

SMALL BUSINESS

Short-term rental regulations: Principles, pitfalls and practical reforms

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INTRODUCTION

American law begins where the Declaration of Independence starts - with the recognition that individual rights precede government, and that the just purpose of government is to secure those rights. Property rights, in the natural-law tradition, are pre-political and fundamental. They arise not from legislative grace but from the inherent liberties defended by Aristotle, Cicero, and Aquinas and carried forward through English common-law jurists like Coke and Blackstone, who described private property as a dominion bounded only by the equal rights of others.

While not all regulators approach housing policy from the same philosophical starting point, legislators who take seriously the principles that shaped our constitutional order—and who recognize the role of markets in advancing opportunity—should let those commitments inform how they evaluate Short Term Rental (STR) regulations. A presumption in favor of peaceful property use is not a policy preference; it is the starting point of legitimate governance in a free society.

Short-term rentals are neither new nor anomalous, but the modern continuation of America's long history of accommodating travelers in private homes—from early boarding houses to the small inns that once provided critical income. This is a practice that long predates zoning and modern hotel chains. What has changed is the scale of opportunity: platforms like Airbnb and VRBO have lowered transaction costs and expanded access, allowing ordinary homeowners to participate directly in the tourism economy. For many middle-income households, STR activity is not ancillary—it is a meaningful avenue of entrepreneurship. Renting a property is effectively the creation of a small business that allows families to meet rising living costs, avoid foreclosure, and build wealth on their own terms. Restrictive STR policies close off these opportunities, reinforcing a regulatory structure that benefits large hospitality businesses and high-net-worth property owners at the expense of ordinary households.

STR restrictions often arise not from demonstrable harms, but from political alignment between hotel interests and local actors resistant to neighborhood change.

The real-world results of aggressive STR regulation underscore these concerns. In cities such as New York, where Local Law 18 eliminated roughly 80 percent of STR listings, hotel prices surged even as occupancy remained largely unchanged. Consumers lost choice, tourists faced higher costs, and hotels faced reduced competition. These outcomes are best understood not as housing policy, but as the predictable result of coordinated political pressure from groups seeking protection from new entrants. STR restrictions often arise not from demonstrable harms, but from political alignment between hotel interests and local actors resistant to neighborhood change. When regulation is shaped by the fears or preferences of influential stakeholders rather than principles and evidence, it produces concentrated benefits for a few and dispersed costs for everyone else.

Broad STR bans do little to improve housing affordability. Housing costs remain fundamentally a supply problem exacerbated by restrictive zoning, permitting, and cumulative regulatory burdens. By contrast, STRs are a small share of the total housing stock in most jurisdictions, dwarfed by the impact of second-home ownership, decades of underbuilding, and regulatory barriers that impede new construction. Attempting to solve a structural supply deficit by prohibiting homeowners from putting their property to productive use is ineffective and distracts lawmakers from the reforms that matter.

The principles outlined in this paper offer a blueprint for policymakers who want to support economic opportunity while maintaining guardrails to address real harm.

- Affirm property rights as the policy foundation;
- Avoid blanket bans and caps;
- Prevent regulatory capture and cronyism;
- Streamline and standardize rules across jurisdictions;
- Use light-touch tax policy;
- Institute a sunset clause and performance review; and
- Limit fee structures.

These recommendations emphasize targeted enforcement rather than categorical prohibitions, and they ensure that regulation remains aligned with core governmental functions.

Ultimately, housing affordability and economic mobility cannot be achieved by restricting opportunity or limiting competition. STRs provide a flexible, market-driven means for households to respond to rising costs and generate supplemental income. Legislators should focus on expanding housing supply, reducing regulatory barriers, and preserving the freedom of individuals to use their property productively. Market-based policies grounded in natural rights offer a path forward—one that broadens economic opportunity and keeps government anchored to its proper role.

History Of Short-Term Rentals & Real-World Regulatory Examples

The European tradition of the “pension” or small guest-house lodging—where travelers could rent a room and share common meals—long predates modern

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tourism. When colonial Americans settled and cities began to grow, an analogous institution emerged in the United States: the boarding house.¹ In the 19th century, many American urban households offered rooms and meals to boarders, with estimates that up to half of all city-dwellers either boarded or took in boarders during their lifetime.² These establishments served as an inexpensive alternative to the formal hotel and a vital source of income for property owners.

Once zoning laws were declared constitutional in the 1920s, the regulatory vise closed on the boarding house and single-room occupancy. What had once been an affordable, flexible housing option for workers and travelers was suddenly “planned” out of existence. Under the banner of orderly growth and good intentions, regulators carved out exclusive residential zones—carefully insulated from the poor and working class who had relied on affordable short-term lodgings.

Contemporary short-term home rentals and boutique bed-and-breakfasts represent a modern continuation of a long-established lodging tradition where private homes and guest houses provide travelers with accommodations that combine the intimacy of domestic hospitality with the practicality of commercial lodging.

STRs: A Modern-Day American Boarding House

The Mercatus Center observed that boarding houses and residential inns once provided a critical entry-point for urban women, both as tenants escaping restrictive arrangements at home and as operators earning income by hosting boarders.³ When zoning laws began to outlaw them, this pathway to wealth largely disappeared, reducing affordable options for women starting their careers and eliminating female-run micro-enterprises.

In the following decades, policymakers might be forgiven for assuming the demand for transitory home-based lodging had disappeared. But consumer need for affordable, flexible stays and supplemental household income persisted, although there was no legal or practical framework to meet it. By the late 20th century, digital platforms began to fill the gap the government had created. The rise of online listing services reintroduced a voluntary, market-driven exchange between homeowners and travelers—reviving, through technology and innovation, what zoning had once prohibited.

In the mid-90’s, Vacation Rental by Owner (VRBO) started as a simple online bulletin board for vacation homeowners to post entire properties for rent, mainly in traditional beach and ski areas. Its growth was slow because owners had to handle payments and logistics themselves, appealing only to a small niche of travelers. Around 2007, Airbnb changed the game by letting ordinary people rent out spare rooms or whole homes via a simple, unified platform that took care of bookings,

¹ “A History of Boarding Houses: Ideal Forms of Affordable Housing,” Housing Solutions, June 15, 2019, available at <https://housingsolutions.home.blog/2019/06/15/a-history-of-boarding-houses-ideal-forms-of-affordable-housing/>.

² “The Boarding Houses That Built America,” The American Conservative, May 23, 2016, available at <https://www.theamericanconservative.com/the-boarding-houses-that-built-america/>.

³ “Expanding Urban Housing Access for Women,” Mercatus Center, March 28, 2019, available at <https://www.mercatus.org/economic-insights/expert-commentary/expanding-urban-housing-access-women>.

The first big, modern crackdown on short-term rentals came in New York, where a 2010 amendment to the state Multiple Dwelling Law outlawed rentals under 30 days in most apartment buildings.

payments, and reviews. Its brand and marketing turned the simple idea of home sharing into a worldwide phenomenon. While VRBO eventually caught up and modernized after being acquired by Expedia, Airbnb’s early commitment to making the platform usable and safe drove its meteoric rise and made it a household name for peer-to-peer travel.

