Executive Summary

The Goldwater Institute filed these cases to protect the rights of people who want to offer their private homes to overnight guests, but who have been deprived of the right to do so by astronomical fines, cumbersome processes, and outright bans. Those restrictions hurt communities and violate the constitutional rights of responsible homeowners.

The Problem

Home-sharing is a long-standing American tradition. For centuries, property owners have let people stay in their homes, rather than in hotels, sometimes in exchange for money or doing chores. Today, “sharing economy” technology has empowered homeowners and travelers to connect better than ever before. Online home-sharing platforms like Airbnb and HomeAway enable people to rent their homes to visitors to make money and help pay their mortgages. Consumers benefit from more choice and lower prices. Communities attract visitors who support local businesses. And people are given an incentive to buy dilapidated homes and fix them up.1

Home-sharing websites now offer more rooms than the Hilton or Marriott chains. With expensive hotels no longer their only option, visitors who might otherwise have been deterred by the high cost of lodging are visiting new destinations and patronizing local economies. And home-sharing isn’t just for tourists. A recent study by the travel expense company Concur found that home-sharing bookings by business travelers have increased by 56 percent over last year. Home-sharing is helping homeowners earn more money: Twenty-one percent of homeowners use rental income to pay for a child’s education, 70 percent use income for renovations or upgrades, and 11 percent use it to save for retirement.2 More importantly, home-sharing represents an essential aspect of private property rights: A property owner has a basic right to decide whether or not to let someone stay in his or her home.

Unfortunately, many local governments have responded, not by welcoming the new economic opportunities home-sharing represents or respecting the rights of property owners—but by banning home-sharing or imposing rules that unreasonably restrict homeowners’ freedom of choice.

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In some cities, restrictions on home-sharing have consequences far beyond property rights. New York State lawmakers cracked down on online advertising for home-sharing, imposing fines of up to $7,500 on people who publicize their willingness to let guests stay in their apartments. Chicago adopted an ordinance intended to intimidate homeowners by authorizing city inspectors to enter the private homes of home-sharers at any time without a warrant and even demand a guest’s personal information without a warrant or good cause. Home-sharers who don’t comply with these demands are subject to fines of $1,500 to $3,000 per day.

**Case One: Miami Beach Imposes the Highest Fines in the Nation**

Home-sharing is a popular way for visitors to stay in the Sunshine State. Home-sharing helps thousands of Floridians rent rooms or houses to help pay their bills. According to a recent poll from Mason-Dixon, 93 percent of Floridians support home-sharing.

In the city of Miami Beach, Airbnb generated an estimated $253 million in local economic impact last year. Nearly a third of visitors’ dollars were spent at local restaurants.

Miami Beach was built as a vacation destination and has always relied on tourism. In fact, 55 percent of properties in Miami Beach are non-homesteaded investment properties. Tourism drives the city’s economy and breeds new business opportunities for local residents. So-called “vacation rentals” are the properties that pay the taxes, which fill the city’s coffers to pay for schools, emergency and community services, and infrastructure improvements.

In short, home-sharing has always been a vital part of Miami Beach. The only difference today is the advent of platforms like Airbnb and HomeAway to seamlessly facilitate the home-sharing process.

Yet across Florida, a growing number of cities are trying to ban short-term rentals, sticking homeowners with astronomical fines and penalties. The most extreme law was adopted by Miami Beach, which now imposes fines of $20,000 to $100,000 per violation on home-sharers who rent outside of a small zone in North Beach, or who fail to comply with the myriad rules that apply within that zone.

Although his city imposes the heftiest fines on home-sharing in the country, former Miami Beach Mayor Philip Levine complained that the fines should be even higher. Mayor Levine has boasted that he enjoys the benefits of home-sharing when he visits other communities—but he just doesn’t want to extend those freedoms to his

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4 Chi., Ill., Mun. Code §§ 4-6-300(e)(1), 4-16-230 (2016).
5 Id. §§ 4-6-300(f)(2), (3); §§ 4-14-040(8), (9) (2016).
6 Id. §§ 4-6-300(k), 4-14-090(a).
7 Mason-Dixon Polling and Research (February 24-28, 2017), [http://www.politico.com/f/?id=0000015a-a6e2-d379-a55e-b6ee80c20000](http://www.politico.com/f/?id=0000015a-a6e2-d379-a55e-b6ee80c20000).
10 Miami Beach Ord. Sec. 142-905.
own constituents. “I love Airbnb. Love, love, love, love,” he said in a press conference. “Airbnb is an extraordinary company—I think it’s fantastic, but I just don’t love Airbnb on Miami Beach.”

