

The background features a blurred image of hands typing on a laptop keyboard. Overlaid on this are various digital graphics: a line graph with data points in the upper left, a network of interconnected nodes and lines in the upper right, and a vertical bar chart on the far right. The overall color palette is light and airy, with soft blues, whites, and hints of pink and orange from the background image.

Short-Term Rentals and Local Government in 2024

What You Need To Know

January 30, 2024

Agenda Today

- 1 Why Short-Term Rentals Matter
- 2 2024 Market Predictions
- 3 State and Regional Developments
- 4 Updates on Top Rental Platforms
- 5 Emerging Issues
- 6 Questions and Next Steps

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Government Agencies

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



Seamless

Digital Solutions

that help government: 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

Housekeeping



Questions

Submit your questions via the Zoom Q&A console.



Resources

We will include relevant resources in a follow-up email.



Issues

Connect with us in the Q&A console and we'll get back to you ASAP.



gov Community

Sign up to connect, share, and learn from each other at community.granicus.com



On-Demand

We will email you the link to the on-demand versions of this webinar.

Today's **Speakers**



Jeffrey Goodman, AICP

Planner, Consultant,
Host Compliance at Granicus



Betsy Sachs

Territory Manager,
Host Compliance at Granicus

Agenda Today

1 **Why Short-Term Rentals Matter**

2 State and Regional Developments

3 Trends in Host Behavior

4 Updates on Top Rental Platforms

5 Emerging Issues

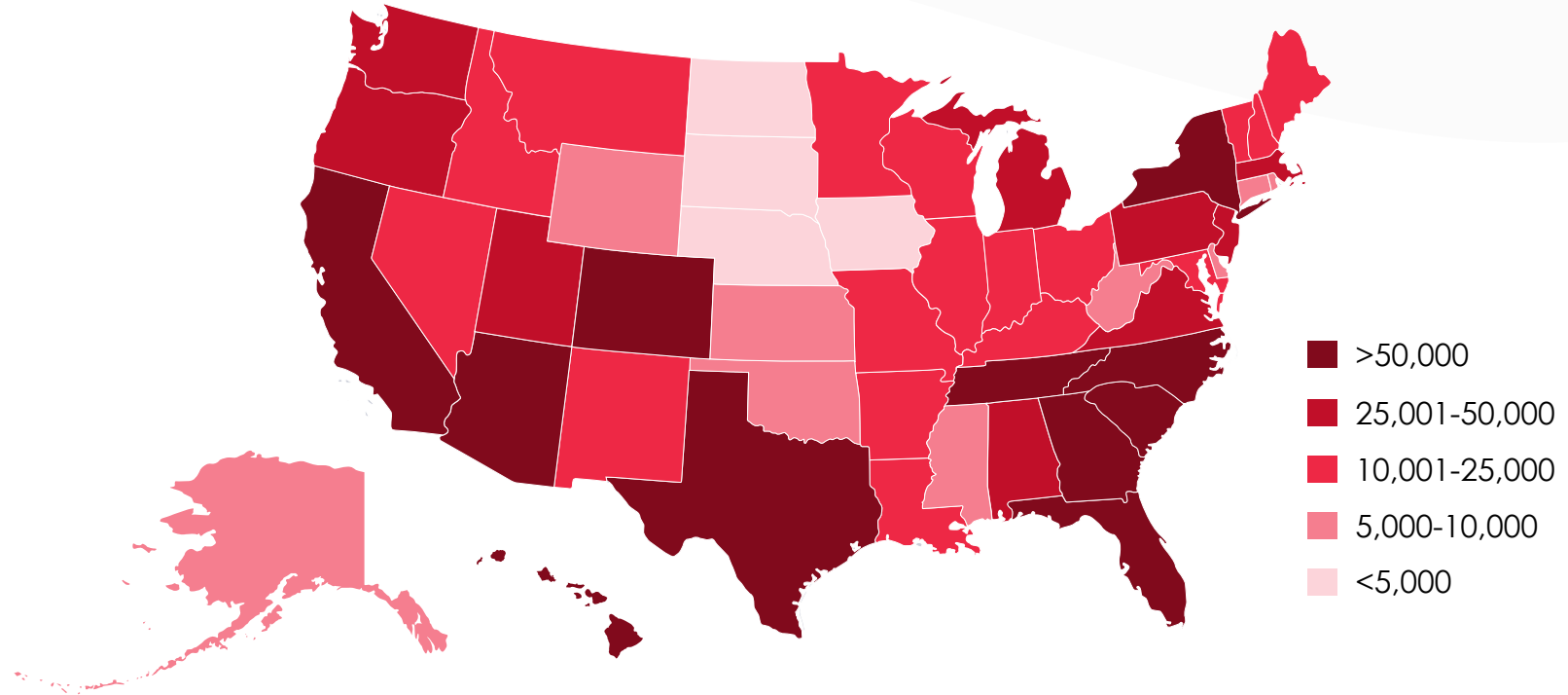
6 Questions and Next Steps

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 U.S., representing **1.6M** unique rental units



The Problem: Short-term rentals can have unintended impacts, displacing long-term tenants, straining infrastructure, and raising safety and fairness concerns



Conversion of long-term rentals into STRs can affect housing availability



Increased tourism can change "neighborhood character"



Visitors don't always know (or follow) local rules



Short-term renters may not care about keeping good neighborly relations



Increased occupancy can have negative trash related side-effects



Unfair competition from STRs can cause conflicts with traditional lodging providers

The good relative financial performance of STRs and the lack of prior focus on the industry, provides for an **attractive revenue enhancement opportunity for local governments...**



STRs are growing despite the economic slow-down

Focusing on those who have or are generating income and not claiming it

Particularly important for out of state STR hosts



Prior lack of focus on STRs as a government revenue source

Local governments have traditionally seen STRs as a small part of the lodging industry

Lack of focus on the industry and challenges with rental identification have led to low revenue recovery



Untapped revenue potential in the thousands, or millions

Nashville, TN collected \$2.8m in their first year with Host Compliance

Many communities use tax, permitting and licensing revenue for affordable housing, tourism marketing, and more.

The STR market is nearly impossible to track manually as STR property listings are spread across 100s of different websites

