

Municipal Short-Term Rental Policies: Analysis and Recommendations for Adirondack Communities -Executive Summary-

By Adam Bailey

abailey@northernforest.org

November, 2022

Project Summary

Housing affordability is a widely recognized crisis in the Adirondacks. The most recent national housing trends are compounding the issues in a region that has for decades been losing quality housing to second homes and vacation homes. Though myriad factors impact housing values and availability, short-term rentals (STRs) (e.g., Airbnb or VRBO) are severely impacting the Adirondacks and other tourism-dependent regions. *Municipal Short-Term Rental Policies: Analysis and Recommendations for Adirondack Communities* was prepared as a Cornell University Master of Regional Planning capstone project in 2022 and represents months of detailed research into the prevalence, impact, and management of STRs in the Adirondacks and nationally. The report aims to help local leaders make informed decisions on behalf of their communities.

The full report is organized into four sections: Defining a Short-Term Rental, The Pros and Cons of STRs, Sample Regulations, and Analysis and Recommendations. A summary of the key information and findings are on the pages below.

Background

A short-term rental (STR) is generally defined as any dwelling place (tent, bedroom, apartment, home, etc.) that is rented for fewer than 30 days in exchange for monetary or other compensation. In vacation regions like the Adirondack Park, STRs have become integral to the critical tourism industry that fuels the economies of local communities. However, STRs also add pressure to a housing market that has become increasingly unaffordable for many locals. As short-term rentals grow in popularity, municipalities need to balance tourism revenue and the needs of local property owners against the potential disadvantages of proliferation.

Data shows a clear growth of STRs overall since the development of online booking platforms like Airbnb. For instance, total Airbnb revenue more than doubled between 2019 and 2021 in most Adirondack counties (see Figure 1). For some of the more popular destination communities, the percentage of housing units used as STRs is significant. In Lake George and Lake Placid/North Elba approximately 13% and 20% of housing units respectively can be linked to short-term rental usage. The number of STRs will likely continue to grow if there is no intervention.

Airbnb host sales by county

In millions, measured over the first three quarters for each year

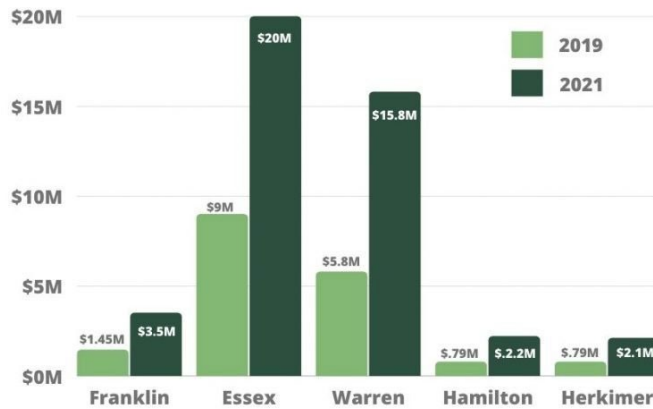


Figure 1: Growth of Airbnb Revenues 2019 to 2021 (Source: Adirondack Explorer)

Short-term rentals have many negative impacts on local communities and the housing market – but they do bring economic benefits to property owners and communities (see Figure 2). There are also other considerations on a property-by-property basis that can inform whether an STR is benefitting or harming the surrounding community. Local property owners who rent out spare bedrooms and accessory dwelling units (guest cabins, in-law apartments, RVs, etc.) provide diverse lodging options within a community without taking entire homes out of the housing market. Relative to the housing crisis and availability of long-term, year-round residences, the most harmful impact comes from investors who purchase properties to operate full-time STRs. These investors can outbid most residents looking to use the property as their primary residence, given the high profitability of many STRs. The impact of full-time STRs also extends to long-term rental housing. A home that may conventionally be rented for \$1,200 a month can easily generate that revenue if not more in a week as an STR.

Pros	Cons
<ul style="list-style-type: none"> • Supplemental income for homeowners • Increases occupancy of second homes • Increased capacity • Diverse locations & towns • More welcoming to new visitors 	<ul style="list-style-type: none"> • Increasing the price of homes • Reduces homes for long-term occupancy • Neighborhood nuisances • Competes with conventional lodging • Difficult to tax and enforce
Other Considerations	
<ul style="list-style-type: none"> • Is the owner a local resident, or outside the park? • Is the property appropriate for long-term occupancy? • Have neighbors been complaining about the property? 	

Figure 2: Pros and Cons of STRs

The ability to generate revenue also causes inflated market values for homes throughout the region. For instance, one home in downtown Chestertown that in late 2018 sold for \$172,000 was in the fall of 2022 listed for over three times that value at \$574,900. On the surface, the property appears to be no more than a well-kept and larger home in the center of the hamlet where most homes sell for between \$100k and \$200k. But the price is justified in the listing for the property, which cites the \$75,000+ annual STR income as a selling point:

“Is opportunity knocking? If you are talking about this Southern Adirondack Air BnB/Vrbo Rental Home, then the answer is yes! With an average annual income of \$75k+ (verifiable over 3 year avg) this house is a \$\$\$\$ Money Maker.”

