



# Strategic Short-Term Rental Regulation Workshop

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Aligning Policy with Community Goals

# Agenda Today

## 1 **Welcome and Introductions**

2 Affordable Housing

3 Neighborhood Character

4 Economic Development

5 Questions and Next Steps

# Company Introduction



## 6,000+ 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



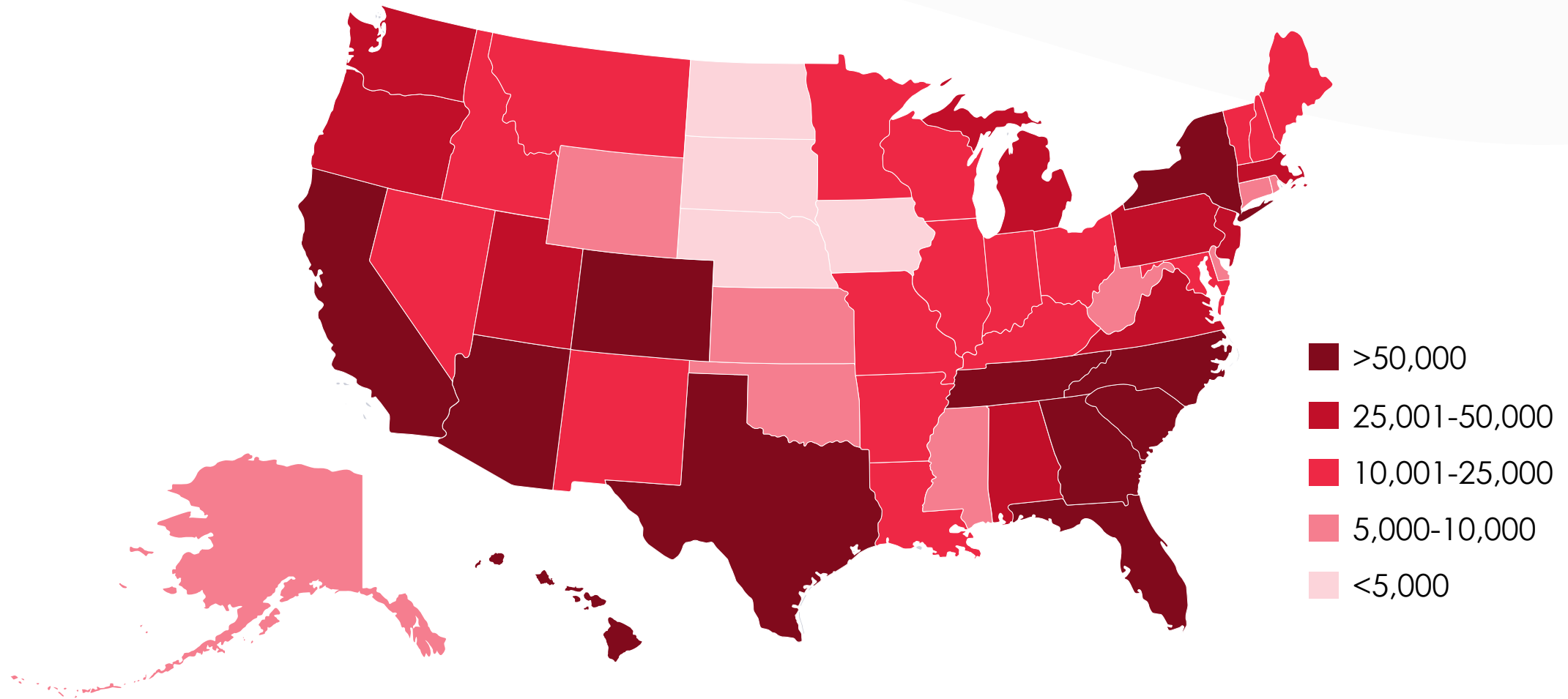
# What is a **Short-Term Rental**?



