



# Strategic Short-Term Rental Regulation Workshop

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Aligning Policy with Community Goals

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# Agenda Today

1 **Welcome and Introductions**

2 Affordable Housing

3 Neighborhood Character

4 Economic Development

5 Questions and Next Steps



# Company Introduction



5,500+

## Government Agencies

have chosen Granicus to modernize their online services, web presence, and communications strategies



## Seamless Digital Solutions

that help government to improve the customer experience, simplify/automate workflows, and enable strategic community development



## Short-Term Rental Software & Services

- Compliance and Monitoring Software
- Proprietary and Updated Data
- Consulting and Advising Services

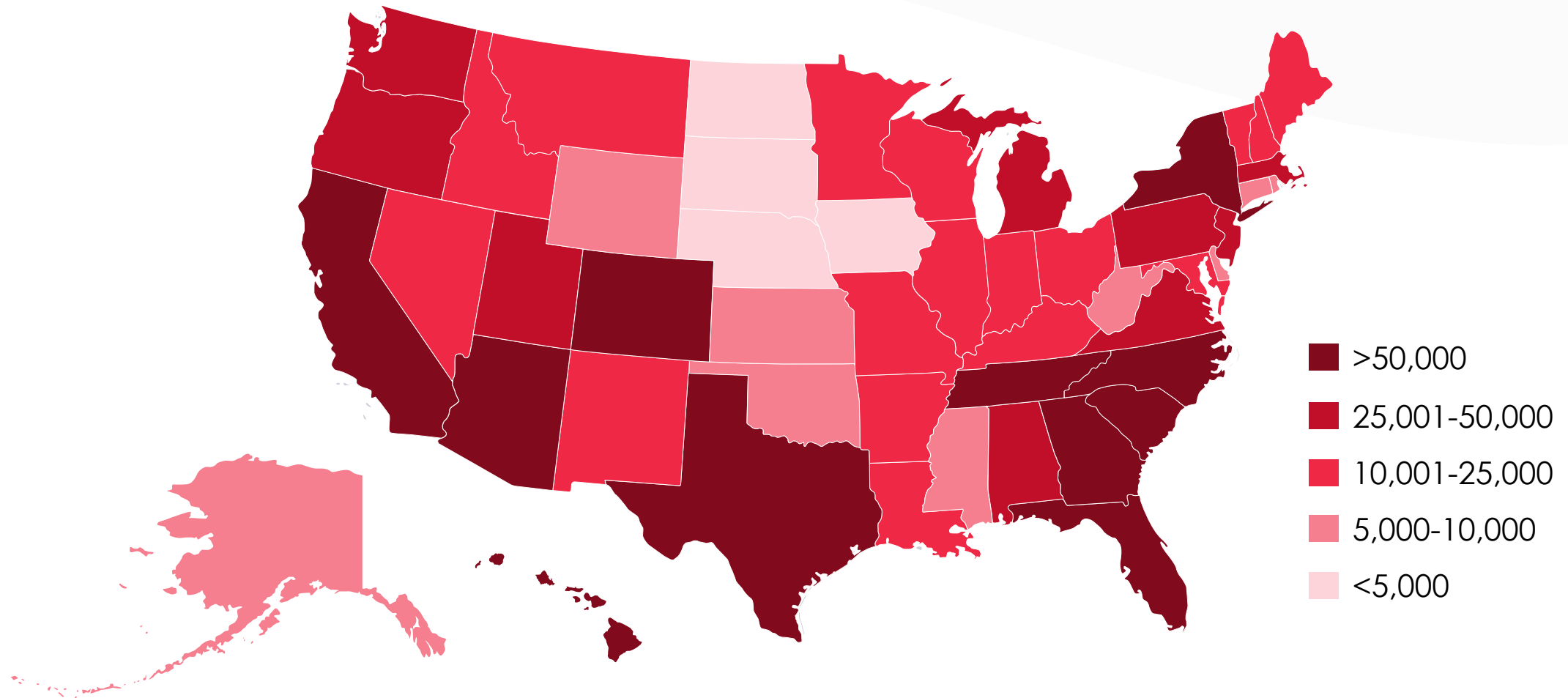


# What is a **Short-Term Rental**?



Rental of a residential dwelling unit usually for periods of **less than a month**. Commonly booked through one of the many online marketplaces available, such as Airbnb, VRBO, and others.