These arbitrary restrictions—including the carve-out for North Beach—based on bureaucratic whim, have serious consequences for the community. Without vacation rental options, many tourists—especially families—simply cannot afford to visit, and spend their money, in Miami Beach. So they will go elsewhere.

Prohibitions on home-sharing are often nothing more than a turf war fueled by existing businesses using their political power to block the competition. Hotel lobbies claim that vacation rentals are a detriment to their industry and sympathizers argue that homeowners who rent out their guest rooms “compete with the city’s hotels and threaten the jobs they create.” But by that logic, officials should also forbid people from letting friends or relatives spend the night or come over for dinner, in order to increase business for the nearest Motel 6 and Denny’s. Yet, even as home-sharing booms nationwide, hotel occupancies and demand are still growing year-over-year.

Home-sharing crackdowns also encourage neighbors to spy on one another and require police to spend time on petty squabbles. In Honolulu, Hawaii, the government has spent tens of thousands of dollars hiring officers to peek over people’s fences and interrogate tourists to ensure that property owners aren’t letting paying guests stay the night. In Santa Monica, California, officials spent half a million dollars creating a full-time task force to enforce its home-sharing ban—and managed to convict just one homeowner, fining him $3,500.

In Miami Beach, the situation is far worse. Taxpayers now fund five full-time employees who are tasked solely with hunting down short-term rentals and taking their owners to task. And because over half of all homes are non-homesteaded properties, second homes pay the lion’s share of the city’s budget through property and school board taxes (services non-resident homeowners do not use). With the home-sharing ban, the city of Miami Beach is not only wasting valuable taxpayer resources on enforcement; it is biting the hand that feeds it, punishing the homeowners whose tax contributions are critical to funding the municipal services for the year-round residents.

Rather than improving the local economy and supporting homeowners who want to take a shot at the American Dream, Miami Beach is spending taxpayer money to drive away visitors and turn homeowners into outlaws.

The Law

These regulations aren’t just detrimental to homeowners, travelers, and communities; they also violate Florida law. Private property is a fundamental human right—the guardian of all other rights. Other freedoms, like freedom of the press or religion, would be meaningless if people were prohibited from owning printing presses or churches. America’s Founders understood this, and that’s why the U.S. Constitution mentions private property more often than any other right.

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Yet government regulations have chipped away at this foundation of freedom, imposing restrictions on property rights that have consequences far beyond property itself.

First, the Florida Constitution prohibits cities from punishing their citizens by imposing “excessive fines” that are “grossly disproportional” to the person’s actions. If penalizing a homeowners $100,000—a sizeable portion of the home’s value—for allowing a visitor to stay overnight in their home isn’t excessive, it’s hard to say what is.

Florida state law also caps the fines that cities like Miami Beach can levy at $1,000 for first offenders. Miami Beach’s new home-sharing fines—which start at $20,000 (and can’t be reduced by a city official)—far exceed that. Miami Beach imposes fines that are illegal under the state cap.

Case Logistics

Natalie Nichols is a long-time Miami Beach resident who has owned her two rental properties, bordering picturesque Biscayne Bay, for over a decade. One is a single-family home that Natalie sometimes occupies and sometimes rents. The other is a “four-plex,” which is a building with the architecture of a single-family home, but which actually contains four small apartments that are individually occupied. Natalie used income from short-term rentals to weather the economic downturn of 2008, when many people around her were forced to sell. Miami Beach should be targeting nuisance properties, not responsible homesharers like Natalie.

The defendants are the city of Miami Beach and Miami Beach city officials acting in their official capacities.

The case was filed in Miami-Dade Circuit Court, on June 27, 2018.

Case Two:

Seattle Plans to Put Home-Sharing Entrepreneurs Out of Business

One might expect Seattle—home to Amazon, Microsoft, and Expedia—to embrace HomeAway, Airbnb, and other home-sharing services, but the city’s well-earned reputation as a haven for innovation does not extend to private property rights. For over a decade, home-sharing was commonplace in Seattle and thrived under a reasonable regulatory system that included paying short-term rental taxes to the city. Entrepreneurs—including the plaintiff in this case—built successful businesses based on carefully acquiring and professionally managing short-term rental properties around the city.

