, and will identify properties not legally registered (Town of Truro 2024). Hamari also has a 24/7 complaint hotline, which helps to reduce staff time spent on monitoring complaints and compliance of STRs (Town of Truro 2024).

Truro's tax rate for STRs is 14.45%, with the town earning \$1,839,393 in FY 2023 from local excise taxes on all lodgers, including STRs, hotels, motels, and B&B's (DLS 2023). One-third of the revenue earned from this tax is set to go towards the town's Housing Stabilization Fund and the remaining two-thirds going towards the town's General Fund (Truro Finance Director, phone call May 29, 2024). Lodgers in Truro also contributed \$1,257,522.27 to the Cape Cod and Islands Water Protection Fund between September 2022 and November 2023, including both STRs and traditional lodgers (Cape Cod Commission, email message to author, February 22, 2024). The Rental Bylaw states that the funds raised from the rental registration fees will go towards the cost of maintaining this registration process, administrating the beach program, maintaining the town beaches and parking lots, installing signage, maintaining sanitary facilities, updating facilities to be more accessible, and supplying and operating town amenities (Town of Truro 2021). In addition to the current tax rate and the registration fees, the town of Truro recently agreed to implement the 3% Community Impact Fee for 2025, which will charge STR operators that have more than one property or are renting out units in a multi-family house as STRs (Truro Finance Director, phone call May 29, 2024).

### ***Eastham***

The town of Eastham requires a yearly rental certificate application through the Board of Health for all types of rentals. The certificate currently costs \$75 per unit per year for both STRs and year-round rentals and also requires an inspection and for the owner to pay for a water test if

their home is not serviced by town water (Oldham 2024). The town enforces these Board of Health rental regulations through monitoring online advertisements and fining owners up to \$300 per day who rent their units without a rental certificate (Town of Eastham n.d.). STRs in Eastham are not subject to the Community Impact Fee, bringing their total taxes and fees to 14.5%.

The current fee of \$75 has recently been approved to increase in 2025 to \$350 annually for STRs and \$100 annually for year-round rentals (Oldham 2024). These increases were approved by the Eastham Selectboard in order to help fund the compliance of STR regulations, including staff salaries, and were a way to shift costs to landlords and STR owners away from taxpayers without rental units (Oldham 2024). A portion of the funding from the increase in fees will help to fund the town's housing coordinator, housing inspector, and administrative assistant for health (Oldham 2024). Additionally, this will help to fund the third-party software compliance service, Granicus, to track STRs and would cost Eastham \$65,000 (Oldham 2024).

Eastham's total tax rate is 14.45% for STRs, earning \$1,534,015 in taxes during FY 2023 (Eastham Finance Director, email message to author, May 6, 2024). Lodgers, both STRs and traditional lodgers, contributed \$1,394,310.89 to the Cape and Islands Water Protection Fund between September 2022 and November 2023 (Cape Cod Commission, email message to author, February 22, 2024). Eastham's goal is to use STR revenue to support the funding of a new sewer system (Oldham 2024).

## **Conclusion**

From this chapter, we can see that most towns on the Cape have chosen to establish some form of registration process, which allows for towns to track the number of STRs at the local level and allows the municipalities to have direct contact with the owners. Having a local record

of STR owners is especially important in the event of an emergency or an issue with regulation compliance, as well as noise or parking complaints from surrounding neighbors. This establishes a required responsibility for the owner to maintain their unit and ensure there are safety features installed. Registration processes also help to ensure units are in compliance with regulations, and for the towns that require unit inspections, it also ensures the units are safe for occupants. Notably, establishing fees for the registration of STRs helps to fund staff salaries in order to provide assistance with compliance, inspections, and complaints. Creating a fee that is high enough to cover the cost of operation prevents taxpayers without short-term rentals from having to pay for registration and inspection processes and allows for STRs to continue to operate safely. It is important to work at the local level to establish what this fee should be, taking in the factors of staff salaries, expenses to operate the registration and inspection processes, and the cost of hiring a software company, like Granicus or Hamari, to assist with compliance. A registration and fee also establishes STRs essentially as businesses, rather than just an unregulated, informal operation run out of someone's home. Additionally, if towns want to find a balance between allowing STRs but limiting their growth, they may benefit from setting a cap on the number of permits allowed in town or per household.

STRs on Cape Cod have also contributed about \$20 million to town projects related to housing and wastewater infrastructure, providing essential resources and funding to necessary improvements and development projects. The relationship between STRs and wastewater projects is complicated, as they are interconnected both through the strain STRs can place on septic systems as well as through the revenue they provide towns to use towards funding wastewater infrastructure projects to help fix the problem. Additionally, while STRs may have an impact on local housing availability, they have also helped some towns fund local housing

projects through lodging tax revenue. Because of this revenue earned through local taxes, the conversation around regulating STRs becomes about finding a balance between reducing impacts on year-round housing availability and affordability and needing to support at least some STR market in order to fund these important projects. Finding this balance will help to support more density on the Cape and create a better quality of life for residents.

In regard to opportunities for regulations, towns that do not currently have required registrations should begin looking into requiring one. This will help to mitigate issues with non-compliance of town ordinances, disputes with neighbors, and help to contact owners quickly in the event of an emergency. Towns who opt into a registration in the future should utilize fees, which can help to hire the necessary staff needed in order to help maintain compliance of the process, or to help fund usage of a software tracking service like Granicus.

In conclusion, all fifteen towns within the Cape have chosen to handle STRs in some capacity, but there is opportunity to work together as a region to further efforts to find a balance between promoting the tourism economy and mitigating impacts to year-round housing costs and availability. If towns work together to create minimum standard regulations across the board or to pay for a software service like Granicus for the entire region it may help to recover missing tax revenue from units that are not registered properly, which will benefit the funds for local infrastructure and housing projects.

## **Chapter 6: Interview Findings**

Throughout my thesis process, I conducted fifteen interviews with members of four housing and business organizations as well as employees of town planning or housing offices within nine Cape Cod towns. The housing and business organizations interviewed included: the Cape Cod Commission, Community Development Partnership, Housing Assistance Corporation, and the Cape Cod Chamber of Commerce. Town planning or housing offices that were interviewed included the towns of: Brewster, Chatham, Dennis, Mashpee, Orleans, Provincetown, Sandwich, Truro, and Yarmouth, with some towns having more than one representative interviewed.

Interviewees provided perspectives on the current state of the housing market in general within their communities or throughout the Cape as a whole. Additionally, we discussed the influence and impacts of STRs on the community and the housing crisis, as well as what

community conversations around these topics have looked like. Interviewees provided their perspectives on what regulations, if any, could look like in their communities, as well as what could be done to protect the existing housing stock and incentivize the creation of more housing, especially in regards to year-round rentals.