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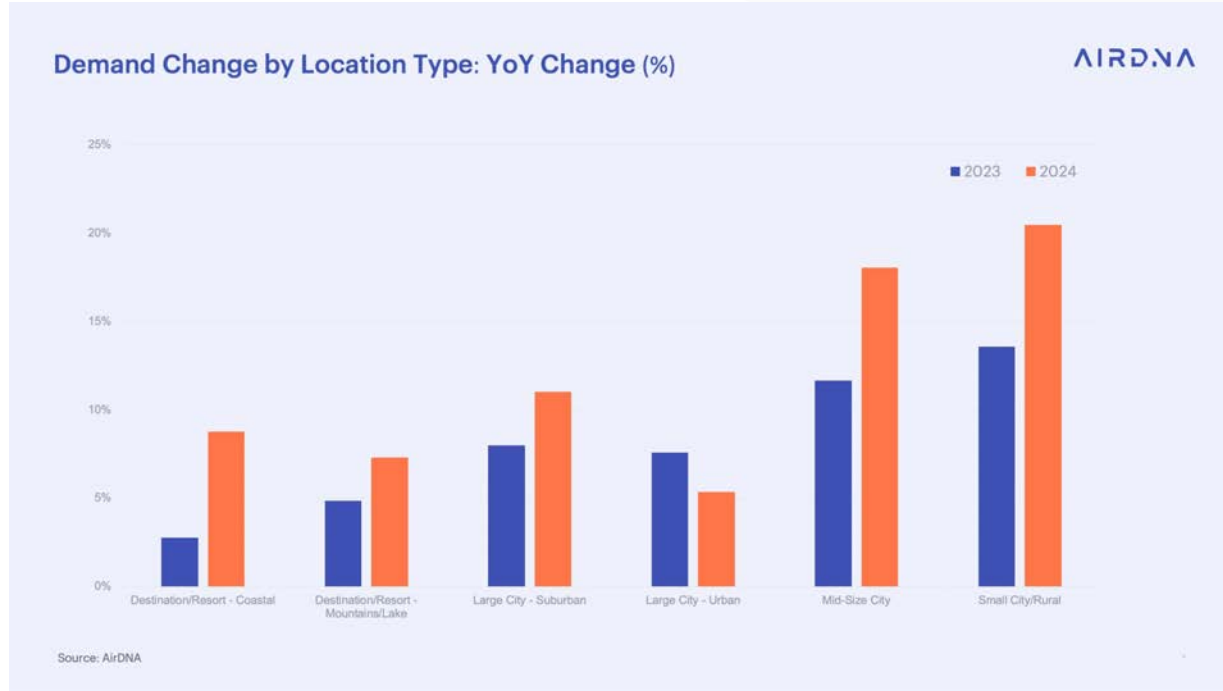
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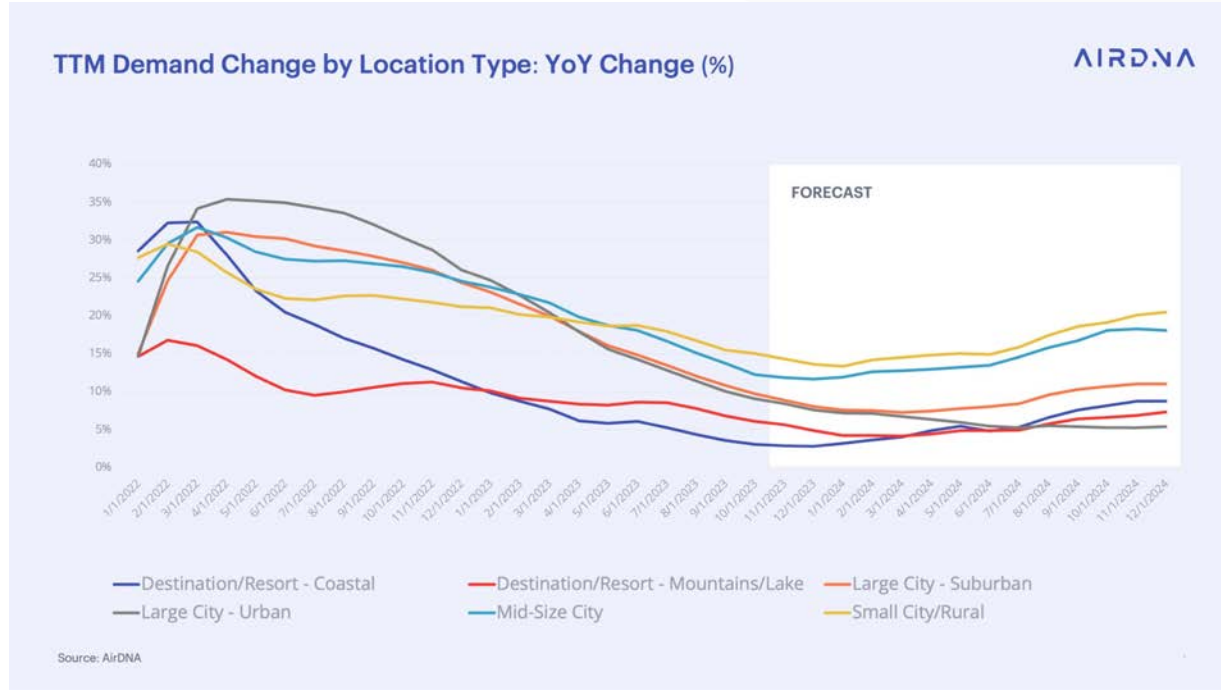
Demand will increase in most locations