Indeed, home-sharing has played an important role in smoothing the city’s growth over the past decade. In addition to accommodating tourists who come to Seattle to experience its natural beauty and vibrant lifestyle, short-term rentals help facilitate the city’s influx of new workers at Amazon, Microsoft, and other large local employers. People who are moving to Seattle—or working there for a few months at a time—need a place to stay, and short-term rentals provide an obvious solution.

17 FLA. CONST. art. I, sec. 17.
18 Gordon v. State, 139 So. 3d 958, 960 (Fla. 2d DCA 2014).
19 Fla. Stat. § 162.09 caps municipal fines at “$1,000 per day per violation for a first violation, $5,000 per day per violation for a repeat violation, and up to $15,000 per violation if the code enforcement board or special magistrate finds the violation to be irreparable or irreversible in nature.”
Home-sharing has never really been a problem in Seattle. Reported complaints are low—about on par with long-term rentals. Short-term rentals serve an important function in helping the city deal with its recent growing pains. But despite all of this, the city council voted late last year to restrict short-term rentals.20

The Law

Seattle’s law operates very differently from the one in Miami Beach. The city has not outlawed home-sharing. Instead, it has imposed a set of restrictions that make it difficult to operate a home-sharing business, harming local entrepreneurs who have been operating in the city for years without incident.

Seattle Ordinance No. 125490 was passed in late 2017 and goes into effect in January 2019. Under the new regulations, a property owner can only rent out her primary residence plus two additional properties.21 If she more than three properties, she will be prohibited from using them for short-term rentals. These restrictions apply everywhere in the city, except for the Downtown Core and First Hill neighborhoods.22 The penalty for violating the two-property rule is $500 per day for the first ten days, and $1,000 per day beyond that.23

These new rules are unconstitutional under the U.S and Washington constitutions.24 In Washington, a court evaluates a land-use restriction by looking at whether the regulation is aimed at achieving a legitimate public purpose; whether it uses means that are reasonably necessary to achieve that purpose; and whether the regulation is unduly oppressive on the landowner.25

When it adopted the new home-sharing restrictions, Seattle’s stated goal was to increase the available supply of affordable housing in the city.26 While addressing a housing crisis may be a legitimate governmental interest, the new law fails under the second and third parts of the Washington test. introduced no evidence showing a link between short-term rentals and affordable housing. Furthermore, even if there were a link between short-term rentals and housing affordability—and there is not—the burden the law places on Seattle’s community of home-sharing entrepreneurs is grossly disproportionate to any public benefit that may be achieved. Indeed, the law threatens to put many home-sharing entrepreneurs out of business entirely. Meanwhile, there appears to be an actual glut of new housing in Seattle, which is driving rents down, not up.27

Case Logistics

That is why local entrepreneur Andy Morris and his company, Seattle Vacation Home, are challenging the new restrictions in Washington State court. They are not seeking any money from the city, nor asking for any special privileges. Instead, they merely seek the right to continue operating the business they have built.

Andy owns Seattle Vacation Home, LLC, a local business that operates 11 properties around the city and rents nine of them as short-term rentals through online platforms. These properties routinely receive high marks from

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renters, and Seattle Vacation Home keeps them in excellent condition. The company also works hard to keep problems at its properties to a minimum. Over the course of more than 2,500 bookings, the properties have received only 10 noise complaints, which Andy promptly dealt with, and the police have been called only once—by Andy himself when an unauthorized party got out of hand. In addition to providing a livelihood to Andy and his wife, Seattle Vacation Home provides a livelihood for the family that runs Clean Team, LLC, which cleans and maintains Andy’s properties.

If the new law is allowed to stand, it threatens to put Andy, his wife, and everyone who works on their properties out of business.

The case was filed in the King County Superior Court on June 27, 2018.

