



February 24, 2023

The Honorable Chris Friedel
3302 2nd Ave N
Billings, MT 59101

The Honorable Kenneth Bogner
1017 Pleasant St
Miles City, MT 59301

Dear Chair Friedel and Vice Chair Bogner,

On behalf of the American Hotel & Lodging Association, we thank you for your leadership and opportunity to comment on a very concerning bill before your committee. AH&LA is the nation's largest hotel association representing all segments of the industry, including more than 30,000 members nationwide – including iconic global brands, 80 percent of all franchised hotels, and the 16 largest hotel companies in the U.S.

For hotels in Montana and across the country, competition is the hallmark of our industry, and we thrive when everyone plays by the same set of rules designed to ensure the safety of our guests and our communities. That's why tourism remains one of Montana's leading industries, and hotels are among the top employers of Montana residents. Montana hotels employ nearly 40,000 residents, paying more than \$1 billion in wages and salaries, and \$463 million in state, local, and federal taxes annually.

With this in mind, I'd like to thank you for hearing our concerns with S.B. 467 (Treas). As you know, S.B. 467 attempts to eliminate local control of short-term rental properties. We have serious concerns with the bill and offer a recent example of similar legislation and the devastating impacts that followed.

The occasional rental of a primary residence – the true spirit of the “sharing economy” – is the type of activity that generates positive benefits to tourism across the country and here in Montana. However, we are concerned with the growing number of commercial operators – many of whom are out-of-state investors – using short-term rental websites to essentially operate multi-unit, full-time lodging businesses that undermine communities and flout the most basic zoning guidelines. Short-term rental companies contend that the majority of their hosts are “mom and pops” looking to rent out a spare room or garage apartment for extra income. This is a convenient narrative but it's only part of the story.

In reality, these companies have grown because commercial investors are listing residential properties that have no regular occupant and are available for rent year-round. Seeing an easy loophole, investors in Montana and states across the country are operating illegal hotels without the consumer and community protections that legitimate hotels of every size – from the large chains to the small bed and breakfasts – are required by state law and local ordinance to follow. It's only fair that if you run a lodging business you should have to comply with the same standards as every other lodging business.

For proof of the damage this bill will do, look to Arizona. In 2016, Arizona Governor Ducey signed into law a bill (S.B. 1350) that prohibited cities from banning or capping the number of short-term rentals in the



community, allowing short-term rentals to proliferate in residential communities across the state. The consequences were immediate and far-reaching. For example, tourist destinations like Sedona lost roughly 30 percent of its single-family homes, drastically limiting the houses available to locals, and forcing families to look outside of the area. Other cities like Scottsdale saw entire communities overrun with investor-owned commercial lodging facilities, bringing in a constant stream of house parties and related nuisance issues. Six years later, Governor Ducey signed S.B. 1168 into law, to un-do the damage and once again allow cities to establish short-term rental regulations and requiring operators to obtain local licenses and permits.

The lesson from Arizona is clear. By removing local control of short-term rental policy, Montana would be stripping their cities and towns of a critical duty that local government is uniquely qualified and best positioned to handle. S.B. 467 will give real estate investors free rein to replace residential homes in residential neighborhoods with commercial short-term rental operations.

We urge you to oppose this bill. AH&LA and our nearly 200 Montana members stand ready to help craft legislation that ensures that the commercial businesses facilitated by short-term rental platforms fully comply with the law, protect consumer safety and the character and security of residential neighborhoods, and meet their tax and regulatory obligations.

Sincerely,

Marilou Halvorsen

Marilou Halvorsen
Senior Vice President, State & Local Government Affairs and Industry Relations
American Hotel & Lodging Association

Cc: House Speaker Matt Regier
Senate President Jason Ellsworth
Senator Jeremy Trebas