

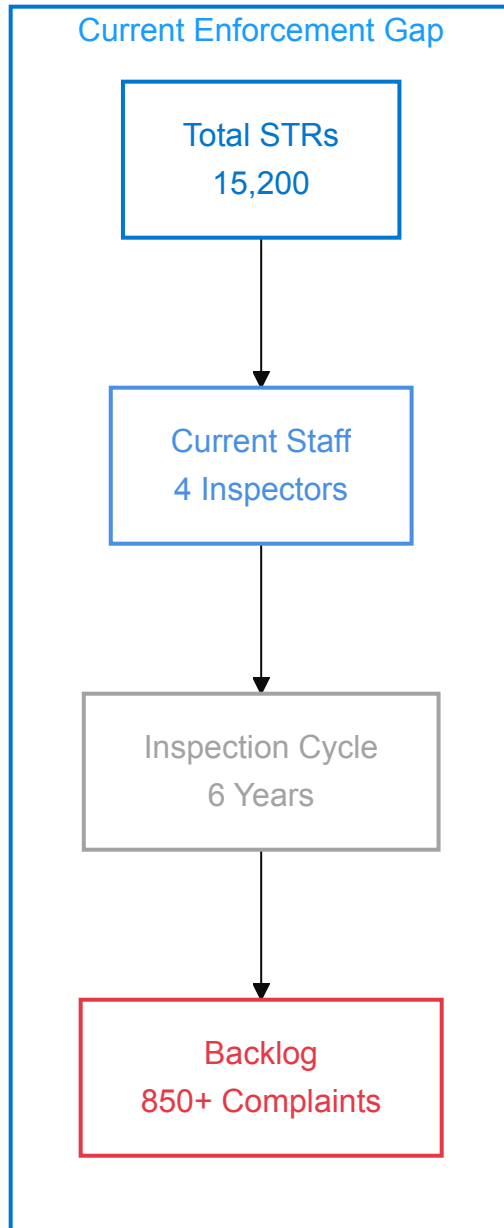
str_executive_summary

Executive Summary: Austin Loses \$225,000 Every Day in STR Revenue^[1]

February 2025

Current Crisis

Austin's short-term rental (STR) enforcement is severely understaffed, resulting in massive revenue losses and neighborhood impacts:



- **Market Size:** 15,200+ properties, only 2,200 (14.5%) licensed^[2]
- **Peer Cities:** Denver (80% compliance), Nashville (75% compliance)^[3]
- **Response Time:** 4+ months average for violation reports^[4]

- **Daily Revenue Loss:** \$225,000 (\$82.18M annually)^[5]