# There are More Than **2M** STR Listings in the US, Representing **1.6M** Unique Rental Units



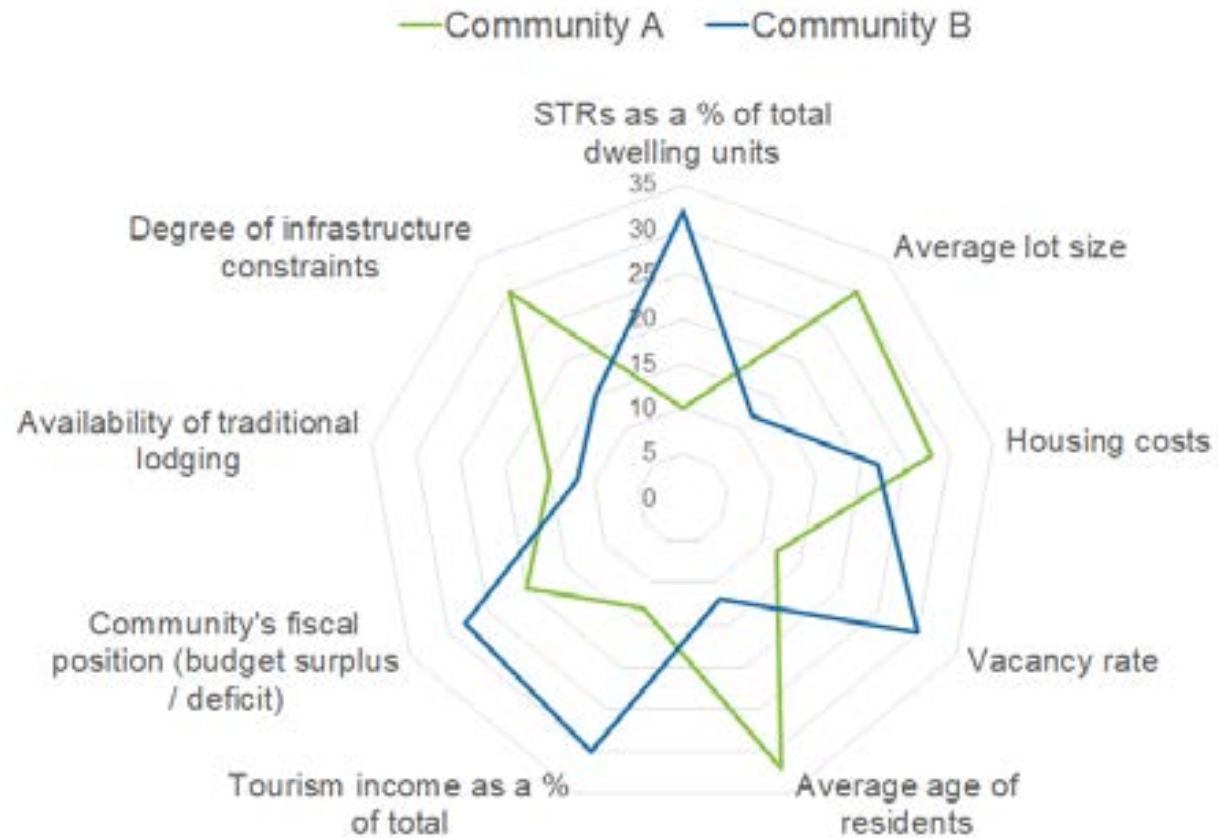
# Today's **Expert**



**Jeffrey Goodman, AICP**

Planner, Consultant

# Write an Ordinance for **Your Community**



# Do...

1. Understand the marketplace

2. Articulate the ultimate regulatory goals

3. Get that more complexity means more cost for compliance

## Get the data

### Require a permit

- For renting
- For advertising

### Build in accountability

- Local contact person
- Insurance & liability
- Inspection

### Create or adapt a mechanism for dealing with violators

- Penalties must be a real deterrent

### Make everybody pay their taxes!



# Don't...

1. Ignore the issue
2. Rely entirely on complaints to set the agenda
3. Regulate unfairly
4. Rely on the listing companies to solve the problems
5. Create an unenforceable system



