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Introduction

Watkins Glen is a very small community, with a year-round population of less than 1,900. A popular tourist destination, overnight visitation to the area is generated by Watkins Glen International, the Finger Lakes wineries, and the recreational opportunities provided at Seneca Lake, Watkins Glen State Park, and the Finger Lakes National Forest. Watkins Glen's tourist season extends from May to October and peaks during July and August. For these six months the weekend population increases dramatically, and during the summer months the town is crowded every day. For example, the Watkins Glen Grand Prix, which celebrates the town's racing heritage, has an annual attendance of 25,000, and Watkins Glen State Park attracts almost one million visitors a year. With a very limited number hotel rooms, Short Term Rental housing ("STR") has become a popular supplement to the hotel industry in Watkins Glen, as it has at tourist destinations throughout the globe.

For small towns with seasonal attractions like Watkins Glen, the STR industry has had negative impacts on the availability of affordable and good-quality housing for year-round residents. Platforms like AirBnB, VRBO, and Homeaway have encouraged investors to acquire homes in resort communities and convert them to STR use. This has significantly reduced the inventory of single family homes available for year-round owners and renters, an impact that is magnified in Watkins Glen due to the lack of land available for new housing development. As some of the single-family homes in Watkins Glen had been subdivided into rental apartments, there has been an impact on the availability and quality of rental apartments as well.

In addition to seasonal destinations like Watkins Glen or many of the Rocky Mountain ski towns, many large cities that attract tourists year-round are also facing significant challenges from STRs. Regardless of when the demand for STRs is occurring in a location, local municipalities and government agencies are struggling to maintain housing inventories for year-round residents, and to ensure that STRs are paying all necessary taxes.

Methodology

RESGroup conducted online research to identify a range of approaches used by other communities to minimize the negative impacts of the STR industry. We identified where each approach is being used and the advantages and disadvantages of each municipality's approach to managing the inventory of STRs. These findings may assist Watkins Glen in tailoring strategies and projects to protect the inventory of housing available for year-round residents.

Short-Term Housing Defined

The STR industry typically includes all housing rented for periods of less than 30 day through online platforms such as Airbnb, VRBO, and HomeAway. STR platforms allow homeowners and renters to participate in the sharing economy by "hosting" guests in spare bedrooms or suites within their primary residences, or to rent their entire homes while they are away on vacation. These platforms also provide a highly effective distribution channel for investors who have amassed residential portfolios in resort destinations.

STR Housing Benefits and Problems

Short-term rental housing has been credited with providing long-time residents with much needed revenue to make ends meet by renting their property for a few weeks each year. It also allows local economic growth due to higher visitation levels and increased spending at local shops, restaurants, and entertainment/recreational venues as well as additional tax revenues in the form of hotel taxes.

However, STRs have many negative impacts including reducing housing inventories, making housing less affordable for local residents, allowing investors to circumvent local zoning and land-use regulations, and putting local hotels and motels (major employers that generate high occupancy and sales tax revenues) at a competitive disadvantage. Some areas have found that the number of STRs has threatened the character that drew locals and tourists to the area in the first place. Problems may include increased noise levels and congestion, and decreased parking availability, among other concerns.

Tools to Minimize Negative Impacts of STR Housing on Communities

The strategies identified below may have the following overall positive and negative impacts in Watkins Glen, depending upon the tools utilized to control the use of STR housing:

Potential Advantages of STR Restrictions

- Increase housing available for year-round residents
- Downward pressure on housing prices (a disadvantage to current homeowners considering resale)
- Reduce congestion, parking issues, noise, etc. from STRs
- Increase demand for hotel rooms
- Potential to increase revenues to public sector through STR registration fees, etc.

Potential Disadvantages of STR Restrictions

- Infringes on property rights (e.g. eliminates or reduces the income seasonal/occasional homeowners can earn when the property isn't being used)
- Potential law suits from investor groups or STR platforms
- Reduces pool of possible home buyers
- Downward pressure on housing prices (an advantage if municipality wants to encourage affordable housing)
- Increases the administrative and regulatory responsibility of the public sector

1. Prohibit Short Term Rentals of Multiple Dwelling Units

New York State's 2011 multiple dwelling law ("MDL") restricts STRs by requiring multiple dwellings to be used for "permanent residence purposes" only (the restriction does not apply to properties with fewer than 4 units). In October 2016, New York State further strengthened the MDL to make it illegal to even list apartments as available on Airbnb or similar platforms, unless it is for a portion of a rental unit (for example a bedroom) and as long as a permanent occupant of the unit is present during the stay. Given the small number of MDLs in Watkins Glen, the applicability of this existing law is likely limited.