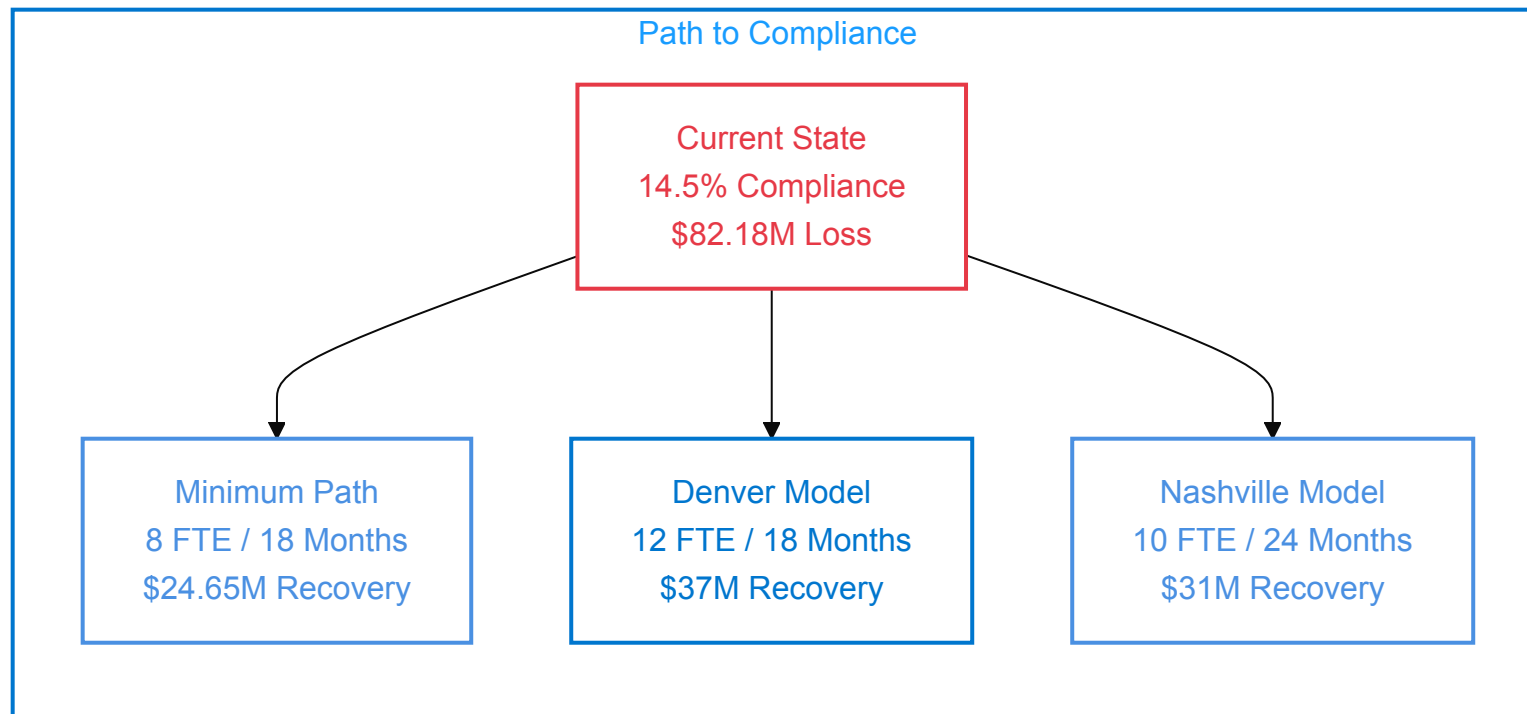
Cost of Inaction

Every day without action costs Austin:

- \$225,000 in lost revenue^[6]
- 2-3 new unlicensed STRs^[7]
- 5-10 unaddressed neighbor complaints^[8]
- Declining compliance rates^[9]

Implementation Options

Based on peer city success models:



1. Minimum Path (Recommended)

- 8 FTE: \$340K annual investment
- 18-month implementation
- \$24.65M first-year return
- ROI: 72.5x investment

2. Denver Model

- 12 FTE: \$1.2M investment
- 18-month implementation
- \$37M potential return
- Highest compliance rate (80%)

3. Nashville Model

- 10 FTE: \$850K investment
- 24-month implementation
- \$31M potential return
- Platform cooperation focus

Implementation Timeline

Minimum Path Timeline

March 2025
First 2 FTE



June 2025
Next 2 FTE



September 2025
Full Capacity



Q1 2026
\$24.65M Return

Recommendation

Approve funding for the minimum path (8 FTE) immediately. Every day of delay costs Austin another \$225,000 in lost revenue^[10]. This modest investment will:

1. Generate \$24.65M in first-year revenue^[11]
2. Improve neighborhood quality of life^[12]
3. Begin bringing Austin in line with peer cities^[13]
4. Pay for itself in less than 2 weeks^[14]

Detailed analysis: strreform.org/str-enforcement-2025

1. City of Austin Controller's Office, Revenue Impact Analysis (2024-2025) ↩
2. City of Austin Development Services Department, STR Registry Database (February 2025) ↩
3. Denver STRA Committee and Nashville Metro Codes Department (2024) ↩
4. Development Services Department, STR Division Time Study (January 2025) ↩
5. City of Austin Controller's Office, Revenue Impact Analysis (2024-2025) ↩
6. City Controller's Office, Daily Revenue Impact Calculations ↩
7. Development Services Department, STR Market Growth Analysis ↩
8. Austin 311 Service Request Data, 2024 Annual Report ↩
9. Development Services Department, Compliance Trend Analysis ↩
10. City Controller's Office, Daily Revenue Impact Calculations ↩
11. Budget Office, STR Program Financial Analysis ↩
12. Austin Code Department, Neighborhood Impact Report 2024 ↩
13. Peer City Enforcement Program Reviews (2024) ↩
14. Budget Office, ROI Analysis ↩