# Local Communities are Adopting **Targeted Regulations to Mitigate and Minimize the Negative Side-Effects of STRs**

## Common STR Policy Objectives

## Common STR Regulations

Ensure Housing Availability



- Only allow permanent residents to operate STRs
- Disallow rentals in subsidized housing
- Set annual rental frequency limits

Neighborhood Preservation



- Set neighborhood quotas
- Ban signs

Protect Quality of Life



- Require adequate parking and garbage disposal
- Require hosts to post noise ordinance
- Require a local contact person
- Differentiate rules for hosted and non-hosted stays

Safety



Require physical safety and habitability inspections

# Agenda Today

1

Welcome and Introductions

2

**Housing Issues**

3

Neighborhood Character and Quality of Life

4

Economic Development

5

Questions and Next Steps



# Driving Forces

- “Short-term rentals” can mean a spectrum of users and uses
- Professionalization of industry trends towards those with property and capital
- Gap between long-term rents and short-term rental income creates pressure on renters and homebuyers
- Expensive neighborhoods are not where pressure emerges
- Always easier to protect units than try to rollback changes



# Research

- STRs have some effect on housing availability and affordability
  - Very dependent on local real estate and tourism markets
  - Rarely the sole reason for housing issues
- University of Arizona: Long-term rents dropped 3% after primary residency rules
- Harvard Business Review: “detrimental impact on housing stock”
- National Bureau of Economic Research: STRs cause “one-fifth” of LTR rent growth
- Georgia State: 5-10% of housing stock in SEC towns are only used for gamedays

## Concerns

- Urban: Gentrification, builders’ trend to luxury
- Suburban / Small town: Vulnerable groups, losing local real estate control
- Rural: Limited housing options, difficulty attracting new residents, workforce housing

# Strategies

## 1. Prevent Conversion of Long-term Housing to STR

- Primary residency requirements

Hignell-Stark et al. vs. City of New Orleans (Aug. '22) limits some tools in Tx., La., Ms.

- Geographic / zoning-based bans
- License caps
- On-site operators

## 2. Rollback Conversions

- Tip operator balance sheet back towards long-term housing
- Limit investor pressure on residential housing market for STRs
- Watch how assessors treat STRs and comparables

## 3. Leverage Conversions

- Use STR industry to produce or subsidize long-term housing
- Taxes / impact fees as dedicated housing funding source



# Primary Residency

1. Most direct tool for addressing housing issues
2. Limits on speculation and flipping
3. Built-in accountability for quality-of-life concerns
4. Tourist money stays local
5. Easier enforcement and permitting
6. Lawsuits?



# Emerging Issues



## **Prevent Conversion**

*Durango, CO*

- Town cap of 2-3% of housing units
- Blockface limits
- Bans in vulnerable neighborhoods



## **Rollback Conversion**

*Sedona, AZ*

- \$240k in homeowner subsidies to flip from STR to LTR
- \$10k for 3-bedrooms
- 35 long-term rental units opened
- Summit CO: \$1M in incentives netted 74 STR conversions



## **Leverage Conversion**

*Various – NOLA, etc.*

- \$1 fee to the NHIF
- Massachusetts: 3% Community Impact Fee on 'professionally-managed' STR units
- Other ideas: TDRs, ADU grace periods, Development bonuses...



