

# Short-Term Rental Regulations:

A GUIDE FOR LOCAL GOVERNMENTS





CENTER FOR CITY SOLUTIONS

### About the National League of Cities

The National League of Cities (NLC) is the voice of America's cities, towns and villages, representing more than 200 million people. NLC works to strengthen local leadership, influence federal policy and drive innovative solutions.

NLC's Center for City Solutions provides research and analysis on key topics and trends important to cities, creative solutions to improve the quality of life in communities, inspiration and ideas for local officials to use in tackling tough issues, and opportunities for city leaders to connect with peers, share experiences and learn about innovative approaches in cities.

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# Foreword

**I**N RECENT YEARS, short-term rentals have increased in cities, towns and villages across the United States. As a result of this growth, local leaders have had to grapple with competing benefits and challenges – in particular, how to ensure a healthy stock of affordable housing and how to support local tourism and economic development opportunities. One of the top priorities for city leaders today is to ensure that residents and visitors to their communities have access to safe, affordable lodging.

These competing priorities make passing regulations difficult, which is why it's not surprising that short-term rentals have become a common topic of discussion among our members at the National League of Cities (NLC). Members faced with these challenges often ask us: "What tools are available to assist me with regulating short-term rentals in my community?"

This persistent question led NLC to research short-term rental regulations in cities across the country and ultimately produce *Short-Term Rental Regulations: A Guide for Local Governments*. Based on an analysis of 60 short-term rental ordinances, this action guide lays out a detailed overview of best practices for cities to develop and pass short-term rental regulations in their communities.

While no two municipalities face the same opportunities and challenges when it comes to regulating short-term rentals, this research provides insight into how to chart a path forward successfully. This guide recommends local leaders create and enforce firm and fair regulations by focusing on clear policy objectives, centering racial equity as a critical component in their planning and actively engaging with relevant stakeholders throughout the process.

Short-term rentals can open a swath of opportunity for homeowners looking to make additional dollars, while also providing economic development opportunities in neighborhoods that may not generally see high levels of tourism. By bringing community and industry leaders together, local leaders can create policies that work for both – and maximize the potential value of short-term rentals for hosts, guests and neighbors alike, all while protecting the affordability of neighborhoods.

While short-term rentals are a prominent issue today, this challenge is not a new one for local leaders. There are often difficulties that come with maximizing economic growth while protecting community interests. Mayors, councilmembers and other local elected officials are well-equipped to help bring stakeholders together to understand and navigate potential trade-offs.

Local leaders have an incredibly important role to play in capitalizing on the benefits of short-term rentals and minimizing potential negative impacts. I hope this resource will help your community make decisions about short-term rentals that are best for your residents.



**Clarence E. Anthony**

CEO AND EXECUTIVE DIRECTOR  
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## Introduction

**T**HE RAPID GROWTH of short-term rentals in cities, towns and villages across the U.S. has caused much controversy. From contentious City Hall meetings where residents advocate for more stringent or more relaxed regulations to lengthy and expensive legal battles between cities and short-term rental platforms, cities can get caught in the cross-hairs of a complicated policy issue. Short-term rentals present no shortage of challenges for local leaders, as they can affect housing availability and affordability, local tourism and economic development, neighborhood wellbeing, and health and safety. However, many cities have learned important lessons in navigating these complex issues and offer some best practices for others to learn from.

Regulation of short-term rentals has proven to be an important and effective tool in making short-term rentals work for all parts of the community. Regulations that define what short-term rentals are and have appropriate mechanisms in place should intervention be necessary have helped city leaders steer the conversation toward solutions and meeting community needs. The purpose of regulating short-term rentals is not to be overly punitive or to prohibit them, but to put safeguards and appropriate enforcement mechanisms in place for when problems arise.

This Action Guide will not settle debates about the specific impacts of short-term rentals on each community. Instead, it aims to equip local leaders with appropriate information and tools to adopt or amend ordinances that serve their community best: policies that are equitable; that protect municipal interests such as health and safety and housing affordability; that preserve the residential quality of neighborhoods; and that enable responsible and eligible residents to earn some additional income.

# Defining Short-Term Rentals

## What is a Short-Term Rental?

In general, short-term rental (STR) refers to an activity in which one party, the “host,” agrees to rent out all or part of a home to another party, the “guest,” on a temporary, time-limited basis. The precise legal definition of a short-term rental varies by community. Most short-term rental ordinances include details on the following types of provisions that define short-term rentals for a particular community:

### LOCATION AND USE:

Where and how many short-term rentals are allowed

### TIMING:

How long short-term rentals can be rented for

### MANNER OF RENTAL:

Additional requirements for hosts and guests

## What Can Communities Regulate?

Regulations vary, depending on the needs of the locality issuing them. In a community where vacant properties are a problem, regulations might focus on upkeep and oversight. In a community where housing stock is scarce, regulations might be put in place to limit the number of properties lost to residential rentals.

Generally, however, regulations include some combination of the following provisions:

PROVISIONS	DETAILS
<b>LOCATION AND USE</b>	<p><b>Geographic limits:</b> Cities can decide to limit the availability of STRs in specific areas of cities, such as particular residential areas or neighborhoods with specific historic character.</p> <p><b>Commercial-residential distinctions:</b> Cities can establish different rules for properties in residential and commercial areas to account for the different interests of communities in each of these areas.</p>
<b>TIMING</b>	<p><b>Primary residence requirements:</b> Cities can require that the STR is occupied by the host for most of the year, and/or that the rental is in or part of the owner’s primary residence.</p> <p><b>Day limits:</b> Cities can include provisions capping the number of days per year that hosts can rent their STR.</p>
<b>MANNER OF RENTAL</b>	<p><b>Registration and licensing:</b> Cities can require hosts to register their properties with the city and can require rental platforms (e.g., Airbnb, Vrbo, etc.) to ensure that properties listed on their sites are properly registered.</p> <p><b>Taxes:</b> Cities can require that hosts pay transient occupancy taxes, which are taxes on what guests pay for temporary lodging in the city and are usually collected and remitted by hotels, motels and similar businesses. Cities can also work with STR platforms and other third-party providers to minimize the burden of tax remittance.</p> <p><b>Occupancy limits:</b> Cities can limit the number of guests per stay, usually by establishing a guests-per-bedroom or per-property cap.</p> <p><b>Health and safety regulations:</b> Cities can require STRs to have fire safety equipment and carbon monoxide detectors; display emergency information for guests; adopt measures to maintain a sanitary residence; and adopt plans for emergencies, among other requirements.</p> <p><b>Noise and event regulations:</b> Cities can restrict the use of STRs for large gatherings and events, and they may explicitly require that guests comply with existing noise, trash and parking ordinances.</p>



## The Issue

Short-term rentals are not a new concept. Companies like Vrbo, HomeAway, Couchsurfing and Craigslist have offered consumers short-term rental options since the late 1990s without much controversy.<sup>1</sup> The meteoric growth of the short-term rental industry in the 2010s changed that. Companies like Airbnb, Vrbo, HomeAway and FlipKey grew in popularity while consumer appetite for more original, authentic and local experiences increased, driving demand higher.