Every community and organization that participated in an interview showed an interest in understanding the housing crisis on the Cape, as well as the impact of STRs on the broader community. Every interviewee shared either that their communities were actively working to regulate STRs in some capacity or were beginning to conduct research or studies to determine what actions should be taken in the future, if any. All information included within this chapter came from the fifteen interviewees.

Below are the four themes and their sub-themes that emerged from the interviews:

- 1) Year-Round Housing Shortage
  - a) Predominance of Second Homes
  - b) Development Constraints
  - c) Impact of the COVID-19 Pandemic
  - d) Older Generations' Inability to Downsize
  - e) Impact of Housing Shortage on Workforce
- 2) Why Owners Choose to not Rent Year-Round
- 3) Impact of Short-Term Rentals
- 4) Strategies for Increasing Year-Round Housing Availability
  - a) Changing Zoning and Preserving Housing Stock
  - b) Financial Incentives

### **1) Year-Round Housing Shortage**

Each interviewee discussed the lack of year-round rentals available on Cape Cod, with several discussing the rental vacancy rates being below 1%, reporting that a healthy rental market will have around a 6-7% vacancy rate. Additionally, the units available for purchase are

priced beyond what Cape Cod residents can afford. Kristy Senatori, the Executive Director of the Cape Cod Commission, discussed with me how the most recent Housing Needs Assessment (Donahue Institute 2023a) found that in order to be able to afford a median priced single-family home, a household would need to earn over \$200,000 annually (Ibid, p.11). “This number far exceeds the average income on the Cape, which is about \$90,500,” Senatori stated (Senatori, Kristy, Interview by author, February 5, 2024). Each interviewee cited several reasons for this lack of available and affordable year-round housing, including the predominance of second homes, development constraints, and the impact of the COVID-19 Pandemic. Among other consequences, many older generations are unable to afford to downsize. In addition to these issues, many interviewees discussed the impact of the housing shortage on the available workforce across Cape Cod.

*a) Predominance of Second Homes*

When I originally entered these discussions around the shortage of year-round housing, I primarily wanted to understand the impacts of short-term rentals on housing availability on Cape Cod and what conversations have looked like around them. Ultimately what I learned after beginning these conversations was that interviewees were less sure about the impact of STRs, but had a very clear understanding of the impact that second homeownership has had, with some acknowledging it is hard to define the line between STRs and second homeowners. “We’re losing year-round units to second homeowners, who use STRs to offset mortgages and costs of renovations or upgrades. Once units are lost to non-year-round tenants or owners, it’s really hard to reclaim it to be for year-round usage again,” stated Amanda Bebrin, Director of Housing Advocacy at Community Development Partnership (CDP) (Bebrin, Amanda, Interview by author, February 8, 2024).

Most interviewees believed the greatest impact on the housing market was caused by second homeowners of single-family homes, citing that they are vacant most of the year. Several interviewees, however, also stated that they viewed STRs and second homes in the same light: as a home not able to be used by a year-round tenant. As I will discuss later, most second homeowners choose to not rent their homes out year-round because they want to be able to enjoy their properties whenever they'd like. This makes it difficult to know how many properties could potentially be converted into a year-round unit, especially when thinking about the idea of incentive programs. Owners of investment properties may be more willing to rent to a year-round tenant than the owner of a multi-generational Cape Cod home who visits every summer with their family. "There are some houses that are being purchased as investments, but my hunch is that most of these units are being purchased as second homes that may be rented out on occasion," stated Truro's Town Planner Barbara Carboni (Carboni, Barbara, Interview by author, February 5, 2024).

Additionally, a concern brought up by several interviewees was that an oversaturation of second homes in a market that is already lacking affordable housing for those who work or live on the Cape causes further housing deficits. "Existing houses that go on the market go on market for prices that only people of substantial means and typically off-Cape people can buy for vacation homes," continued Carboni (Carboni, Barbara, Interview by author, February 5, 2024).

The topic of oversaturation of single-family second homes is complex, especially since every community values both year-round and seasonal residents, and because it is important that homeowners have the right to use their properties however they choose. However, towns reported seeing an increase in conversions of formerly year-round units to seasonal units and STRs. When asked, Chatham's Housing and Stability Director Gloria McPherson mentioned that

the town has seen a steady increase in seasonal homes and STRs, so it's resulting in less year-round units. However, McPherson noted that it is a factor in the lack of available housing, but it is not the only factor (McPherson, Gloria, Interview by author, April 3, 2024).

Eric Steinhilber of Housing Assistance Corporation (HAC) was hopeful the oversaturation of seasonal homes and STRs could lead to some being sold or being converted to a year-round rental. "I think you're going to see some properties that were bought during COVID start to be a STR rented as a year-round unit or put on sale because of the oversaturation of STRs we're seeing and hearing about anecdotally on Cape Cod," Steinhilber commented (Steinhilber, Eric, Interview by author, April 4, 2024).

Overall, the abundance of second homes is well known throughout Cape Cod; however it can be difficult to differentiate between a second home and a STR that is in a non-primary residence, because in many cases they are both.

#### ***b) Development Constraints***

Many interviewees discussed the limitations that Cape Cod communities face around the construction of new developments, or the renovation or redevelopment of existing housing stock. The limitations that have been discussed include environmental regulations, septic systems constraints, land availability, and zoning regulations that restrict where construction can take place and what can be built. In addition to these restrictions, the cost of construction has increased in recent years, especially in the years following the COVID-19 Pandemic.

When asked about the factors contributing to the housing shortage on Cape Cod, Chatham's Housing and Sustainability Director Gloria McPherson mentioned how construction costs have gone up, especially in the Outer Cape, and they've seen a large increase between 2021

and 2023 (McPherson, Gloria, Interview by April 3, 2024). This has made it less feasible to build new developments and keep the prices to buy or rent at those developments low.

Much of Cape Cod does not have a public sewer system or regional wastewater treatment, but rather relies on private septic tanks on individual parcels (Moran 2024). Outdated septic systems pollute water bodies with nitrogen, causing algae blooms and loss of aquatic plant and animal life. The environmental impacts expand as development and population increase on the Cape. This has impacted where towns can allow development to occur in order to prevent further strain on the existing infrastructure and more water pollution.