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# **Noise:** Short-term Renters May not Care About Keeping Good Neighborly Relations



# **Trash:** Increased Occupancy can Have Negative Trash Side Effects



# **Parking:** Many Short-Term Rental Guests Bring Multiple Vehicles



# Other local rules: Visitors Don't Always Know (or Follow) Local Rules



# Fire and building safety: Increased Occupancy can Lead to Fire Hazards



News - City Hall

## Toronto fire department finds 'significant' fire code violations in short-term rentals

Appleton Street fire prompts scrutiny of Airbnb

Four guests injured in Brighton balcony collapse fight Airbnb for compensation

**OCCUPANCY  
BY MORE THAN  
2 PERSONS  
IS DANGEROUS  
AND UNLAWFUL**  
COMMISSIONER

# Neighborhood Character: Increased Tourism can Change the Character of Neighborhoods



# Emerging Topics to Consider

- Water
- Septic
- Load on infrastructure
- Disaster preparedness
- Trust, but verify concerns



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# Key Stakeholders for General Short-Term Rental Compliance



Finance



Planning



Code  
Enforcement



Tourism



City Managers



Elected Officials

# Key Stakeholders for Revenue Recovery



Finance



Planning



Code  
Enforcement



Tourism



City Managers



Elected Officials

# Best Practices for Recovery of Tourism-Related Revenue

Be clear about what the rules are



- » Non-compliance or non-remittance is often due to a lack of awareness around regulations
  
- » State the purpose of the regulations
  - Taxes, licenses, fire inspection, pool inspection
  - Not everyone will agree, but transparent reasoning for decisions can ease tension

# Best Practices for Recovery of Tourism-Related Revenue

*Get to know the local market*



- » New listings enter and leave the market daily
- » 90% of hosts generate only 40% of revenue
- » Audit "big fish" for best ROI potential (the top 10% of hosts)
  - Tracking number of nights stayed
  - Keep an up-to-date list of biggest suspected hosts underreporting

# Best Practices for Recovery of Tourism-Related Revenue

*Make it easy to register and remit payment*



- » Make it as easy as listing a short-term rental
- » Collect payments online

# Best Practices for Recovery of Tourism-Related Revenue

*Continually monitor compliance levels and returns*



- » How much did you make last year? On par with expectations?
- » Provide staff support for hosts to become compliant. It's a win-win.
- » Which hosts have received warning letters? Have they remitted missing revenue?

# Best Practices for Recovery of Tourism-Related Revenue

*Discourage non-compliant operators with penalties*



- » Penalties should be tough but fair
- » They can't be another cost of doing business



