



Strategic Short-Term Rental Compliance

Aligning Policy with Community Goals

Agenda Today

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Welcome and Introductions

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Housing Issues

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Neighborhood Character

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Economic Development

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Questions and Next Steps



Today's Speaker

Samantha White

Account Executive,
Host Compliance
at Granicus



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



Town of Gravenhurst



- Lower-Tier urban municipality located in the District of Muskoka
- Population – 13,000 + 10,000
- After a lengthy Council and public engagement process, a formal STR license program came into effect for January 1, 2023

What is a short-term rental?

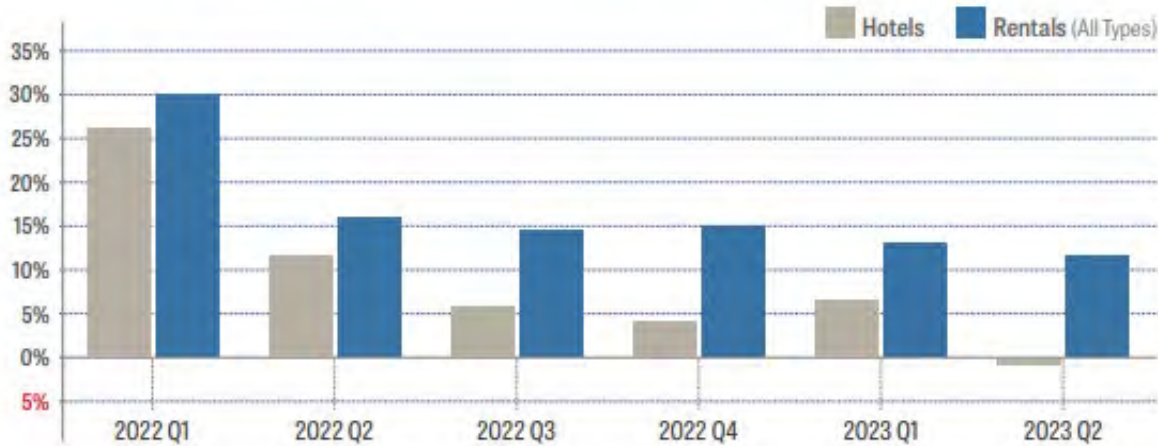


Rental of a residential dwelling unit usually for periods of **less than a month**. Commonly booked through one of the many online marketplaces available, such as Airbnb, VRBO, and more.

Despite economic conditions, STR demand remains strong

DEMAND GROWTH RENTALS OUTPACING HOTELS

Year Over Year Demand Change



Source: AirDNA, STR © 2023 CoStar Group

Travel is changing. How will you replace housing stock as residential units are converted to short-term rentals?

The Problem: Short-term rentals can displace long-term tenants, alter the neighborhood character and raise parking, noise, safety, trash and fairness concerns



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



Increased tourism can change the 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 VRBOs can cause conflicts and hotel job losses

Without proper enforcement, only a fraction of short-term rentals will register and comply with regulations

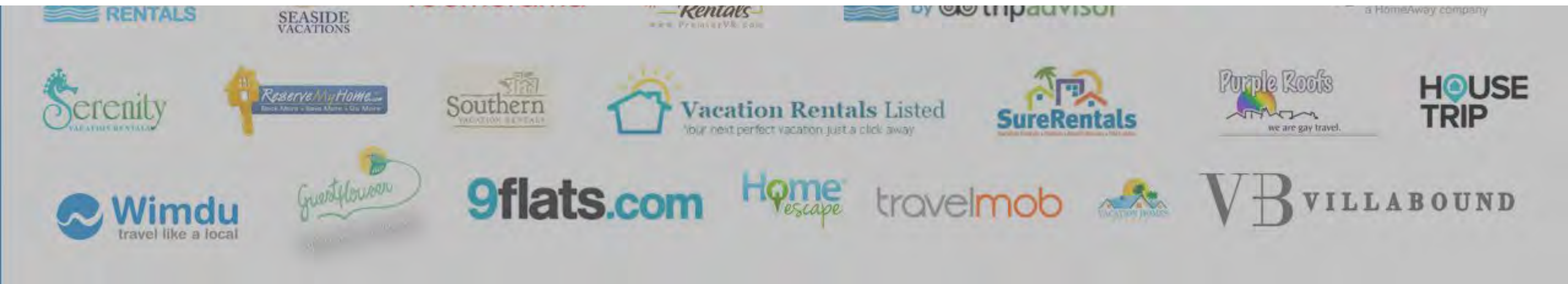
In General Less Than 10% Of STR Owners Voluntarily Register And Comply With Regulations



