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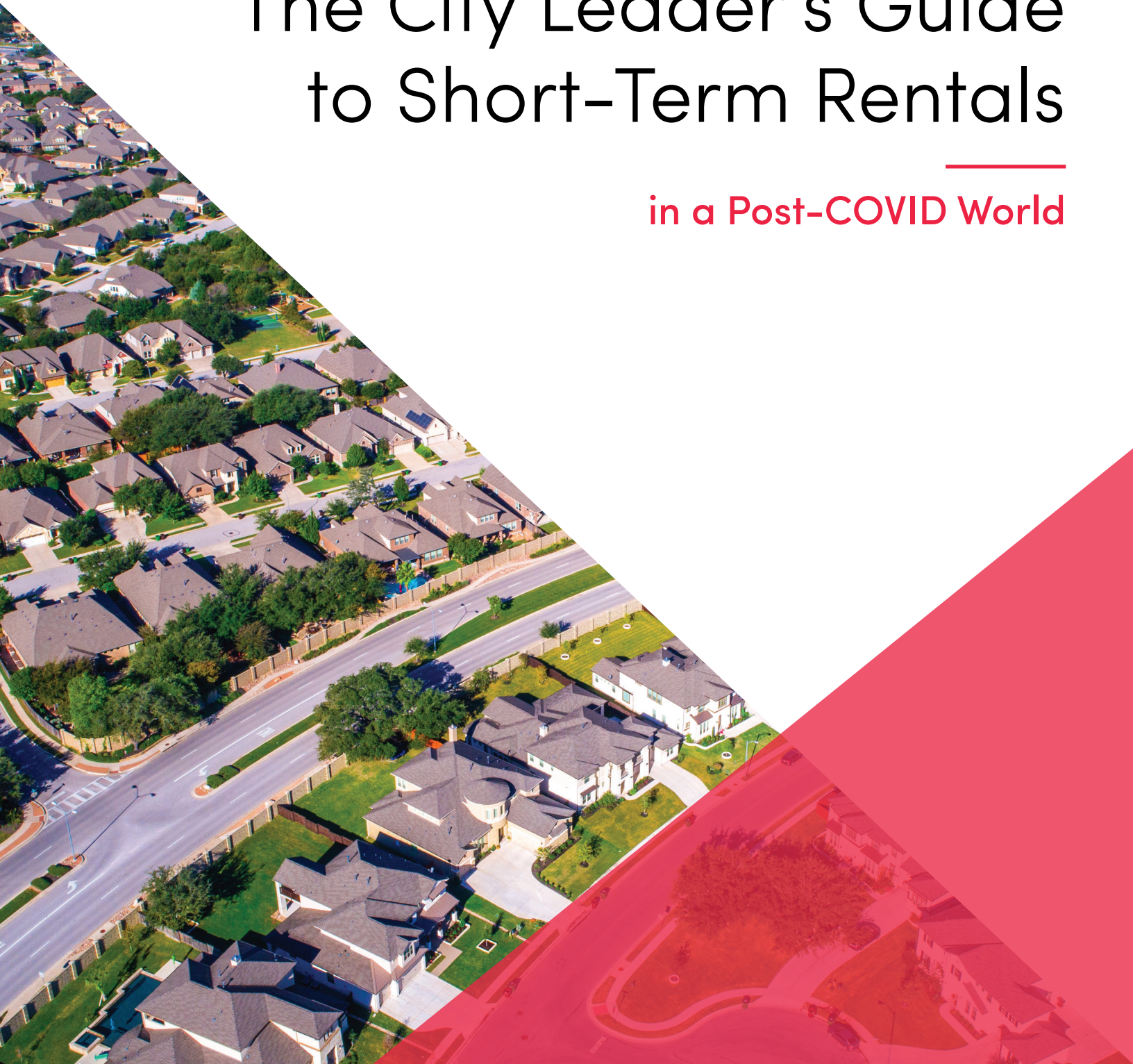
The City Leader's Guide to Short-Term Rentals

in a Post-COVID World

Introduction

Sharing our homes has been a common practice for as long as there have been spare rooms and comfortable couches. Whether through word of mouth, ads in newspapers, or flyers on community bulletin boards, homeowners have always rented out, or shared rooms in, their homes with renters. With the digital sharing economy, websites like Airbnb and HomeAway have made it possible for people to advertise and rent out their homes and spare bedrooms to complete strangers with a few mouse clicks, creating a billion-dollar industry.