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



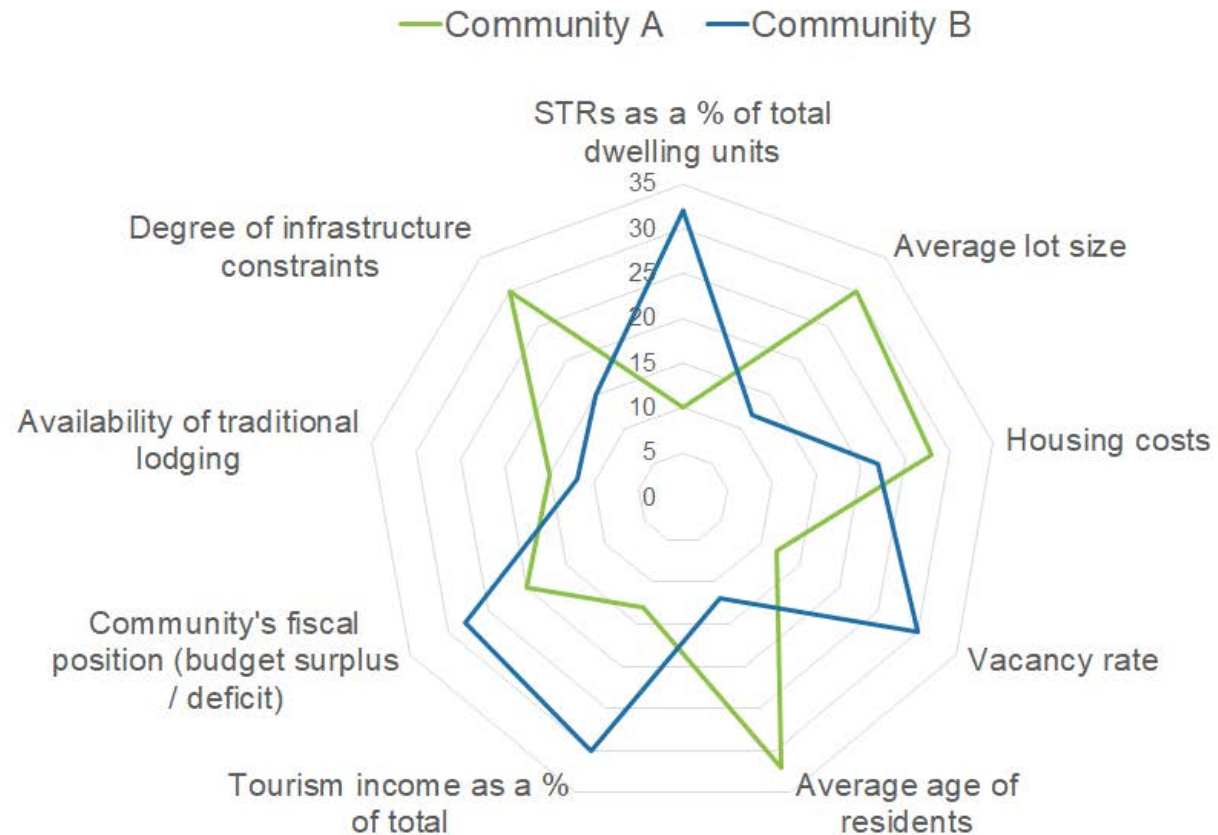
# Today's **Expert**



**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

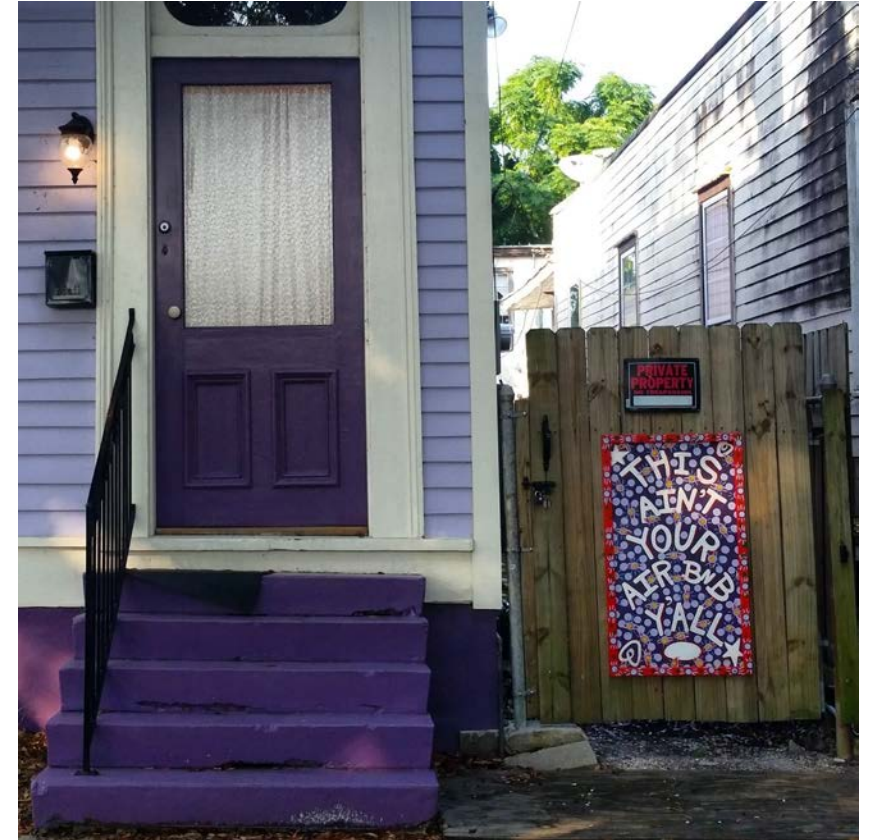
- Tip operator balance sheet back towards long-term housing
- Limit investor pressure on residential housing market for STRs