The Town of Yarmouth is actively working to expand its sewer system by building a local wastewater treatment plant and hooking septic systems to it. The wastewater management plan will also remove nitrogen from two rivers and a bay within the town (Flanary 2023). Full implementation of the project's eight phases has a 40-year timetable, similar to neighboring Barnstable's 30-year wastewater project (Flanary 2023). 40% of Yarmouth's wastewater project will be funded by short-term rental tax revenue (Flanary 2023).

Mary Waygan, the Affordable Housing Administrator in Yarmouth, discussed how "increasing the density of our housing or increasing our population significantly without having our sewer system expanded enough could cause more environmental issues and make us less desirable." Both Waygan and Town Planner Kathy Williams mentioned the pressures they are feeling when trying to tackle all of these issues in order to preserve the Cape and prevent further environmental damage, in addition to the demand for housing (Waygan, Mary and Kathy Williams, Interview by author, February 26, 2024). "We're not trying to stay status quo, we're trying to clean up the water from past development and then we're having all of these pressures

put on us too. It's really a big problem, it even comes into the discussion when we talk about ADUs. Even adding another unit on one street is a sensitive topic," stated Waygan (Ibid.).

When discussing STRs and traditional lodging entities, Paul Niedzwiecki of the Cape Cod Chamber of Commerce discussed how although they are taxed the same rate for the Cape Cod & Islands Water Fund, he believes that "traditional lodgers are not contributing to nitrogen problems like STRs are." He mentioned that it is putting more strain on small traditional lodgers, who may not be able to compete with STRs (Niedzwiecki, Paul, Interview by author March 15, 2024).

In addition to the impacts of the septic systems, many interviewees discussed how the existing environmental protections on Cape Cod limit the development of new housing. However, many explained that without these regulations there would be less of the Cape to enjoy, which is why people want to live or visit there in the first place. These natural areas and waterways have become polluted, and Mashpee's Town Planner Evan Lehrer noted that he feels environmental issues and housing issues should be talked about in relation to one another, because they are ultimately interconnected on Cape Cod (Lehrer, Evan, Interview by author, March 11, 2024). The issue of environmental constraints is ultimately tied to land availability, especially because much of the land available is conservation land and cannot be developed.

In addition to the lack of land availability, environmental impacts, and septic system constraints, interviewees also mentioned zoning restrictions when discussing the factors contributing to housing shortages. Kristy Senatori of the Cape Cod Commission stated, "very little of our land is zoned for anything more than single-family homes (Senatori, Kristy, Interview by author, February 5, 2024). Only about 2% of our land actually allows for multi-family units by-right, which puts pressure on our housing market." These zoning limitations

prevent new units from being built or for existing properties to be redeveloped. This is not only something the Cape needs in order to create more housing stock, but it was mentioned by several interviewees as something towns want. “Having mixed use zoning is important because we really want to maintain our commercial corridor, but still have some type of residential,” stated Kathy Williams of Yarmouth (Waygan, Mary and Kathy Williams, Interview by author, February 26, 2024).

In order to encourage additional housing development, several interviewees mentioned the opportunity to change zoning to allow for mixed-use spaces, especially in areas that have a sewer system and can handle more density. Relaxing restrictions around the creation of accessory dwelling units (ADUs) was also mentioned as an opportunity for increased density on single-family properties and could help to create even a few additional year-round units. Several interviewees also discussed the need for additional town staffing in order to help manage the workload needed to accomplish these interconnected projects.

### *c) Impact of the COVID-19 Pandemic*

Many interviewees attribute the lack of available homes to the large second home market and lament the fact that many lay vacant for most of the year. This has reportedly been an increasing concern since the COVID-19 Pandemic, when many people looked to the Cape for an escape and for a beautiful place from which to work remotely. “Local residents cannot compete with the wealthy outsiders from Boston, LA, and elsewhere. The Pandemic has put the housing problem on steroids and has become something we cannot ignore anymore,” stated Community Development Partnership’s Amanda Bebrin (Bebrin, Amanda, Interview by author, February 8, 2024).

Interviewees discussed how the rental market was hit even harder during COVID, displacing many Cape Cod families as a result. This put further strain on the existing rental stock, resulting in further shortages. Former homes that were rented out year-round were reportedly sold because as the values of their homes went up, owners of these second homes chose to liquidate and sell their properties. This impact is still being looked at, and Brewster's Housing Coordinator Jill Scalise stated that they're "still trying to understand what the Pandemic data is" (Scalise, Jill, Interview by author, March 13, 2024).

Additionally, some believed that because the Cape became so popular during COVID, people with the means to buy properties did and began renting them out as STRs. However, Paul Niedzwiecki discussed how a lot of people who purchased during the pandemic and were living in their homes and working remotely are now going back to work and are not here as much. "So those units are entering the market as short-term rentals too," he stated (Niedzwiecki, Paul, Interview by author March 15, 2024).

#### ***d) Older Generations' Inability to Downsize***

In addition to all of the above, interviewees discussed Cape Cod's aging population of residents who are unable to downsize their larger family homes due to high rents and high prices for smaller homes. In most cases, interviewees explained, older Cape Codders have paid off their homes and now only pay utilities, property taxes, and any maintenance costs to upkeep their properties. If they do have a mortgage, the monthly payments are lower than what they would get in today's market for even a smaller home. There is less movement out of homes by year-round tenants as they age. In my interview with Mashpee Town Planner, Evan Lehrer stated, "Typically, people get older, they sell their house and downsize. That natural ebb and flow of the

marketplace is now non-existent because there is nowhere for anyone to go” (Lehrer, Evan, Interview by author, March 11, 2024).

Typically, as generations age, they will downsize so they do not have to worry about maintenance or other homeowner responsibilities, which tends to make room for young families to move in. Now, because home prices and interest rates are so high, many year-round homeowners, no matter their age, feel they cannot afford to leave their current homes because they purchased them when prices were lower and they have either paid them off, or their mortgage payments would be much higher for their next home.

*e) Impact of Housing Shortage on Workforce*

A main concern to interviewees is that the housing shortage will continue to impact lower income workers and families disproportionately, especially as home prices continue to rise. “We made the Cape a destination, but it worked too well and now everyone wants to come here, and the people who actually work the jobs that support our economy have nowhere to go,” stated CDP’s Amanda Bebrin (Bebrin, Amanda, Interview by author, February 8, 2024). The Cape Cod Chamber of Commerce’s Paul Niedzwiecki also expressed concerns over this, as less availability of housing means even less workers available, increasing the ongoing worker shortage on Cape Cod. Working on the Cape is already difficult unless you live near your job, as traffic during peak months is very high Niedzwiecki, Paul, Interview by author March 15, 2024). “The housing crisis is coming at a time when there are so many other issues like needing updated infrastructure, as well as a lack of healthcare facilities and workers, and public safety workers,” stated Bebrin (Bebrin, Amanda, Interview by author, February 8, 2024).