Findings

To provide examples of what methods municipalities can employ to regulate STRs, the full report analyzes ordinances in numerous communities from within the Adirondacks and across the nation. A brief description of each community discussed in the report and its ordinance is below:

- South Portland, ME – Similar to many Adirondack communities, South Portland has a significant boost in visitors during the summer season. The city also combines zoning districts with *hosted* vs. *unhosted* rentals to create four categories of STRs regulation.
- Durango, CO – Like many Colorado ski towns and Adirondack towns, Durango has had an explosion of STRs in recent years. Their regulation uses zoning to put specific restrictions on the location and density of STRs in combination with a fixed number of available STR permits in each district.
- Nantucket, MA - A popular tourist destination with many second homes, proponents of STR regulation in Nantucket cite rising housing costs and lack of workforce housing as critical considerations. The recent public vote failed to pass a proposed ordinance due to backlash from real estate and investment owners.
- Stony Point, NY – An example of a community in New York that has effectively banned STRs from most of the community, leaving very few locations where an STR can be operated.
- Tompkins County, NY – An example of how in New York state, counties are instrumental in ensuring STRs are included in occupancy/bed tax laws. Tompkins County recently revised their tax code to modify language that left many STRs exempt from paying the relevant taxes.
- Town of Ithaca, NY – Similar to many Adirondack communities, Town of Ithaca is predominantly rural but with denser waterfront development with many seasonal residents who rent their properties as STRs when they are not using the home. The Town has used zoning districts to implement less strict regulation on waterfront properties than properties away from the lake.
- Cayuga Heights, NY – Example of a community that has restricted full-time STRs throughout the entire village, but still allows property owners to rent for short periods of time every year.
- Village of Lake George – The Village uses zoning districts to prohibit STRs in most residential areas.

- Town of Lake George – Similar to the Village, the Town of Lake George uses zoning districts to minimize the presence of STRs in certain neighborhoods. The town is currently working to bolster the existing ordinances due to the continued growth of STRs.
- Town of Inlet – The Town of Inlet has ordinances that predate modern STRs, but require permits and inspections of any properties rented out on a seasonal basis.
- Town of Queensbury – Queensbury is actively going through the process of updating its STR ordinances. Currently they focus on basic life and safety requirements, and some anti-nuisance requirements. However, the town is looking to include new provisions like maximum nights rented per year.
- Town of North Elba/Village of Lake Placid – As the community with the most STRs in the Adirondacks, North Elba and Lake Placid are drawing considerable attention. The challenge from STR owners highlights the complexity of passing regulations once STRs have established a major presence in a community.

Each of these communities structures its ordinances differently, but most methods can be distilled into six broad categories, as shown in Figure 3.

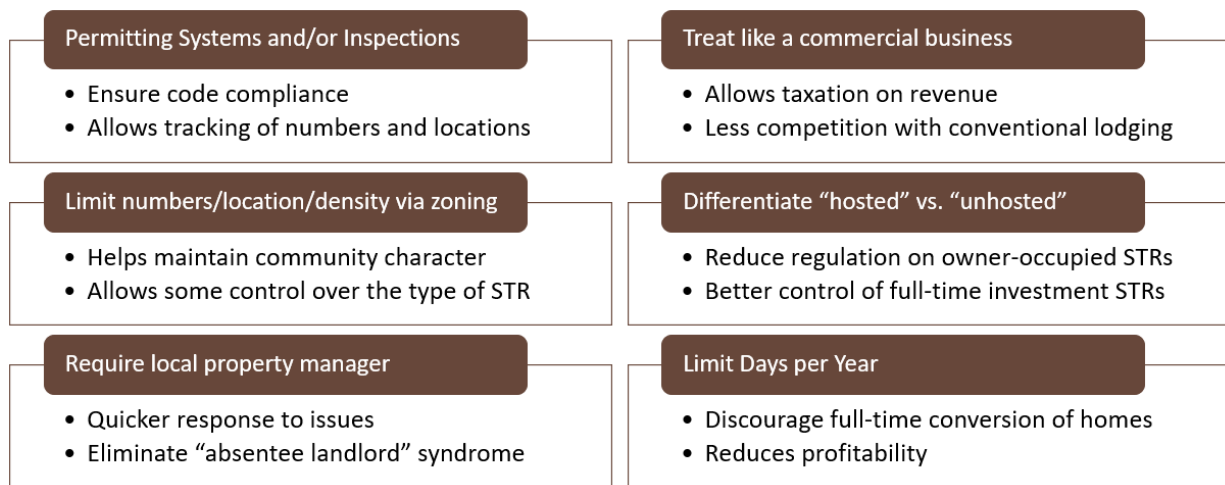


Figure 3: Common types of STR Ordinances

For these ordinances to be effective, STRs need to be monitored and violations enforced – but the visible signs that a property is being rented as an STR are subtle. Because of this, many communities rely on monitoring software that scour online rental postings and cross-reference them with locations and local codes to find active STRs and determine if they are non-compliant. These packages are expensive and still require local staff time, but communities like Lake George have shown that the cost can be offset by STR permit fees and violation fines.