- Watch how assessors treat STRs and comparables

## 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



**LANDING  
LOCALS**

## **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



CITY OF NEW ORLEANS

## **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

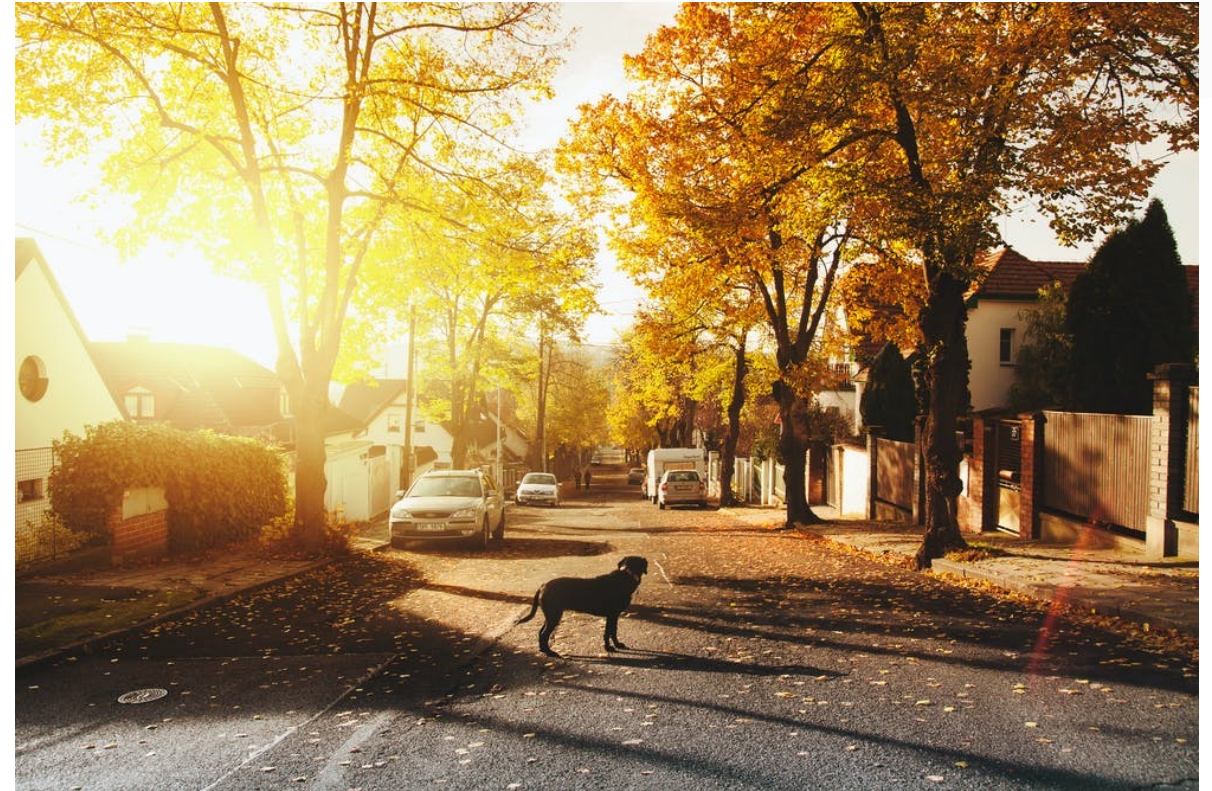
Appleton Street fire prompts scrutiny of Airbnb

