

City of Alexandria, Virginia

MEMORANDUM

DATE: MAY 2, 2024

TO: THE HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

THROUGH: JAMES F. PARAJON, CITY MANAGER

FROM: KARL MORITZ, DIRECTOR, DEPARTMENT OF PLANNING AND ZONING

DOCET TITLE:

SHORT TERM RENTAL DATA AND STUDY PROPOSAL

Summary of Issue and Recommendations

In 2017, the Virginia General Assembly adopted a law that allows a locality to adopt an ordinance to establish a local short-term rental registry. In 2018, Alexandria established its short-term rental registry which is maintained by the Department of Finance. At the time of the registry adoption, the City Council determined that regulation of short-term rentals should be handled via existing City Code and Zoning Ordinance regulations. Due to recent calls for more regulation of short-term rentals, the City Council directed Planning & Zoning staff to research the topic, provide the following report, and begin a study to include community outreach and engagement. Staff is proposing a timeline which would bring recommendations to the Planning Commission and City Council in November 2024.

Number of Units

As of April 10, 2024, the Department of Finance reported that Alexandria's short-term rental registry included 460 units. Finance also supplements the registry using a proprietary database service, Granicus Host Compliance. As of April 10, 2024, using Granicus Host Compliance, staff identified an additional 265 short-term rentals. Some of these additional properties are exempt from the registry, such as properties managed by real estate agents. Finance will be contacting the additional properties as follow-up.

Approximately 0.88% of Alexandria's 80,000+ housing units are dedicated either fully or partially to short term rentals. Approximately 600 units are owner unoccupied (property owner lives off site) while approximately 125 housing units are owner occupied (property owner lives on site). A total of 69% of listings are classified single-unit homes; 31% are classified as multi-unit homes.

Property Value Impacts

Research on the impact of short-term rentals on property values is relatively scarce, however; a recent study conducted by the University of Pennsylvania titled *The Effect of Home-Sharing on House Prices and Rents: Evidence from Airbnb*, dissected a comprehensive dataset of Airbnb listings from across the United States. The researchers discovered that an increment of 1% in Airbnb listings correlates with a slight rise in rental prices by 0.018% and an uptick in housing prices by 0.026%. According to the University of Pennsylvania study, at first glance, these percentages may appear insignificant, but in a jurisdiction with a high percentage of short-term rentals (i.e. beach communities), these increments may lead to a significant increase in housing costs.

Given the relatively low percentage (0.88%) of housing currently dedicated to short-term rentals in Alexandria, the impact on property values at this point in time is most likely nominal; however, the percentage of housing converting fully to short-term rentals should continue to be monitored.

Tax Revenue

As of October 1, 2022, Virginia law mandates all short-term rental facilitators (Airbnb, Expedia, Booking.com, VRBO, etc.) collect and remit local and state Transient Occupancy Tax (TOT) and Sales Tax. Prior to October 1, 2022, the city only had a local agreement with Airbnb to collect the TOT. In Fiscal Year 2023, the city generated approximately \$3.5 million in TOT and Local Sales Tax from short-term rentals, while the state generated approximately \$3.4 million. In the first 9 months of Fiscal Year 2024, the city generated a total of \$2.6 million in TOT and Sales Tax while the state generated about \$2.5 million.

Fiscal Year	Short-Term Rental, Local TOT	Estimated Local Sales Tax, 1%	Approximate Total Local Short-Term Revenue	Approximate State TOT, 3%	Estimated State Sales Tax, 5%	Approximate Total State Short-Term Revenue
FY22	\$1,229,976	\$168,412	\$1,398,388	\$505,236	\$842,060	\$1,347,297
FY23	\$3,112,796	\$426,214	\$3,539,010	\$1,278,641	\$2,131,068	\$3,409,709
FY24 YTD (March)	\$2,265,022	\$310,134	\$2,575,156	\$930,401	\$1,550,669	\$2,481,070