Prior to Airbnb’s explosive growth, short-term rentals went mostly unnoticed and unregulated by policymakers. In the few cities and resort towns where short-term bans or regulations existed, they were rarely or sporadically enforced. But just a few years after Airbnb was launched, people started noticing. The first big, modern crackdown on short-term rentals came in New York, where a 2010 amendment to the state Multiple Dwelling Law outlawed rentals under 30 days in most apartment buildings. Like the first domino in a long line of state and local regulation, the short-term rental regulation contagion spread fast.

Some cities learned that outright bans were simply too difficult to enforce and left significant tax revenue on the table. Before 2015, San Francisco effectively prohibited short-term rentals but later shifted to a legalization framework with stringent oversight.⁴ Its STR regulatory model (register, cap, tax) became a basic template for what STR detractors would consider the regulatory floor. That same year, Santa Monica adopted super-strict regulations, allowing only host-present “home-sharing” and banning whole-unit vacation rentals. The Ninth Circuit upheld what the city called a “balanced approach to homesharing,” even though it was an effective ban on short-term rentals as they are commonly understood (whole home rentals).⁵

Regulation didn’t stop at the U.S. border. In Europe, cities that didn’t outright ban or impose tight caps required registration, permits, and strict adherence to new regulations.⁶

Regulatory growing pains have forced some of the strictest local governments to accept that outright bans were both ineffective at lowering the cost of housing and very difficult to enforce. Many hosts simply operated underground, making enforcement expensive and inconsistent. Bans also reduced accommodation options, hurt visitor spending and local government tax revenue, and provided no recognition of private property rights.

Early bans and regulations were fear-based, not data-driven

Before 2015, most STR regulations were driven by political pressure, neighborhood complaints, and precautionary logic rather than solid empirical data. The first credible evidence connecting STRs to housing-market effects didn’t arrive until 2016–2018 — well *after* many early bans and permit systems were enacted. Since

⁴ “San Francisco Moves to Legalize Airbnb, But With Restrictions,” Time, October 8, 2014, available at <https://time.com/3481945/airbnb-san-francisco/>.

⁵ “Santa Monica Home-Sharing Law Stands After Challenge by Airbnb, Inc. and HomeAway.com,” City of Santa Monica, August 19, 2019, available at <https://www.santamonica.gov/press/2019/08/19/santa-monica-home-sharing-law-stands-after-challenge-by-airbnb-inc-and-homeaway-com>.

⁶ “Why Berlin has banned Airbnb,” Christian Science Monitor, May 1, 2016, available at <https://www.csmonitor.com/World/Global-News/2016/0501/Why-Berlin-has-banned-Airbnb>.

Airbnb was relatively new, the comprehensive data needed for rigorous studies was simply not available until researchers began independently collecting it. Consequently, early regulatory efforts in major cities like New York and San Francisco were driven primarily by anecdotal evidence—such as neighborhood complaints about noise and disruption—rather than quantifiable facts about a genuine drain on the housing market.

In other words, governments were banning short-term rentals because they didn't like them, not because there was evidence that they impacted housing costs and supply.

Effects on Housing Supply and Costs: STR Laws, Rents, Housing Supply, and Market Behavior

Several studies have found that initial STR growth contributes meaningfully—though modestly—to rent and price increases in high-demand tourist markets. During Airbnb's early expansion, some long-term units shifted to nightly rentals, placing incremental upward pressure on prices. A widely-cited 2020 study by Barron, Kung, and Proserpio analyzed data covering the initial and high-growth phase of Airbnb in the United States between 2012 and 2016, finding that a 1 percent rise in Airbnb listings was associated with roughly 0.018 percent higher rents and 0.026 percent higher house prices nationwide.⁷ The authors boldly claim that STRs may have accounted for one-fifth of typical year-over-year rent increases and one-seventh of the average annual increase in housing prices during that early expansion window.⁸

While these findings point to a measurable effect, additional research shows that the STR-price relationship is nonlinear. The marginal impact of additional STR listings tends to be largest in markets with low STR presence and diminishes as the STR share grows. In other words, the outsized effects captured during the early adoption phase reflect an initial market shock rather than a pattern that persists as the market matures.

Comparative Analysis of STR Housing Impact Studies (Post-2019)

Study	Geographic/Data Focus (Years Examined)	Key Finding on Elasticity/Housing Impact
Koster, van Ommeren, Volkhausen (2021) ⁹	Los Angeles County, US (Data: 2014–2018, assessing regulation timing)	A 50% reduction in STR listings due to regulation caused a modest 2% drop in house prices and rents, demonstrating low market elasticity in response to supply removal.

⁷ Barron, Kung, and Proserpio. "The Effect of Home-Sharing on House Prices and Rents: Evidence from Airbnb," *Marketing Science* 40, no. 1, March 4, 2020, available at <https://doi.org/10.1287/mksc.2020.1227>.

⁸ "How much does Airbnb really affect rents and housing prices?," USC Today, August 19, 2019, available at <https://today.usc.edu/airbnb-rent-housing-prices-usc-experts-los-angeles-policy/>.

⁹ Koster, van Ommeren, and Volkhausen, "Short-term rentals and the housing market: Quasi-experimental evidence from Airbnb in Los Angeles," *Journal of Urban Economics* 124, July 2021, available at <https://doi.org/10.1016/j.jue.2021.103356>.

Early regulatory efforts in major cities like New York and San Francisco were driven primarily by anecdotal evidence—such as neighborhood complaints about noise and disruption.

Punitive STR regulation does not address the underlying drivers of housing affordability, which stem from long-standing supply constraints rather than incremental changes in short-term rental activity.

Study	Geographic/Data Focus (Years Examined)	Key Finding on Elasticity/Housing Impact
Bekkerman et al (2021, rev. 2022) ¹⁰	20 US Cities with STR regulations (Data: Focused on periods before and after staggered regulation start dates, up to 2021)	Regulations that reduced STR supply also caused a reduction in residential permits for new housing construction, suggesting STRs incentivize residential investment and that restricting them may slow overall housing supply growth.
Ernest & Young (2024) ¹¹	United Kingdom (National market assessment, analyzing data 2016 to 2022)	Concluded that STRs have "little to no relationship" between STR growth and housing costs in the UK, attributing 95% of housing price changes to other structural factors
The Costs of STR Restrictions (Charles River Associates for Airbnb, 2024) ¹²	New York City, Boston, New Orleans, and Philadelphia (Modeling post-restriction activity in 2024)	Hotels are the primary beneficiaries of STR restrictions. The study estimated economic losses due to severe STR regulations. For example, restrictions in NYC led to an estimated 2.6 million abandoned guest nights, \$638 million in lost guest spending, and \$82 million in forfeited tax revenue. The report concluded that the hotel industry captured \$2.5 billion/year in additional revenue in NYC by limiting competition.

