

Michigan cities ban short-term rentals — a black market is sure to follow

New York City shows what happens with overregulation

By Jarrett Skorup | October 2023

Cities across Michigan are banning short-term rentals. The inevitable results of this regulatory crackdown will include more expensive vacations, less tourism and, in all likelihood, an emerging black market for rentals.

The problem is growing. Despite few complaints, Park Township, near Holland, banned short-term rentals within its limits. The city of Detroit quietly banned short-term rentals in residential areas before pulling back after an outcry. St. Clair Shores said its zoning ordinance doesn't permit short-term rentals, cutting Airbnb-affiliated properties in the city from 15 down to zero. The city prosecuted a homeowner for engaging in a short-term rental.

Ann Arbor, Holland, Mackinaw City, and Spring Lake ban short-term rentals in residential zones. Grand Haven and South Haven issued moratoriums on new short-term rentals, though some rental properties have existed for a century. New Buffalo has a moratorium on short-term rentals, and officials there are pushing restrictions that would essentially

ban the practice by requiring costly insurance and imposing extreme compliance burdens. Traverse City has severe restrictions as well. As the city's zoning administrator told The Detroit News, "We don't allow (some) short-term rentals."

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What's the likely result of all these restrictions? One need look no further than New York City. Like many Michigan municipalities, it essentially banned short-term rentals across most of the city. The results have been less than stellar. As noted by Wired:

[M]any illegal short-term rental listings are now being advertised on social media and lesser known platforms, with some still seemingly being listed on Airbnb itself.

...New York's crackdown on short-term rentals has dramatically reshaped the vacation rental market in the city. People are using sites like Craigslist, Facebook, Houfy, and others, where they can search for guests or places to book without the checks and

balances of booking platforms like Airbnb. Hotel prices are expected to rise with more demand.

Michigan can expect to see the same. Property owners have a strong incentive to continue renting under the table and off the (official) books. Had Michigan's communities chosen a less heavy-handed approach to short-term rentals, they could have benefitted from the associated taxes and fees. Overregulation, meanwhile, drives rentals (and the accompanying benefits to municipalities) underground. That's hardly a satisfying solution for any of the interests involved.

A better way would be for communities to adopt a balanced approach. Cities should enforce

ordinances – particularly those regarding noise, traffic and safety – without total bans. Doing so would protect the peace and character of our communities without infringing on private property rights.

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