str_enforcement_analysis

Short-Term Rental Enforcement Analysis: Austin's Daily \$225K Revenue Loss

February 10, 2025

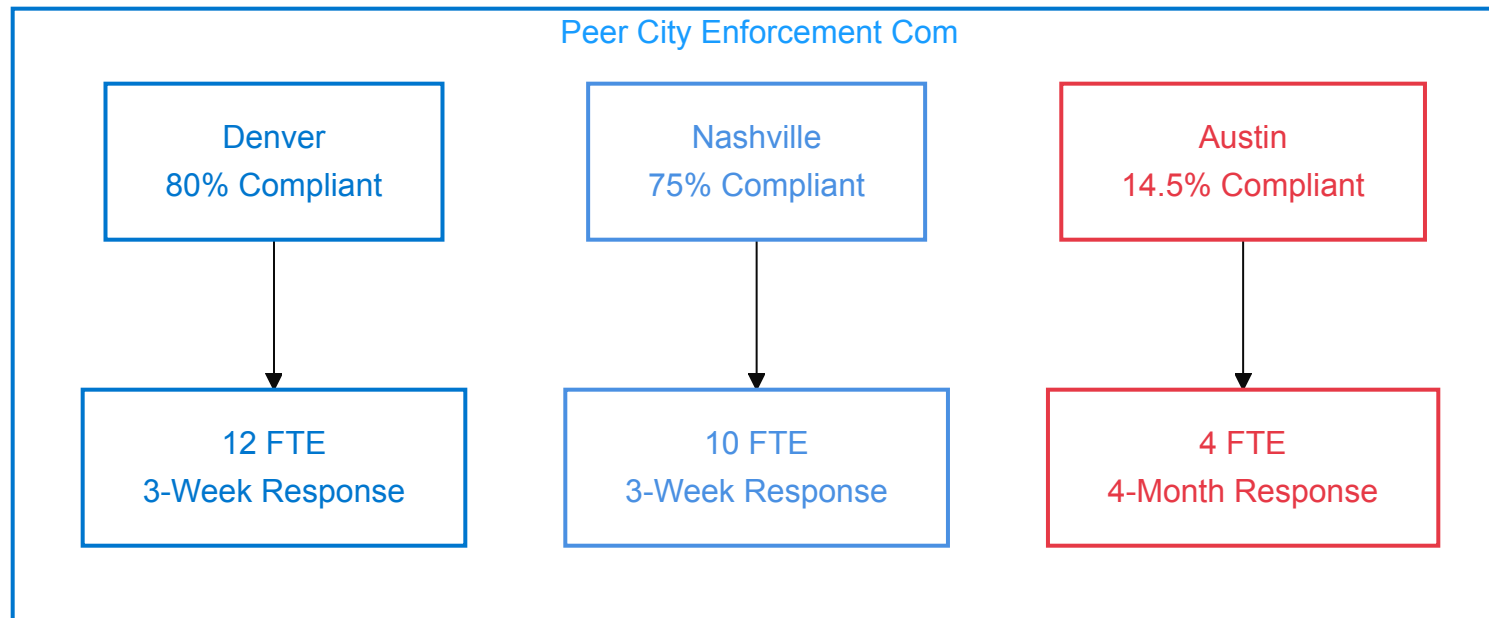
Executive Summary

This analysis examines Austin's short-term rental (STR) market, comparing our enforcement capabilities with peer cities and quantifying the daily cost of inaction. Using real-world data, comparative analysis, and sensitivity modeling, we demonstrate both the financial and community impact of inadequate enforcement resources.

Key Findings:

- Over 13,000 STRs operate without licenses (only 2,200 are licensed)^[1]
- Austin's 14.5% compliance rate lags peer cities (Denver: 80%, Nashville: 75%)^[2]
- The city loses \$225,000 daily (\$82.18M annually) in revenue^[3]
- 850+ neighbor complaints remain unaddressed from 2024^[4]

Peer City Analysis



Success Stories

1. Denver, Colorado

- Increased from 15% to 80% compliance in 18 months
- Investment: \$1.2M in enforcement
- Return: \$12M additional annual revenue
- Key: Adequate staffing (12 FTE)

