

Brussels, 13 July 2022

Open letter on the need for legislative action on tackling illegal short-term rentals

Dear Commissioner Vestager,

Dear Commissioner Breton,

We are writing to you as Members of the European Parliament and as representatives of some of the biggest cities in Europe, united in the European Cities Alliance on Short Term Rentals and beyond, to share our concern on the impact of the expansive growth of short-term holiday rentals (STHR) and the urgent need for action and regulation at EU level. Cities have repeatedly been calling for action on tackling illegal STHR and the European Parliament called on the Commission on January 21st, 2021 in its Resolution on access to decent and affordable housing for all to take legislative measures on short-term rental.

Commissioner Breton has on several occasions, including in the IMCO committee, committed to presenting a specific short-term rental legislative proposal as a so-called 'plug-in' or *lex specialis* on the Digital Services Act. The Commission has published an Inception Impact Assessment and has run a public consultation. Initially foreseen for June, the initiative was postponed. We are extremely worried the proposal currently no longer features on the list of initiatives planned to be launched until December. We call on the Commission to urgently go forward with proposing its announced short-term rental initiative still this year. The availability and affordability of housing, as well as liveability of our cities are at stake.

The rise¹ and high profitability of STHR has led to a widespread pattern of long term housing rentals being converted into STHR. The impact on prices and the supply of affordable housing is alarming all over Europe particularly in inner cities, whilst current increases in the cost of living, rents and house prices are putting many European households under escalating financial pressure. Important to note is that the majority of listings is owned by companies and investors with a large portfolio, whilst the original peer-to-peer renting has become marginal.

Inhabitants are also increasingly voicing their concerns about nuisances caused by STHR. In addition to the adverse effects on the liveability of certain neighborhoods and soaring rents and house prices, they report: noise disturbance, health hazards, and even the slow disappearance of convenience stores.²

We are currently witnessing a return to pre-pandemic tourist activity, making the OECD's warning that 'as the threat of COVID-19 recedes, a renewed rise of digitally enabled short-term rentals could again put pressure on demand for housing space'³ ever more relevant.

¹ In Amsterdam, for example, in 2013 there were about 4500 listings, which grew to 22000 by 2017. In Lisbon's historic district Alfama more than 55% of the apartments are now STHR. The center of Florence has seen an increase of STHR of 60% since 2015. The city of Kraków recorded an increase of 100% of STHR between 2014 – 2017.

² Van Heerden, S, Barranco, R., and C. Lavalle (eds), *Who Owns the city? Exploratory Research Activity on the financialisation of housing in EU cities.*, EUR 30224 EN, Publications Office of the European Union, Luxembourg, 2020.

³ OECD (2021), *Brick by Brick: Building Better Housing Policies*, OECD Publishing, Paris, p.11.

Faced with increasing challenges, numerous cities have already adopted local rules to better regulate the phenomenon and action has also been undertaken at regional and national level. In the *Calif Apartments* case (cases C-724/18 and C-727/18) the Court recognised that combating the long-term rental housing shortage constitutes an overriding reason relating to the public interest under the Services Directive. This means local authorisation schemes are justified if they are proportionate and necessary.

In a number of Member States, registration-schemes have been put in place in order to better regulate STR. The Netherlands recently passed an Act on Holiday Rentals including direct obligations for online platforms to publish registration numbers if such a licensing system is in place. Their notification to the Commission as a derogation of the e-Commerce Directive under the limited grounds of Article 3(4) was successful under grounds of public order.

We believe that the Commission should present a legislative proposal giving clear authorisation and discretion to authorities to regulate holiday rental in the general public interest and putting in place registration systems. The exact requirements must be up to local, regional or national authorities so they can tailor their approaches to the specific needs. In this regard the 'market harmonisation' objective should not stand in the way of ensuring housing as a human right.

The key problem however is that even with rules and registration systems in place, illegal STR activities are difficult to counter as the platforms do not readily share the information authorities need to enforce the rules. Voluntary data exchange schemes have so far proven unsuccessful. As a consequence many cities have to invest considerably in professional capacity to check rental-data in alternative ways, to follow-up complaints and indications of illegal STR-activity, to impose fines, etc. In a city like Barcelona, for example, a team of 70 FTE is charged with such work. In addition, the constant litigation such as we have seen in the past years between European cities on the one hand and the platforms (refusing data-sharing) on the other, increases substantially the administrative costs for local governments.

Therefore, we urgently need a better and more efficient system that enables all platforms to understand and comply with local rules across the EU, regardless of the size of the platform. At the same time, the new proposal should empower in particular local authorities to understand what is happening on the ground, enforce rules and make evidence-based decisions. Whilst the DSA foresees some limited obligations for platforms to randomly check registration numbers and share data requested for a certain individual, more specific rules are urgently needed and justified in the context of STR.

Therefore access to data should be ensured in order to enforce the rules. Where registration of rentals is required by national or local rules, platforms should require, check and publish registration numbers before allowing the rental through their platform. A database of registration numbers should be easily available to platforms. We propose to make the sharing of data necessary for the enforcement of local rules obligatory and put in place an EU online tool for the information exchange between the competent authorities and short-term rental platforms.

We urge you to present the short-term rental initiative still this year as we need to take action on all fronts to counter the current cost-of-living-crisis situation. We are looking forward to your response,

Yours Faithfully,
Members of the European Parliament

Kim van Sparrentak (Greens/EFA)	Mounir Satouri (Greens/EFA)
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The European Cities Alliance on STHR*

- Anna Lisa Boni, Deputy Mayor of Bologna
- Ian Brosat, Deputy Mayor of Paris
- Grégory Doucet, Mayor of Lyon
- Kathrin Gaál, Deputy Mayor of Vienna
- Alessandro Ghinelli, Mayor of Arezzo

- Peter Hanke, Executive City Councilor of Vienna
- Gergely Karácsony, Mayor of Budapest
- Raphaël Michaud, Deputy Mayor of Lyon
- Rui Moreira, Mayor of Porto
- Dario Nardella, Mayor of Florence and President of EUROCITIES
- Zita Pels, Deputy Mayor of Amsterdam
- Ans Persoons, Deputy Mayor of Brussels
- Janet Sanz, Deputy Mayor of Barcelona
- Laia Bonet, Deputy Mayor of Barcelona and chair of the EUROCITIES' Digital Forum

*The European Cities Alliance on STHR are:
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