As short-term rentals become more accessible to both hosts and users, use skyrocketed over a short period. But the meteoric success of short-term rental platforms has not been welcomed unreservedly. Common complaints are that short-term rentals can drive up local rents, limit the availability of long-term residential rentals, attract an influx of tourists and create excessive noise.<sup>2</sup>

Local leaders attempting to chart the pathway forward for short-term rentals in their communities must respond to many competing interests, making passing regulations and balancing those interests difficult. Some of these issues that must be considered include:

### Housing

The research is divided on whether short-term rentals contribute to the housing crisis. Regardless of whether the exact impact on the housing market is measurable, it is undeniable that many cities in the U.S. face a housing crisis – due to a shortage of affordable housing, steady decline in federal investment in low-income housing, wage growth stagnation, etc. – and that short-term rentals may contribute to housing unaffordability and unavailability.

### Tourism

Short-term rentals outside of the typical tourism areas in cities can be a boon to local economies, spreading dollars across the cities in ways that traditional lodging accommodations do not. On the other hand, cities with high tourism rates face a greater share of the negative impacts of short-term rentals in communities. In high-tourism communities, large numbers of whole home rentals can affect neighborhood cohesion, as they may stand empty for weeks at a time or experience high turnover in guests.

### Preemption

Preemptive state laws can limit cities' ability to regulate short-term rentals. The impacts of preemptive laws can range from a complete inability to regulate, to restrictions on the kinds of regulations that can be imposed.

### Public Health and Safety

Poorly regulated and unsupervised short-term rentals can threaten the safety of neighborhoods for residents and guests alike. Party houses have become a significant point of contention in some communities. Guests may ignore or be unaware of noise, trash and parking ordinances.

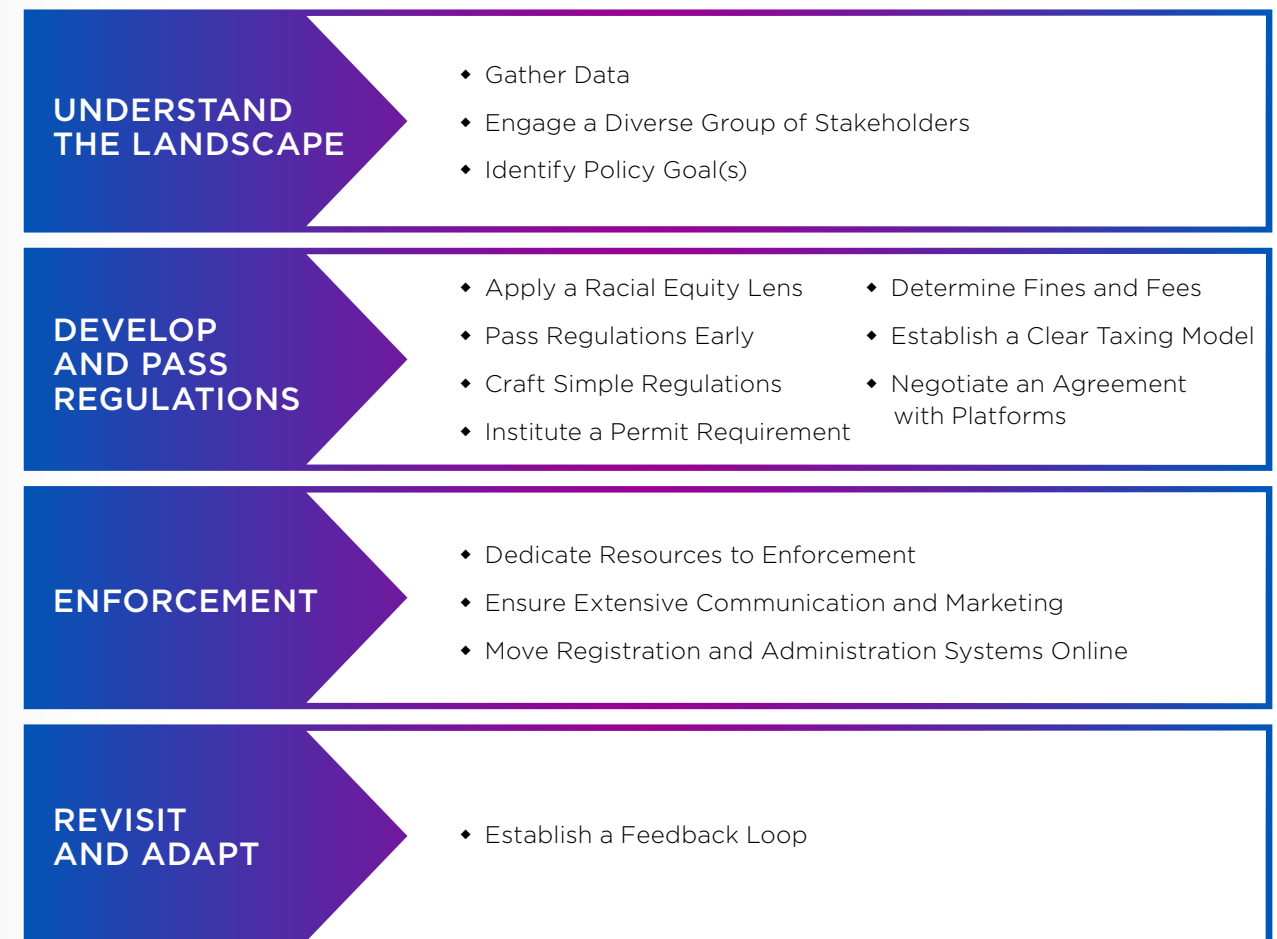
For myriad reasons – both within and outside of city control – cities may find it difficult to enforce the regulations they do have. Some ordinances are difficult for hosts and residents to understand and difficult for the city to enforce because they are overly complicated or poorly publicized. In other instances, cities may have no systematic way to identify hosts who are not in compliance or to keep track of what properties are being used for short-term rentals, and when. Understanding the most common barriers to effective regulation – unclear rules and lack of data – is key to making sound policy choices. Despite the limitations and challenges that city leaders face, local leaders can pass regulations that effectively balance competing interests, fit community needs, and most critically, are enforceable.