Additionally, while not directly related to year-round housing, it was also noted that seasonal workers have been impacted by changes in how people rent out their homes in the

summer. Chatham's Gloria McPherson reported that families used to rent rooms or whole units to seasonal workers but have shifted to renting short-term instead because they know they will make more money (McPherson, Gloria, Interview by author, April 3, 2024). This shows the impact that STRs and the lack of housing stock have had on the workforce on Cape Cod as well, making it harder for businesses to operate at full capacity.

## **2) Why Owners Choose to not Rent Year-Round**

Aside from the additional income received when choosing to rent short-term vs. year-round, many interviewees discussed the two other primary reasons homeowners choose to short-term rent their units: wanting to use their second home whenever they want and the lack of desire to be a landlord. Most second homeowners on Cape Cod do not live in a different part of the Cape year-round, and either purchased this home or inherited it and would like to use it at some point throughout the year. Not renting it out year-round allows them to have the flexibility to use the home as they wish, including having friends and family use it as well. Many then choose to rent their home short-term in order to make additional income or off-set what they will need to pay in property taxes, for their mortgage, or to cover the costs of maintenance or renovations. Additionally, several interviewees discussed how local homeowners may find being a landlord undesirable, citing Massachusetts' strong tenant rights as their primary concern. Mashpee Town Planner Evan Lehrer discussed how owners are fearful of bad tenants, and when they weigh the costs and benefits of being a landlord, it makes them too nervous (Lehrer, Evan, Interview by author, March 11, 2024).

Kathy Williams, the Town Planner for Yarmouth, as well as Amanda Bebrin, the Director of Housing Advocacy at Community Development Partnerships, discussed the idea of establishing programs across the Cape to help support landlords and tenants by providing

training and/or legal advice to prevent or mediate disputes (Bebrin, Amanda, Interview by author, February 8, 2024; Waygan, Mary and Kathy Williams, Interview by author, February 26, 2024). Currently, the Housing Assistance Corporation (HAC) provides similar services to Cape Cod residents. These types of programs may promote or encourage homeowners to rent their units year-round if they know they will have support throughout the process.

### **3) Impact of Short-Term Rentals**

When asked, each interviewee discussed how STRs have been a topic of conversation in some capacity within their respective towns, either raised by concerned constituents or brought up within conversations between town employees and/or elected officials. Some communities shared that they have been waiting to see how other communities will respond to STRs before deciding to implement further regulations themselves. The towns that did not have any current plans for further regulations shared that they wanted to begin or continue tracking STRs on a local level in order to get a better understanding of their impact. However, as seen in the previous chapter, four towns shared that they had no type of required registration process and had no plans to implement one in the near future. Leanne Drake, Town Planner in Sandwich, one of the four towns with no regulations on STRs, stated that “the appetite for regulation hasn’t really been there, since it would require the town to use a lot of resources in order to police units. We would need our departments to be bigger” (Drake, Leanne and Ralph Vittaco, Interview by author, February 5, 2024). The need for additional resources to hire more staff was also cited by other towns as a way to accomplish housing goals as well as further regulations of STRs.

Many towns cited the University of Massachusetts Donahue Institute’s study on STRs in Provincetown as an indicator that regulating STRs will not be the primary solution to solving the local housing crisis (Benson 2023b). However, the study did not suggest that Provincetown

should do nothing. Instead, it suggested restricting STRs to prevent corporate ownership in order to preserve a connection to the community between owners and STRs (Benson 2023b). In addition to this study, Provincetown was mentioned during several interviews as an example of the town to watch when it comes to STR regulations. Many Cape Cod communities have relied on this study to form opinions on STRs in their own towns, even though it is based on Provincetown. Some towns are planning to work with the Donahue Institute to have a similar study conducted within their own town as well.

When discussing the opportunity and scale of regulations that may work for Cape Cod towns, every interviewee believed that STRs should not be completely banned, and that they are necessary to have in some capacity in order to provide revenue to the town and to homeowners. Many interviewees cited concern that some year-round Cape Codders need to be able to rent their units short-term in order to be able to afford to keep their properties. The main group of concern is year-round homeowners: interviewees wanted to ensure that they are able to continue to rent out their units, especially because many do so in order to be able to afford to live on Cape Cod. Several interviewees mentioned that they have heard of or know someone who will stay with friends, camp, or travel outside of the Cape during the summer months in order to be able to rent out their homes. “I have noticed more people who own their homes and live year-round will stay in an RV to rent out their house in the summer in order to maintain their year-round home, so there is some benefit to allowing some STRs,” stated Mashpee’s Town Planner Evan Lehrer (Lehrer, Evan, Interview by author, March 11, 2024). While a complete ban seems out of the question for many Cape Cod towns, a more customized approach may work better in order to allow for residents to continue to rent out their units.

In addition to homeowners receiving financial benefit from renting their homes short-term, towns benefit as well from the earnings raised from local excise taxes on STRs. These taxes, as mentioned in Chapter 5, have helped to fund other projects, with some towns putting that money towards the investment of a sewer system, others putting it towards the town's general fund, and some even putting it back into housing work. Additionally, when considering the impact of second homeowners who rent out short-term, some interviewees were not convinced that limiting their ability to rent their units as STRs would return any properties back into the housing or rental market. As discussed earlier in this chapter, many shared that second homeowners choose to rent out their units short-term in order to maintain the ability to use their home whenever they would like, and some may choose to not rent their units out at all.

While most interviewees did not express direct concern over STRs' impact on housing costs and availability on Cape Cod, several did worry about the impact STRs have on the community and on the health and safety of tourists. Additionally, a few interviewees cited STRs as a concern to the septic issue on Cape Cod, "in particular in small dense neighborhoods, if you have 10-15 people coming in on a 5-bedroom septic system it can cause issues," stated Lehrer. Some, including Lehrer, think the increased use of homes or additional people staying there could overload the septic systems, causing further damages to the water and environment on the Cape (Lehrer, Evan, Interview by author, March 11, 2024).

A few interviewees mentioned that they themselves or community members have expressed concerns of STRs impacting changes to the character of their communities or neighborhoods. While seasonal and vacation rentals have had a long history on Cape Cod, many feel STRs are different because they allow for shorter stays, whereas traditionally seasonal and vacation rentals were rented out for a week or so at a time. Some believe this is contributing to

more turnover every few days, creating a disconnection between year-round residents and their neighbors. However, some see STRs a little more positively, as they allow for families to be able to visit during weekends if they cannot afford to or do not have the time to visit for the entire week. This allows for more flexible tourism, potentially bringing in more people each summer. While this may provide more flexibility for short-term tourists, most concerns about STRs come from noise or parking complaints. The town of Yarmouth has even included a requirement of two-day stays into their STR Bylaw and has excluded events from being held at STRs.