Several studies suggest that while STRs can exert upward pressure on rents and prices in some contexts, the housing market’s sensitivity to STR activity is far lower than early research implied. The relatively high elasticity reported by *Barron, Kung, and Proserpio* reflects the initial shock of a new platform entering low-STR markets, when converting a small pool of easily repurposed units could generate noticeable local effects. As STR markets expanded and the stock of readily convertible homes stabilized, subsequent research finds that the marginal impact of additional STR listings becomes smaller and more geographically confined. In addition, punitive STR regulation does not address the underlying drivers of housing affordability, which stem from long-standing supply constraints rather than incremental changes in short-term rental activity.

For instance, in 2021, researchers took advantage of the phased rollout of home-sharing regulations across 18 Los Angeles County municipalities—a policy shift that cut Airbnb listings by roughly half. Yet rents and home prices within those zones fell by only two percent. While those effects are not invisible, they are minor relative to

¹⁰ Bekkerman, Cohen, Kung, Maiden, and Proserpio, “The Effect of Short-Term Rentals on Residential Investment,” Proceedings of the 23rd ACM Conference on Economics and Computation, July 12, 2022, available at <https://dl.acm.org/doi/10.1145/3490486.3538368>.

¹¹ Ernst & Young LLP, “Travel on Airbnb: housing and economic impact study,” August 2024, available at https://news.airbnb.com/wp-content/uploads/sites/4/2024/09/EY_Airbnb_Housing-and-Economic-Impacts-in-the-UK.pdf.

¹² Charles River Associates, “Special Interests vs. the Public Interest: The Cost of STR Restrictions on Households, Cities, and Visitors,” December 2024, available at <https://news.airbnb.com/wp-content/uploads/sites/4/2025/05/The-Costs-of-STR-Restrictions.pdf>.

STR effects on housing prices and rents are minimal – over 95 percent of price and rent changes since 2015 are driven by broader economic and supply factors.

wider market and regulatory forces. Larger effects were predictably observed in concentrated areas where tourists wanted to stay—like the Hollywood Walk of Fame—where homesharing boosted home values by as much as fifteen percent.¹³

Additional evidence confirms that STRs typically have negligible broad impacts on housing costs but can generate concentrated effects in tightly constrained, tourism-saturated neighborhoods. A 2021 Portuguese study, for example, found that the early surge of Airbnb activity in Lisbon and Porto coincided with noticeable price pressure particularly in a handful of historic cores where housing supply is fixed and tourism demand is exceptionally high. Outside these small districts, however, the study detected minimal effects.¹⁴ This pattern mirrors what economists increasingly recognize: STRs may push prices upward in narrow, high-tourism micro-markets, but their influence rapidly diminishes beyond those areas, revealing the underlying constraint to be limited housing supply rather than STR activity itself.

Ernst & Young conducted a broad review of the U.K. housing and STR market in 2024 and determined that STR effects on housing prices and rents are minimal, finding that over 95 percent of price and rent changes since 2015 are driven by broader economic and supply factors. The average Airbnb-related housing cost impact was measured at just a few pounds per month per household—a rounding error compared to the cost pressures created by regulation, taxes, and limited construction.¹⁵

Put simply, Airbnb isn't distorting the U.K. housing market—it's reflecting it. Where homes are already scarce, Airbnb listings can nudge prices at the margins. Targeting supply constraints, rather than property owners, will do significantly more to move the needle on housing affordability.

Real-world crackdowns reinforce the pattern. More than two years into a near STR ban and aggressive enforcement, New York City shows no marked improvement in housing supply or vacancy rates. To the extent that proponents of the policy sought to eviscerate the STR market inside city limits, the law was a smashing success. However, despite a 90% reduction in the number of legal and available STRs, the policy had no measurable impact on the city's broader housing affordability or supply crisis. If anything, affordability has worsened. Median citywide rents continued to rise between 3–6% year-over-year in 2024–2025. Manhattan's average one-bedroom rent climbed to an all-time high of nearly \$4,700, while two-bedroom rents approached a shocking \$6,000 per month. Meanwhile, citywide rental vacancy rates are critically low, ranging from 1% (effectively full occupancy) to 3% in the last year. New York City's affordability problem is worse than ever and banning STRs did not fix the problem.¹⁶

¹³ Koster et al. (see note 9).

¹⁴ Franco and Santos, "The impact of Airbnb on residential property values and rents: Evidence from Portugal," *Regional Science and Urban Economics* 88, 2021, available at <https://ideas.repec.org/a/eee/regeco/v88y2021ics0166046221000272.html>.

¹⁵ Ernest & Young. (see note 11).

¹⁶ Marcus & Millichap, "Mid-2025 New York Multifamily Market Report: Low Vacancies, Rising Rents, and Strong Demand," June 26, 2025, available at <https://www.mmcginvest.com/post/mid-2025-new-york-multifamily-market-report-low-vacancies-rising-rents-and-strong-demand>.

STRs provide travelers with a competitive alternative to hotels, which naturally means the lodging industry has a profound financial stake in seeing the STR supply reduced.

(Un)Intended Consequences of STR Regulation: Who Benefits?

Hotel Regulatory Capture

The push to heavily restrict STRs is best understood not merely as housing policy, but as regulatory capture and wealth protection that primarily benefits two powerful, concentrated groups: the hotel industry and affluent second-home owners. While the stated rationale for STR restrictions is improving affordability for year-round residents, the practical effect in affluent tourist destinations is to 1) eliminate competition and function as a regulatory subsidy for hotels; and 2) block market entrance to buyers who can otherwise not afford to purchase a home without rental income—protecting wealthy, non-resident homeowners. Both groups constitute powerful political constituencies.

While housing affordability is not particularly helped by STR bans, hotels certainly are. STRs provide travelers with a competitive alternative to hotels, which naturally means the lodging industry has a profound financial stake in seeing the STR supply reduced. A growing body of recent research confirms this basic dynamic: when STRs expand, hotel revenues and pricing power fall, and conversely, when STR supply is restricted, hotels financially benefit.

In the wake of New York City’s STR crackdown, hotels captured displaced demand through higher room rates. The outcomes were immediate and significant. According to an analysis prepared by Charles River Associates, NYC hotels raised their average daily rate (ADR) by 14.4%, allowing them to capture an estimated \$2.5 billion per year in additional revenue. Meanwhile, the citywide ADR reached a new record high of \$524 during September 2024.¹⁷

These massive economic gains for hotels are not merely coincidental but the result of highly focused campaigns. Politically, the New York hotel sector outspent the fragmented STR host base 30 to 1, a disparity that arguably resulted in classic regulatory capture, where regulations are written to benefit a powerful few.¹⁸ In fact, the Hotel Association of New York City openly takes credit for the city’s crackdown, confirming it successfully pushed the legislation to “significantly reduce” competition and secure “better outcomes for all (legitimate) hotels.”¹⁹

Policymakers must understand that regulations targeting STRs often function—by design or by consequence—as highly effective protective measures that produce clear economic winners and losers while doing little to address the underlying structural drivers of housing scarcity. In urban areas, the hotel industry’s sustained lobbying efforts, financial contributions, and direct economic incentives position it as a primary driver and beneficiary of many regulatory outcomes. The American Hotel & Lodging Association, for example, refers to STRs as “illegal hotels” that