For local governments, though, short-term vacation rentals (STRs) have been a growing source of challenges: from party houses and housing shortages to unlicensed units and hosts not paying taxes. Determining how to enforce regulations has been another challenge.

During the COVID-19 pandemic, STRs continued to be an issue for local governments. Hosts still advertised and rented out their homes online. Communicating important information (like temporary suspensions of STRs) was impossible for municipalities that didn't know who was operating in their area or the addresses of units.

So what can government leaders do to prepare for the future? Having smart regulations and the right technology can help you care for your community. STRs can even be an unexpected source of revenue while recovering from the economic fallout of the pandemic. Understanding the modern STR industry during COVID-19 (and its future) can help guide decisions in leading your community in a post-COVID world.

COVID-19 Made Minimal Impact on Total Listings

COVID-19 resulted in widespread travel and nonessential business restrictions. However, the number of short-term rental units available for rent in the United States and Canada didn't really change between February and April 2020.

	ADVERTISED STR LISTINGS		PERCENT CHANGE
	02/07/20	**04/07/20**	
Airbnb	218,106	208,392	–4%
Booking	28,216	27,919	–1%
BedAndBreakfast	87	82	–6%
ChoiceVacationRentals	5,233	4,481	–14%
Flipkey	38,498	35,810	–7%
HelloRelaxation	18	18	0%
HomeAway	118,198	118,407	0%
HomeEscape	815	331	–59%
KidAndCoe	119	123	3%
MisterBAndB	116	99	–15%
OwnerDirect	1,748	2,435	39%
Tripz	518	604	17%
TuiVillas	64	230	259%
Total	**411,736**	**398,931**	**–3%**

These snapshots, taken before and during the COVID-19 crisis, show that advertised STR listings across the most popular online platforms in the U.S. communities we serve only fell an average of 3% since February 2020.

There is no doubt that COVID-19 has strained the economy and challenged STR hosts across the country and the world. However, as the numbers show, there hasn't been a significant decline in short-term rental listings. This indicates that the market is much more resilient than popular opinion would suggest. In fact, Airbnb officially began during the Great Recession in 2008, a period of economic downturn similar to coronavirus's current effects on the economy. The company and its competitors were so successful in the years that followed, creating the billion-dollar industry we know today.

For an in-depth analysis of COVID-19 and the STR industry, read *"Short-Term Vacation Rentals After COVID-19: What Will Change?"*

How Does This Affect Communities?

Most economists believe employment and certain sectors, such as retail and restaurants, will require some time to fully recover from the current crisis. As a result:

1. **There will be higher demand for affordable long-term rental housing for cash-strapped locals.** Concerns that short-term rentals contribute to the loss of long-term rentals have been expressed for years now. These concerns will only heighten when professional short-term rental hosts that succeeded in temporarily converting their STRs into long-term rentals during the crisis, put their properties back on the market to generate higher profits for themselves.

2. **The impacts of short-term rentals on neighborhood character and quality of life are also likely to exacerbate.** Travelers are likely to minimize their individual vacation expenses by including more people in each short-term rental. While this may not be a problem in and of itself, when large groups of people rent small residential homes there is a higher risk of party houses, parking issues, noise complaints, and overflowing garbage cans.

3. **Local governments will likely be more financially challenged coming out of the crisis.** Local governments will need to maximize tax revenues and ensure all short-term rental operators pay their fair share, obtain business licenses, and generally operate in ways that benefit the broader community. These pressures will be especially acute in communities with high housing costs, sizable service industry workforces, and economies dependent on tourism.

The above issues can be easily mitigated though. With smart regulations, you can address issues like the ones above in your community.

Move Forward With Smart Regulations

Effective STR regulations require explicit policy objectives and a clear understanding of what regulatory requirements can be enforced. The table below offers some objectives that align with COVID-19's impact on the market as well as viable and unviable approaches.

Disclaimer: This table is not a complete list of possible objectives nor a complete list of possible regulatory approaches.