Before implementing an STR ordinance a community should understand the status of STRs in the community and determine what impact STRs are having: how many units, where are the units and where do owners live, have recently sold homes become new STRs, etc. This process could involve a voluntary registration system, passing basic ordinances that require permitting to operate an STR, or contracting with an STR monitoring software company. With this information the community can then tailor ordinances to address the most pressing local impacts. Figure 4 shows the methods that an ordinance can incorporate to address common problems:

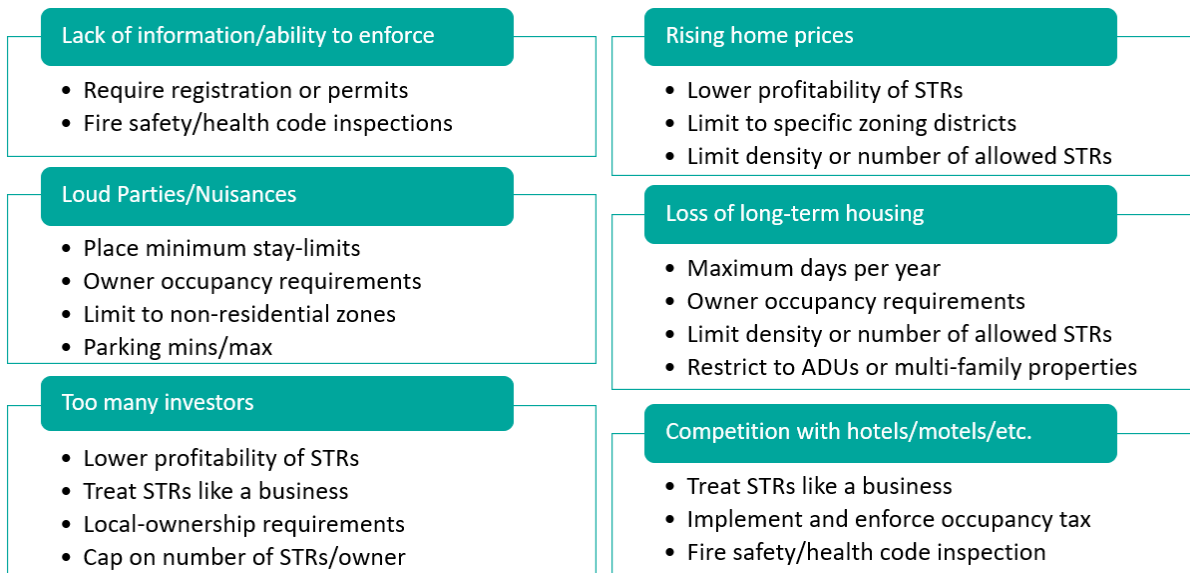


Figure 4: STR Issues and Associated Policy Objectives

Due to the high number of seasonal homes and visitors to the region, regulations that may be particularly relevant in the Adirondacks include:

- Focusing restrictions on “unhosted” stays to reduce or eliminate the viability of funding an investment or second home using short-term rental income.
- Require proof of residency to ensure that STRs are only operated by local people, ensuring that rental profits stay in the community.
- Limit the nights rented annually, allowing primary and second-home owners to generate revenue when they are away and expanding off-season visitation while discouraging full-time investment STRs.
- Verify that local laws require STRs to pay occupancy/bed taxes and ensure STR owners are fully aware of their tax obligation.

Communities should also strive to be creative with their ordinances. For example, restrictions can be written to include tighter regulations in the busy season and loosened in the off-season. STR policies could allow full-time STRs to only be developed in conjunction with long-term housing, helping fund the development of new housing or the redevelopment of underused or vacant downtown buildings. In addition, the ability to implement STR policies through a local zoning ordinance allows different solutions for different neighborhoods. For example, many communities implement less restrictive regulations in commercial districts than residential districts. However, not all Adirondack communities have a local zoning code beyond the Adirondack Land Use and Development Plan, and thus will need to incorporate STR regulations through a different legal mechanism.

Conclusion

This research shows that communities have many tools to manage STRs and ensure they do not overwhelm local housing markets. In most municipalities, this means enacting some form of policy to define when and where a

property can be utilized as an STR – and at a minimum, creating a voluntary STR registry so they can better understand the current and developing nature of local STRs. The full report presented here can be used as a starting point for every Adirondack community considering how it can help mitigate the contribution of STRs to the region-wide housing crisis and best serve all its residents' housing needs.

[Download the full report.](#)