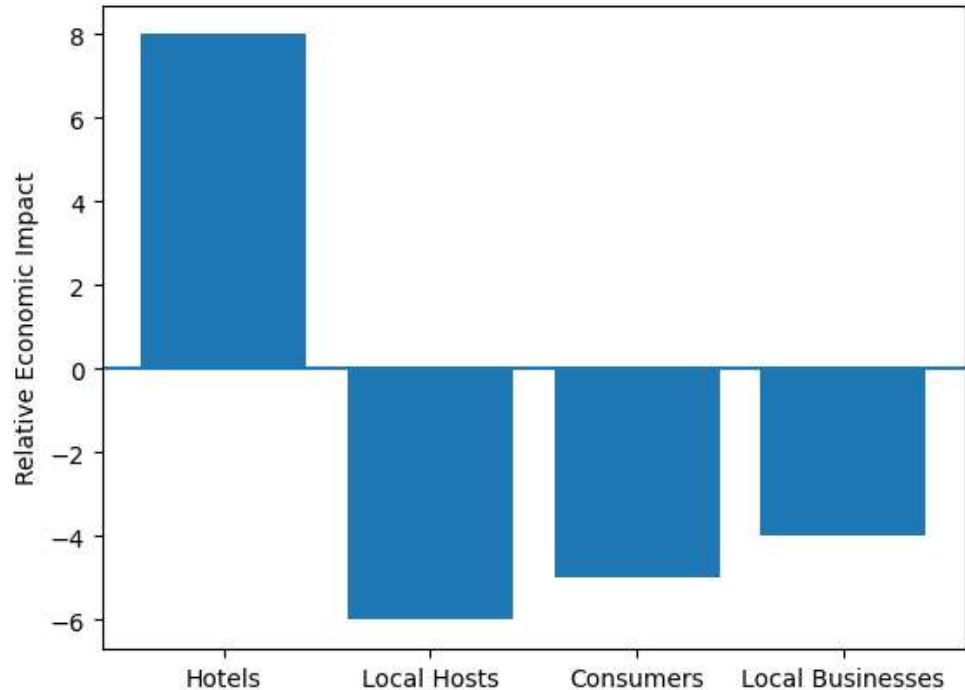
¹⁷ Charles River Associates (see note 12).

¹⁸ Anastasi, Marsella, Melo, Stephenson, and Wagner, “Short-term rental bans and the hotel industry: Evidence from New York city,” *European Journal of Political Economy* 89, 2025, available at <https://www.sciencedirect.com/science/article/abs/pii/S0176268025000850>.

¹⁹ Hotel Association of New York City, “Legislative Advocacy Efforts,” accessed September 15, 2025, available at <https://hanyc.org/legislative-advocacy-efforts/>.

“create safety concerns, reduce affordable housing inventory, drive up rent prices, and displace long-term residents.”²⁰

Economic winners and losers from STR regulations



Hotels have a right to compete and bring industry concerns to lawmakers’ attention, but the strict STR regulations they often champion result in a politically engineered market advantage over individual property owners and entrepreneurs who use supplemental rental income to afford residential properties.

Nationally, major hotel trade groups have funded coordinated campaigns across dozens of states, demonstrating a consistent, focused pattern: where STRs are heavily restricted, hotels enjoy higher prices and stronger occupancy, and powerful hotel lobbying groups are central actors driving the restrictions.²¹

Where the Hotel Market Ends, the STR Market Begins

While the hotel industry’s lobbying for restrictive STR policy is often a calculated attempt to reclaim market share from a direct competitor, this rivalry ignores a fundamental economic reality: hotels and STRs are not interchangeable products. It is true that for a single business traveler or a couple on a weekend trip, these two options compete. However, beyond some traveler overlap, they often serve distinct demographic needs that the traditional hospitality sector is unable to meet. Understanding these differences is critical for policymakers, as it reveals that STR

²⁰ American Hotel & Lodging Association, “Alternative Accommodations,” accessed October 12, 2025, available at <https://www.ahla.com/issue/alternative-accommodations>.

²¹ Benner, “Inside the Hotel Industry’s Plan to Combat Airbnb,” *The New York Times*, April 16, 2017, available at <https://www.nytimes.com/2017/04/16/technology/inside-the-hotel-industrys-plan-to-combat-airbnb.html>.

Policies that treat STRs as a direct substitute for hotels ignore diverse needs, resulting in reduced consumer choice and diminished local economic activity without delivering a commensurate impact on housing affordability.

bans do not simply "level the playing field"—they eliminate entire categories of economic activity and travel that hotels cannot absorb.

STRs are often preferred for travel by multi-generational families, travelers with specific medical or dietary requirements needing kitchen access, and groups seeking lower per-capita costs—segments the traditional hospitality sector is often unequipped to serve.

Beyond tourism, they function as essential transitional housing for the flexible workforce, including traveling nurses, construction crews, and families displaced by natural disasters, for whom nightly hotel stays are both logistically and financially unviable.

These market distinctions are critical for policy design. In many rural and recreation-based economies, STRs provide the primary lodging infrastructure where hotel development is absent or economically unfeasible. By placing travelers in residential neighborhoods, STRs decentralize visitor spending, directing it toward local small businesses rather than concentrating it within commercial hotel districts. When STRs are restricted, this demand does not simply transfer to hotels; instead, these specific forms of travel and housing often disappear entirely. Policies that treat STRs as a direct substitute for hotels ignore these diverse needs, resulting in reduced consumer choice and diminished local economic activity without delivering a commensurate impact on housing affordability.

STR Regulation as a Wealth Gatekeeper in Resort Communities

In contrast with dense urban markets, where STR restrictions are often the result of hotel-industry pressure to restrain competition, in resort communities the functional equivalent of that lobbying pressure often comes not from year-round residents but from affluent second-homeowners seeking to preserve low-density, low-turnover neighborhoods. Though their motivations differ (economic protectionism in cities and lifestyle preservation in resort towns) the regulatory outcome is similar.

The prevailing demand-side constraint on housing availability in these resort communities is not the prevalence of short-term rentals, but rather the exceptionally large share of housing held as seasonal or second homes. Federal housing data distinguishes clearly between units classified as “for rent”—which include short-term rentals—and those designated “seasonal, recreational, or occasional use.”²² The latter category captures non-commercial second homes that sit vacant most of the year, and in many mountain and lake destinations, they represent the predominant form of housing withdrawal from the local supply. Recent analyses show 40–75% of the housing stock in several Western resort towns falls into this seasonal/second-home category, far exceeding the share used as STRs, which typically represents a small minority of units. Housing needs assessments from jurisdictions such as Vail, Park City, Sun Valley, and the Tahoe Basin consistently document this pattern. These data indicate that while STRs may contribute to

²² U.S. Census Bureau, “Housing Vacancies and Homeownership (HVS) Definitions,” available at <https://www.census.gov/housing/hvs/definitions.pdf>.