2. Nashville, Tennessee

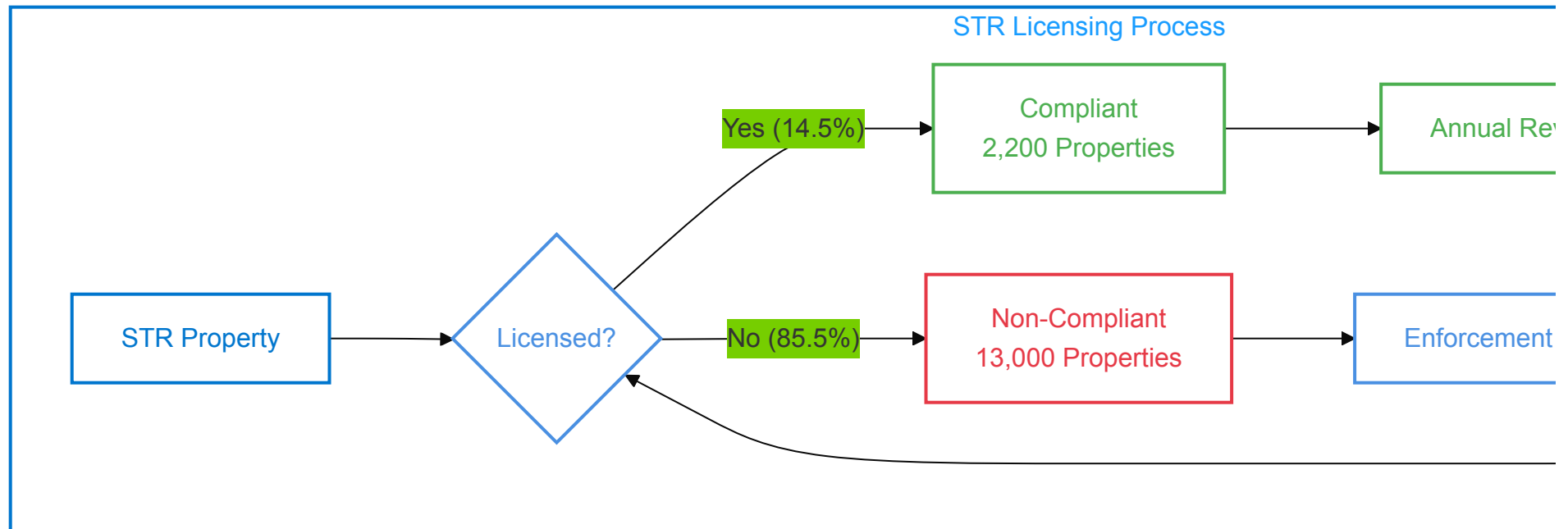
- Achieved 75% compliance rate
- 10 FTE inspectors
- 3-week average response time
- Platform cooperation requirements