Advantages

Units in existing and future MDLs are available solely for long-term residents (with limited exceptions).

Disadvantages

The law does not allow individuals to supplement their income by renting their units when on vacation or otherwise not present in the unit.

Some tourists prefer to stay in homes/apartments over hotels, to get a true “local” experience, while some travelers prefer having the amenities that come with a house such as a kitchen. This restriction could potentially turn away a certain number of tourists.

Watkins Glen currently receives room taxes on all STRs. This revenue could be reduced if the STR inventory is lowered.

Monitoring may be expensive and add to the administrative costs of the community.

2. [Legislation to Prohibit STRs \(i.e., less than 30 days\)](#)

This is the most extreme limitation on STRs and has been implemented in municipalities as large as San Diego and as small as Boulder, Colorado and Hempstead, New York. In San Diego, the ban was essentially in place before the Airbnb platform was well known, since STRs were not listed among the permitted uses in the zoning code. However, in March 2017, the law was clarified to explicitly state that STRs of less than 30 days are not permitted, except in zoning districts that allow hotels.

Advantages

This approach is a simple way of reducing the number of short-term rental housing units, by eliminating the incentive for investors to purchase units dedicated units for STR. This approach could apply to all housing stock in a location such as Watkins Glen.

The reduction in the number of STRs available could increase demand for traditional hotel rooms, encouraging additional lodging development in the area.

This restriction could be phased in or implemented with a grace period to minimize disruption on local businesses and on home owners/investors.

Disadvantages

Such a sweeping revision to existing laws could negate the positive economic impacts of the industry, reducing room tax collections and even decreasing activity at the town’s restaurants, stores, and other businesses. Even if STRs were limited to a shorter time-period, such as 6 days or less, the negative impact on the economy and tax revenues may be still be considerable.

Other disadvantages are similar to Option 1.

3. [Geographically-Based Restrictions](#)

Geographically-based restrictions are often based on existing zoning designations, and have been utilized in Jackson Hole, Wyoming; Venice, Florida; and Maui County, Hawaii. In Watkins Glen, for example, the Village may implement a restriction against STRs in some of its residential zones (R1, R2, and R3); or in the entire DRI.

Advantages

This approach allows the municipality to consider specific areas where STRs may or may not make sense, providing some of the economic benefits of increased visitation, but controlling where it is used and how

much of it exists. This may be a particularly effective way to reduce the competition from STR investors for single family homes, and increase the potential inventory for more price sensitive homeowners.

Disadvantages

Allowing STRs in specific locations may result in dense STR clusters, exacerbating the negative impacts (congestion, parking issues, noise, etc.) on year-round residents living in those areas.

4. [Neighborhood Conservation Districts](#)

Neighborhood Conservation Districts are typically single-family residential communities with a clear and consistent character and specific boundaries, and is another type of geographic restriction as described above. Steubenville, Ohio allows property owners in Neighborhood Conservation Districts to request that the Zoning Commission and City Council establish use restrictions prohibiting rental operations in their neighborhoods.

Advantages

This type of geographic restriction is based on neighborhood character, and is most useful in larger communities with numerous neighborhoods and districts.

Disadvantages

This would require the creation of Neighborhood Conservation Districts, and, in a location as small as Watkins Glen, may have limited usefulness.

5. [Quantitative Restrictions \(Number of Units\)](#)

This strategy regulates the maximum number of STRs allowed, rather than where they are located. The restriction could take the form of either a fixed number, or a maximum ratio of STRs to year-round residential units. As with many other strategies, quantitative restrictions require a method for registering or licensing each STR in a municipal database, as well as the infrastructure for monitoring and enforcement. Santa Fe, New Mexico uses a numerical cap on short-term rental units, while Cambridge, Massachusetts limits the number of units any resident can operate on a short-term basis (up to two units per resident including the one in which they reside). Mendocino County, California applies the ratio approach (the County must maintain a ratio of 13 long-term residential dwelling units for every unit rental or vacation home rental).

