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Testimony of the Maine Municipal Association

In Support of

LD 1181 - An Act Regarding the Designation of Short-term Rental Units as Commercial or Residential in Use

April 14, 2025

Sen. Curry, Rep. Gere and distinguished members of the Housing and Economic Development Committee, my name is Rebecca Graham, and I am submitting testimony in support of LD 1181, at the direction of MMA's Legislative Policy Committee (LPC). Our LPC is composed of municipal officials from across Maine, elected by their peers to represent communities with vastly different enforcement staff, resources and capacities.

The Association and its members thank Rep. Gere for bringing this legislation forward and her work with assessors and economic development professionals seeking ways to capture the investment use of property that inflates the residential sales value of adjacent properties used exclusively as homes and develop the path that removes them from the assessment classification of adjacent residential homes. Many communities have used their home rule authority to develop complex processes that carve out the historic seasonal use of property rentals, owner occupied units and residential homes that are transient rentals only.

Bed and breakfast buildings which operate in residential areas are not calculated in the same assessment category as the adjacent homes next to them because they are commercial properties. Their purchase price is higher than a similar residential property based on the ability to generate revenue from the transient occupancy. Increasingly, hotels and transient rental operations are targeting residential property to expand their rental portfolios or add to a real estate investment trust. They are purchasing the homes based on their use but are assessed in the residential category also avoiding the business and equipment tax reporting expected from similar operations like their regulated peers.

For instance, Marriott Bonvoy, the hotel chain, has 471 properties in Maine rented through their platform managed through relationships with local property management companies and no longer part of the residential neighborhood. Many of these properties are also listed on other hotel booking sites. The properties may or may not be available through other platforms, but it is clear they are hotel use properties and in residential areas with some listing requiring age restrictions due to homeowners' association rules for their rental. These properties are entirely commercial and not residential, and their sales value will be based on their income potential not residential quality, often marketed by realtors for that value.

<https://homes-and-villas.marriott.com/en/search/maine-vacation-rental?dateSelectionType=exact&locationName=Maine&lat=45.25378&lng=-69.44546>

This bill makes it explicit for assessors across the state that these properties are commercial operations and may be placed in a use category for the purposes of assessment that does not allow their

purchase and sales to be included in residential use purchase and sales ratio just like all other commercial use properties thereby normalizing the sales ratio used for valuation purposes for residential properties. The bill does not disallow that use or prohibit a municipality from adopting more stringent requirements to regulate short term rentals empowered by their legislative bodies. It simply allows the exclusive commercial use of residential properties in all communities to be treated equitably in the same way as similar commercial uses in the calculation of sales ratio for assessment purposes.

There are other experts on assessment who will be testifying today about this effort and its value in reducing the impact of market conditions on the residential housing stock. The Association and its members support the language in LD 1181 that will help communities without complex ordinances to address the assessment imbalance between residential and commercial use of residential property in all communities. We are grateful to the committee and Rep. Gere for considering the merits of this bill and your work to protect and grow existing residential housing stock while fairly addressing the increased commercial use of property that inflates values and thus the tax bills on real homes.