South Lake Tahoe's STR ban was so unsuccessful at improving housing affordability that advocates shifted their focus to wealthy, out-of-area property owners and began promoting a vacancy tax as an alternative remedy.

localized pressures, the primary demand-side structural driver of housing scarcity in resort markets is the volume of high-value property held as a lightly used luxury asset owned by affluent part-time residents.²³

In this context, STR bans act as a significant barrier to housing market entry, effectively shrinking the eligible buyer pool and distorting the market toward ownership by high-net-worth individuals. Before a ban, a middle- or upper-middle-income family could sometimes afford a mountain or lake house by offsetting the mortgage with rental income. When the ban is enacted, that business model becomes illegal or uneconomic, and those buyers disappear.

In South Lake Tahoe, for example, a near-total STR ban went into effect in 2018, but the ban failed to stabilize housing prices, which increased nearly 50% in the seven years since the ban went into effect. The area's long-term rental market remains extremely tight, reinforcing the conclusion that the former STR units were either sold or converted to non-rented second homes, rather than entering the long-term rental pool.²⁴

South Lake Tahoe's STR ban was so unsuccessful at improving housing affordability that advocates shifted their focus to wealthy, out-of-area property owners and began promoting a vacancy tax as an alternative remedy (which failed).²⁵

Even if such a tax had passed, vacancy taxes do not meaningfully reduce rents or home prices any more than STR bans do; at best, they generate revenue or modestly shift a small number of units back into use. Focusing on such measures risks missing the larger problem—a persistent shortage of housing supply that cannot be remedied through marginal demand-side tools. Neither STR bans nor vacancy taxes can address the underlying affordability problem.

While the public STR debate in resort communities often centers on the vital need for housing affordability, the regulations adopted often consolidate the interests of residents with the political and financial power of affluent second-home owners. Besides South Lake Tahoe, this pattern has been observed in communities such as Crested Butte, Colorado²⁶, and Chelan County, Washington²⁷. In each case, the push for regulation is framed in terms of housing affordability, but the underlying motivation often centers on preserving a preferred neighborhood character and preemptively eliminating perceived nuisances associated with the presence of short-term visitors.

STR and second-home regulatory debates frequently fall into the trap of penalizing rational individual behavior responding to market incentives. Middle-income

²³ Davis, "The West is having second thoughts on second homes," *Deseret News*, October 20, 2024, available at <https://www.deseret.com/the-west/2024/10/20/housing-shortage-in-the-west/>.

²⁴ Ibid.

²⁵ "South Lake Tahoe needs a vacancy tax (Opinion)," *Tahoe Daily Tribune*, December 28, 2023, available at <https://www.tahoe-dailytribune.com/news/south-lake-tahoe-needs-a-vacancy-tax-opinion/>.

²⁶ "Crested Butte council unanimously approves STR moratorium," *The Crested Butte News*, July 21, 2021, available at <https://crestedbuttenews.com/2021/07/crested-butte-council-unanimously-approves-str-moratorium/>.

²⁷ "Are there new Chelan County short term rental rules?," *Icicle Creek Real Estate*, August 6, 2022, available at <https://iciclecreekrealestate.com/are-there-new-chelan-county-short-term-rental-rules/>.

households that use STRs to grow their wealth or generate supplemental income are engaging in entrepreneurial activity consistently encouraged by public policy. Similarly, wealthy households that acquire secondary residences in resort communities are pursuing their own version of the American dream. Penalizing people for operating within the current regulatory framework does not expand opportunity or address the structural shortage of housing supply. A more effective policy approach must acknowledge that long-term affordability will not be achieved through restricting individual choices, but through broadening economic participation and strategically increasing the housing supply.

Economic Contributions: Quantifying The Benefits of STR Activity

The economic impact of STR activity is a well-researched topic, which we will only briefly address here. Studies consistently point to a significant, multi-billion-dollar contribution to local, regional, and national economies, and eye-popping contributions to local government tax collections.

Economic Impact of Airbnb STRs on the US Economy: 2023²⁸

Economic Benefit Category	Key Metric / Value (2023)	Context/Source
Total Economic Impact	\$85+ Billion	Total economic contribution (direct, indirect, and induced) to U.S. GDP.
Local Guest Spending	\$80+ Billion	Amount spent by guests on local restaurants, retail, and services.
Total Host Income	\$24+ Billion	Supplemental income earned by Hosts across the U.S.
Tax Revenue Remitted	\$24+ Billion	Total taxes generated by the economic activity (including income, sales, and tourism taxes).
Household Financial Resilience	\$14,000 (Median annual earnings)	Typical income helps 43% of U.S. Hosts stay in their homes.

²⁸ "Travel on Airbnb generated \$85B in economic activity in the US," April 3, 2024, available at <https://news.airbnb.com/travel-on-airbnb-generated-85b-in-economic-activity-in-the-us/>.

Economic Benefit Category	Key Metric / Value (2023)	Context/Source
Jobs Supported	Approximately 1 million US jobs	Supported across multiple sectors, including restaurants, arts, and retail.

STRs as a Financial Lifeline for Middle-Income Homeowners

Data from Airbnb’s 2023 U.S. Host report shows the typical American host on Airbnb earned approximately \$14,000 in annual income from STR activity, and U.S. hosts collectively earned more than \$24 billion. STR income increases financial resilience among households that may be asset-rich but cash-flow constrained. Sixty-five percent of hosts use their earnings to cover rising costs of living, and forty-three percent use those earnings to allow them to stay in their homes. Eleven percent of hosts report that STR income helped them avoid eviction or foreclosure.

While hosting generates significant economic activity, curtailing it results in economic harm by eliminating income that would have been generated had owners been allowed to rent out their own property. In New York City alone, the Charles River Associates (CRA) report estimates \$197 million in lost annual income for hosts due to the city’s strict regulations.²⁹

Strengthening Local Economies Through Visitor Spending and Employment

Because STR guests tend to stay longer than hotel travelers, travel in groups, and choose residentially dispersed locations, they distribute spending broadly across local economies. This supports neighborhoods and rural areas that typically do not benefit from hotel tourism. Airbnb’s internal analysis estimates that its guests generated more than \$80 billion in economic activity nationwide through local spending, and U.S. hosts alone directly and indirectly support more than one million jobs in hospitality, cleaning services, maintenance, construction, transportation, and tourism.

Restricting STRs has the unintended consequence of shifting tourism dollars away from local businesses in dispersed neighborhoods, instead funneling revenue toward more expensive, centralized hotel chains in the form of higher nightly rates. In that sense, restrictions function as a regressive tax on neighborhood small businesses that operate outside of traditional hotel corridors. The CRA report found that NYC’s restrictions resulted in \$638 million in lost guest spending that did not transfer to other businesses, but hotels benefited from a nearly 15% boost in nightly rates.

²⁹ See note 12.

In 2024 alone, Airbnb collected and remitted over \$2.4 billion in tourism, occupancy, and sales taxes to governments across the U.S.