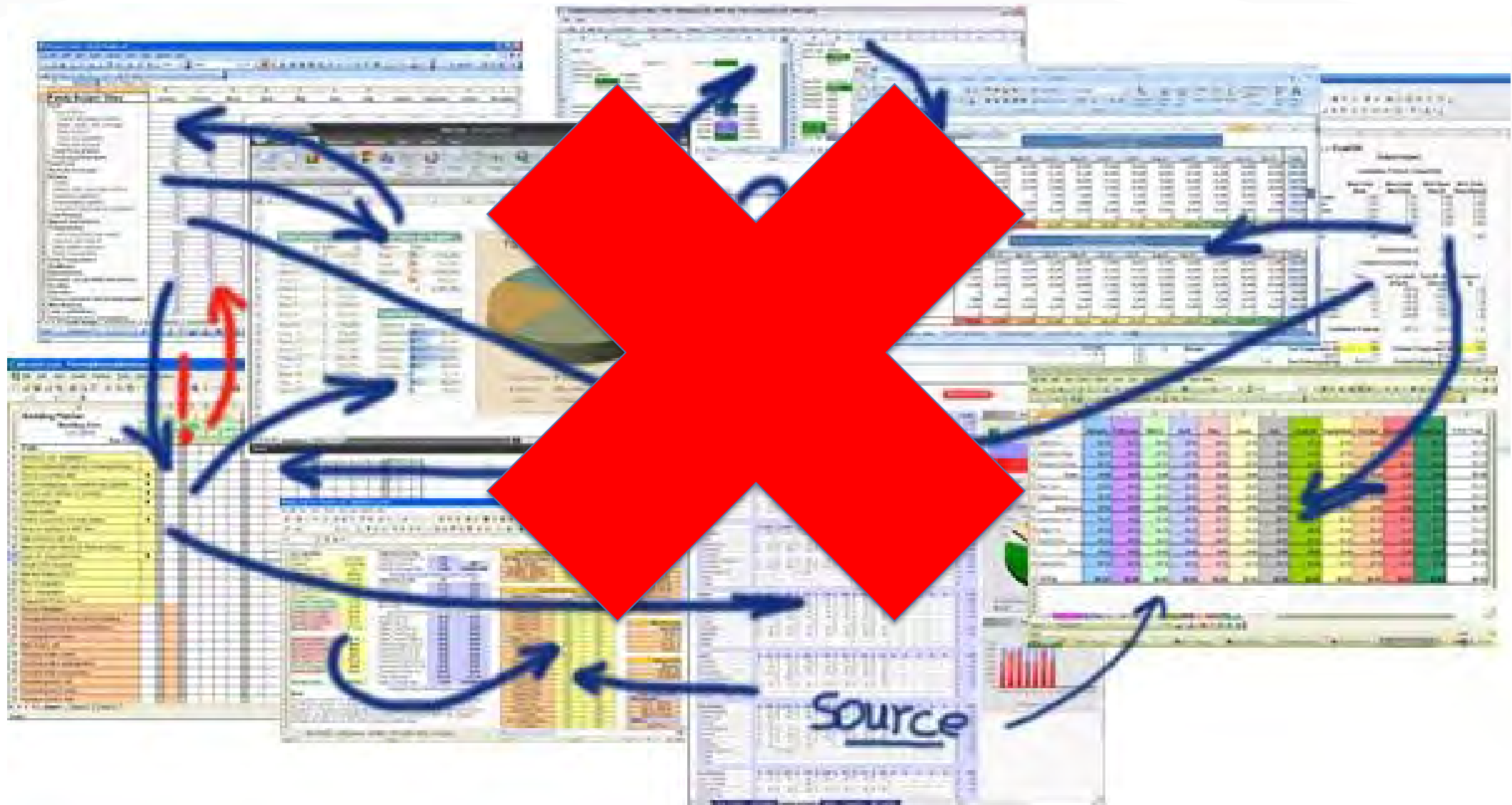
A significant amount of potential revenue from registration fees and taxes is left on the table