Advantages

This approach allows municipality to directly control the number of STR units.

Fees could be charged for use of the program, providing an additional source of revenue.

Disadvantages

This approach does not recognize the frequency that each unit might be rented, which might range from a minimal number of times per year for owner-occupied units up to the entire peak season or more for investors. Developing the proper balance for the number of rentals allowed may require considerable study or substantial trial and error.

It would also increase the administrative expense and time to monitor the approved units, likely requiring registration and monitoring of the approved units. It may prove difficult to monitor the use of STR by owner-occupied housing units.

6. Property Type Restriction

This approach restricts the use of STR by property type. Cambridge Massachusetts restricts the operation of short-term rental units to properties with four or fewer units. This is similar to the MDL restrictions that exist in NY State.

Advantages

This strategy prevents large apartment properties from operating as quasi hotels and limits the total potential inventory of short-term rentals. But it could also be adapted to restrict STRs in single-family homes, the dominant housing type in Watkins Glen.

Disadvantages

Given that housing types in Watkins Glen are fairly homogenous, restrictions by type would have an exaggerated (or insignificant) impact on local economic activity.

7. Proximity Restriction

This approach restricts the distance between any STR units. For example, in San Luis Obispo County, California, no residential vacation rental can be located within 200 linear feet of a parcel on the same block as any residential vacation rental. In essence, this limits any multi-family property to one STR unit. Durango, Colorado has a restriction of two STRs per block, in addition to restrictions on the number of STRs and their location.

Advantages

This approach prevents short-term rentals from dominating any geographic area. The distance required between units can be adjusted to suit the density of the area under consideration.

Disadvantages

Administering this regulation may require significant oversight and be costly to enforce.

8. Special-Use Permit Requirement/Conditions Approval

Requiring a special-use permit (which may require that special conditions are met) allows a permit-granting authority to consider each application for use separately. In Sonoma County, California, vacation rental applications for properties that are located within zoning districts that permit vacation rentals but do not meet specified standards, must obtain special approval to operate. The granting authority may impose special conditions of approval to mitigate any negative affects they seek to control.

Advantages

This approach provides broad leeway to address factors that can arise over time.

Fees could be charged for use of the program, providing an additional source of revenue.

Disadvantages

Care must be taken to assure that the approval process is administered fairly and in a timely manner.

Monitoring and enforcement may be difficult and costly.

9. Operational Restrictions

There can be a wide variety of restrictions that are based on the way the short-term rental housing is operated. The following are some examples.

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a. Require Registration or Licensing of Each Short-term Rental Property

A slight difference from a special-use permit as described in number 7 above, a registration or license may be a broader tool that is provided as-of-right to qualified owners and does not require a granting authority to consider each application separately. This strategy has been employed in many locations, including Breckenridge and Estes Park, Colorado and Garrett County, Maryland. The registration must typically be renewed periodically, every year or two. It can also be easily combined with a requirement to pass inspections prior to issuance of the registration, license, or permit. The registration may also require some type of safety training on the part of the host. The City of Elgin, Illinois requires landlords take a training program covering criminal and civil tenant screening, civil evictions, and legal issues in rental housing, among other topics, and is taught by local police officers.

Advantages

This approach will have a minimally disruptive impact on the economic impact generated by STRs. It also represents a potential stepping stone toward monitoring and oversight, and can be used in conjunction with the other discussed approaches to more meaningfully impact the number of STRs.

It also creates a mechanism to charge fees to cover the expense incurred for administration of any of the STR programs implemented.

Disadvantages

By itself, this tool is not likely to have any significant impact on the inventory of housing units available for year-round residents.

Monitoring and enforcement may be difficult and costly.

b. Require Posting

The City of Braunfels, Texas requires hosts to prominently display a copy of operational restrictions and contact information.

Advantages

It assures that landlord information and other important information is easily accessible to transient guests and the police.