Mid-sized and small/rural markets poised to grow rapidly



Large urban areas no longer leading in growth

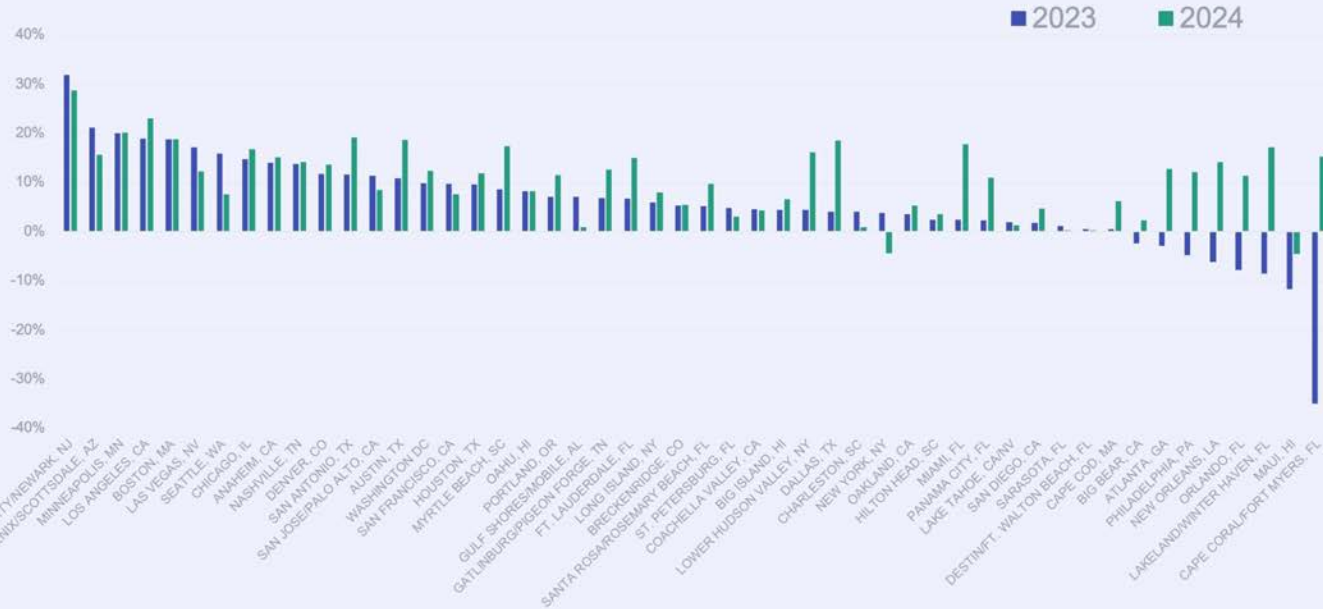
Urban areas likely to see slower growth in 2024, with other markets accelerating



A closer look at the big fish

Demand Change for the Top 50 Largest US STR Markets: YoY Change (%)

AIRDNA



Source: AirDNA



What does this mean for local governments?

Smaller communities will see the most significant short-term rental market changes and community impacts in 2024.

For small and mid-size communities, it's time to get up to speed on your local markets and implement a compliance program.



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High Growth States

Significant increases in STR activity since 2021

- Texas +53,931 listings
- Florida +45,865 listings
- California +27,898 listings
- North Carolina +23,257 listings



Low Growth States

Decreases in short-term rental activity since 2021

- Hawaii –1,129 listings
- Kansas –1,595 listings
- Washington, D.C. –1,180 listings
 - Significant shift to long-term renting because of effective enforcement



Legislative Developments

Relevant state short-term rental legislation

- Proposed bills in Utah, Colorado
- Florida and Texas bills back again
- Assessment-related bills are new and relevant (New York State, Colorado)
- Pro-housing bills in California, Montana, Washington exclude short-term rentals

Colorado legislature will introduce bill hiking taxes for short-term rental properties

News [FOLLOW NEWS](#) | Nov 15, 2023



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Airbnb

What were some 2023 Airbnb takeaways for local government?