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

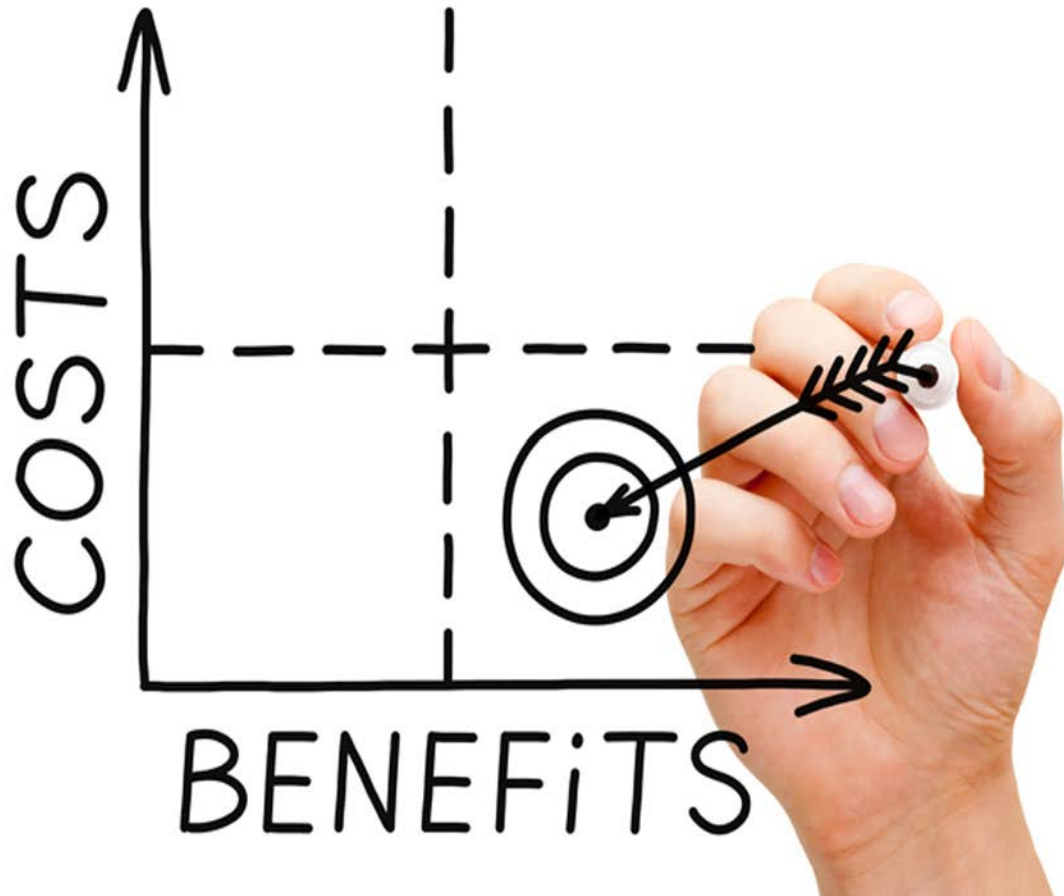
*Continually monitor compliance levels and returns*



