



**State of Rhode Island
DEPARTMENT OF BUSINESS REGULATION
1511 Pontiac Avenue
Cranston, Rhode Island 02920**

Office of the Director

via email: HouseCorporations@rilegislature.gov

June 28, 2021

Representative Joseph J. Solomon, Jr.
Chair, House Committee on Corporations
Rhode Island State House
Providence, RI 02903

Re: H 5505 Sub A - An Act Relating to State Affairs and Government –
Tourism and Development
S 0501 Sub B – An Act Relating to State Affairs and Government –
Tourism and Development

Dear Representative Solomon:

The Department of Business Regulation submits this letter of concern with respect to H5505A and S0501B both scheduled for consideration today at the House Corporations hearing.

DBR has broken down its concerns into three (3) categories: (1) fiscal impact, (2) practical concerns, and (3) concerns for Rhode Island property owners and renters.

Fiscal Impact:

- In order to comply with the bill requirements, DBR would need to retain a contractor to design and build a customized software system for registration (e.g. the bill requires alpha numeric numbers corresponding to city/town; the system would need the ability to interface/communicate with all short-term rental platform databases). The estimated cost for such a system would be \$500,000 and the timeframe to go to RFP, contract and design and build would be 12 months.
- DBR would need one (1) FTE from DoIT assigned to lead the registration system project for the 12-month period, one (1) permanent FTE to process registrations, and one half ($\frac{1}{2}$) an FTE (attorney) to handle enforcement matters. The Department anticipates difficulty enforcing this bill and/or legal challenges to be raised by platforms, property owners, etc., which will also require designated legal resources from the Office of the Attorney General.

Practical Concerns:

- The bill requires DBR to notify the hosting platforms of the registration requirement and to have the platforms instruct property owners to register, and also to have the platforms ensure

- compliance and remove properties whose owners fail to register. It will be nearly impossible to enforce these requirements effectively against platforms, because many are out of state and there is not an enforcement mechanism against them. Whereas prior bill versions contained a provision for a civil fine against the platform *and* the property owner if a listed property is not registered with DBR, the current bill provides for civil fine only against the owner of the property. It appears that this change is an attempt to address the bill's conflict with Section 230 of the federal Communications Decency Act. It is not clear that this eliminates likely legal challenges since the bill still impacts short term rental platforms.
- Without short term rental industry expertise, it is unclear how DBR will be able to identify all platforms (national platforms, local realtors, etc.) that exist to be able to administer this bill effectively.

Concerns for Rhode Island Property Owners and Renters:

- We understand that the genesis for this bill are the City of Newport's concerns that short term rentals compete with local hotels. Also, certain property owners are concerned about having short term tenants in traditionally "owned" neighborhoods. However, this bill imposes burdens on all Rhode Islanders who offer short term rental of their properties (e.g. Providence, Narragansett). Importantly, there are a number of provisions in the building code that would become applicable to these properties if they are considered transient dwellings (rented less than 30 days), such as fire sprinkler systems, which can cost \$10,000+ per property. Other costs include ingress/egress requirements which would also be expensive for a property owner.
- Short term rental platforms do not display addresses until booking, because of the risk of criminal activity as to these properties when not occupied. The public database required under this bill will put certain private information in the public domain (privacy issue) and will also allow property information to be leveraged for nefarious purposes and create risk for property owners and renters.
- If one or two cities/towns have concerns with short term rentals in their community, that is best addressed at the local level, as opposed to creating a costly system that burdens all Rhode Islanders.

I am available to answer any questions on this matter. I can be reached at 401.578.1734.

Very truly yours,



Elizabeth M. Tanner, Esq.
Director

cc. Members of the House Corporations Committee