International data further illustrates the economic contributions of the STR sector. According to a 2024 Oxford Economics report, short-term rentals generated €149 billion in total economic impact and supported 2.1 million jobs across the European Union in 2023.³⁰

Tax Generation and inventory expansion

In 2024 alone, Airbnb collected and remitted over \$2.4 billion in tourism, occupancy, and sales taxes to governments across the U.S.³¹ Aside from tax generation used to support the expansion of local infrastructure and services, STRs also expand a community's total lodging inventory, allowing destinations to host major events, festivals, tournaments, and peak-season tourist flows that would be impossible with hotel rooms alone. They also prevent price spikes and shortages that would otherwise suppress visitor volume. Restricting STRs narrows the range of travelers a community can serve by making accommodation prohibitively expensive, particularly for families and multi-generational groups.

Comparative Impact on Housing Costs: STRs vs. Regulations

As previously noted, STRs can influence *where* affordability pressure shows up (in concentrated tourist cores, for example) —but not *whether* it exists. While STRs can impact housing rents and supply, the effects are negligible relative to the primary housing cost drivers. Government regulations that artificially restrict the growth of housing supply and create expensive red tape requirements are the primary driver of high housing costs, particularly in high-demand cities. STRs, conversely, affect housing costs primarily by removing a small portion of the *existing* supply.

The Regulatory Iceberg: Misdirected Policy and the True Cost of Housing

While restrictive land-use regulations are consistently cited by housing economists as the primary drivers of housing unaffordability, policymakers frequently dedicate disproportionate effort to regulating STRs. This policy misalignment is rooted in local political dynamics. Fundamental supply-side reform, which involves eliminating single-family-only zoning or streamlining the bureaucratic processes that add tens of thousands of dollars to construction costs, is politically hazardous. Such measures mobilize entrenched, well-funded existing homeowners who constitute a reliable voting base and wield significant local political power to protect neighborhood character and property values (the NIMBY effect).

In contrast, regulating STRs offers legislators a visible, immediate, and politically safer response to public outcry. The issue is easily framed as one of "commercial abuse" or "preserving neighborhood integrity," appealing directly to the same homeowner base that resists genuine supply-side reform. Consequently, STR

³⁰ "Short-term rentals generate €149B economic impact, 2.1M jobs across EU in 2023," Tourism Economics, May 21, 2024, available at <https://www.tourismeconomics.com/press/in-the-news/short-term-rentals-generate-149b-economic-impact-2-1m-jobs-across-eu-in-2023/>.

³¹ "Airbnb has generated \$13.5B in tourism taxes for communities around the world," Airbnb, April 9, 2025, available at <https://news.airbnb.com/airbnb-has-generated-13-5b-in-tourism-taxes-for-communities-around-the-world/>

According to a 2021 study by the National Association of Home Builders (NAHB), regulation accounts for a crushing 23.8 percent of the final price of a new single-family home—a hidden tax amounting to nearly \$94,000 on an average new home.

regulations create the appearance of robust action against housing shortages without requiring lawmakers to address the primary sources of chronically high housing costs that are within their control.

When confronting shortages and high prices, lawmakers can attempt to ration and control the price and legal uses of housing, or they can allow the market to respond to the demand and increase supply.

Despite the intense political fixation on short-term rental platforms, the primary economic driver of America’s housing affordability crisis remains restrictive government regulation, not individual STR listings. The cost burden imposed by local, state, and federal bureaucracy is staggering and systemic. According to a 2021 study by the National Association of Home Builders (NAHB), regulation accounts for a crushing 23.8 percent of the final price of a new single-family home—a hidden tax amounting to nearly \$94,000 on an average new home.³² These non-market costs are generated by compounding land-use restrictions, slow zoning and permitting delays, mandatory impact fees, and redundant code requirements—bureaucratic layers that cripple production and inflate prices long before construction even begins.

The burden on density is often worse, undermining efforts to create affordable rental units. A 2022 joint report by the NAHB and the National Multifamily Housing Council found that government mandates, fees, and delays consume 40.6 percent of total multifamily development costs.³³ Regional data confirms this systemic issue: state reports in Washington³⁴ and Pennsylvania³⁵ estimate regulatory compliance accounts for roughly 30 percent of the cost of a new home. These figures, drawn directly from builders’ financial data, prove that regulation is the largest artificial driver of housing costs in the modern market.

When policymakers focus on restricting private property owners from renting out their own property as a solution to housing affordability, they are merely rearranging the deck chairs on the Titanic. Eliminating every vacation rental in the U.S. would barely register as a statistical correction to overall housing costs, but it would eliminate billions in economic activity and opportunities for upward mobility.

Zoning and housing rules were layered into place over decades, and the cumulative effect is a system that makes it difficult and costly to add new homes in places people want to live. States can help by setting reasonable guardrails around local zoning authority, modernizing building codes, and reforming land-use processes that have become unnecessarily complex for both citizens and officials.³⁶ Rather than

³² “Government Regulation in the Price of a New Home,” National Association of Home Builders (NAHB), May 2021, available at <https://www.nahb.org/-/media/NAHB/news-and-economics/docs/housing-economics-plus/special-studies/2021/special-study-government-regulation-in-the-price-of-a-new-home-may-2021.pdf>.

³³ “The Cost of Government Regulation in Multifamily Development,” National Association of Home Builders (NAHB) and National Multifamily Housing Council (NMHC), June 2022, available at <https://www.nmhc.org/globalassets/research--insight/research-reports/cost-of-regulations/2022-nahb-nmhc-cost-of-regulations-report.pdf>.

³⁴ “The Cost of Regulations 2025,” Building Industry Association of Washington (BIAW), March 22, 2025, available at <https://housingstudies.biaw.com/reports/the-cost-of-regulations-2025>.

³⁵ “Government Regulation in the Price of New Homes in Pennsylvania (2024),” Pennsylvania Builders Association, November 14, 2024, available at https://housingalliancepa.org/wp-content/uploads/Government-regulation-PA-Builder-report-2024_FINAL-1.pdf

³⁶ “Housing Reform in the States: A Menu of Options for 2025,” Mercatus Center at George Mason University, August 14, 2024 (Updated September 2025), available at <https://www.mercatus.org/research/policy-briefs/housing-reform-options-2025>

States should adopt a narrow set of uniform rules focused only on essential public protections—such as accurate tax remittance and basic, objective safety standards.

blame individual property owners and entrepreneurs for housing shortages, a serious commitment to affordability requires confronting the regulatory iceberg. Until that systemic supply constraint is addressed, policies targeting STRs function only as political scapegoating.

Principles and Best Practices for Regulating STRs

A free-market framework for short-term rentals should protect property rights, keep government within its core functions, and ensure that regulation addresses documented harms rather than speculative concerns. To that end, states should adopt a narrow set of uniform rules focused only on essential public protections—such as accurate tax remittance and basic, objective safety standards—while prohibiting municipalities from using STR-specific bans or licensing regimes as substitutes for enforcing existing nuisance laws.