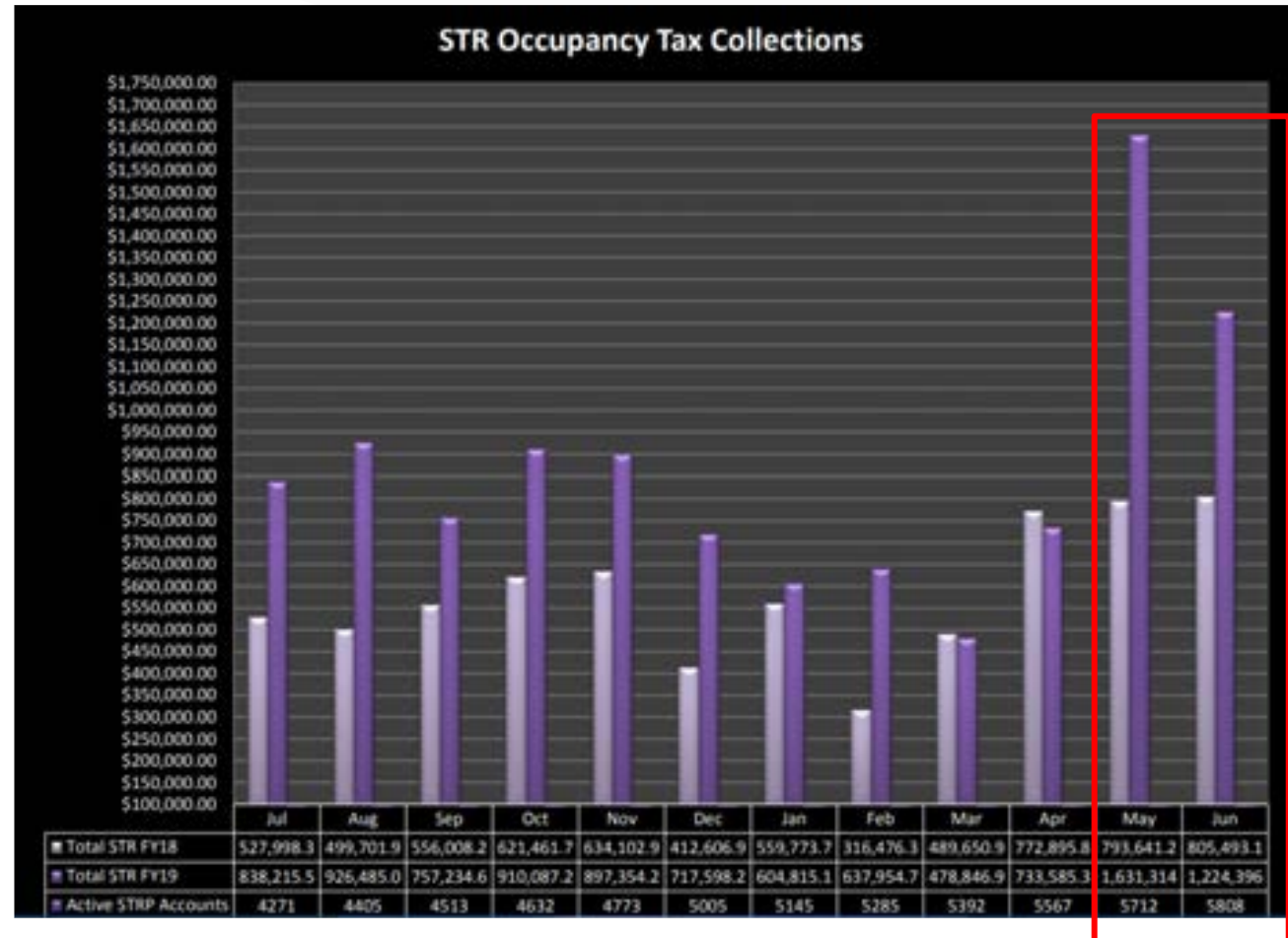
# Ensure Revenue Allocation Aligns with Community Goals



- » General fund, enforcement costs, and specific Issues
- » Affordable housing goals
- » Holistic community impacts