# Recommendations: Short-Term Rental Regulations

This Action Guide will help local leaders break down the process of developing a short-term rental ordinance, provide relevant city examples and identify key tips. The following recommendations are a menu of policy principles and good practices that cities should explore when establishing or updating their regulations, based on research into short-term rental ordinances and policies across the country.

**T**HE NATIONAL LEAGUE of Cities analyzed 60 short-term rental ordinances to inform this report across 30 indicators, including the legal definition of short-term rentals, regulations and enforcement. At least one city, town or village was selected in each state, with two cities, towns or villages selected for the top ten states by population (California, Texas, Florida, New York, Pennsylvania, Illinois, Ohio, Georgia, North Carolina and Michigan) to ensure that a diversity of local context was represented in the analysis.

The recommendation sections (Understand the Landscape, Develop and Pass Regulations, Enforcement, and Revisit and Adapt) are meant to build off each other and should therefore be executed in chronological order. They are detailed in the section below.



## UNDERSTAND THE LANDSCAPE

Before passing regulations, understand the local short-term rental landscape. This should involve extensive information gathering and thorough engagement with relevant stakeholders. Be mindful of what issues are associated with short-term rentals in your community to determine the goals your policy should meet.

### GATHER DATA

**While anecdotes are powerful, they are not a proxy for actual data to estimate the number and location of short-term rentals operating in a community.** In some cases, data may be available through third-party platforms such as Inside Airbnb or AirDNA. Knowing approximately how many units may be on the market is critical to understanding the scope of the issue.



#### KEY DATA POINTS INCLUDE:

- How many short-term rentals are operating in your community?
- What is the breakdown between hosted room rentals vs. whole home rentals?
- Where are short-term rentals operating in your community?
- What neighborhoods are most affected?
- What is the average daily price of short-term rentals vs. hotels?
- What is the occupancy rate of short-term rentals vs. hotels?
- How much revenue are short-term rental properties generating vs. hotels?

Additional data sources that can help supplement short-term rental-specific data to develop a comprehensive picture of the local landscape can include tourism, housing and complaint data. Connect with local tourism boards to gather information such as how much money visitors are spending, where visitors are spending their money, where they are staying, where they are spending their time and how long they are staying. Leverage data sources such as the American Community Survey to understand the breakdown in renter vs. homeownership

rates, vacancy rates and demographic information in different neighborhoods to contextualize short-term rentals in the broader housing landscape. Records of noise and nuisance complaints (e.g., through 311 calls or similar complaint or service request software) can also help cities understand where these complaints are filed and what they are.

### ENGAGE A DIVERSE GROUP OF STAKEHOLDERS

**Engage a network of stakeholders, including but not limited to tenants, landlords/homeowners, hotel and motel industry representatives, neighborhood organizations, housing advocates, tourism agencies and short-term rental platforms.** This mix will look different for each city, but identifying relevant stakeholders will be key to understanding the challenges and opportunities each city faces.

Hold virtual or in-person town hall meetings, drop in on various group meetings (e.g., landlord associations, property owner groups, neighborhood associations, etc.) and solicit comments from members of the public to gauge the perceptions of short-term rentals directly from community members. Cities can, for example, work with neighborhood associations to map areas especially strained by short-term rentals or tourism. Residents have the closest ear to the ground. City leaders should leverage this knowledge to their advantage.

Cities have a lot to gain by partnering with platforms, but the relationship-building process can be contentious at times. These relationships are more likely to be positive when cities come to the discussion table with a clear goal in mind and communicate it with the platforms.



#### POTENTIAL STAKEHOLDERS INCLUDE:

- |                                      |   |   |
|--------------------------------------|---|---|
| Motel and lodge union or association | Restaurant associations                 | Platforms (e.g., Airbnb, Expedia, etc.) |
| Hotels or hotel union or association | City Council                            | Neighborhood associations               |
| Realtor groups or associations       | Local planning groups and organizations | Housing advocates                       |
|                                      | Existing short-term rental operators    | Tourism agencies                        |





## CITY SPOTLIGHT: FAYETTEVILLE, AR

In 2018, the City of Fayetteville’s Sustainability Department worked with the University of Arkansas’ Public Policy Department to explore short-term rentals. The students leveraged data sources such as AirDNA to gather the following information:

- ◆ Active rentals
- ◆ Average booked properties
- ◆ Occupancy rate
- ◆ Average booking rate per night
- ◆ Average Airbnb private room price (Fayetteville)
- ◆ Average hotel room price (Fayetteville)
- ◆ Average Airbnb private room price (Downtown Fayetteville)
- ◆ Average hotel room price (Downtown Fayetteville)<sup>3</sup>

Based on this information, the students generated maps of short-term rental locations in the Fayetteville area, noting a large concentration of Airbnb rentals in the downtown area. This analysis was presented to city staff and elected officials in December 2018 to inform their discussion on short-term rentals in Fayetteville.



## CITY SPOTLIGHT: SAN DIEGO, CA

While drafting its short-term rental ordinance, the City of San Diego engaged a wide variety of stakeholders including:

- ◆ Unite Here, a union for motel/lodges
- ◆ Neighborhood groups
- ◆ Hotel stakeholders, including the hotel/motel association
- ◆ Realtor groups and associations
- ◆ The restaurant association
- ◆ City Council
- ◆ Local planning boards and organizations
- ◆ Pre-existing STR operators
- ◆ Expedia Group and Airbnb

A staff member from the San Diego City Council conducted meetings with the stakeholders. The meeting format and length varied. The city representative sometimes met stakeholders individually or invited them to speak at public meetings. Those interested in engaging longer-term were invited to a permanent stakeholder group. The stakeholder group continues to provide input on short-term rental regulation implementation.

Compromise was eventually reached, most notably in the form of a memorandum of understanding (MOU) between Unite Here and Expedia Group. Through the MOU, these two major stakeholders with different perspectives agreed to partner to help regulate the short-term rental market. The MOU also laid the foundation for the regulations that the city would push forward when engaging with other stakeholder groups. Following this engagement process, the ordinance was presented to the public, Planning Commission, mayor and Coastal Commission. The city found that putting the time in to build relationships and establish trust between the municipality and short-term rental platforms was essential to the ordinance’s success. Further, going into the process with a clear goal, while being mindful of what compromises could be made, allowed the city to achieve buy-in from a diversity of stakeholders.