- » 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

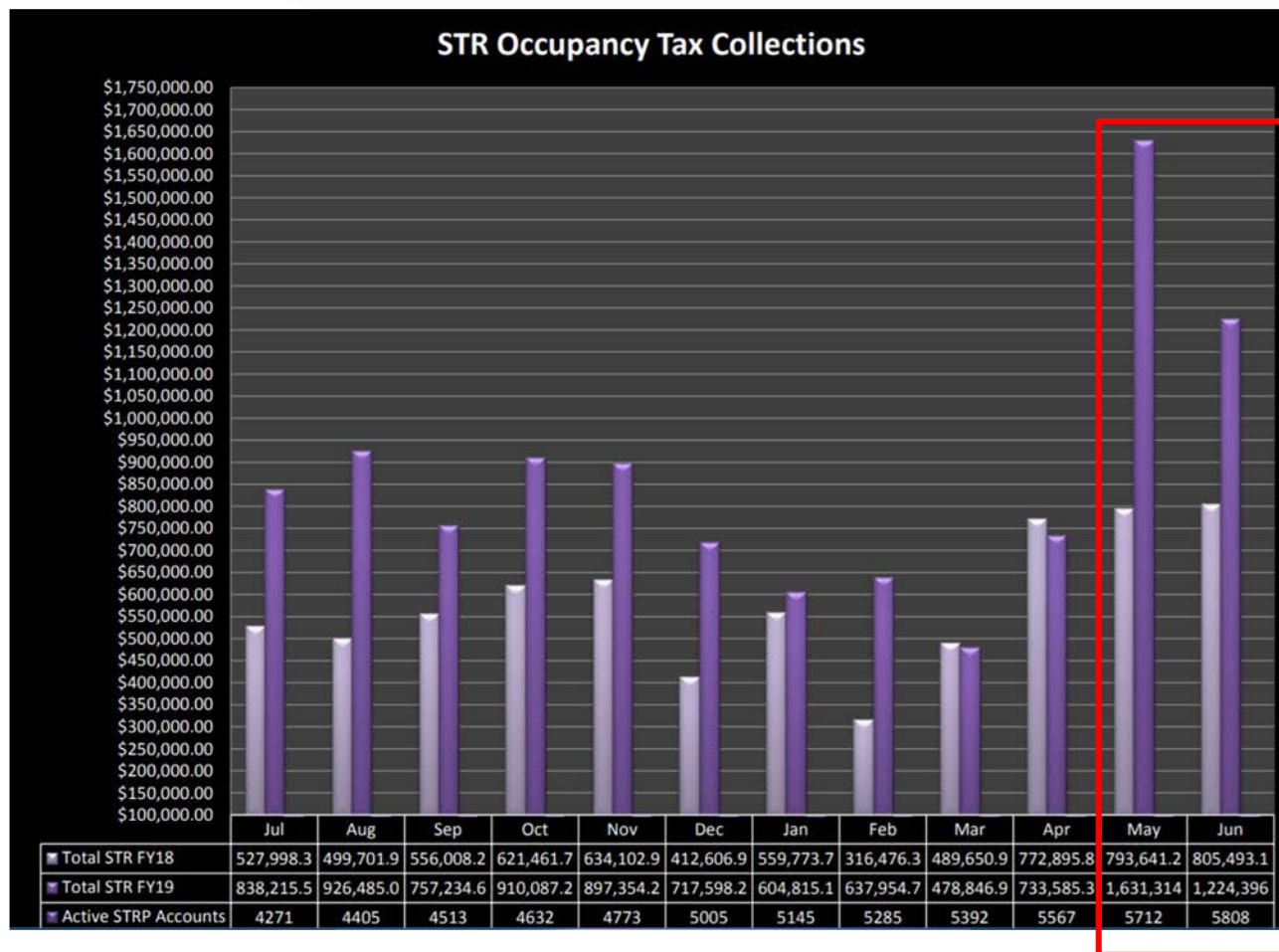


- » General fund, enforcement costs, and specific Issues
- » Affordable housing goals
- » Holistic community impacts



