



Affordability Impact Statement

Short Term Rental Regulations

Res. No. 20221208-064, Ord. No. 20231207-001

Date: 2/5/2025

Proposed Regulation

The ordinance introduces new regulations for the Austin's short-term rental (STR) market after various court decisions invalidated several the City of Austin's (COA) current STR regulations. Together, *Zaatari v. City of Austin* (2019), *Hignell-Stark vs. City of New Orleans* (2022), and *Anding vs. City of Austin* (2023) removed COA's authority to restrict STRs by owner type, which was formerly in place to curtail the financialization of COA's housing stock by STR investors.

The ordinance moves most of the COA's STR regulations from City Code Title 25 (*Land Development*) and creates new STR regulations under City Code Title 4 (*Business Regulations and Permit Requirements*). The proposed ordinance will:

- (1) make STRs an accessory-use to all residential uses in all zoning districts for licensed operators
- (2) limit STR operators by density on a lot
- (3) stipulate that the STR not become a public nuisance
- (4) require the platforms to collect COA's Hotel Occupancy Tax (HOT) from operators

Land Use/Zoning Impacts on Housing Costs

The proposed changes would have a **neutral** impact on housing costs compared to current regulations.

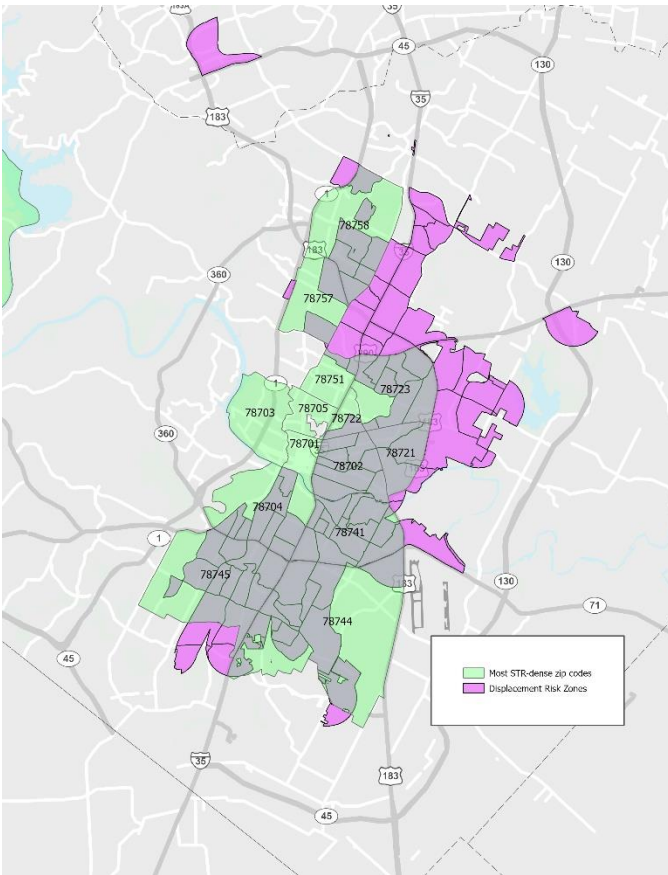
Many of the COA's historical efforts to limit STRs have been invalidated. [Inside Airbnb](#) reports about 15,000 STRs in Austin, while [COA's database](#) only shows record of about 2,000 licenses. Even accounting for data errors or issues in chronology, a significant number of STRs in Austin neither have licenses nor remit HOT to COA for

their operations. Without updated licensing regulations, COA is limited in its ability to enforce restrictions or bans in the case of nuisance or other violations. The proposed ordinance takes steps towards rectifying the imbalance between the STR market and COA's authority to enforce regulations on operators.

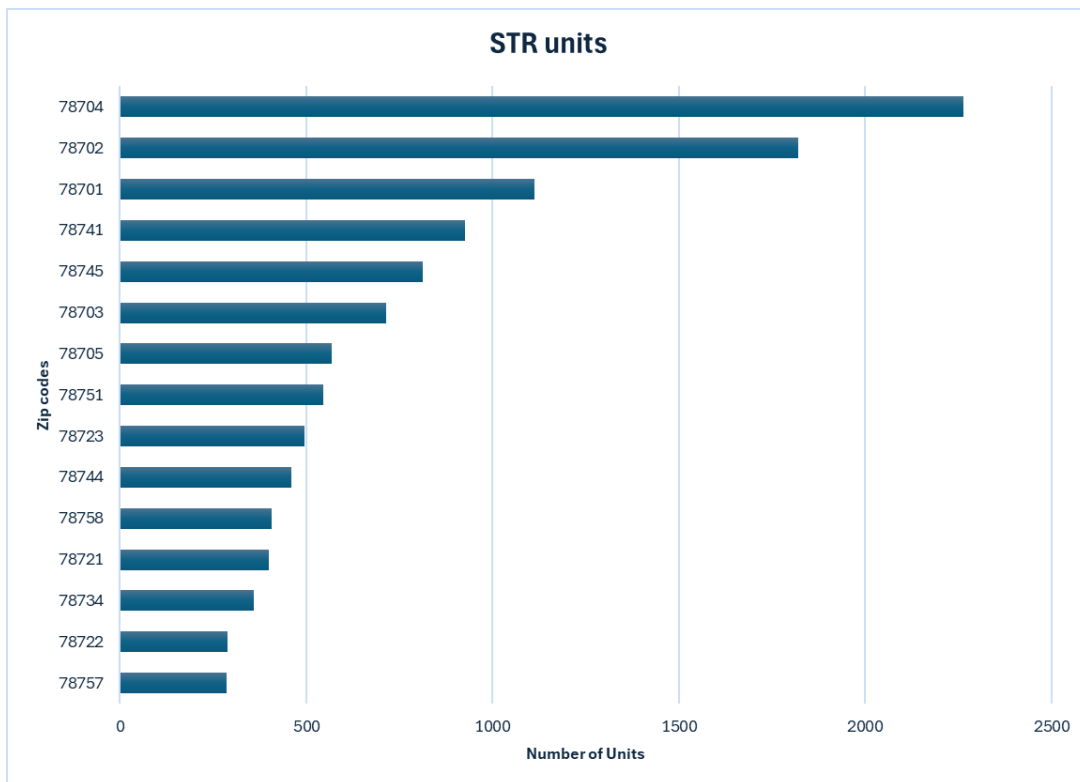
The proposed ordinance seeks to address the gap between STR market activity and COA's enforcement capabilities. Enhanced licensing and monitoring mechanisms will better equip COA to manage STR operators. While the current legal landscape limits Austin's ability to regulate STRs, peer-reviewed research widely shows that STRs are associated with increased housing costs for renters, although some studies suggest the relationship may not always be causal. Below is a summary table of a subset of this research; please see the full list of references from the literature review at the end of the document.