Most interviewees also agreed that regulations help to hold owners accountable for providing safe residences during their stays. Provincetown's Town Planner Thaddeus Soule commented that "regulating STRs, similar to the way commercial accommodations are regulated, should be done to ensure rented residential properties are safe and habitable" (Soule, Thaddeus, Interview by author, February 2, 2024). Several towns that have a STR registration process also require an inspection in order to obtain their certificate; however many only have an honor system where the owner agrees in their application to provide basic safety features, such as smoke and carbon monoxide detectors. Many interviewees believe that a registration would be the most basic regulation on STRs that should be required, as it helps to create a safer environment for tourists and helps to mitigate impacts to neighborhoods by providing the town with a direct line of communication with the owner. This creates a deeper sense of accountability for owners, and several towns even require owners of STRs to be no more than one hour away during stays in the case of an emergency, or to have a reliable proxy that can fill in for them.

Ultimately, while every interviewee agreed that STRs should not be banned completely, every single interviewee agreed that STRs should be regulated in some way. While STRs have allowed towns to earn additional forms of revenue, those towns that have implemented some

form of regulation have a safety net for their respective communities to prevent any future issues regarding STRs. By allowing some STRs to continue, it helps to keep residents in their homes, while also providing the towns with income from STR taxes and tourism revenue.

#### **4) Strategies for Increasing Year-Round Housing Availability**

##### ***a) Changing Zoning and Preserving Housing Stock***

When asked about ways to increase year-round housing availability, several interviewees shared the importance of zoning changes that could be used to promote more mixed-use development and increase the supply of housing units through density. This would change the current single-family zoning in towns that have not already done so in order to create denser, mixed-use buildings, especially through housing above commercial businesses and reducing minimum lot sizes would allow for an increase in housing stock, and could allow for more missing middle income housing types. Aside from any backlash towns receive from residents, efforts to change zoning have also been limited by the lack of sewer infrastructure in some towns, which prevents denser buildings.

Another way to increase the supply of housing is through Accessory Dwelling Units (ADUs). Interviewees discussed how to make the creation of ADUs easier for those who wish to build them in towns that do not currently allow ADUs by right by changing zoning and paperwork requirements. While ADUs can seem unappealing to some, especially due to the current high cost of construction on Cape Cod, some property owners choose to build them in order to help house family or friends. Despite high costs of construction, however, some do choose to rent them out to make additional income.

Yet another strategy is to ensure that the current supply of housing is maintained and not depleted. Brewster's Housing Coordinator Jill Scalise talked specifically about opportunities for

preserving existing housing stock (Scalise, Jill, Interview by author, March 13, 2024). When discussing the strategies used in Brewster to preserve housing, Scalise mentioned how the town has recently purchased a vacant home and renovated it and had a family lined up already to move into it (Ibid.). She also discussed a grant that had been used to fund up to \$50,000 for critical home repairs for those with an income of up to 80% of AMI in order to help keep Brewster residents in their homes (Ibid.). Additionally, rental assistance programs were also mentioned as a strategy for preserving housing stock.

***b) Financial Incentives***

Several interviewees cited the Vail InDEED model as an example of something that could work on Cape Cod. As mentioned in Chapter 4, this model pays homeowners a one-time stipend to agree to place a deed restriction on their home to ensure that it will be a year-round unit, and that a local employee will be living in it at all times. This model has been a primary topic of discussion amongst towns on Cape Cod, especially because Provincetown was considering it. Interviewees expressed doubts about whether a program like this would work on the Cape because it would require a lot of money to fund. Others felt it might not be a very popular program because it would eliminate the ability for second homeowners who live off-Cape from being able to use their homes. “What works on the Cape is subsidies and incentives, not rules. I love the idea of a year-round deed restriction program [like Vail’s], but Town Meeting might not pass it with a two-thirds vote, which is okay,” stated Yarmouth’s Mary Waygan (Waygan, Mary and Kathy Williams, Interview by author, February 26, 2024). The benefit to the Vail InDEED model is that it is an example of an optional regulation - if it were to be established, only homeowners who want to participate will have the restriction placed on their

homes. A downside of this program would be that a future owner would not be able to rent their unit short-term.

Other examples of financial incentives included the HAC Rent 365 program as well as Placemate's Lease to Locals program in other communities, which provide temporary stipends to owners who rent year-round and meet other program requirements. Since the conclusion of these interviews, Provincetown has gone on to participate in a trial of a Lease to Locals program in town, funded partially through taxes earned from STRs. However, both the HAC Rent 365 and Lease to Locals programs provide only a temporary stipend, meaning the owners could choose to go back to renting short-term once the required time period is over. The benefit would be that if an owner changed their mind about becoming a landlord, they would not be locked into renting year-round forever.

Another example of a potential financial incentive that interviewees mentioned that might encourage more year-round rentals was to provide tax credits to owners of second homes if they rented their units year-round. Alternatively, a non-resident property tax rate was also suggested as something to look into.

Ultimately, interviewees believed that any financial incentives would need to be a lot higher in order to convince owners to convert their units from a STR to a year-round rental to offset the amount of earnings they would lose. "Financial incentives will be critical to close that gap from the income earned from what you'd earn from an STR when you convert to year-round," stated the Cape Cod Commission's Kristy Senatori (Senatori, Kristy, Interview by author, February 5, 2024). A few interviewees also believed that providing financial incentives to owners who rent year-round could be a cheaper and quicker solution than building additional housing units.

## **Chapter 7: Recommendations, Areas for Further Research, and Limitations**

I went into this thesis with the intention of purely writing about STRs and assumed that my recommendations would be only about potential regulations of STRs. However, from conversations with interviewees I have realized that we cannot talk about the impact of STRs without also talking about the interconnectedness of all the problems Cape Cod is facing. We cannot talk about seasonal and short-term rentals without talking about the overabundance of single-family homes, and we cannot address this overabundance without talking about needed zoning changes. We cannot talk about rezoning without talking about the development restrictions that exist on Cape Cod. And, of course, we cannot talk about any of the potential recommendations listed below without talking about where the funding will come from to uphold and enforce any new regulations that are created. The housing issues on Cape Cod will continue to persist without interconnected solutions and recommendations.