1. Affirm Property Rights as the Policy Foundation

- **Core Principle:** The right to use one’s property for lawful purposes, including STRs, is a fundamental extension of natural rights
- Any regulation should begin with a presumption in favor of property owners, limiting restrictions to narrowly tailored rules that address clear, demonstrable harms—not hypothetical or speculative ones
- Require that STR bans or restrictions undergo a “core function” test: Does this rule protect against theft, fraud, or direct harm to others? If not, it likely exceeds the legitimate role of government

American law begins where the Declaration of Independence starts - individual rights are “endowed by their Creator,” with government instituted to secure (not grant) them. Under both natural law theory (“the laws of Nature and Nature’s God”) and the U.S. Constitution, property rights are pre-political. That language echoes a much older tradition—Aristotle’s “natural justice,” Cicero’s *lex naturae*, and the medieval synthesis of Aquinas—which holds that certain liberties (life, contract, and *property*) precede the state itself. English common-law writers such as Sir Edward Coke and William Blackstone carried that premise forward, describing private property as a “sole and despotic dominion” limited only by the equal rights of others, and that natural law, inherent in human nature and revealed by God, provides the ultimate basis for the legitimacy of all human laws.”

A sound regulatory framework for short-term rentals begins with a presumption in favor of individual property owners. In a free society, people are entitled to use their property as they see fit unless that use imposes clear, demonstrable harm to others. Too often, STR regulations are crafted around hypothetical nuisances or speculative concerns rather than measurable impacts. This approach reverses the proper order of authority by placing the burden on homeowners to justify the peaceful use of their own property. A more disciplined standard requires that any restriction be narrowly tailored to address concrete, observable harms. Regulations designed in this manner not only better align with constitutional protections but also reduce the

tendency of local governments to adopt sweeping, preemptive bans that distort housing markets and limit economic opportunity.

Applying a “core function” test provides a practical way to determine whether a proposed STR restriction stays within the legitimate bounds of government. At its foundation, the government’s primary role is to protect individuals from theft, fraud, coercion, and direct harm—not to manage lifestyle preferences or ration residential tranquility. If an STR policy does not advance one of these core responsibilities, it risks expanding state authority into areas better governed by private agreements, market forces, or voluntary community norms. Evaluating STR regulations through this lens helps filter out rules that may be politically expedient but economically counterproductive. It also ensures that homeowners retain the freedom to engage in lawful commerce while preserving the government’s proper role as a protector of rights, not an arbiter of permissible home use.

2. Avoid Blanket Bans—Use Targeted Enforcement Instead

- States should prohibit local blanket STR bans
- Require local governments to apply nuisance enforcement neutrally and consistently, using the same tools available for long-term rentals
- Local governments retain control over how they enforce nuisance and public health laws

Blanket STR bans violate private property rights, push rentals underground, reduce tax compliance, and harm local tourism. State lawmakers can curb the trend toward prohibition by requiring local governments to rely on existing nuisance laws rather than exclusionary zoning. Noise, trash, and parking problems are not unique to short-term rentals; they occur in long-term rentals and owner-occupied homes as well. Most jurisdictions already have enforcement tools (e.g., civil penalties, escalating fines, and abatement procedures) that address these harms directly. A state statute that preempts local bans and instead directs municipalities to enforce neutral nuisance and public health standards would protect property rights while ensuring that genuine disturbances are addressed. This approach keeps regulation proportional to the actual harm, rather than treating the simple act of renting one’s home as inherently problematic.

By grounding STR regulation in objective, demonstrable violations rather than the highly subjective, perceived character of a neighborhood, states can ensure that local rules remain aligned with core governmental functions: protecting individuals from actual harm while preserving the freedom of property owners to use their homes without unnecessary interference.

Property owners who value the idea of living in a neighborhood totally free from the possibility of renters could still do so voluntarily under the restrictions adopted by a Homeowner Association.

3. Prevent Regulatory Capture and Cronyism

In the STR space, hotel industry lobbying often drives overregulation to eliminate competition.

- Require economic impact statements for any new STR regulation to ensure proposed rules do not serve as protectionism for incumbents at the expense of consumer choice and property rights
- Prohibit local governments from adopting licensing caps that arbitrarily limit the number of STR permits, which effectively creates a cartel system

Interest groups can use regulation to exclude competitors. In the STR space, hotel industry lobbying often drives overregulation to eliminate competition. Requiring economic impact statements for any new STR regulation is a straightforward safeguard against rules that masquerade as public-interest measures but functionally operate as protection for incumbent hotels or high-income homeowners who prefer to exclude renters from their neighborhoods. Before imposing new restrictions, policymakers should be obligated to demonstrate the expected effects on housing supply, consumer choice, and the ability of ordinary property owners to use their homes in lawful, income-supporting ways.

An economic impact requirement helps ensure that STR regulations are tied to legitimate harms and not to political pressure from groups seeking to insulate themselves from competition. It also reinforces the principle that regulation should be narrowly tailored and evidence-based, not driven by speculation or preference for one business model over another.

Similarly, states should prohibit local governments from adopting licensing caps that arbitrarily limit the number of STR permits. Caps do not target nuisance behavior or address genuine safety concerns; they simply ration access to the legal market and transfer economic value to those lucky enough to secure a permit. In practice, caps create a cartel system where incumbents benefit from artificially constrained supply while newcomers—and especially middle-income homeowners who depend on STR income to remain in high-cost communities—are locked out. These systems reward political influence rather than responsible operation, and they move local policy further away from the core functions of government. Preventing arbitrary caps ensures that the STR market remains open, competitive, and grounded in neutral enforcement rather than selective exclusion.

4. Streamline and Standardize Rules Across Jurisdictions

- Set a narrow, uniform baseline of state requirements focused only on objective safety and tax remittance
- Allow private liability insurance to handle risk management instead of adding new regulatory layers
- Use a simple, low-cost statewide registration in place of complex local licensing systems

Several states require STR operators to carry a minimum liability insurance policy, which addresses legitimate safety and risk concerns through market mechanisms rather than regulatory expansion. Insurers have natural incentives to verify property conditions, assess risk accurately, and price policies accordingly—making insurance a more efficient and less intrusive safeguard than inspections or complex

licensing systems. A modest commercial liability policy for STR activity ensures operators can cover potential damages without imposing costs on neighbors or guests, while avoiding the creation of new barriers to entry. This approach protects consumers, respects property rights, and relies on private-sector expertise rather than additional layers of government oversight.

Patchwork STR ordinances raise compliance costs and create uncertainty for ordinary homeowners who want to participate in the market. A homeowner should not need a lawyer to determine whether they can rent a spare room or navigate shifting requirements that vary block by block. The state can play a limited but important role by setting uniform, narrowly defined baseline requirements tied directly to core public protections—such as accurate tax remittance and the basic safety expectations already applied to traditional housing, like functioning smoke detectors or clear egress in case of fire.

Beyond these narrow standards, states can rely on liability insurance to manage risk rather than building out new regulatory structures. Insurers have strong financial incentives to verify property conditions, assess risk, and price policies accordingly, which makes an insurance requirement a more efficient and less intrusive safeguard than the broad regulatory mandates that often accompany STR restrictions. This approach prevents direct harm without inviting state agencies to micromanage how individuals use their own homes.

States can rely on liability insurance to manage risk rather than building out new regulatory structures.