# Metropolitan Government of Nashville-Davidson County, TN Increased STR Revenue by 106% From 2018-2019

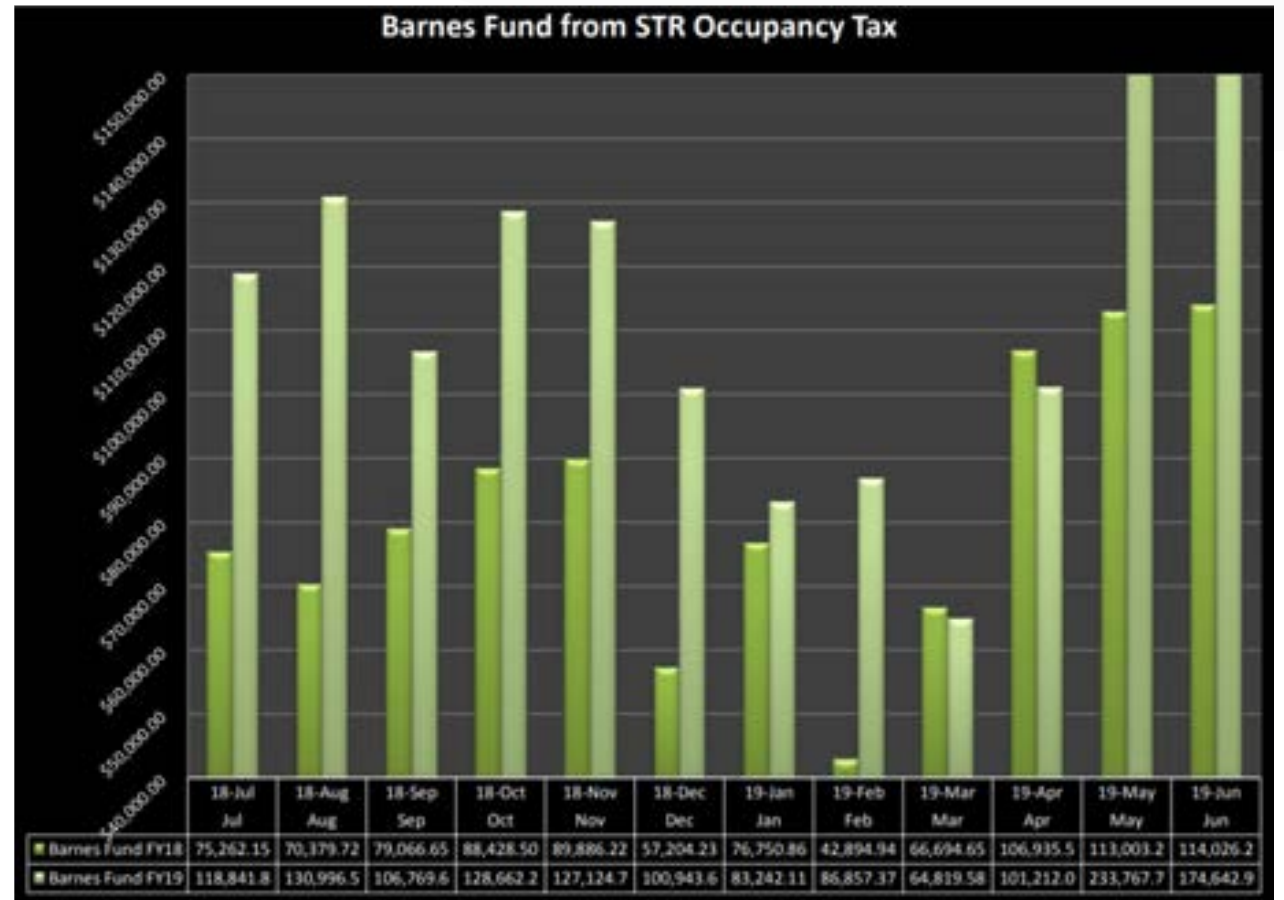
- » Taxes include a 7% state sales tax, a local tax of 1.5% to 2.75%, and a 6% hotel occupancy tax
- » Affordable housing goals
- » Nashville saw an increase of 106% in STR occupancy tax collection YoY for May 2019



Source: Metropolitan Government of Nashville-Davidson, Nashville Citizen Report FY2018

# ...And **Re-Invested the Taxes From STRs in Affordable Housing**

- » STR occupancy tax contributes to the Barnes Housing Trust Fund
- » Focuses on affordable housing countywide
- » Since 2013, the Barnes Fund has invested more than \$37 million in affordable housing development and rehabilitation



Source: Metropolitan Government of Nashville-Davidson

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# Questions?



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# govService **Host Compliance**



Address Identification

Automated monitoring of 70+ STR websites and online dashboard with complete address information and screenshots of all identifiable short-term rentals.



Compliance Monitoring

Ongoing monitoring of STRs for zoning and permit compliance coupled with systematic outreach to illegal short-term rental operators.



Permitting & Registration

Online forms and back-end systems to streamline the registration process and capture required documentation, signatures and payments electronically.



Tax Collection

Make tax reporting and collection easy for hosts and staff to submit and review online.



24/7 Hotline

Make it easy for neighbors to report, prove, and resolve non-emergency short-term rental related problems in real-time, any day, at any hour.



Rental Activity Monitoring

Estimate occupancy or rental revenue for each property and identify audit candidates who are under-reporting on taxes or exceeding occupancy regulations.

# Poll: Would you like a complimentary short-term rental assessment?

- **Yes**
- **No**



**Thank you!**