Complaints

Staff reviewed Alex311 complaints related to short-term rentals and identified 33 unique complaints about 31 specific short-term rental properties between January 2018 and March 2024. In addition, staff found a dozen letters of concern related to the impact of short-term rentals on housing affordability; most received during the Zoning for Housing outreach process. In general, the number of complaints received each year is small and does not mirror the general sense of apprehension citizens have about the public safety aspect of short-term rentals. Of the complaints received, 48% related to trash (typically trash bins being left curbside after pick-up), 33% related to noise, 12% related to parking (typically parking in the wrong location or reducing available

parking along streets), 12% related to concerns about party houses (typically noise and parking issues), and 9% related to reports of potential overcrowding. Only two properties received more than one complaint, although some complainants indicated ongoing issues with specific properties.

Staff also reviewed police calls for service during the same January 2018 to March 2024 time period and identified 65 complaints related to 60 properties. Five addresses had repeat offenses. Police records do not verify if a property is a short-term rental or not but rely on caller/complainant or investigation information about the property when pulling data. Records indicate 15% of calls were related to burglaries/larceny at a property (typically guests who are victims of a crime), 14% related to suspicious activities, 11% related to noise complaints (two related to a loud party), 11% related to disorderly conduct, 6% related to alarms being triggered, and 6% related to drug complaints. Only one parking complaint was logged. Other calls for services vary greatly, from requesting general information/assistance to flagging down an officer.

Alexandria complaints mirror those of other jurisdictions. Staff has found that when other communities begin to study short-term rentals, noise issues, trash, party houses, and parking problems are typically the top concerns. Granicus Host Compliance indicates that noise issues, trash and parking problems are the most common complaints they see. Unfortunately, short-term renters may not always know or follow city regulations, resulting in these types of complaints.

Benefits

In addition to tax revenue, there are some potential and actual benefits to short-term rentals. For owner-occupied rentals, the revenue can supplement the high cost of mortgages and may have factored heavily into a homeowner's ability to afford the home. For multi-unit building owners, short-term rentals may provide a way to bridge a gap between completion of an apartment building and full lease-out to long term renters (of course, there is concern if too many apartments remain short term rather than being added to the housing supply). Finally, there is a segment of the traveling public that prefers short-term rentals to other lodging options and may choose not to stay in Alexandria if that option is not available.

Policy Recommendations

Alexandria is experiencing positive and negative consequences from short-term rentals. While we see benefits such as increased tax revenue and an increase in customers for local businesses, there are also some negative side-effects that may need to be mitigated. The big question is how to regulate short-term rentals to preserve as many of the benefits as possible while reducing impacts on neighbors. A goal for any adopted regulations is that they be simple, sensible, cost-effective, and most importantly, enforceable.

Staff proposes the following timeline to study regulations that have been effective in other jurisdictions, develop a set of draft regulations, gather public feedback, and present the Planning Commission and City Council with a package of recommended regulations.

- May/June 2024: Research short-term rental regulations implemented in other jurisdictions and develop initial regulation recommendations.

- July through early August 2024: Release 24/7 virtual town hall to present and gather feedback on initial regulation recommendations.
- Mid-August 2024: Redraft recommended regulations based on public comments and develop Zoning Ordinance text amendment language.
- September 2024: Planning Commission workshop on proposed text amendment language and release second 24/7 virtual townhall presentation (open for 10 days following PC workshop). City Council briefings.
- November 2024: Planning Commission and City Council hearings on proposed text amendment.

This schedule may be extended if initial engagement suggests additional time will help resolve the issues identified.

Staffing Recommendations

In addition to developing recommended regulations, staff will also determine if additional staffing is warranted, which could take place in-house, through expanded use of Granicus Host Compliance (such as continuous compliance monitoring and a 24/7 compliant hotline), or both.

State Legislation

SB 544 was passed by the Senate and House but has not been acted upon by the Governor. It would prohibit a locality from barring the use of or requiring a special exception or special use permit for the use of a residential dwelling used as a short-term rental where the dwelling unit is also legally occupied by the property owner as his primary residence. Staff will continue to monitor actions of the Virginia General Assembly that may otherwise restrict local government's ability to regulate short-term rentals.

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