

Housing and Economic Development Committee
Public Hearing Testimony
LD 1181 – An Act Regarding the Designation of Short-term Rentals Units as Commercial or Residential in Use

Dear Legislators:

4-15-25

I am writing to oppose LD 1181. Short term rentals (STRs) have been an increasingly common target for municipalities across the state as they deal with complex housing issues including affordability and availability of housing stock of all types. STRs have become the “boggie man” for many looking for a quick solution to our layered and very nuanced housing crisis many, many years in the making. But don’t be fooled – LD 1181 will do nothing to significantly alleviate housing pressure across our state and instead will create unintended consequences and distract you from actually developing creative and effective solutions to meet this critical challenge

In my town, I’ve witnessed first hand how the effort to label some short term rentals as “commercial” has created a sense of discrimination among taxpayers. It’s easy to make labels, like “commercial in use” as proposed in LD 1181 to create a false narrative. The word “commercial” in this context connotes something derogatory or exploitative. When we think of “commercial” we often think of some large corporation or real estate development firm in this context. But that is often far from what is really going on. Short term rentals are often just properties owned by second home owners. Maine has the largest proportion of second home ownership in the country I’ll remind you. The overwhelming majority of short term rental units are owned, not by a corporation or entity trying to exploit our housing stock, but instead by a second homeowner who may wish to rent his or her home during periods when they are elsewhere—it’s that simple. And we need them, especially in our more tourism-based communities, which simply do not have the housing infrastructure to accommodate all the visitors who wish to come, spend money, and enjoy our state.

These STR owners and taxpayers might be future retirees, they enjoy Maine in all the seasons, and they come for long weekends, holidays or all summer. Most short term rental properties are often just a second home for someone who loves Maine, but just can’t live here full-time for whatever reason.

By differentiating short term rentals into commercial and residential categories based on residency status, LD 1181 seeks to create division among Maine taxpayers and the potential for increased tax and zoning restrictions for some and not for others. Arguably, property rights could be impacted for non-residents unfairly and potentially unconstitutionally. This bill presumes there is a one-size-fits-all solution and therefore a one-size-fits-all label for short term rentals—with arbitrary commercial or residential labels—when in fact, there are so many nuances.

LD 1181 does not contemplate the varied and complex short term rental landscape and is therefore flawed and should be rejected. In LD 1181, is a so-called short term rental “commercial in use” owned by someone from away and rented short term for two months out of the year more commercial than a short term rental “residential in use” that is rented for just shy of 6 months to meet the primary residency requirement of the owner? Of course not. Frequency of use of the property as a rental or other criteria are not considered and as a result this bill does nothing to contemplate the variety of short term rental uses and users and instead makes residency status the key metric for differentiation and that is arguably discriminatory and very dangerous to unleash statewide.

Of course, there are short term rental properties that are owned by folks who may not use the home for

their own enjoyment but this is certainly much more the exception than the rule. Given the high cost to acquire real estate along with stiff taxes, insurance, heating and other utility expenses, short term rentals are simply not a viable investment option for those looking for a straight investment income play. Again, it's common sense. I've been a professional real estate broker and rental professional for 25 years and I can say this is the case almost 100% of the time. Again STRs are an easy target.

A couple other points of information about short-term rentals. Financing of a short term rental property (i.e. a second home) is residential in nature and satisfies typical secondary market bank requirements. One is not required get a commercial loan for a property that is planned for use as a short term rental. Similarly, homeowner's insurance for a short term rental property is residential in nature and not commercial. LD 1181 is flawed in that it is trying to create a false narrative assuming all short term rentals owned by non-primary residents are commercial fundamentally when that just is not the case and banking and insurance industries agree.

Sure, short term rentals "make money" but so do other investment properties like multi units or single-family residential units that are strictly used for long-term housing and income generation for the property owner. Those owners also "make money" as they would not be able to offer the property for rent long term if they didn't at least cover their costs and make some profit. If we didn't have those type of long term commercial owners / investors we'd have an even greater housing crisis on our hands. LD 1181 does nothing to contemplate long-term rentals which are inherently much more commercial in nature than STRs and that shows just how disingenuous these types of STR regulation efforts are. The sponsors of LD 1181 just don't like short term rentals or they don't like that they might "make money" for their owners. It's that simple.

In my community, we have these same STR categories for taxpayers as LD 1181 proposes. A commercial STR taxpayer in my town pays three times (3X) the permit cost as compared to a residential STR taxpayer for the same town permit process and service. No other municipal fee (plumbing permit, building permit, sign permit, etc..) charges a different amount to one taxpayer over another based on residency status except this one! It's simple discrimination. All property owners are taxpayers fundamentally and should be afforded the same fair treatment and LD 1181 will encourage similar discriminatory practices across the state.

In closing, LD 1181 is a distraction. Going after short term rentals with arbitrary labels is just lazy. This bill will do nothing to alleviate housing issues and will instead create unintended collateral damage impacting our fragile tourism-based economy, weaken property rights, hurt our real estate market, and fast track a dizzying municipal maze of new restrictions—all with the potential for discriminatory policies detrimental to Maine taxpayers. Get to work figuring out a solution to Maine's housing crisis and the first step is reject LD 1181 and others like it.

Sincerely,

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