Before diving into these recommendations, it is important to note that when I began discussing STRs and how to address them with interviewees, it was clear that a complete ban of STRs was never on the table, and likely should not be unless circumstances change in the future. While a ban on STRs may work for some communities, there is a proven need for them on Cape Cod to not only provide accommodations for tourists, but to also help keep Cape Codders in their homes. Additionally, as mentioned previously throughout other chapters, revenue generated from taxes on STRs have begun to provide Cape Cod municipalities with essential income to put towards necessary town projects, such as building sewage systems. With this being said, below is a compiled list of recommendations for potential strategies to help mitigate the impact of STRs on communities and the housing market, as well as strategies for preserving or creating year-round housing in general to help house more year-round Cape Cod residents. These recommendations were formed from the conversations I had with interviewees, the literature review, as well as the strategies used in the case study communities on ways to preserve existing housing stock or incentivize the conversion of seasonal homes/STRs to year-round rentals. These recommendations consist of strategies, regulations, and incentive programs to promote or preserve housing on Cape Cod. Lastly, I discuss strategies for further research as well as limitations of this thesis.

## **Recommendations**

### ***1. Establish Rental Registrations***

In order to collect data on STRs and their impact over time, all towns should implement at least a free registration application for all rentals, including year-round rentals. This is to gain a better understanding of how many rentals there are within each town and create more accountability for landlords and homeowners to provide a safe living place for tenants. While

most of the 15 towns on Cape Cod already have rental registrations in some capacity, four of them still do not have a required registration for any rental-type. Creating a required registration, even if it is free in the beginning, will allow these communities to ease into new requirements. Orleans currently has a required, free registration application, and the town fines those who are found to be in non-compliance with the requirement (Town of Orleans 2023). Establishing a free program with a fee for non-compliance will ensure that more people will participate and will keep their units in compliance, especially because the only cost will come if they do not comply.

Many towns have created their registrations through the Board of Health or Health Department, with the main priority being to promote the health and safety of tenants. Many of the already established registrations require the owner to get an inspection done or to certify that their unit is safe and up to code. As mentioned in a previous chapter, a few towns also require the owner or a reliable proxy to be in close proximity to the unit while someone is staying in it and to list their contact information in order to prevent issues or impacts to the neighborhoods. This is especially important for STRs and rentals where the owner does not live full-time in town, as there will be an easier way to reach the owner or proxy. Additionally, with the existing concerns of septic tank constraints, the registration may allow for towns to set a cap on the number of people a unit can have based on the septic tank capacity within each community.

While an initial registration can be free to help owners grow accustomed to the new process, over-time a fee should be established to help pay for staff and resources needed to monitor compliance and provide owner assistance. Establishing a registration process through the Board of Health or Health Department may help to pass a registration requirement, as rental registrations are genuinely related to the health and safety of tenants.

Overall, having a registration process will help to establish trends over time for the number of year-round and short-term rentals within each town. The state's Department of Revenue (DOR) also has a registration requirement for lodgers, but the data is difficult for municipalities to obtain. A local registration will provide municipalities with their own data, allowing them to make better, more informed decisions around further regulations or incentive programs that they may want to pursue. Funding staff to help monitor and enforce a new registration process for all rentals (year-round and STRs) may be difficult for towns who do not already require owners to register; however many towns have used revenue earned from registration fees and/or lodging taxes to fund additional staff.

## ***2. Raise Fees and Taxes***

The bare minimum regulation recommendation is for towns who do not already have a required registration to begin one, even if it is free. The recommendation for towns that already have established regulations and registrations, but do not have fees that cover the entire monitorization of the program, is to charge fees in order to fund needed staff. As mentioned in Chapter 5, the town of Truro raised their fees for STRs in order to cover the costs of operating the program to monitor STRs so that taxpayers who do not rent their units out short-term were not footing the bill for those who do.

In addition to increasing fees that cover the costs of monitoring compliance of STRs, it is also recommended that towns on Cape Cod raise their local rooms excise tax to the maximum percentage of 6%. Currently one town on Cape Cod, Sandwich, has not raised their excise tax to that maximum amount. This would generate additional revenue for the town to put towards necessary projects that would benefit the town, such as sewer, road, and school infrastructure, and, of course, would benefit housing.

### ***3. Consider Additional Regulations of STRs***

It is recommended that towns who find STRs to be continuously growing begin to look into further regulations of STRs, beyond just registrations and larger taxes and fees. While a ban of STRs is not contemplated at this time, regulations to reduce their growth could be examined. Similar to Provincetown's regulations adopted in Fall 2023, towns could consider limiting the number of STRs to two per person or household, including their primary residence. This allows for owners who have been renting their properties for a long time to continue to stay in town while allowing the town to reduce the number of STRs. The regulation also bans corporations from being hosts but allows for Limited Liability Companies (LLCs) in order to protect families who have registered as an LLC from being unable to continue renting out their property. This regulation aims to discourage speculative investment in multiple STR properties. Although the UMass Amherst Donahue Institute found that there were few properties used purely as investment in Provincetown, the cap of two STRs per owner would help to discourage them in the future (UMass Amherst Donahue Institute 2023b). Some feel there would be ways around this requirement, by having proxy hosts or having multiple members of one household be listed as separate owners or hosts. However, towns could discourage this by creating a rule of only two STRs per household, or by requiring a demonstrated presence in or commitment to the local community.

Another example of a regulation that could work on Cape Cod is Burlington, VT's requirement that STRs only be in an owner's primary residence or seasonal home. As discussed previously, this program also allows landlords of multifamily buildings that include affordable housing units to operate additional STRs if they go above the town's inclusionary zoning requirements by creating additional affordable housing in their building. A regulation similar to

this could encourage owners of multi-family buildings on Cape Cod (though there is a small number of them) to rent their units at a set affordable rate in exchange for being able to use more of their units as STRs.

Towns that are worried about the increase in occupant turnover STRs bring may consider establishing a minimum number of nights tenants must stay at a STR. However, this type of regulation may reduce tourism, as the flexibility to stay for shorter periods of time allows for tourists, especially families, to be able to afford a few days on Cape Cod. An alternative could be to follow a regulation similar to that of Somerville, Massachusetts and New York City, who both limit STRs to being rented only by a primary resident of the unit. This type of regulation is similar to Burlington's, but does not provide exceptions, besides allowing for owners to not be home during stays of up to 90 days per year. Additionally, this type of regulation would reduce the number of units in town that could be rented out, and may impact families who have been renting their second homes out for a long time and rely on the income to continue to be able to live in town. A way to offset this could be to allow legacy units to continue to operate as they have been, and only requiring new STRs to be limited to primary residences.