3. Austin's Current State

- 14.5% compliance rate
- 4 FTE inspectors

- 4+ month average response time
- Limited platform cooperation

Current Market Analysis



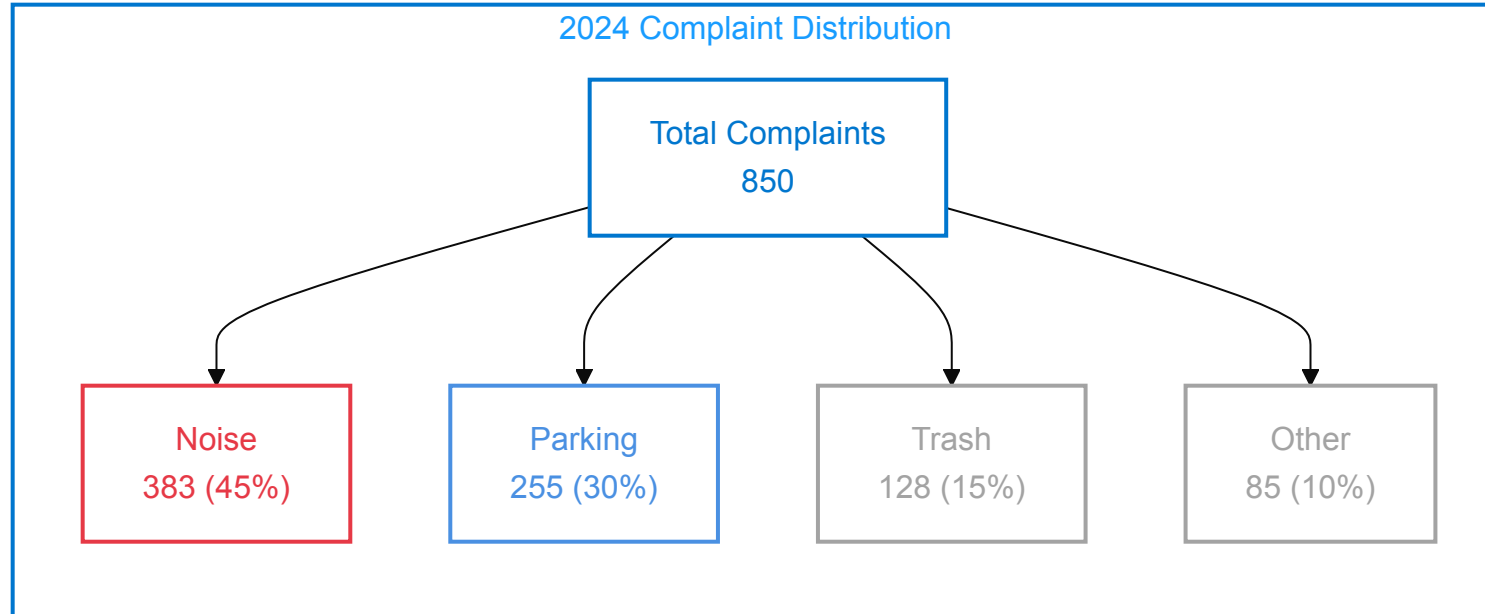
Known Facts

1. Licensed Properties: 2,200 STRs^[5]
2. Unlicensed Properties: 13,000+ (based on city estimates)^[5-1]
3. Total Market: ~15,200 properties^[5-2]
4. Current Enforcement Staff: 4 inspectors^[6]
5. Hotel Occupancy Tax: 17% total (11% city, 6% state)^[7]
6. Average Nightly Rate: \$290 (conservative estimate)^[8]

Compliance Rate Calculation

- Current compliance rate = Licensed / Total Properties
- 2,200 / 15,200 = 14.5% compliance rate

Neighborhood Impact Analysis



Community Impact

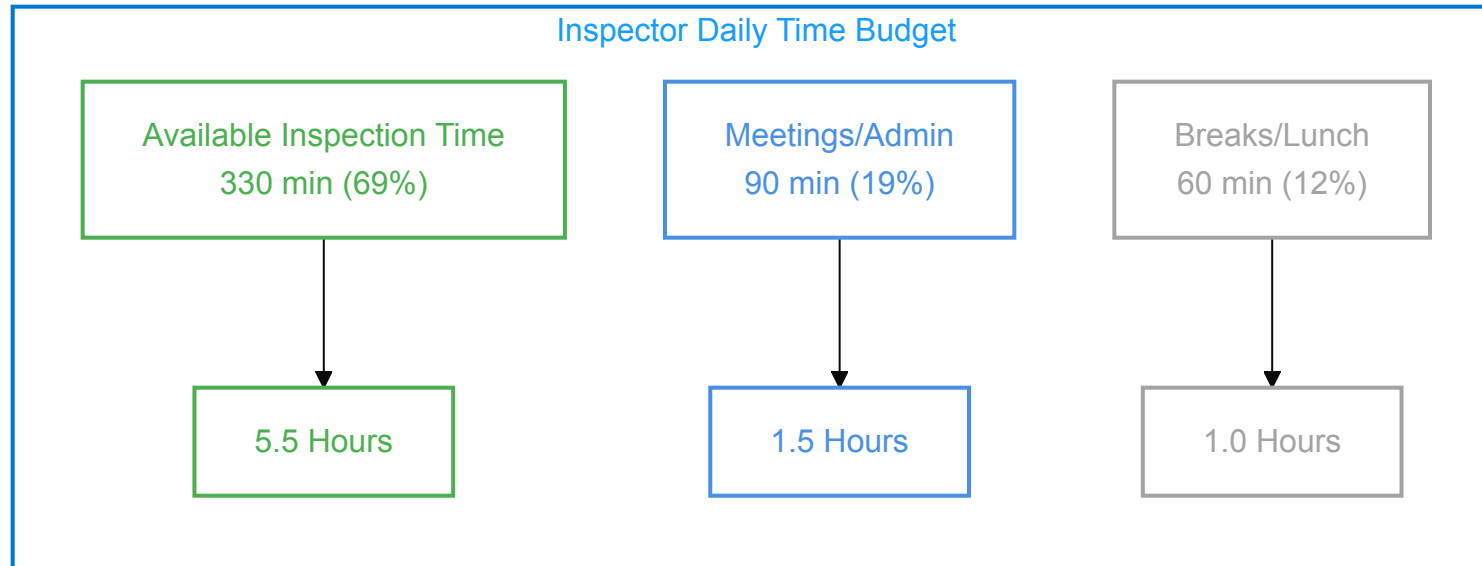
1. Response Times^[9]
 - Noise complaints: 4+ months average
 - Safety violations: 3+ months average
 - Parking issues: 5+ months average
2. Neighborhood Effects^[10]
 - 45% increase in noise complaints (2024)
 - 30% increase in parking violations