POLICY OBJECTIVE	VIABLE REGULATORY APPROACHES	UNVIABLE REGULATORY APPROACH
Ensure that long-term rental properties aren't converted to STRs.	Adopt a permanent residency requirement for STR permit holders, preventing absentee landlords from converting long-term rental properties into short-term rentals.	A permitting process that doesn't formally require STR permit holders to verify that they are permanent residents of the property.
Ensure homes are not turned into "party houses"	Limit the number of people allowed to stay at an STR at any given time. The limit can be the same for all permitted properties (i.e. maximum of 10 people) or be correlated with the number of bedrooms. The regulation should specify that any advertisement of the property and all rental contracts must contain language that specifies the allowed limit to potential renters. Establish a 24/7 hotline to allow neighbors and other citizens to easily report non-emergency issues without involving local law/code enforcement officers.	A regulation that doesn't clearly define what types of uses are not allowed.
Ensure any STR regulation doesn't negatively affect property values or create other unexpected negative long-term side-effects.	Adopt regulations that automatically expires after a certain amount of time (i.e. 2-5 years) to ensure that the rules and processes that are adopted now are evaluated as the market and technology evolves over time.	A regulation that does not contain a catalyst for evaluating its effectiveness and side-effects down the line.

Local governments should also adopt fine structures that adequately incentivize short-term landlords to comply with the adopted regulation. Ideally, the fines should be proportionate to the economic gains that potential violators can realize from breaking the rules, and fines should be stepped up for repeat violators.

I Have Regulations. How Do I Enforce Them?

To implement any type of effective short-term rental regulation, local governments must expect to invest some level of staff time and/or other resources in compliance monitoring and enforcement. There are a few barriers to consider when deciding which resources to invest in.

Common Barriers

- Rental property listings are spread across 60+ different home-sharing websites. Airbnb and HomeAway are only a small portion of the total market, and new sites pop up all the time.

- Manually monitoring hundreds or thousands of short-term rental properties within a specific jurisdiction is practically impossible without sophisticated databases as property listings are constantly added, changed, or removed.

- Address data is hidden from property listings, making it time-consuming or impossible to identify the exact properties and owners based just on the information available on the home-sharing websites.

- The websites usually don't allow property owners to include permit data on their listings, making it impossible to quickly identify unpermitted properties.

- There is no manual way to find out how often individual properties are rented and for how much, making it very difficult to precisely calculate the amount of taxes owed by an individual property owner.

Automate With Compliance Software

Although there are barriers, you can cost-effectively automate most of this work through the Granicus Host Compliance solution.

Monitor Listings

STR monitoring and compliance software automatically monitors 60+ websites for listings in a jurisdiction. Using your County assessor and other publicly available data, it matches advertisements to an address with a homeowner. This information is all housed in the one system.

Communicate With Hosts

Beyond identifying addresses, software like this allows local governments to communicate with hosts by sending letters with the click of a button. Letters can educate hosts about regulations and bring them into compliance. Other solutions, like a 24/7 Hotline prove useful for relaying information without using emergency lines — especially during a crisis like COVID-19.

Collect Tax and Permit Fees

Additionally, mobile permitting and tax collection solutions allow new and existing hosts to apply for a permit and pay taxes online —an added perk during social-distancing.

Adopting smart regulations and using an STR monitoring and compliance software to enforce them can help recover much-needed revenue for local governments and maintain a harmonious community, while adding no or little additional work for internal staff. If you aren't collecting taxes owed from STRs now, this may be the perfect time to get a modern, tech-enabled program in place.

As COVID-19 restrictions are lifted during the upcoming summer months, cities and counties will most likely face challenges related to short-term rentals, but you can adopt and enforce thoughtful regulations that ensure that short-term rentals work for everyone in your community.

About Host Compliance, Now Part of Granicus

Host Compliance helps governments solve their short-term vacation rental (STR) challenges by providing software, data, and guidance to create and enforce fair regulations. Over 400 agencies have trusted Host Compliance to identify STRs across 60+ rental platforms, educate hosts, enforce regulations, recover much-needed revenue, and preserve community character.

Host Compliance is now a part of Granicus, the leading provider of citizen engagement technologies and services for the public sector, bringing governments closer to the people they serve through the first-and-only Civic Engagement Platform. Trusted by over 4,500 federal, state, and local government agencies, Granicus delivers modern digital realities that streamline processes, reduce costs, increase transparency, and improve outreach. For more information, visit *hostcompliance.com*

Would you like to see how many STRs are in your community?

Contact us today for a complimentary assessment.