Disadvantages

This approach alone is not likely to impact the inventory of long-term housing.

c. Rental Period Restriction (Frequency of Leasing)

In contrast to restricting the number of short-term rental units, this approach seeks to restrict the number of times any given unit can be rented during a specified period. Santa Fe, New Mexico employs this approach (in addition to a quantitative restriction on the number of units and several other restrictions). They allow a maximum of 17 rental periods per year for each unit. They also allow no more than 1 rental within a consecutive 7-day period.

Advantages

This approach allows the municipality to focus more closely on the activities of STR investors, while minimizing the impact on primary and secondary (seasonal) home owners.

Disadvantages

Developing the proper balance for the frequency of rentals allowed may require considerable study or trial and error.

Monitoring and enforcement may be difficult and costly.

d. Require That Hosts Live in the Property Where the Short-Term Rental Housing is Located

In San Francisco, California STRs are allowed only in a host's permanent residence (at least 275 nights a year). In Cambridge, Massachusetts, a home owner can rent up to two STRs as long as they are both in the building in which the owner resides (and one must be the owner's unit). Both municipalities allow STRs by leasehold residents (assuming subleasing is permitted under the terms of the base lease).

Advantages

This approach maintains year-round housing inventories, but still allows property owners to generate STR income. This approach also minimizes "quality of life" issues as the owner is present to monitor guests unlike an owner lives outside the area and is renting for investment purposes.

Disadvantages

Monitoring and enforcement may be difficult and costly.

e. Maximum Occupancy Limits

This limits the number of occupants in a property and is often based on the number of bedrooms and/or its septic capacity. Isle of Palms, South Carolina limits overnight occupancy to two persons per bedroom, plus two additional persons. Sonoma County, California limits maximum occupancy at the level equal to the design load of the septic system on any property with a septic system.

Advantages

This approach prevents the overcrowding of short-term rental housing.

Disadvantages

This approach alone will not likely impact the inventory of full-time housing or its affordability.

Monitoring and enforcement may be difficult and costly.

f. Remedial Action Requirements

This requires that the host addresses complaints from the municipality in a specified timeframe. In Marco Island, Florida, a designated contact person must respond to a complaint within one hour of receiving a call from the city. The contact person must also take steps to address the complaint and report back to the City.

Advantages

This approach enhances the ability of the municipality to limit “quality of life” nuisances caused by STRs. It can also reduce the number of STR housing units if those units lose their permits because of failure to meet the remedial action requirements.

Disadvantages

This approach will not likely impact the inventory of full-time housing or its affordability.

Other Considerations

Restrict Use to Local Workers

Although not directly related to the STR industry, in October 2017, the Vail Town Council approved the rezoning of a specific parcel of land for employee housing and environmental preservation. The proposal was submitted by Vail Resorts for the purpose of housing its employees.

Similarly, Crested Butte, Colorado has created deed restrictions for local workers in approximately 21 percent of the Town.

In Steamboat Springs, Colorado, the resort is offering financial incentives to developers who reserve units for local workers.

In Aspen, Colorado, which has some of the highest housing prices in the country, local workers living in deed-restricted housing reserved for the local workforce can rent their homes short term; bolstering their incomes.

Advantages

This restriction enables the municipality to set aside land specifically for local employees. If, as in Aspen, those residents are also able to rent their homes for a short time, it can bolster their income and make it more affordable for them to live in Watkins Glen.

Disadvantages

This tool does not specifically address the STR industry. The restrictions on use would likely reduce the value of the land. Therefore, if the Village of Watkins Glen does not already own land for such a purpose, restricting use may be considered a “taking”, for which the property owner may require compensation. This strategy is also difficult to support financially without the help of a large for-profit resort company to provide funding (like Vail Resorts).

Ordinance Consulting; Compliance, Monitoring, & Enforcement; Rental Data Analytics

There are consulting firms specializing in creating the best ordinance tools; compliance, monitoring and enforcement; and rental data analytics of the STR industry on behalf of municipalities. HostCompliance.com is one such firm and several articles from them are linked below. They have created an infrastructure to monitor the activity on Airbnb and at least 17 other STR platforms. Use of their services, or another like them, may help optimize revenue from the STR industry and offset some of the expenses and labor associated with it.

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