While nuisance enforcement is appropriately a local function, states can ensure that local governments address problems through those tools rather than through elaborate licensing and regulatory requirements. A simple, low-cost statewide registration system for short-term rentals—completed online and requiring only essential information—can replace high-fee, multi-step licensing regimes that function as barriers to entry. Coupled with a private-market insurance requirement, this model keeps compliance straightforward and inexpensive while still giving cities the tools they need to respond to actual disturbances.

Several states already use this kind of system (centralized, simple, low-cost statewide registration in place of complex local licensing standards) on behalf of construction contractors. The contractor is licensed, required to purchase a surety bond and general liability insurance, and sometimes a business license within the city where the contractor is registered. A similar model could easily be adopted by states for short-term rentals.

In fact, some states already have such systems tied primarily to tax remittance and basic operator information. Florida and Arizona have established centralized, state-level registration for STRs, but without more explicit protections for property owners, local governments often layer their requirements and caps on top of whatever the state requires. A state-level regulatory system should be coupled with explicit protections for property owners, preempting regulatory systems at the local level.

5. Use Light-Touch Tax Policy

Even when states limit the ability of local governments to enact STR-specific restrictions, the state itself should still establish a narrow set of baseline rules—such as registration, tax remittance procedures, basic safety expectations, or insurance requirements.

- Apply simple, neutral lodging taxes without STR-specific penalties or hotel-style tax stacking

Where lodging taxes exist, they should be broad, low, and activity-based—applied without singling out short-term rentals for special surtaxes or importing hotel-specific tax structures into residential housing. Tax policy should not be used to favor one business model over another, nor as a backdoor method of regulating lawful property use. A home does not become a hotel for tax or regulatory purposes simply because it is rented on a short-term basis.

6. Institute a Sunset Clause and Performance Review

- Require all STR regulations to include a sunset provision (e.g., 5–7 years) with a mandatory review of economic and housing impacts

Even when states limit the ability of local governments to enact STR-specific restrictions, the state itself should still establish a narrow set of baseline rules—such as registration, tax remittance procedures, basic safety expectations, or insurance requirements. Without a sunset clause, even well-intended provisions can calcify into permanent fixtures, persisting long after market conditions change or the original justification has faded. A sunset clause forces policymakers to revisit these rules periodically and evaluate whether they continue to serve a clear public purpose. It ensures that any regulatory intervention remains narrow, evidence-based, and connected to core governmental functions, rather than expanding quietly through administrative drift.

A mandatory performance review tied to the sunset period reinforces this discipline. By requiring lawmakers to examine how STR policies have affected housing supply, economic opportunity, and nuisance enforcement, the state avoids the common pitfall of allowing regulations to remain in place simply because they are already on the books. Sunset clauses create a built-in accountability mechanism: if a rule is working, it can be renewed; if it is not, it will expire unless policymakers make a deliberate case for its continuation. This approach prevents regulatory entrenchment while preserving the flexibility to update or eliminate rules as needed.

7. Limit Fee Structures

- Limit all STR-related fees to the administrative cost of processing registrations or enforcing nuisance violations.
- Prohibit local governments from using fees as de facto bans or revenue-generating tools unrelated to regulatory purpose.

Local governments increasingly use fee structures as a backdoor method of restricting short-term rentals, setting prices high enough to deter ordinary homeowners from participating in the market. This creates artificial scarcity and advantages operators who can absorb regulatory costs that would be prohibitive for middle-income hosts. Fees should be restricted to the actual administrative cost of

processing a registration or enforcing legitimate nuisance violations. This preserves local authority to recover true expenses without allowing fees to function as de facto prohibitions or revenue-generating tools disconnected from regulatory purpose.

Capping fees at cost also aligns with the core functions of government: addressing documented harms and administering public rules, not extracting economic rents. Homeowners retain meaningful access to the market, and regulations remain tied to their stated purpose rather than evolving into protectionist tools. By requiring that all STR fees be “cost-justified,” states can prevent local governments from using their fee authority to limit entry or indirectly ban lawful property uses.

Conclusion

Short-term rentals are not a disruption to American housing—they are a continuation of a longstanding tradition of home-based lodging and a meaningful tool for economic mobility and housing growth. Individuals renting out their properties are not the cause of rising housing costs, and broad restrictions do little to improve affordability.

Policymakers committed to the principles that shaped America’s constitutional and economic foundations should anchor STR regulation in property rights, targeted enforcement, and market-based solutions. That means prohibiting blanket bans, preventing regulatory capture, streamlining compliance, limiting fees to administrative costs, and requiring periodic review of any rules to ensure they remain justified by real-world outcomes. When governments focus on addressing documented harms rather than speculative concerns, they protect both individual liberty and the health of the housing market.

Housing affordability will not be achieved by restricting peaceful uses of private property, but by expanding supply, reducing regulatory barriers, and allowing markets to respond to demand. A disciplined, rights-centered STR framework helps move policy back toward that goal—strengthening economic opportunity for homeowners, supporting local economies, and keeping government aligned with its proper role in a free society.

Nothing in this publication shall be construed as an attempt to aid or hinder the passage of any legislation.

SUMMARY & KEY FACTS

This study argues that short-term rental (STR) restrictions are widely miscast as housing affordability policy and, in practice, produce little improvement in rents or housing supply while imposing significant economic costs. Drawing on recent empirical research and real-world case studies, it shows that STRs account for only a small, localized share of housing pressure, whereas restrictive zoning and regulatory barriers are the dominant drivers of high housing costs. The paper finds that aggressive STR crackdowns primarily benefit hotels and affluent incumbents through regulatory capture, rather than renters or first-time buyers. It concludes that policymakers should abandon blanket bans and instead adopt light-touch, evidence-based rules grounded in property rights, targeted nuisance enforcement, and market-driven housing supply reforms.

1. Jurisdictions that removed large shares of STRs (including reductions of 50–90%) saw only minor or negligible changes in rents and housing supply.
2. Research shows land-use rules, zoning limits, and permitting costs explain the vast majority of housing price growth, while STR effects are marginal and localized.
3. After major crackdowns, hotels consistently raise nightly rates and capture displaced demand, indicating that hotels—not renters—are the primary beneficiaries.
4. In many tourist communities, seasonal and recreational housing represents several times the share of STR units, making STR bans ineffective as affordability tools.
5. The strongest measured effects occurred during Airbnb’s initial market entry; later studies show diminishing marginal impacts as STR markets mature.

ABOUT THE AUTHOR

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She has served as a voting member on the American Legislative Exchange Council's (ALEC) Tax and Fiscal Policy Task Force and has been a resource to media outlets and legislative staff for issue briefs and policy analysis. During her time with ALEC, Amber co-authored the organization’s influential State Budget Reform Toolkit, which provided budget and procurement best practices to guide state policymakers in all 50 states as they worked to solve budget shortfalls.

Her work has been featured in the Seattle Times, Investor’s Business Daily, Seattle Business, The Street, The Olympian, The Tacoma News Tribune, the Spokesman-Review, and many other news outlets. Her research and analysis has been cited and used by King 5 Investigators, KOMO 4 News, KIRO 7 News, Northwest Public Radio, and various talk radio shows and radio news outlets. Amber was a Charles G. Koch Fellow in partnership with the State Policy Network and the Institute for Humane Studies.