- Record summer travel season in 2023
 - 14% increase in nights and experiences booked year over year (Q3 2023 vs Q3 2022)
- Over 1 million active listings added in 2023
 - Active listing grew 19% year over year (Q3 2023 vs Q3 2022)
- Airbnb recently acknowledged housing issues and has formed a council to address them. Stay tuned for progress.

What were some 2023 VRBO/Expedia takeaways for local government?

"Our strong third quarter results with record revenue and profitability came in ahead of our guidance and reflect the resilience of travel demand and continued improvements stemming from the execution of our strategy."

- Peter Kern, Vice Chairman and CEO, Expedia Group



Sophisticated Management and Advertising

What explains a decrease in the number of active rental units, but an increase in listings?

- Hosts and guests are not afraid to branch out!
 - There are dozens of short-term rental platforms, and they are willing to explore
- Platform policy changes can shift hosts' listing preferences
 - Refund policies, cleaning policies, fee policies
- Top platforms are conducting robust marketing campaigns
- Entry of more sophisticated property management groups
 - Super hosts are sophisticated and savvy when it comes to advertising
 - 3rd party management software enables booking across platforms with ease

Platform Preferences Changing

While Airbnb kickstarted the growth of the short-term rental industry, will they be the industry leaders forever?

- Airbnb believes most of their new listings are exclusive to their platform, are they being booked on Airbnb?
- Comparisons of listing and rental numbers show that many hosts are using multiple platforms
- VRBO seems to be focusing on service while Airbnb seems to be promoting owner-occupied trend

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Infrastructure Issues and Regulatory Solutions

There are growing concerns around stress on infrastructure, particularly in rural or gateway communities.

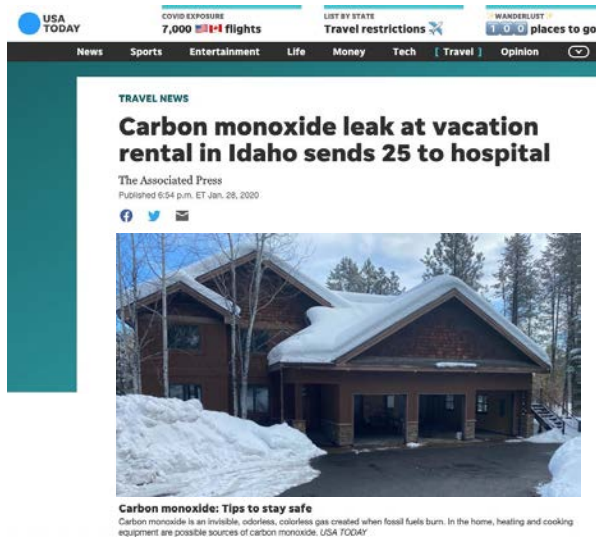
Core areas of concern:

- Water
- Septic
- Trash
- Traffic



Life Safety and Disaster Preparedness

Safety remains a critical consideration for local governments, with both resident and visitor safety at stake, getting caught flatfooted can be both tragic and expensive.



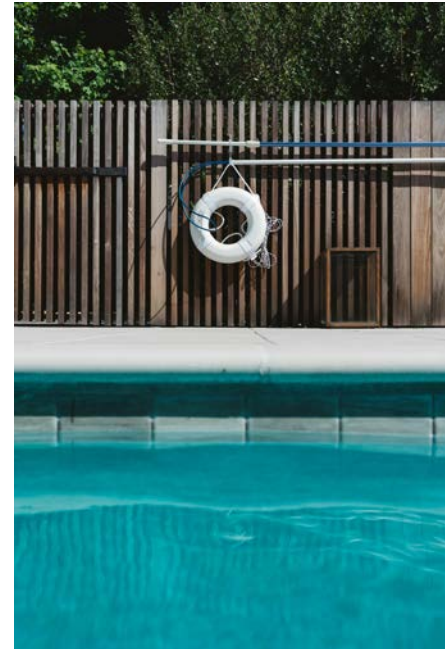
Life Safety Solutions

Implement baseline safety measures in your ordinance

Think about hotel requirements, how do short-term rentals compare? Are they similar?