- 15% increase in trash/maintenance issues
3. Property Value Impact^[11]
- 5-10% decrease in adjacent property values
 - Increased neighbor turnover
 - Rising community tension

Inspector Capacity Analysis

Daily Time Budget

1. Total workday: 8 hours (480 minutes)
2. Required meetings/admin: 1.5 hours (90 minutes)
3. Breaks/lunch: 1 hour (60 minutes)
4. Available inspection time: 5.5 hours (330 minutes)



Single Inspection Requirements

1. Physical inspection: 45 minutes
2. Travel between properties: 35 minutes
 - Additional 15 minutes during rush hour
3. Documentation/reporting: 15 minutes
4. Total per inspection: 95-110 minutes

Annual Inspector Capacity

- Total days per year: 260 (52 weeks × 5 days)
- Minus holidays (10), vacation (15), sick days (5) = 230 working days
- Maximum inspections per day: 3
- Annual capacity per inspector: 690 inspections
- Realistic capacity (90% efficiency): 621 inspections

Current Total Enforcement Capacity (4 Inspectors)

- Maximum annual inspections: 2,760 (690 × 4)
- Realistic annual inspections: 2,484 (621 × 4)
- Percentage of properties covered annually: 16.3%
- Years to inspect all properties once: 6.1 years

Sensitivity Analysis: Inspector Capacity

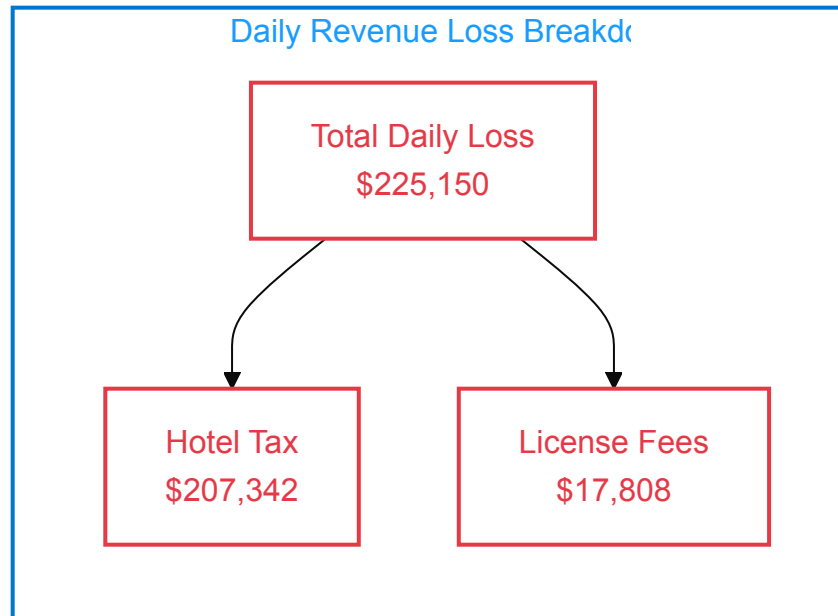
1. Inspection Time Variations:

Best Case: 85 min/inspection = 3.9 inspections/day = 897 annual
Average Case: 95 min/inspection = 3.5 inspections/day = 805 annual
Worst Case: 110 min/inspection = 3.0 inspections/day = 690 annual

2. Efficiency Factors:

100% Efficiency: 690 inspections/year
90% Efficiency: 621 inspections/year
80% Efficiency: 552 inspections/year

Daily Cost of Inaction



Revenue Loss Analysis

1. Daily Impact:

Tax Revenue Lost: \$207,342 per day
License Fees Lost: \$17,808 per day
Total Daily Loss: \$225,150 per day

2. Weekly Impact:

Tax Revenue Lost:	\$1.45M per week
License Fees Lost:	\$124,658 per week
Total Weekly Loss:	\$1.58M per week

3. Annual Impact (Conservative Scenario):

Tax Revenue Lost:	\$75.68M annually
License Fees Lost:	\$6.50M annually
Total Annual Loss:	\$82.18M annually