## IDENTIFY POLICY GOAL(S)

**Develop a clear and concise policy goal for the short-term rental ordinance, driven by the city's overarching goals and community input.** Review strategic city plans (e.g., comprehensive housing plans, 5- and 10-year city visions, master plans) and identify top city priorities that may dovetail with priorities for short-term rentals. For example, a city may have a broader goal to advance housing affordability and may choose to focus on preserving the stock of affordable housing as a policy goal. Or a city may have the broader goal to attract more tourism and choose to focus its regulations on enabling short-term rentals with appropriate guardrails in place as the tourism industry continues to grow.

Cities should be intentional about setting a goal or priority before drafting regulations. Without a clear “end goal,” cities can pass regulations that may not align with community priorities, and do not have effective mechanisms to accomplish them. By deciding on a policy and community goal, cities can craft a simpler and more targeted ordinance.

Common goals, based on NLC's analysis of 60 cities, include:

- ◆ Prevent the loss of rental housing stock
- ◆ Support tourism in a balanced way
- ◆ Combat displacement
- ◆ Preserve the residential quality of neighborhoods
- ◆ Ensure health and safety for guests and residents
- ◆ Balance the needs and rights of property owners and neighbors
- ◆ Allow economic gain for residents
- ◆ Capture tax revenue
- ◆ Slow or prevent the overgrowth of STRs



### KEY CONSIDERATION

Balance competing expectations. By their nature, short-term rentals can be a contentious issue, with strongly vested interests on all sides. Each stakeholder will have to make concessions from their vision of “ideal” regulations, so helping the community and STR platforms understand that compromise is needed is critical to setting realistic expectations. Having a clear policy goal will also help coalesce stakeholders around the city's broader vision and help justify policy choices.



## CITY SPOTLIGHT: CHARLESTON, SC

The City of Charleston began regulating short-term rentals in 2012, when it adopted regulations that allowed commercially zoned properties to be rented as short-term rentals in the Cannonborough Elliotborough neighborhood. The goal of the regulation was to bring reinvestment into vacant, abandoned and distressed properties in the neighborhood. In subsequent years, the city saw an increase in the number of short-term rental units in Cannonborough Elliotborough and throughout Charleston. With a growing number of short-term rentals and an incoming mayor interested in revisiting short-term rental regulations, the policy moved to the forefront of Charleston's agenda again.

In 2016, the mayor and City Council began the process of updating short-term rental regulations by appointing a committee of local citizens to study and provide recommendations on short-term rentals. The committee included residents, representatives of the city's preservation and historical societies, and tourism interests. Over time, a consensus was built around the goal to preserve the historic nature of downtown Charleston and allow short-term rentals to contribute to the local tourism economy, but only in such a way that did not alter the character of the city and negatively affect residents' quality of life.

Based on this consensus, the city developed a category-based short-term rental permitting system that requires most short-term rentals to be owner-occupied, and details additional requirements for properties located in downtown Charleston or in properties listed with the National Register of Historic Places.



## DEVELOP AND PASS REGULATIONS

As the short-term rental industry continues to mature, it has become clear that complex regulations are not only cumbersome for hosts and residents of the city but are also unenforceable. Policies with clear goals, fair implementation and mechanisms for enforcement will help everyone.

### APPLY A RACIAL EQUITY LENS

One of the most commonly cited benefits of short-term rentals is that they allow hosts to generate extra income from existing assets. While this may be true, hosting is most commonly available to those who own a home. Homeownership is inseparable from race and inequality in America. According to the latest estimates from the U.S. Census Bureau, the homeownership gap between White and Black households was 30 percent in 2020.<sup>4</sup> According to NLC's ordinance analysis, only 38 percent of cities surveyed specifically allowed tenants to host a short-term rental. Even then, cities that do explicitly state that tenants are allowed to host require them to acquire written consent from their landlords or have a rental contract that allows them to sublet their unit. Tenants face a high barrier to host even in the minority of cities that allow them to.

**The ability of short-term rentals to democratize the tourism industry is overstated when a majority of Black, Indigenous and People of Color (BIPOC) do not have access to homeownership.** Given the divide in homeownership in America, the direct economic benefit of short-term rentals may exacerbate existing inequality. There is also evidence that hosts may discriminate based on race and ethnicity. A 2017 study of Airbnb data found that “applications from guests with distinctively African-American names are 16 percent less likely to be accepted relative to identical guests with distinctively White names.”<sup>5</sup> Airbnb has since made moves to fight bias and discrimination, including changing when guest pictures are shown to a host in the booking process.<sup>6</sup> The city of Columbus, OH, passed a discrimination clause in its ordinance stipulating that a host shall not decline a potential guest, impose different terms or conditions, or discourage or indicate a preference for or against a guest based on race, gender, sexual orientation, gender identity or expression, color, religion, ancestry, national origin, age, disability, familial status or military status.<sup>7</sup>

**38%**

of cities surveyed specifically allowed tenants to host a short-term rental.



#### KEY CONSIDERATION

Recognize the role that short-term rentals play in exacerbating housing unaffordability. Consider dedicating some portion of STR permit or tax revenue towards affordable housing funds or homeownership opportunities, or earmarking general fund dollars for similar programs. Boulder, CO stipulates in its ordinance that “after administration expenses are met, any additional funds shall be placed in the city’s affordable housing fund.”<sup>8</sup>

### PASS REGULATIONS EARLY

The short-term rental industry is rapidly growing. **Given the complexity of the policy and regulatory space, be proactive and establish regulations before short-term rentals have a negative impact on the community.** Establishing regulations gives cities the power to intervene when necessary. It is much easier to limit the spread of short-term rentals before they have proliferated than it is to retroactively remove them from the market. Establishing regulations also becomes increasingly controversial as more stakeholders have a vested interest in seeing them maintained. Even cities that have not yet faced the negative impacts of short-term rentals should pass regulations to regulate the STR market before they proliferate.



#### KEY CONSIDERATION

A common hurdle that cities face is what to do with pre-existing short-term rentals once a new ordinance is passed. In 58 percent of the cities reviewed in the NLC ordinance analysis, cities required existing hosts to comply with regulations or apply for a permit or license. Cities must communicate early and clearly with existing hosts about their responsibilities under a newly passed or revised ordinance to give them time to meet new regulations.