Case Three: Pacific Grove Raffles Off Property Rights

As in Miami Beach and Seattle, home-sharing has long been a way of life in Pacific Grove, a small coastal city in Monterey County, California. Indeed, the city’s own website boasts of the availability of local vacation rentals for tourists. Visitors don’t travel to Pacific Grove to party on Spring Break; rather, they come there to relax and enjoy an idyllic oceanside town. Tourism revenue allows Pacific Grove to meet its pension obligations, pave its roads, and make other city improvements.

In February 2018, the city imposed a 15 percent density rule, limiting the number of homes that can be used for home-sharing. Previously, people could share their homes so long as they got a city permit. Permits were renewable indefinitely and were irrevocable unless there was substantial evidence showing specific types of misconduct or violation. But the new cap is far stricter. It does not automatically grandfather in homeowners who already have permits; instead, the city held a lottery-style drawing on May 22 to determine at random whose permit would be revoked.

The city actually set up a ping-pong ball machine commonly used for bingo games—only in this case, the “winning” numbers corresponded to 51 homeowners who, after April 2019, will be prohibited from renting their homes unless and until some other homeowner gives up his or her right to rent.

The process for stripping people of their right to share their homes was not based on how long the homeowner had been renting the home, or whether they or their guests had caused disturbances. Instead, the drawing was random, meaning that owners who had racked up numerous complaints were allowed to keep their permits, while responsible homeowners were stripped of theirs.

The Law

The city’s lottery system is not just devastating to home-sharers and detrimental to local tourism—it also violates California law. The state’s Coastal Act authorizes the California Coastal Commission to regulate development in the state’s coastal zone for the purposes of protecting the coastline, maximizing public access, and balancing the use and conservation of resources. While the Commission often imposes heavy restrictions on property owners, even it recognizes the benefits of home-sharing, because it provided affordable access to the coast while reducing the need for new public facilities. Thus, the Commission has declared that bans on home-sharing are inconsistent with the Coastal Act. Although the Commission has supported limiting the number of vacation rentals when necessary, it has implored cities to adopt only “reasonable and balanced regulations that can be tailored to address the specific issues” of the community, rather than banning the

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Indeed, many of the home-sharing regulations the Commission has approved in the past focus on abating disturbances through nuisance restrictions, parking requirements, occupancy limitations, and mandatory emergency contacts, or mechanisms for tax collection, as opposed to one-size-fits-all prohibitions. The Coastal Act requires local governments to submit changes to their zoning ordinances and land use restrictions, to the Commission for approval before those changes can become effective. Pacific Grove officials did not submit their new anti-home-sharing system or lottery scheme to for approval before stripping homeowners of their home-sharing permits. And the city’s regulations aren’t tailored to address specific problems; rather, they abruptly and arbitrarily deprive responsible property owners of their right to let people stay in their homes.

Case Logistics

William and Susan Hobbs own “Sea Dance,” a beautiful oceanfront property that has been licensed to conduct short-term rentals since 2013. Susan’s family has owned Sea Dance since her parents purchased it over 50 years ago, when Susan was just a teenager. When her mother had to move into an assisted living facility, Susan obtained a short-term rental license from the city and began to offer Sea Dance for rent to help the family afford the considerable costs of that care. Based on the assurance that they would be able to recover the costs of repairs through short-term rentals, Susan and William worked daily for two months and spent an estimated $50,000 to turn the aged home from an unmaintained eyesore to a beautiful oceanfront vacation home. Susan inherited the home when her mother passed away six months later. Because she had put considerable resources into fixing the home and because she wanted to keep it for their own future use, Susan continued to offer it for rent on a short-term basis. Sea Dance is a popular rental home and has received no formal complaints. Yet thanks to the city’s recent lottery, William and Susan will lose their short-term rental license next year. They fear they will have to sell the home because they will no longer be able to afford to keep it.

Donald and Irma Shirkey bought a second home in Pacific Grove in 1999 for their children and grandchildren to use when they visit. In order to cover the costs, and to help them maintain their primary residence, they decided to rent the home out when their family was not occupying it. As with the Hobbses, the Shirkeys have never had a complaint about their guests. Short-term rentals are more lucrative, but also more practical for Donald and Irma since the house stands empty when their family is not visiting. So when the city began licensing short-term rentals in April 2010, Donald and Irma were among the first to apply for and receive a license. They made repairs and improvements, including installing new decks and replacing and upgrading appliances. Although they often rent the home as a single unit, this year the city required them to obtain a second short-term rental license for the small guest quarters over the garage. While the above-garage space offers extra privacy, it’s small and not viable as a stand-alone rental for many guests. Yet thanks to the city’s arbitrary lottery, Donald and Irma have lost their first permit—meaning that they’ll be limited next year to renting out just the small guest unit.