Another consideration for towns that are worried about STRs overloading the septic system, caps on the number of people who can stay in each unit could be considered based on their location in town. This strategy should be updated over time, as sewer infrastructure continues to be built on the Cape.

#### ***4. Use Staff and Third-Party Software Companies to Monitor Compliance of STR Regulations***

It was well understood throughout my conversations with interviewees that any new regulations established regarding STRs would require new staff, which means more funding that

is sometimes out of reach for municipalities. However, as mentioned above and in other chapters, some communities have used the fees they charge for rental registration applications and portions of the revenue earned from lodging taxes to fund monitoring staff and third-party software companies. These staff members and monitoring software services would be in charge of ensuring compliance of rental registration policies and issuing warnings and/or fines to owners who are found to have units that do not follow the municipality's regulations.

Third-party companies like Granicus help local municipalities enforce regulations of STRs and collect revenue that would otherwise be lost without detailed monitoring. Granicus reports monitoring over 60 vacation rental websites, some that municipalities may not even realize exist, in order to ensure that units in towns that use their services are not flying under the radar. When they discover a unit that is in non-compliance, Granicus contacts the owner themselves to inform them on how to get their unit into compliance. Granicus will also handle payment intakes for fees and taxes from applicants, as well as providing a 24/7 hotline for neighbors to report non-emergency problems related to STRs. Other examples of third-party, private companies that provide these types of services for monitoring compliance of STR regulations are Hamari, LocalGov, and Accela.

Several communities on Cape Cod are already using third-party monitoring software companies, including Provincetown and Barnstable. In February 2024, an article about Eastham raising fees for STRs reported that the services of a company like Granicus would cost the town \$65,000 (Oldham 2024). While these monitoring software companies charge a large fee, they can help to give time back to staff to work on other projects, which will be especially important for the projects related to housing. In addition to these benefits, monitoring companies can help to bring in revenue that would otherwise be lost without the help of skilled companies that focus on

this specific topic. They could also build a valuable, up-to-date database of STRs, owners, regulations, fees, compliance, and historical trends. Several towns using the same software service could consolidate databases for an even more valuable regional database and negotiate reduced service fees. If towns are able to offset the cost of monitoring software from revenue earned from registration fees and taxes on STRs, the registration program may pay for itself while keeping tenants and neighborhoods safe. It would also make it easier to enforce any further regulations towns may choose to implement.

### ***5. Update Zoning***

When discussing ways to increase year-round housing availability, many interviewees mentioned updating zoning to allow for multi-family units, mixed-use developments, or Accessory Dwelling Units (ADUs) on existing parcels undergoing redevelopment. The goal would be to create denser housing and provide more year-round residents with housing options. As mentioned in Chapter 6, most of the Cape's residential areas are zoned for single-family homes only, with just 2% being zoned for multi-family housing by-right (Cape Cod Commission 2024a). Zoning changes could also allow empty-nesters and others living in single-family homes to downsize into smaller units, potentially making room for families. Additionally, more mixed-use developments were desired by several interviewees, especially in areas of their towns that have commercial spaces on a single floor. Adding housing above retail can help to connect businesses with residents, expand their customer base, and allow communities to live in more connected places.

Creating more opportunities for housing will help to fill the gap between demand and needs for housing on Cape Cod. However, a main concern when creating new housing units will continue to be how to prevent them from becoming seasonal homes or short-term rentals. This

concern was brought up by some interviewees when discussing initiatives to increase year-round housing supply. Some towns that already allow for ADUs, including Sandwich, require that the unit be used only for a year-round occupant, getting out ahead of ADUs being used as STRs.

## **6. Use Financial Incentive Programs**

### *a. Incentivize Year-Round Rentals*

As discussed in Chapters 4 and 6, financial incentives will be imperative if towns on Cape Cod want to convince homeowners to continue renting out their units year-round or for homeowners who rent short-term to convert to renting year-round. Many feel that incentive programs like the Vail InDEED model should be brought to the Cape as a region, rather than individual towns having their own versions.

Placemate's Lease to Locals program, as well as Housing Assistance Corporation's (HAC) Rent 365 program on Cape Cod, serve as additional examples of financial incentive programs that could work. This can be tested further with better funding for these programs, especially once the results of Provincetown's trial phase of its own Lease to Locals program is complete (Town of Provincetown 2024). Their trial period began in April 2024 but is set to expire in May 2025 if not renewed (Town of Provincetown 2024). It will be important to track the aftermath of the program to see how many owners continue to rent year-round to tenants when they are no longer required to, and why they chose to continue or not. This could help future incentive programs on Cape Cod, especially because what incentives may work in other communities in the U.S. may not work exactly the same way in Cape Cod communities.

The benefit of these three programs is that they are optional for owners: they can participate if they choose to. These programs can be funded through private donations, as in Nantucket, or through taxes and fees on STRs, like in Provincetown.

Lastly, because the impact of the housing crisis has disproportionately affected low-income workers and families on Cape Cod, impacting local employment, workforce specific housing programs should also be considered.

*b. Incentivize Construction*

In an attempt to keep people in their homes and to create new housing units, construction incentive programs and subsidies should be used to incentivize new construction and the renovation of existing homes to be renovated. Examples of these types of construction incentives include MassHousing's Workforce Housing Initiative program, their home improvement loan program, the Low Income Housing Tax Credit Program, The Resource Inc. (TRI)'s housing rehabilitation grant program, and Habitat for Humanity's new home construction program and Aging in Place renovation program.

MassHousing's Workforce Housing Initiative program funds and supports the creation of affordable rental housing for middle-income households, specifically for those whose incomes are too high for subsidized housing but are priced out by market rates (MassHousing n.d.a.). The program provides up to \$100,000 per workforce housing unit for new construction, but also works on adaptive reuse projects for existing units where unrestricted units become restricted or units at risk of preserving affordability (MassHousing n.d.a.). Twenty percent of the units are required to be affordable for households earning at or below 80% of AMI and are placed under a deed restriction. In addition to this program, MassHousing's loan program provides loans of up to \$7,000 to \$50,000 for repairs on existing homes, with the maximum eligible income being \$127,700 per household (MassHousing n.d.b.). These loans help with lead removal, septic system repairs, and for general, non-luxury improvements to homes (MassHousing n.d.b.).

The Low Income Housing Tax Credit (LIHTC) was created to promote the construction of new and rehabilitation of existing housing for low-income households by providing developers with tax credits (Worcester Chamber of Commerce n.d.). In Massachusetts, developers of affordable rental housing must apply to the Executive Office of Housing in Livable Communities (EOHLC) to receive tax credits and, if awarded, can begin to seek out investors that can help to pay for the development of the project (Ibid.). Investors can claim credits for ten years and may qualify for either a 9% or 4% credit (Ibid.).