### CRAFT SIMPLE REGULATIONS

Craft simple ordinances that are clear about policy goals. This will better equip leaders to engage in conversation with platforms, residents, property owners and other stakeholders invested in the ordinance outcome. Below is a list of common goals found in the ordinance analysis, and key ordinance elements to achieve those goals.

## Policy Levers to Pull to Achieve Common Policy Goals

POLICY GOAL	POLICY LEVERS
<p><b>PREVENT THE LOSS OF RENTAL HOUSING</b> Prevent long-term rental properties from being converted to short-term rentals.</p>	<p>Adopt a permit requirement and institute a host residency requirement, which should prevent homeowners from renting properties solely as short-term rentals and prevent properties from being purchased for the sole purpose of operating as short-term rentals.</p>
<p><b>SLOW OR PREVENT THE OVERGROWTH OF STRS</b> Prevent residential neighborhoods from being “overtaken” by guests to the detrimental of the neighborhood and residential feel of a neighborhood.</p>	<p>Adopt a permit requirement and set a specific quota (number or percentage) on the number of short-term rental permits that will be distributed in a particular geographic area (e.g., neighborhood, census tract, ZIP code, etc.).</p>
<p><b>COMBAT DISPLACEMENT</b> The presence of short-term rentals can be particularly contentious in certain neighborhoods (e.g., neighborhoods that are experiencing displacement).</p>	<p>Adopt a permit requirement and set a quota on the number of short-term rentals that are allowed to operate in a specific zoning district or neighborhood, particularly areas of the city that are at risk of, or are currently experiencing displacement pressure. Beware that such quotas can limit existing low-income homeowners’ ability to earn revenues from their homes. Therefore, consider how to equitably distribute permits.</p> <p>Consider dedicating some revenue generated from permit fees or taxes to affordable housing or home-ownership programs. Explicitly restrict affordable housing units from being rented out as short-term rentals.</p>
<p><b>PRESERVE THE RESIDENTIAL QUALITY OF NEIGHBORHOODS</b> Limit problem properties such as party houses or houses with complaints.</p>	<p>Adopt a permit requirement and include a limit to the number of people that can stay in a short-term rental. This limit can be tied to the number of bedrooms in a short-term rental, or a total cap on the number that can stay in any type of property. A common limit that cities institute is two adults per bedroom.</p> <p>Require that short-term rental hosts provide their guests with a “Good Neighbor Guide” that summarizes all ordinances that guests are required to comply with during their stay (e.g., noise, trash, parking, etc.).</p> <p>Set restrictions on the number or percentage of short-term rentals that are allowed to operate in a particular neighborhood (or other geographic areas, such as census tract, ZIP code, etc.).</p>
<p><b>BALANCE THE NEEDS AND RIGHTS OF PROPERTY OWNERS AND NEIGHBORS</b> While lawful hosts have the right to rent their properties out, they should not infringe on the rights of neighbors. Enable hosts to rent out their homes while also ensuring that residents know where and how to file a complaint.</p>	<p>Adopt a permit requirement and establish a process for revoking permits from properties in violation, such as a “three strikes” rule. If three verified complaints are filed within a certain time, the city can revoke a host’s permit.</p> <p>Establish a 24/7 hotline that residents can phone to report non-emergencies without calling the local police department or law enforcement. Require short-term rental permit hosts to list a local contact who can be reached should an issue arise.<sup>9</sup></p>

POLICY GOAL	POLICY LEVERS
<p><b>ENSURE HEALTH AND SAFETY OF GUESTS AND RESIDENTS</b> Ensure the safety of guests and residents, including minimizing public safety risks and noise and trash complaints.</p>	<p>Adopt a permit requirement that requires each listing to include a local contact who can be reached at any time. Use this emergency contact if a complaint is filed. Stipulate that if the registered contact is not responsive, the host’s permit risks being terminated.</p> <p>Institute a permanent residency requirement. City leaders report that most complaints come from non-owner-occupied units. Hosts may be more invested in their property if they, too, call it home.</p> <p>Require that short-term rental hosts provide their guests with a “Good Neighbor Guide” that summarizes all ordinances that guests are required to comply with during their stay (e.g., noise, trash, parking, etc.).</p> <p>Require an inspection, or, if the city cannot carry out inspections, stipulate that the city has the right to inspect a property should sufficient suspicion arise that the property is not up to code.</p> <p>Institute a process for revoking permits from properties in violation, such as a “three strikes” rule. If three verified complaints are filed within a certain time, the city can revoke a host’s permit.</p>
<p><b>CAPTURING TAX REVENUE</b> Ensure that revenue is being collected.</p>	<p>Adopt a permit requirement that will make it easier to identify whether hosts are complying and paying the appropriate taxes. Use permit and tax revenue to either hire additional staff or a third-party provider to help monitor compliance.</p> <p>Reach an agreement with platforms that requires them to automatically collect and remit taxes back to the city. Be wary of the transparency of the tax remittance process and ensure that the city’s enforcement powers are not stifled.</p>
<p><b>SUPPORT TOURISM IN A BALANCED WAY</b> Tourism is a key component to many local economies and short-term rentals can play a role in facilitating tourism without impacting residents if done in a balanced way.</p>	<p>Adopt a permit requirement and set an annual permit reapplication. Make clear that applications can be denied if regulations change. Adopting a formal permit requirement will not deter hosts from participating, so long as the permitting process is not overly cumbersome. Ensure the permit fees are reasonable and tied to the cost of administering the permit program.</p>
<p><b>ALLOW FOR ECONOMIC GAIN FOR RESIDENTS</b> Short-term rentals can support wealth building for community members, although city leaders must pay attention to who is eligible to host.</p>	<p>Adopt a permit requirement. The permit system should be simple and easy to navigate, particularly if the city is trying to encourage more permanent residents to host on a part-time basis. If the administrative burden is too high, few will be willing to put in the effort.</p>



## INSTITUTE A PERMIT REQUIREMENT

Enforceable short-term rental ordinances require owners who want to host short-term rentals to acquire a permit before renting. In general, a permit requirement allows local governments to create and maintain a database of units and contact information for properties that are operating as short-term rentals. **The information provided in an application is key to enforcing the ordinance, allowing the city to have a point of contact to check in with when a property is not in compliance.**<sup>10</sup> Without information on who is operating short-term rentals, cities are effectively rendered helpless in enforcing their regulations. Having an active database of short-term rentals in operation is key to moving from a reactive to a proactive approach to enforcement.