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

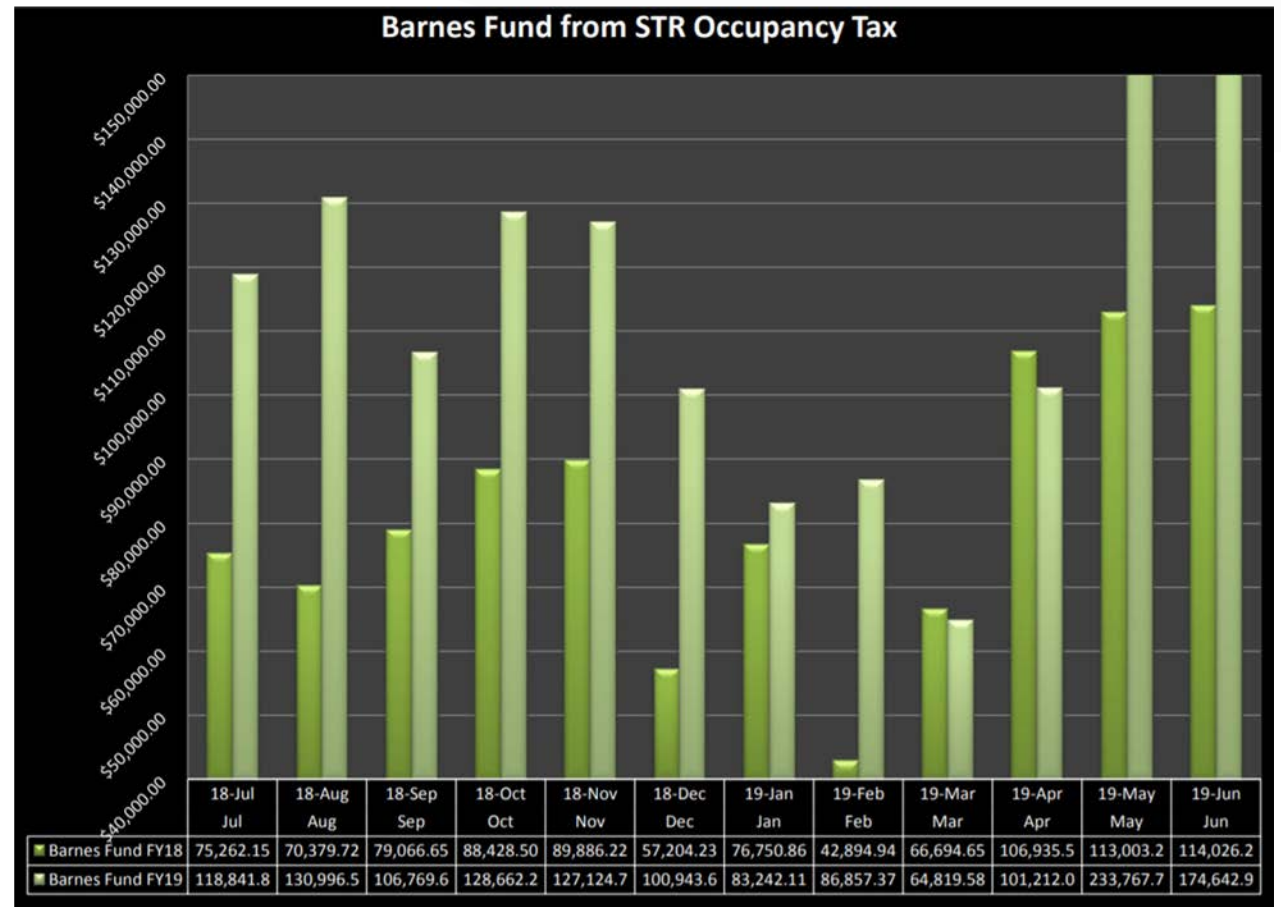
- » Taxes include a 7% state sales tax, a local tax of 1.5% to 2.75%, and a 6% hotel occupancy tax
- » Affordable housing goals
- » Nashville saw an increase of 106% in STR occupancy tax collection YoY for May 2019



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.



**Thank you!**