TRI is a non-profit that focuses on housing rehabilitation and affordable housing throughout communities in Massachusetts. On Cape Cod, they have two housing grant rehabilitation programs, Truro and Brewster. The towns of Truro, Harwich, Eastham, and Provincetown are eligible for the Truro grant program, and the towns of Brewster, Dennis, and Wellfleet are eligible for the Brewster grant program (TRI n.d.a; TRI n.d.b.). For both programs, eligible homeowners are able to receive up to \$50,000 as a deferred, forgivable, or zero-interest loan to do health and safety repairs (TRI n.d.a; TRI n.d.b.). These repairs include roofing, siding, windows, and doors, as well as lead paint abatements, installing heating and septic systems, and creating handicap accessibility (TRI n.d.a; TRI n.d.b.).

Habitat for Humanity of Cape Cod offers both new construction and home repair services. For new construction, skilled volunteers help local income-eligible families build their own homes, with receiving families contributing 250 hours of sweat equity (labor) per adult (Habitat for Humanity n.d.a.). Receiving families also pay a small down payment and affordable mortgage, and as a result of the free labor contributed, the one-to-three-bedroom homes range from \$154,750 and \$247,000, and are deed restricted in perpetuity (Habitat for Humanity Cape Cod n.d.).

For home repairs, Habitat for Humanity offers an Aging in Place program, which was created to help older adults stay in their homes and communities longer by providing home repairs, modifications, and community services (Habitat for Humanity n.d.b.). Habitat for Humanity also operates two ReStores on Cape Cod in Yarmouth and Falmouth where residents and contractors can donate furniture, appliances, and building materials that are sold to the public (Restore Cape Cod n.d.). The proceeds earned from the ReStore are used to build homes through Habitat (Restore Cape Cod n.d.).

These renovation programs can help people stay in their homes and not be forced to move if they are unable to do or pay for the repairs of their home themselves. Towns should help residents apply for these programs so that more Cape Codders are able to remain in their homes for the long term, even if they cannot afford repairs themselves. This can prevent units from being sold to non-year-round households and may prevent units from being converted to STRs.

### ***7. Preserve Existing Housing and Reuse Vacant Units***

Another strategy to increase the supply of available housing on Cape Cod could be to work with existing homeowners to sell their property to the town once they are ready to move or to cede it to the town as a beneficiary in their will. This would allow the town to redevelop existing sites of single-family homes to multi-family properties. Additionally, as Brewster's Housing Coordinator discussed in our interview, another strategy for preserving housing could be to work to renovate existing vacant homes to be sold to families. Brewster has already done this for one family, and this strategy could be implemented across the Cape. Restrictions could be placed on the properties to require occupants be year-round tenants with affordability restrictions placed on the properties as well. This could prevent these vacant properties from being sold to developers whose goal may not be to create year-round housing.

In addition to repurposing vacant homes, converting old motels into affordable housing is a promising approach, similar to a recent project that has started in Orleans (POAH 2024; Razzak 2024). The former Governor Prence Inn in Orleans is being converted into housing, including 61 affordable rentals for families and seniors, as well as 10 middle-income townhouses and seven single-family homes for lower-income families for ownership (Razzak 2024).

### **Limitations of the Thesis**

One limitation throughout this thesis process has been the lack of response from town officials as well as the Massachusetts Department of Revenue (MA DOR). This includes requests for interviews from several towns as well as requests for information on tax revenue from STRs from some towns and the MA DOR. This is likely due to a lack of staff time, but led to six towns being unable to participate in interviews and four towns being unable to provide information on tax data.

Another limitation throughout this thesis process has been the lack of available information on some town websites. While some towns have information about their STR regulations and registrations easily available on their websites, a handful did not provide this information in an accessible way, which required further outreach.

Additionally, there was a limited amount of existing research on STRs in general within the U.S., including on the impact of STRs. Time was another limitation throughout this thesis process, especially because several communities on the Cape were in the process of updating their regulations on STRs or will be continuing conversations about potential regulations this upcoming year. It would be interesting to see updates regarding Provincetown's Lease to Locals trial program, since the trial period just began in April 2024 and will not expire until May 2025.

It would be unsurprising if Chapter 5 of this thesis would need to be updated for some communities by Spring 2025.

### **Areas for Further Research**

Further research should be conducted to monitor the growth of STRs in each Cape Cod community and how the revenue they generate is used. Complete and comparable data should be collected on the number of STRs in each town, the nightly rents charged, lengths of stays, the different streams of revenue STRs for the towns and the state from fees and taxes, and how these revenues are used across the state and the 15 towns. Additional useful information to be collected includes what STR regulations have been adopted by each town and the impacts they had on their revenues and housing supply, whether the owners are year-round residents or seasonal owners, and the number of complaints received by town officials and police departments throughout the year regarding STRs. Community surveys should be collected throughout the towns on Cape Cod in order to gain a better understanding of the circumstances behind why people rent their units out short-term and the opinions around STRs from community members.

If towns choose to participate in programs similar to the Lease to Locals or Rent 365 programs, it will be important to monitor the impact of these incentive programs on the increase or decrease of short-term rentals in favor of year-round rental units. Towns or operators of the programs should survey participating landlords to assess their experiences and opinions about renting year-round, and whether they choose to continue renting year-round when they are no longer required to.

Finally, a consolidated database of new affordable housing units on Cape Cod, both affordable and market-rate, should be maintained to monitor their impact on alleviating the acute need for year-round rental housing, and assess the effectiveness of the construction incentives

provided by the programs used. Research should be conducted on the relationship between new housing construction and the supply of STRs on Cape Cod.

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## APPENDIX

List of Standard Interview Questions:

- 1) What is your connection to housing on the Cape and how long have you worked in this capacity?
- 2) Can you describe the current state of the housing market on Cape Cod?
- 3) Can you describe what factors are influencing the shortage of housing on the Cape?
- 4) Towns across the Cape have seen an increase in the conversion of units to short-term rentals in recent years; have you seen an impact on the availability of year-round housing?
- 5) Can you describe what conversations around short-term rentals have looked like and what the community's response has been to them?
- 6) What would be your recommendations to regulate STRs? What should be the process to follow?
- 7) What do you think might incentivize homeowners to rent out their units for year-round housing, or for the summer, rather than short-term rentals through Airbnb, Vrbo, and similar platforms?
- 8) What alternatives have been suggested to increase the supply of year-round units? What solutions do you think would be most effective?