**To ensure that hosts are acquiring permits, the city must have a mechanism to check to ensure compliance.** Some cities, like San Francisco, have negotiated agreements with platforms that require the platform to put a permit number on the host listing.<sup>11</sup> In other cases, cities have hired third-party platforms to aid their enforcement efforts. The City of Nashville, TN, uses Granicus’s Host Compliance, a short-term rental compliance monitoring platform, to support enforcement efforts. According to Nashville officials, the Code Department was struggling to enforce its regulations when they were relying on a complaint-based process. The city was manually identifying STR addresses. With more than 60 active rental websites and private addresses and contact information, it proved to be too herculean an effort to maintain. Host Compliance’s online portal enables the city to identify illegal operators before there is a complaint, moving from reactive to proactive enforcement. Since implementing Host Compliance, Nashville has more than doubled its compliance rate to 91 percent.<sup>12</sup>



### KEY CONSIDERATION

Without a clear and streamlined application or licensing process, applications may backlog. This leads to an unhappy and distrustful community and may encourage illegal rentals to operate while they are in the process of being considered for a permit. In some cases, operators will purposely and continuously file for permits and operate while under consideration.

Always tie the permit to the person, not the parcel. This will allow for natural attrition over time (e.g., someone sells their home, and the new owner must reapply for a short-term rental permit).

## DETERMINE FINES AND FEES

Many cities adopt fine structures to incentivize compliance by short-term rental hosts. According to NLC’s analysis, fines range from \$200 a day to \$2,000 per violation, which may escalate each day. Beyond deciding the fine structure, cities must have adequate staff and resources to identify hosts who are not in compliance and communicate to hosts how to stay in compliance and avoid violations.

**Fines should be proportionate to or more than the economic gains that potential violators can realize from breaking the rules, and should escalate for repeat violators, including the threat of revocation of a permit or license.** Host Compliance offers the following fines and fees schedule for cities to consider:

### Example Fine Schedule

	1 <sup>st</sup> violation	2 <sup>nd</sup> violation	3 <sup>rd</sup> violation	4 <sup>th</sup> violation
Fine for advertising a property for short-term rent (online or offline) without first having obtained a permit or complying with local listing requirements	\$200 per day	\$400 per day	\$650 per day	Upon the fourth or subsequent violation in any twenty-four month period, the local government may suspend or revoke any permit. The suspension or revocation can be appealed.
Fine for violating any other requirements of the local government’s short-term rental regulation	\$250 per day	\$500 per day	\$750 per day	

#### Notes:

- Any person found to be in violation of this regulation in a civil case brought by a law enforcement agency shall be ordered to reimburse the local government and other participating law enforcement agencies their full investigative costs, pay all back-owed taxes, and remit all illegally obtained short-term rental revenue proceeds to the local government.
- Any unpaid fine will be subject to interest from the date on which the fine became due and payable to the local government until the date of payment.
- The remedies provided for in this fine schedule are in addition to, and not in lieu of, all other legal remedies, criminal or civil, which may be pursued by the local government to address any violation or other public nuisance.

Source: Host Compliance



## CITY SPOTLIGHT: LAKE PLACID, NY

The Village of Lake Placid collaborated with its justice court to define a short-term rental fine structure based on other successful cases. Lake Placid’s short-term rental fines range from \$350 to \$1,000 for the first violation plus the costs that the village has incurred for enforcement (e.g., staff time and attorney fees). Each week that the violation is not remedied constitutes a separate offense. The second violation that occurs within five years will incur a fine of between \$1,000 and \$3,000. Short-term rental violations can be appealed within 30 days to the joint Town of North Elba/ Village of Lake Placid Short-Term Rental Appeals Board by either the short-term rental property owner or the complainant.<sup>13</sup> In most cases, hosts do not intentionally violate regulations, and disputes are often settled without the host incurring a fine.

### ESTABLISH A CLEAR TAXING MODEL

Be mindful that there are multiple ways to capture revenue. In most cases, the owner/host is responsible for remitting taxes back to the city; however, several cities are trying to move the collection burden from hosts to the platforms. According to NLC’s analysis, 82 percent of surveyed cities require the host to remit taxes directly to the city, while just 5 percent require the platform to collect and remit taxes on their behalf.

**82%**  
of cities require the host to remit taxes directly to the city, while 5 percent require the platform to collect and remit taxes of hosts behalf.

Cities like Annapolis, MD, and Charleston, SC, require platforms to remit taxes back to the city on behalf of hosts, automatically collecting tax revenue from a booking when it is made. While it may be easier for cities to require platforms to remit taxes, beware that there is some ongoing controversy around whether cities get back all the taxes they are owed. Several cities in South Carolina, including Charleston, are suing platforms, alleging that they are not remitting full taxes.<sup>14</sup>

In addition to the transient occupancy tax, some city councils may add an additional tax or surcharge on short-term rentals. For example, Chicago, IL, passed a 4 percent surcharge in 2016 and another 2 percent surcharge in 2018.<sup>15</sup> The surcharge funds supportive homelessness services and enforcement of the ordinance.<sup>16</sup>



### KEY CONSIDERATION

Be mindful of how difficult it may be for hosts to remit taxes to the city. If a host has to remit taxes directly, consider how to make that process as simple and streamlined as possible. This not only makes it easier for hosts but ensures that the city is capturing more of the tax revenue it is owed. Include clear and concise instructions on how to remit taxes on the city’s webpage and a user-friendly platform to make payments. Consider sending notifications to all short-term rental hosts about upcoming tax payments.



## NEGOTIATE AN AGREEMENT WITH PLATFORMS

Cities have had varying success in building helpful agreements with platforms. Cities have a lot to gain by partnering with platforms; however, the relationship-building process can be contentious at times. These relationships are more likely to be positive when cities come to the discussion table with a clear goal in mind and communicate it with platforms. Cities may have the opportunity to negotiate agreements with platforms, such as voluntary collection agreements (VCAs) or memorandums of understanding (MOUs).

### Voluntary Collection Agreements

A Voluntary Collection Agreement (VCA) typically involves a short-term rental platform agreeing to collect and remit transient occupancy taxes on behalf of its hosts. Agreements generally allow local governments to audit the platform, rather than the operator, but do not allow local governments to access information that could identify operators outside of the terms of the agreement.

Many short-term rental platforms have agreements with local governments. As of March 2019, Airbnb had more than 350 VCAs with state and local governments in the U.S.<sup>17</sup> While VCAs allows local governments to receive a steady stream of transient occupancy taxes, officials in several states have expressed concerns that these agreements allow platforms to remit less to governments than they owe, a problem compounded by VCA provisions that hinder tax authorities' ability to audit platforms.<sup>18</sup> See *the Appendix for more information on VCAs*.