Author	Sponsoring Institution(s)	Timeframe of study	Geographical Focus	Results
Cho, A.	Princeton University	2015-2023	Austin	1% increase in Airbnb density leads to a 5.3% increase in rent price
Barron, K., Kung, E., & Proserpio, D	National Bureau of Economic Research, California State University – Northridge, University of Southern California	2012-2016	Contiguous US	1% increase in Airbnb listings leads to a 0.018% increase in rents
Horn, K., & Merante, M.	University of Massachusetts	2015-2016	Boston	1 standard deviation increase in Airbnb listings is associated with an increase in asking rents of 0.4%
Koster, H. R. A., Ommeren, J. van, & Volkhausen, N.	Vrije Universiteit (VU) Amsterdam	2014-2018	Los Angeles	Ordinances regulating STRs reduced rents by 2%
Calder-Wang, S.	University of Pennsylvania	2014-2018	New York City	Renters in New York City suffer a loss of \$178mm per annum, as the losses from the rent channel dominate the gains from the host channel

The Housing Department also conducted a cursory spatial analysis of Austin's existing STR market using data from [Inside Airbnb](#) and [COA's database](#). The zip codes with the highest saturation of STRs relative to their population size are predominantly centered around I-35 and immediately south of the Colorado River:



*Please note: **The map** above represents the most STR-dense zip codes (based on total number of STRs using data from both [Inside Airbnb](#) and [COA's database](#) (in green) and the [COA Project Connect Displacement Risk](#) zones (in purple). The areas of overlapping colors show that a majority of Austin's STR-dense zip codes exist within the census tracts with significant displacement risk.



*Please note: **The table** above only represents data from [Inside Airbnb](#), which is not bounded by a particular chronology. The y-axis indicates zip codes and x-axis indicates number of STR units over time.

The zip codes with the most STRs are generally the densest parts of Austin according to the [COA's demographics](#), so Austin's long-term and short-term rental housing occur in the same geographic areas. Additionally, Austin's STR-dense areas are heavily correlated with COA's displacement risk areas (as shown in the map above), suggesting a relationship between STR activity and areas experiencing housing market pressures. At the same time, there is some data from [AirDNA](#) that shows 42% of Austin's STRs are part-time listings, which may indicate those same Austinites are using their properties as supplemental income to cover expenses rather than as investments. The new system of licensing and monitoring will be helpful to better understand Austin's STR operators and their intentions.

Impact on Development Cost

The proposed changes would have a **neutral** impact on development costs. The proposed ordinance does not add development-related requirements, which means that development costs are not altered. COA does not currently have enforceable STR regulations; thus, the new ordinance maintains the current market environment for STR development.

Impact on Affordable Housing

The proposed changes would have a **neutral** impact on affordable housing compared to current regulations.

While STR operations are prohibited in income-restricted rental units, STRs are not explicitly prohibited in affordable ownership units, however, additional restrictions are imposed through restrictive covenants to limit rental activity and ensure that the unit primarily serves its intended purpose as an affordable ownership unit.

COA-funded long-term affordable housing programs (e.g., Austin Housing Finance Corporation's Restrictive Covenants and Community Land Trust) allow owners to operate STRs as long as they do not lease their properties for more than three months or generate rental revenue exceeding their monthly mortgage costs. The rules remain unchanged under the proposed ordinance, but the Housing Department has encountered difficulties in enforcing the restrictions, leading to increased staff time and the potential for affordable units to be used in ways that do not align with their intended purpose.

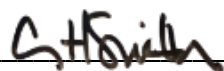
As the Development Services Department makes improvements to STR enforcement and monitoring, the Housing Department recommends continued collaboration and improvements to the systems for monitoring STR operations in owner-occupied affordable units:

1. Mandating a 1-year waiting period before affordable units are licensed to operate STRs
2. Tracking of affordable units applying for STR licenses

Other Policy Considerations

None

Manager's Signature



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