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



It just **doesn't work**



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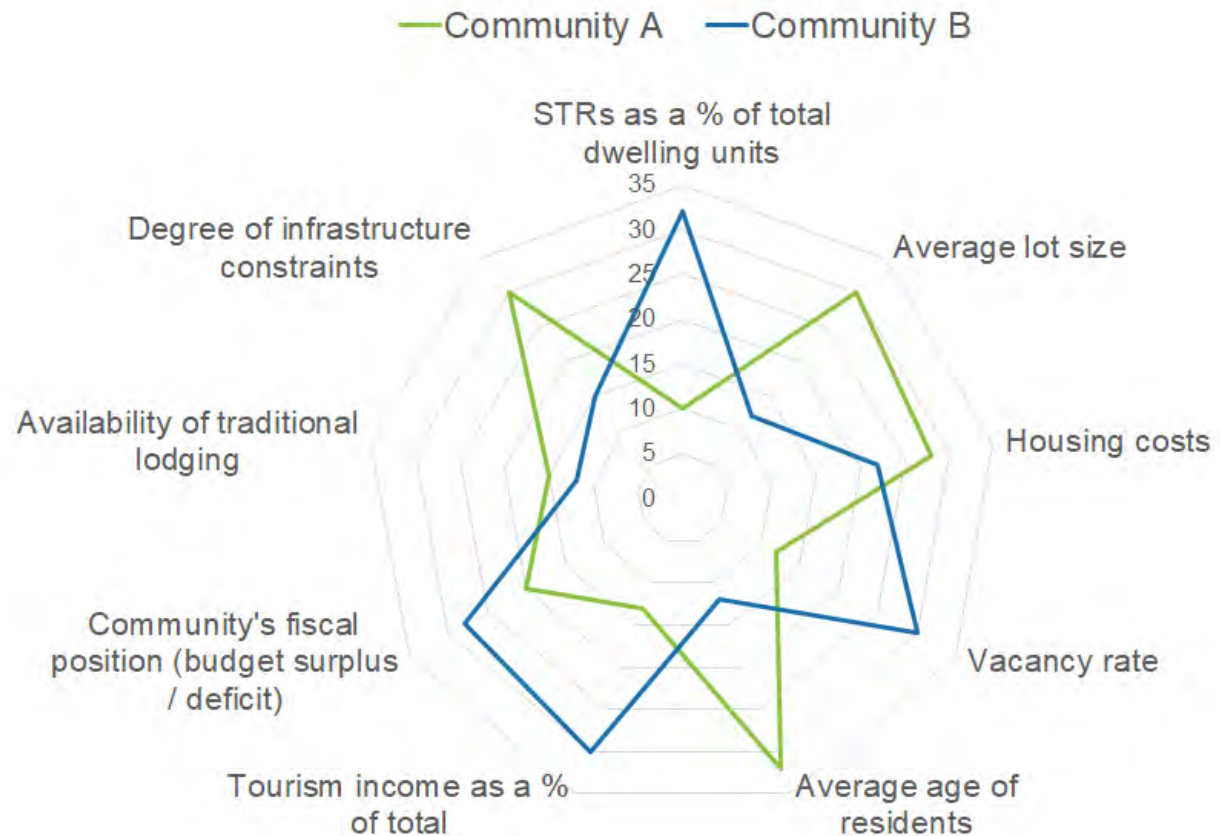
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Questions and Next Steps



Write regulations for **your community**



Do...

1. Understand the marketplace

2. Articulate the ultimate regulatory goals

3. Realize that more complexity means more cost for compliance

Get the data

Require a license

- 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 (AMPS vs POA)

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



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

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

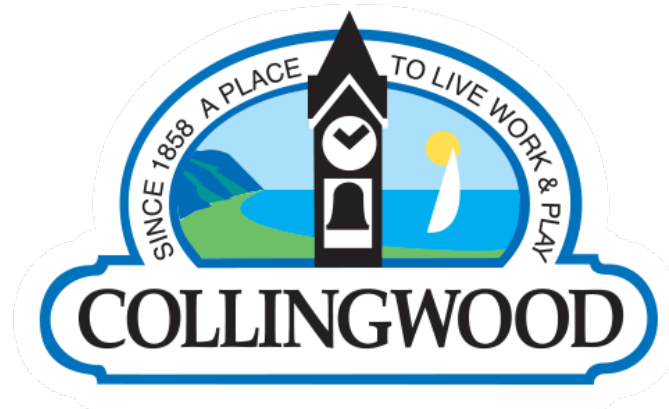


Emerging Issues



Prevent Conversion *Tiny Township, ON*

- Town cap of 300 housing units
- Limit to specific zones
- No rentals in an ADU
- Limit on number of nights permitted (92)



Prevent conversion while incentivizing growth *Collingwood, ON*

- Proposed Cap of 200 STRs
- Principle residency requirement
- Incentives to build new ADUs
 - \$5000 for site plan development
 - Simcoe County – up to \$30k for ADUs that are used for affordable housing for 15yrs



More Homes Built Faster Act *Ontario.*

- Land zoned for 1 home can build at least 3 residential units
- Can take the form of an ADU or 3 units in 1 home
- Additional funds available to municipalities who adopt a rapid growth initiative
 - House-hacking?

Town of Gravenhurst - History



- November 2019 – Based on continuous requests to Council and formal deputations, direction to staff to research and report back on options for STR regulations
- November 2020 – Good Neighbour initiative and formal public consultation
- November 2021 – Directed the creation of a STR Licensing By-law + Program
- May 2022 – Adopted formal By-law to go live as of January 1, 2023

RESTART

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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



Town of Gravenhurst – One Year Review

- Pushed out an EXTENSIVE marketing campaign
- Licensing Numbers: **133** ($133 * \$750 = \$99,750$)
- Feedback from applicants:
 - Fee is too high
 - Negative impact on tourism
 - What is a STR?
 - “You have ruined my retirement”
- Enforcement focus has been education based
 - 2 formal charges

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



CAO



Elected Officials

Key Stakeholders for Revenue Recovery



Finance



Planning



Code
Enforcement



Tourism



CAO



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

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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.

Questions?

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Thank you!