#### **Voluntary Collection Agreement (VCA):**

A VCA typically involves a short-term rental platform agreeing to collect and remit transient occupancy taxes on behalf of its hosts.

### Memorandum of Understanding

A memorandum of understanding (MOU) typically focuses on issues such as disclosing data, posting property registration numbers and removing illegal listings. Be aware that an MOU can include provisions that limit cities' enforcement power or create additional duties for cities. For example, in its draft MOU with the City of Denver, Airbnb included provisions that would have made the MOU confidential and require the city to resort to arbitration to resolve disputes. Together, these provisions would have limited transparency and hampered the city's ability to use the courts for its enforcement actions. Denver rejected the draft.<sup>19</sup>

MOUs may create additional duties for cities, such as when an MOU requires a platform to take down listings for unregistered properties but places the burden on cities to inform the platform about suspicious properties — a resource-intensive task. Cities may attempt to shift some of these burdens onto the platform. In one settlement with New York City, Airbnb agreed to automatically provide information for certain listings that met specific criteria.<sup>20</sup> In the City of Portland, OR's MOU with Airbnb, the two parties share duties: Airbnb is responsible for regularly reporting data about hosts and properties, and Portland is responsible for using the information it receives to verify that hosts have properly registered.<sup>21</sup>

#### **Memorandum of Understanding (MOU):**

A MOU typically focuses on issues such as disclosing data, posting property registration numbers and removing illegal listings.



#### **KEY CONSIDERATION**

Approach negotiated agreements well informed and with a clear policy goal in mind. Because VCAs and MOUs tend to be offered with standard language and provisions that benefit platforms and hinder city oversight efforts, cities should be prepared to analyze the agreements and decide whether and how to negotiate more favorable conditions.

## ENFORCEMENT

The purpose of regulations should not just be to capture additional revenue but to minimize and mitigate the negative side effects associated with the uncontrolled growth of short-term rentals. Cities need to move away from reactive to proactive enforcement when possible. Effective enforcement is key to an ordinance's success. Without regulations that clearly define what a short-term rental is, a database of units being operated, and contact information for those units, cities are effectively rendered helpless in enforcing their regulations.

### DEDICATE RESOURCES TO ENFORCEMENT

**Dedicated resources, time, staff and money are necessary for successful enforcement.** Short-term rental regulation enforcement can be revenue neutral or positive for municipalities when license, permit and tax revenue offsets costs.<sup>22</sup> In some cases, cities can also leverage existing resources such as 311 service to take in short-term rental complaints.

Some examples of key enforcement components that require dedicated resources include:

- ◆ Hiring additional code enforcement officers to identify and flag repeat offenders
- ◆ Hiring a third-party platform to help with data collection and enforcement
- ◆ Hiring a web developer to create a “one-stop-shop” website for STR hosts and residents
- ◆ Hiring additional staff to set up and service a complaint hotline
- ◆ Instituting (re)inspections for violating properties



### CITY SPOTLIGHT: COLUMBUS, OH

The most recent ordinance amendment in the City of Columbus allows the licensing department to deny, revoke or suspend a permit if there are three or more emergency calls made on a specific property in the previous 12 months (i.e., “three-call rule”). To help facilitate this system, the city’s technology department created an internal database that connects the 311 service with the city’s computer-aided dispatch software to allow enforcement to search the address on the map and know what type of emergency service was requested. City staff reference this database when an application is made or when a complaint about a property is filed. This allows the city to identify properties that have violated the ordinance or have passed the “three-call rule.”



## ENSURE EXTENSIVE COMMUNICATION AND MARKETING

Transparent and clear communication and marketing are critical to the success of an ordinance. Clear communication will support the ordinance's success (e.g., hosts, guests and residents know what the rules and regulations are) and is key to preventing community backlash when an ordinance is established or revisited.

Consistent contact with landlord associations and property owner groups allows the city to convey to hosts how to remain in compliance. This may be an opportunity to develop relationships with trusted voices in key groups who can serve as a liaison with the broader community and as a spokesperson for good hosting etiquette.

Regular contact with residents means that cities can convey the best way to file nuisance and safety complaints should there be a violation at a short-term rental. This helps communities feel like they have a trusted partner in the city to ensure community safety.



### KEY CONSIDERATION

Consider hiring or assigning specific city staff to be liaisons with the community. Doing so may help establish trust among hosts, residents and the city, making room for more constructive conversations should something go awry. In addition, developing relationships with specific community members (e.g., hosts or residents) can help broaden the city's reach into the community. For example, hosts who have good relationships with the city can promote good hosting etiquette in the community.

## MOVE REGISTRATION AND ADMINISTRATION SYSTEMS ONLINE

To the extent possible, cities should limit the administrative burden on city staff and platform users. Moving registration or licensing systems online (while keeping the paper application option open) makes the process more seamless for hosts and less cumbersome for city staff who process those applications.

Beyond moving the registration or licensing system online, consider launching a centralized, accessible and easy-to-use webpage with all relevant short-term rental information. One common complaint that cities receive is that short-term rental regulations are difficult to understand. In most cases, it is not that the regulations themselves are too complex, but that regulations are not transparent and explained in an accessible way. Launching a webpage that is regularly updated keeps the community informed. According to a recent 2022 report and survey from Rent Responsibly and the College of Charleston, 49 percent of surveyed short-term rental hosts got information from government websites about local regulations that affect short-term rentals.<sup>23</sup> Furthermore, this webpage can serve as a resource for city staff who are not experts on short-term rentals but may be required to liaise with the public about them.





## CITY SPOTLIGHT: HENDERSON, NV

The City of Henderson set up an easily navigable webpage with information on short-term rentals, including application materials and answers to frequently asked questions.<sup>24</sup> This webpage serves as a “one-stop-shop” for hosts, residents and staff. The short-term rental webpage has the second-highest number of hits on the Henderson website.

### On the webpage hosts can:

- ◆ Find the most up-to-date short-term rental ordinance and state laws that apply to short-term rentals
- ◆ Register their short-term rental
  - Find city contact information to support them through the registration process
  - Find clear lists on how to apply and what documents are needed
  - Find application forms that are easy to download or file online
- ◆ Renew their short-term rental registration
- ◆ Pay their transient lodging tax and fees
  - Find tax forms that are easy to download

### On the webpage residents can:

- ◆ Find relevant short-term rental regulations, including the city ordinance and state laws that apply to short-term rentals
- ◆ Locate the complaint phone hotline to report any illegal short-term rental or to file noise, trash, parking, occupancy or other nuisance complaints
- ◆ Access the complaint website to submit a complaint online

## REVISIT AND ADAPT

The short-term rental market is consistently in flux, meaning regulations may have to change to meet the market and evolving community needs. Regularly revisit your ordinance to ensure that it still has the right balance of competing expectations and alignment with city goals.