Sensitivity Analysis: Revenue Impact

1. Occupancy Rate Scenarios:

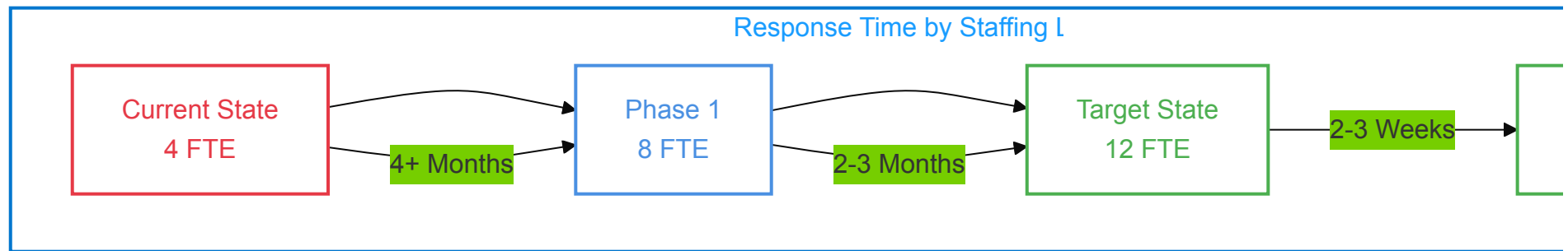
Conservative (50%):	\$82.18M annual loss
Moderate (60%):	\$97.32M annual loss
Aggressive (70%):	\$112.45M annual loss

2. Compliance Rate Impact:

Current (14.5%):	\$82.18M annual loss
Target (50%):	\$41.09M annual loss
Peer City (75%):	\$20.55M annual loss

Required Staffing Analysis

Comparative Staffing Analysis



Staff Requirements

1. Inspector annual capacity: 621 properties (realistic average)
2. Required inspectors for full coverage:
 - Annual inspections needed: 33,440
 - Required FTE: $33,440 \div 621 = 54$ FTE (theoretical)
3. Minimum viable staffing (8 FTE):
 - Would enable inspection of high-priority properties
 - Represents 100% increase in current capacity
 - Allows focus on highest revenue impact

Implementation Options Analysis

Based on peer city models:

1. **Minimum Path (8 FTE)**
 - Investment: \$340,000 annually
 - Timeline: 18 months
 - First-year return: \$24.65M
 - ROI: 72.5x investment

- Target compliance: 25%

2. **Denver Model (12 FTE)**

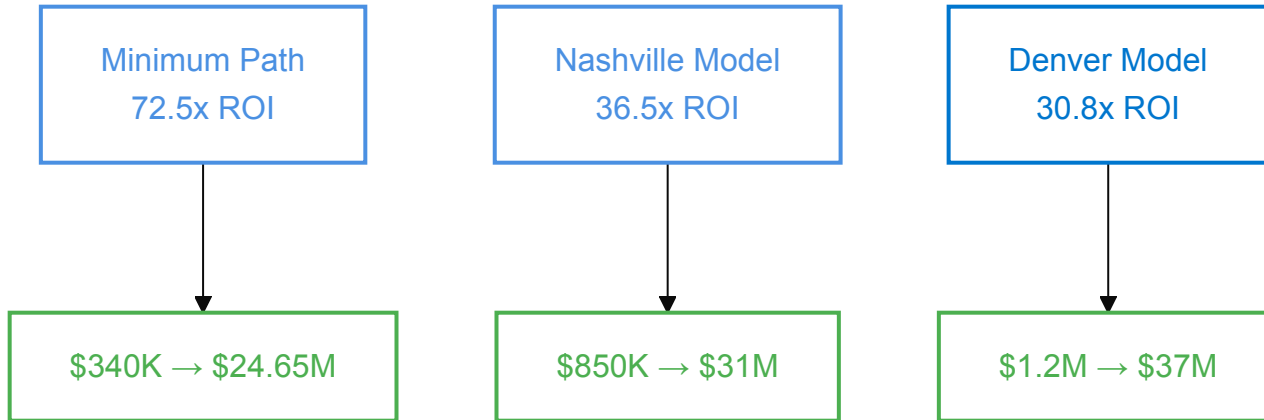
- Investment: \$1.2M annually
- Timeline: 18 months
- Potential return: \$37M
- ROI: 30.8x investment
- Target compliance: 80%
- Additional benefits:
 - Digital enforcement tools
 - Automated detection system
 - Platform integration

3. **Nashville Model (10 FTE)**

- Investment: \$850,000 annually
- Timeline: 24 months
- Potential return: \$31M
- ROI: 36.5x investment
- Target compliance: 75%
- Additional benefits:
 - Platform cooperation program
 - Online verification system
 - Streamlined licensing