The defendants are the city of Pacific Grove and Pacific Grove city officials acting in their official capacities.

The case was filed in Monterey County Superior Court, on June 27, 2018.

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30 Letter from Steve Kinsey, Chair, California Coastal Commission, to Coastal Planning/Community Development Directors (Dec. 6, 2016), https://documents.coastal.ca.gov/reports/2016/12/w7a-12-2016.pdf.
A Better Way

Home-sharing is nothing new, especially in cities that have long been tourist destinations. To forbid centuries-old hospitality simply because market innovations have made it more efficient undermines constitutional rights. These three lawsuits seek to vindicate those rights.

Fortunately, not all states undermine the property rights of home-sharers. Last year, Arizona passed landmark legislation that protects home-sharing statewide. That law allows local governments to take action against noise, traffic, and other actual nuisances—but forbids local governments from adopting blanket prohibitions on home-sharing. Lawmakers in Florida, California, Washington, and other states can also put an end to local overreach by enacting statewide protections to ensure that cities focus on their most vital jobs—including protecting quiet, clean, and safe neighborhoods—without depriving residents of the right to decide what goes on in their own homes.

Under such a law, local governments maintain the power and the obligation to prevent homeowners and their guests from committing nuisances, trespassing on others’ property, having raucous parties or clogging up the streets with traffic. But banning home-sharing across the board just because nuisances might sometimes occur is nonsensically overbroad. Local governments don’t ban all backyard barbecues just because some of them get rowdy, or ban people from selling homemade items on eBay on the theory that this is somehow “commercial” rather than “residential” land use.

If they are genuinely concerned with nuisances, officials should focus on enforcing reasonable rules that protect quiet, clean, and safe neighborhoods, instead of limiting choices, hindering the city’s tourism industry, and depriving people of the rights—and the incentives—to use their property and speak as they see fit.

The Legal Team

Matt Miller is a Senior Attorney at the Goldwater Institute, where he leads the Institute’s free-speech litigation efforts. Before joining Goldwater, he served nine years as the Managing Attorney of the Institute for Justice’s Texas Office, which he opened in 2008. There, he won important victories for free speech and economic liberty. Prior to that, he worked as a land-use attorney at a large Dallas law firm. Matt’s cases have been featured in the Wall Street Journal, Washington Post, Associated Press, Reuters, Dallas Morning News, and other outlets nationwide. Matt has testified by invitation on numerous occasions before state legislatures on many topics. In 2009, he led the effort to reform the Texas Constitution to better strengthen protections for private property owners. Matt holds an undergraduate degree from the University of Texas and a law degree from the University of Chicago Law School.

Christina Sandefur is Executive Vice President at the Goldwater Institute. She also develops policies and litigates cases advancing healthcare freedom, free enterprise, private property rights, free speech, and taxpayer rights. Sandefur has won important victories for property rights in Arizona and works nationally to promote the Institute’s Property Ownership Fairness Act, a state-level reform that requires government to pay owners when regulations destroy property rights and reduce property values. She is also a co-drafter of the 40-state Right to Try initiative, now federal law, which protects terminally ill patients’ right to try safe investigational treatments that have been prescribed by their physician but are not yet FDA-approved for market. Sandefur is the co-author of the book Cornerstone of Liberty: Private Property Rights in 21st Century America (2016). She is a frequent guest on national television and radio programs, has provided expert legal testimony to various legislative committees, and is a frequent speaker at conferences. Sandefur is a graduate of Michigan State University College of Law and Hillsdale College.
The **Goldwater Institute** opened in 1988, with the blessing of its namesake. Its early years focused on defending liberty in Barry Goldwater’s home state of Arizona. Today, the Goldwater Institute is a national leader for constitutionally limited government, with hundreds of legislative and court victories to its name. In 2016 in Arizona, the Goldwater Institute successfully challenged home-sharing regulations and spearheaded the nation’s first state home-sharing law to protect people’s rights to share their homes, while allowing government to enforce reasonable rules against nuisances.