Require all license holders to:

- Follow all applicable laws
- Indemnify the city against lawsuits
- Accept potential future inspections
- Post basic safety information
- Provide disaster preparedness measures based on context



Housing Issues

While this has been a well-documented issue for years, the issue has been exacerbated by tight housing markets.

Airbnb recently acknowledged this and has formed a council to address the issue.

That said, act early.



The Hill

+ Follow

Airbnb eyes increasing housing supply, driving down prices

Story by Filip Timotija • 5d

Housing Solutions



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.*

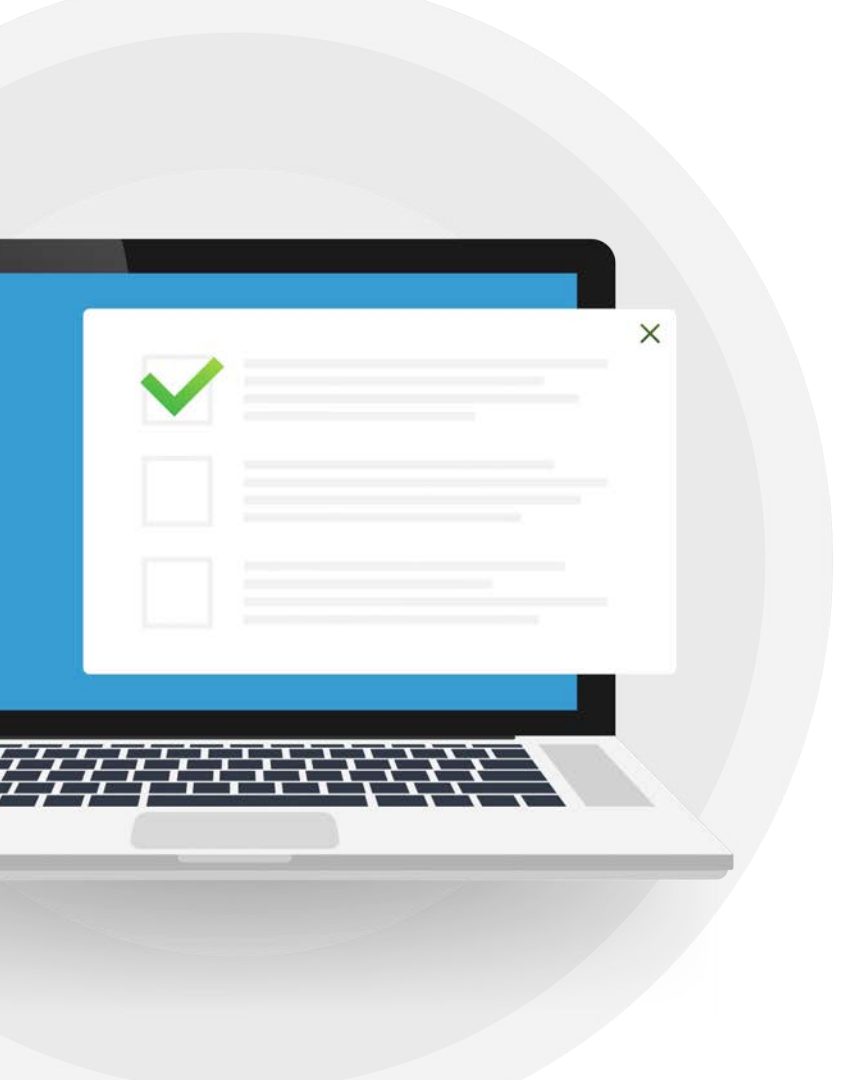
- \$1 fee to the NHIF
- Massachusetts: 3% Community Impact Fee on 'professionally-managed' STR units
- Other ideas: TDRs, ADU grace periods, Development bonuses...

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Questions?



Poll: Would you like a complimentary STR assessment?

1. Yes
2. No



Thank you!