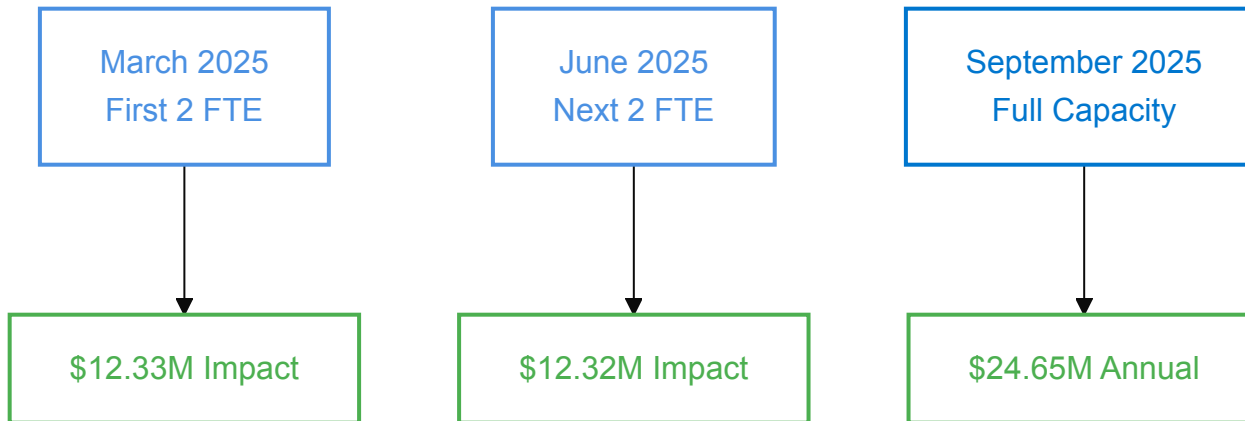
Comparative ROI Analysis

Investment vs. Return Analysis



Implementation Strategy

Implementation Timeline & Impact



Phase 1: March-May 2025

1. Hire and train first 2 FTE
2. Focus on highest revenue properties
3. Implement digital tools
4. Expected Impact: \$12.33M revenue recovery

Phase 2: June-August 2025

1. Hire and train next 2 FTE
2. Expand to medium priority properties
3. Platform cooperation program
4. Expected Impact: Additional \$12.32M revenue

Phase 3: September 2025 onwards

1. Full 8 FTE capacity achieved
2. Comprehensive coverage plan
3. Data-driven enforcement
4. Expected Impact: \$24.65M annual revenue recovery

Recommendations

1. Immediate Action Required
 - Approve 4 additional inspector positions
 - Allocate \$340,000 for staffing
 - Begin hiring process by March 2025
2. Technology & Process Improvements
 - Digital inspection tools
 - Automated STR detection
 - Online licensing portal
 - Platform cooperation agreements

3. Policy Updates

- Increased penalties
- Platform verification requirements
- Progressive enforcement program

Conclusion

Every day of inaction costs Austin \$225,000 in lost revenue. While peer cities achieve 75-80% compliance rates with adequate staffing, Austin's 14.5% compliance rate reflects severe understaffing. The proposed 8 FTE solution would:

1. Generate \$24.65M in first-year revenue
2. Reduce response times from 4+ months to < 3 months
3. Address 850+ backlogged complaints
4. Begin bringing Austin in line with peer cities

The investment of \$340,000 will pay for itself in less than two weeks of recovered revenue. Without immediate action, Austin will continue to lose \$82.18M annually while falling further behind peer cities in STR enforcement effectiveness.

-
1. City of Austin Development Services Department, STR Registry Database (February 2025) ↩
 2. Denver STRA Committee and Nashville Metro Codes Department (2024) ↩
 3. City of Austin Controller's Office, Revenue Impact Analysis (2024-2025) ↩
 4. Austin 311 Service Request Data, 2024 Annual Report ↩
 5. City of Austin Development Services Department, STR Registry Database (February 2025) ↩ ↩ ↩
 6. Development Services Department, STR Enforcement Division ↩
 7. City of Austin Controller's Office, Hotel Occupancy Tax Collections Report ↩
 8. Market analysis shows average rates of \$310; using conservative \$290 estimate ↩
 9. Development Services Department, STR Division Time Study (January 2025) ↩
 10. Austin Code Department, Neighborhood Impact Report 2024 ↩

11. Austin Board of Realtors, Neighborhood Impact Study 2024 ↩