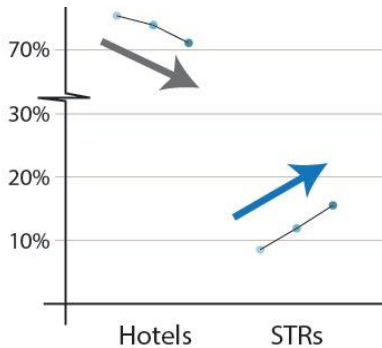


# SHORT-TERM RENTAL REGULATION: LOCAL GOVERNMENT SOLUTIONS

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The past decade has seen an explosive growth in short-term rentals (STR) globally. The biggest market player among these platforms, **Airbnb**, has a valuation exceeding top hotel chains. What role should local governments play in regulating STRs? We present a toolkit with solutions that local governments can apply to STRs in their localities. We find that regulations work well when tailored to **city characteristics and policy goals**. We use a mixed methods approach, studying secondary data on the STR market and a review of State bills. Stakeholder interviews were also conducted with local governments and third-party professionals.



Global room sales (2012-2022)  
Source: [Geertz, 2018](#)

## STRs— A Sharing Economy?

While Airbnb presents itself as a “home-sharing” service, majority of its listings are second homes or are commercially operated. This has led to problems with housing affordability and the need for stricter local regulations.

Source: [Penn State Airbnb Report, 2016](#)

## Percent revenue coming from commercially operated STRs

<b>24%</b>	<b>62%</b>	<b>30%</b>	<b>32%</b>
New York	Miami	Los Angeles	San Francisco

## Impacts of STRs on Cities

STRs have mixed impacts on local communities, and local governments have responded with various regulations. Besides the negative impacts listed below, positive ones include stimulating tourism, generating tax revenues, and bringing extra income for homeowners. A common problem for cities is enforcement of regulations due to difficulty of tracking compliance, resource constraints, and lack of data.

## What Have Cities Done So Far?

Impacts	Regulatory Responses	Examples
<b>Public Health &amp; Safety</b> - Fire Safety - Disability (ADA) Compliance	- Require licenses; Inspection - People/vehicle limit - Require local contact	<a href="#">Denver, CO</a> <a href="#">Chicago, IL</a> <a href="#">Garrett County, MD</a>
<b>Neighborhood Impacts</b> - Noise and Trash - Parking and Traffic	- Zoning regulations - Enforce nuisance ordinances	<a href="#">Los Angeles, CA</a> <a href="#">Maui County, HI</a> <a href="#">Denver, CO</a>
<b>Housing Affordability</b> - “Hotelization” - Gentrification	- Permanent Residency Requirement - Cap the % of STR / rental period - Earmark funds from Transient Occupancy Tax (TOT) for affordable housing	<a href="#">Austin, TX</a> <a href="#">San Francisco, CA</a> <a href="#">Tofino, BC, Canada</a>
<b>Unfair Competition</b> - Opposition from Hotels	- Collect Transient Occupancy Tax - Voluntary tax agreements	<a href="#">Tompkins County, NY</a>



# Short-term Rental Regulation: Local Government Solutions

## Battle Between Stakeholders

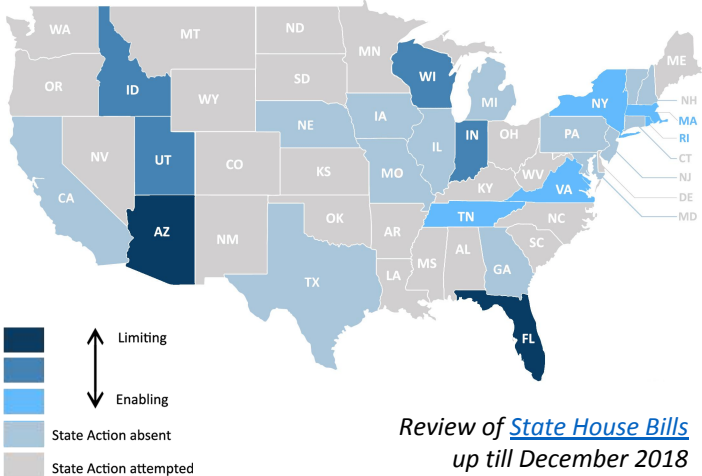
While Airbnb has been cooperative in certain areas (e.g. tax agreements), there are more instances where they have responded to local regulations through lobbying and judicial action. Further, federal laws (e.g. [Communications Decency Act](#)) protect Airbnb from being liable for content published online by hosts.

Other actors lobbying for STRs include policy think tanks, tourism groups, property owners and those lobbying against STRs include hotel industry, neighborhood groups, etc.

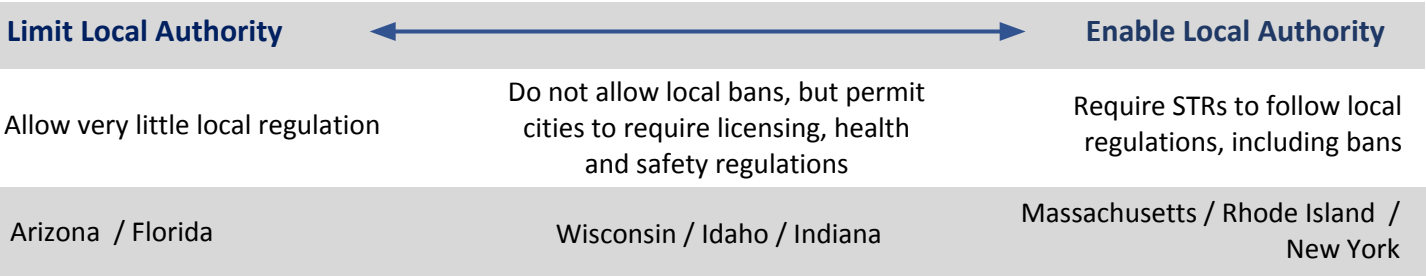
## What Have States Done?

Some state legislatures have encroached on local government functions, limiting local authority. We find that state actions often result in a “one-size-fit-all” scenario.

A review of state bills, finds broad language (for e.g. grandfather clauses) that leaves scope for smart and timely local solutions.



## Spectrum of State Action



## Action Plan for Cities

- 1 Research Your City**
  - STR Market
  - STR Impacts
  - Stakeholders
- 2 Define Policy Goals**
  - Depending on city type
  - Weigh all costs and benefits
- 3 Know Your Limitations**
  - Is data available?
  - Is Airbnb collaborating?
  - Is state action limiting?
- 4 Draft Clear Rules**
  - Clear definitions and zoning regulations
  - Clear and easy procedures for registration, tax and fine collection, etc.
- 5 Tackle Enforcement**
  - Use third parties ([Host Compliance](#), [AirDNA](#), etc.) for technological help
  - Use one platform for most procedures
- 6 Evaluate Results**
  - Provide feedback channels
  - Strengthen public participation
  - Regularly update rules