## ESTABLISH A FEEDBACK LOOP

Particularly when first passing an ordinance, be intentional about setting metrics of success that align with policy goals. These qualitative and quantitative policy goal-aligned metrics will determine how performance is evaluated. Setting a dedicated evaluation period following the passage of a short-term rental ordinance will allow for better evaluation and help generate ideas of how to improve an ordinance. Make sure the public and the hosts understand that the regulation may change at the end of the evaluation period.

Build in a recurring check-in with relevant stakeholders to determine whether the short-term rental ordinance is meeting the city’s originally stated goal, and if not, what needs to be adjusted. This is where the feedback loop is particularly important. Keep an open line of communication with relevant stakeholders (e.g., landlord associations, property owners, residents, housing advocates, community groups, hotels, tourism agencies, etc.) to better understand how the implementation of the ordinance is playing out.

In Fayetteville, AR, the city authorizes a 20-month sunset clause in its ordinance, allowing city leaders to conduct regular review and reauthorization of the ordinance.<sup>25</sup> Some adjustments have been made following these regular review periods, including increasing the occupancy tax rate to better fund the cost of enforcement, adjusting the cap on the number of short-term rentals allowed in the community and requiring a unit inspection.



### KEY CONSIDERATION

If there is a recurring evaluation period for the ordinance, tell the community early on. Transparency is key to making sure hosts and residents know that regulations may change in the future. This may limit the potential backlash of changing regulations after passing them.





## Conclusion

**S**HORT-TERM RENTALS ARE here to stay and, when regulated with care and the proper safeguards in place, can be integrated into the fabric of a community. STRs can enhance tourism, stimulate economic growth in targeted neighborhoods and give residents a way to supplement their income, but can also exacerbate racial inequity, put pressures on affordable housing and disrupt neighborhoods. With proper regulation, cities can enjoy the benefits of STRs and limit their negative impacts.

**Regulating short-term rentals is not about limiting their potential, but about enacting the appropriate mechanisms to keep competing priorities and interests balanced.** As cities consider regulations to address short-term rentals in their communities, it is important that they act promptly, remain focused on a clear policy objective, consider racial equity, actively engage with relevant stakeholders, develop and enforce clear regulations, and provide continuous review of ordinances. The resources found in this Action Guide can help our communities find the proper balance to effectively support and regulate this growing industry.



# Appendix

## Voluntary Collection Agreements (VCAs)

	COMMON PROVISIONS	THINGS TO WATCH OUT FOR
<b>COLLECTION AND REMITTANCE</b>	Platforms agree to collect transient occupancy taxes from guests and remit the amount collected to the government taxing authority.	Without this provision, the platform may refuse to collect the tax, arguing that hosts are responsible for collection. Even with the provision, some platforms have been accused of under delivering taxes remitted to cities.
<b>REPORTING AGGREGATE INFORMATION</b>	<p>The platform agrees “reasonably to report aggregate information” related to its collection and remittance of transient occupancy taxes to the tax authority.</p> <p>Aggregate information includes the total amounts of receipts, exemptions, adjustments and so forth, but does <i>not</i> include individualized information for specific properties.</p>	Aggregate information does not allow cities to gather individualized information on particular properties.
<b>DETERMINING LIABILITY FOR TAXES</b>	The platform agrees to be held legally responsible for failure to report, collect or remit the transient occupancy taxes, and the tax authority agrees not to hold individual hosts responsible for reporting, collecting or remitting taxes on their property.	
<b>WAVIER OF LOOK-BACK</b>	The tax authority agrees not to pursue any actions to recover unpaid taxes that had been due before the date the agreement went into effect.	If the city has not yet received payments from a large proportion of STRs, then waiving all claims on taxes owed before the VCA’s implementation will result in the city potentially forfeiting a significant amount of tax revenue. On the other hand, a city may not have the capacity to go after back taxes, and be mostly concerned with collection of future taxes, making waiver of past tax liability a lower priority.
<b>NOTIFICATION TO HOSTS AND RENTERS</b>	The platform agrees to notify hosts and renters that it will be collecting and remitting transient occupancy taxes for their transactions.	

	COMMON PROVISIONS	THINGS TO WATCH OUT FOR
<b>AUDITING</b>	<p>The tax authority agrees to audit the platform on the basis of its tax returns and supporting documentation, rather than on audits of individual renters or hosts. Some VCAs also state that the tax authority cannot audit individual renters or hosts until it has finished auditing the platform and a tax issue remains unresolved.</p> <p>All transaction and tax data reviewed by a city tax authority must be anonymized. If the city suspects wrongdoing on the part of a specific host, it must first audit the anonymous data, then pick out suspicious transactions, and then finally obtain a subpoena to get identifiable data from the platform.</p> <p>The tax authority agrees to limit the number of times it will audit the platform (e.g., to only audit the platform once every two years, and to only audit transactions conducted over a 12-month stretch.)</p>	<p>This may limit the tax authority’s access to data and ability to audit individual hosts and affect city efforts to enforce home-sharing laws. Cities such as Culver City, CA, have negotiated alternative provisions ensuring that they can continue to audit individual hosts if they receive information about the property’s violations from another source.<sup>26</sup></p> <p>Anonymized data may mean that cities can only use <i>aggregate</i> information, which prevents cities from investigating individual cases of violation. For example, Snowmass, CO, states that it will audit “on an anonymous numbered account basis,” suggesting that disaggregation is not required.<sup>27</sup> Cities can also suggest alternative kinds of privacy protection that allow for individualized reports, such as pseudonymizing information.</p> <p>VCAs typically provide that all information about hosts and guests will remain <i>anonymous</i> unless the city has completed an audit of the platform and served the platform with a subpoena or similar legal process. Cities may want to negotiate changes to this provision to allow them to ensure that properties are registered. For example, if cities have already passed ordinances requiring registration, their audits might request information about the registration number.</p> <p>Cities can negotiate limits on audit frequency to allow for more frequent and tailored enforcement efforts. For instance, the audit frequency in Pacific Grove, CA, is once every 36 months; although this period may still be too long for many cities to effectively audit home-sharing, it does indicate that VCAs’ time provisions can vary.<sup>28</sup></p>



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