

The Hidden Trade-Off: Short-Term Rentals, Downtown Momentum, and Historic District Health

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Part 1:

Vacancy and Productive Reuse

Would you rather have this building stay vacant?



Or could this become productive downtown lodging?

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Vacancy Is Not Neutral



An empty building still shapes the district. It affects district image, economic activity, neighboring investment, and confidence in what comes next.

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Conduct a building inventory in your downtown



Become an expert of your own downtown. Take pictures of buildings, catalog current businesses in operation, review ownership information, and note any for sale/for lease data.

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Calculate the cost of an empty building



Building Owner	$8,400 in rents $5,040 in property value
Local Government	$1,000 in property tax $5,000 in sales tax
State Government	$15,000 in sales tax
Utility Companies	$4,700 for utilities, telephone & internet
Banks	$39,500 in loan demand $2,200 in bank fees & interest $17,000 in deposits
Suppliers	$1,300 in maintenance & repairs $500 in printing and copying $900 in supplies
Professional Services	$2,700 in insurance premiums $900 in legal & accounting fees $500 in property management fees
Media	$6,200 in advertising, marketing & PR
Workers	$56,800 as employees of that businesses $31,500 in business owner's profit $24,100 workers in community

Source: PlaceEconomics

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The Value of Putting an Upper Floor Back to Use



Annual Benefit to a Downtown Economy from an Upper-Story Unit Rented to a Couple Between $500- and $1,000 per month

Food at Home	$1,898 - $3,795
Food & Drink Out	$807 - $1,613
Rent	$6,000 - $12,000
Maintenance& Upkeep	$4,606 - $9,213
Furniture & House Goods	$560 - $1,121
Transportation Related	$1,909 - $3,819
Health Related	$789 - $1,577
Entertainment	$934 - $1,868
Personal Services	$314 - $629
Other Services	$977 - $1,944

Source: PlaceEconomics

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“Vacant” doesn’t tell us enough



Different vacancy conditions call for different responses.

Transitional
A short-term gap between tenants or uses.

Structural
The space can’t be occupied until physical or code issues are addressed.

Frictional
The space is usable, but the right tenant, buyer, or use hasn’t connected yet.

Strategic
The owner is intentionally holding the property for a future plan or opportunity.

Chronic
The property has been vacant long enough that decline and district impact are becoming part of the problem.

Seasonal
The space is only active during certain parts of the year.

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Three Conditions Matter Most Today



Structural
Physical barriers prevent use: roof, code, utilities, accessibility, HVAC, deferred maintenance.

Needs investment before it can work.

Frictional
The building can function, but the right user, tenant, or buyer has not connected yet.

Usable, but waiting for the right fit.

Chronic
The building has been empty long enough that deterioration and district impact are now part of the problem.

The building now shapes the district around it.

The reuse should fit the vacancy condition.

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Preservation Needs Productive Uses



Preservation can’t rely on good intentions alone. Buildings need uses that generate enough activity, revenue, or community value to justify continued investment.

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Part 2:

Short-Term Lodging Enters the Equation

What's the state of your upper-stories?



Upper stories are often the hardest part of the building to reuse. They can also be the piece that makes the financial model work.

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When Short-Term Lodging Enters the Equation

Sometimes the economics change the reuse conversation



What if long-term rent won’t support the rehabilitation, but short-term lodging will?

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What Short-Term Lodging Can Make Possible



Short-term lodging can help finance difficult rehabs, provide lodging where a hotel may not work, and place visitors directly inside the downtown experience.

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Three Ways Lodging Can Support Reuse

The opportunity looks different from one downtown to another.



HAVANA

Fill a lodging gap

Visitor demand can support small-scale lodging where a conventional hotel may be difficult to sustain.



ALEDO

Put upper floors back to work

Downtown reinvestment shows how bringing long-underused space back into productive use can strengthen the larger building.



MONTICELLO

Use historic properties as part of the stay

Short-term lodging has been added in historic properties around downtown and in nearby neighborhoods, giving visitors another way to stay close to the community rather than outside it.

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Staying Downtown Changes the Experience

A place to sleep can also become a way into the community.

Walk

Businesses and destinations become part of the stay.

Discover

Historic architecture and local character are outside the door.

Stay Longer

Evenings and mornings become part of the downtown experience.

Spend Locally

Restaurants, coffee, retail, entertainment, and services benefit.



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Part 3:

The Hidden Trade-Off

What Was Here Before?

The impact depends on what the short-term rental replaces.



VACANT FOR 20 YEARS → SHORT-TERM RENTAL

Adds productive use

Rehabilitation, revenue, visitor activity



LONG-TERM APARTMENT → SHORT-TERM RENTAL

Changes who the space serves

Less year-round housing, more visitor lodging



OWNER-OCCUPIED HOME → SHORT-TERM RENTAL

Changes neighborhood function

Less permanent presence, more transient use

Before asking, “Should we allow this?…” ask a simpler question first: What was this space doing before? That tells us much more about the actual trade-off.

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Occupied Doesn’t Always Mean the Same Thing

Each use puts a different kind of activity into the district.

VACANT	LIVE	VISIT
Little daily activity	Year-round routines	Visitor spending
Growing building risk	Neighborhood presence	Lodging capacity
No resident or guests	Regular local connection	Shorter, concentrated stays

The preservation question is what mix supports the building and the district over time.

- A long-term resident contributes something a weekend visitor does not.
- A visitor may contribute spending and demand that the resident does not.
- Vacancy contributes very little to either.

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Who Owns It, and Who Stewards It?



Ownership doesn't automatically tell us stewardship.

- Who maintains it?
- Who responds when something goes wrong?
- Who reinvests?
- Who notices what happens next door?
- Who has a stake in the district?

Local ≠ automatically good.

Out of town ≠ automatically bad.

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One Property Becomes a Pattern



1 Short-Term Rental

Reuse decision

5 ON THE BLOCK

Activity changes

20 IN THE DISTRICT

Function changes

At some point, individual decisions create a shared condition.

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What Function Is the District Serving?

Healthy historic districts usually do more than one thing well.

LIVE	WORK	VISIT	SHOP	GATHER
Year-round residents	Employment & services	Lodging & tourism	Retail & dining	Civic & social life

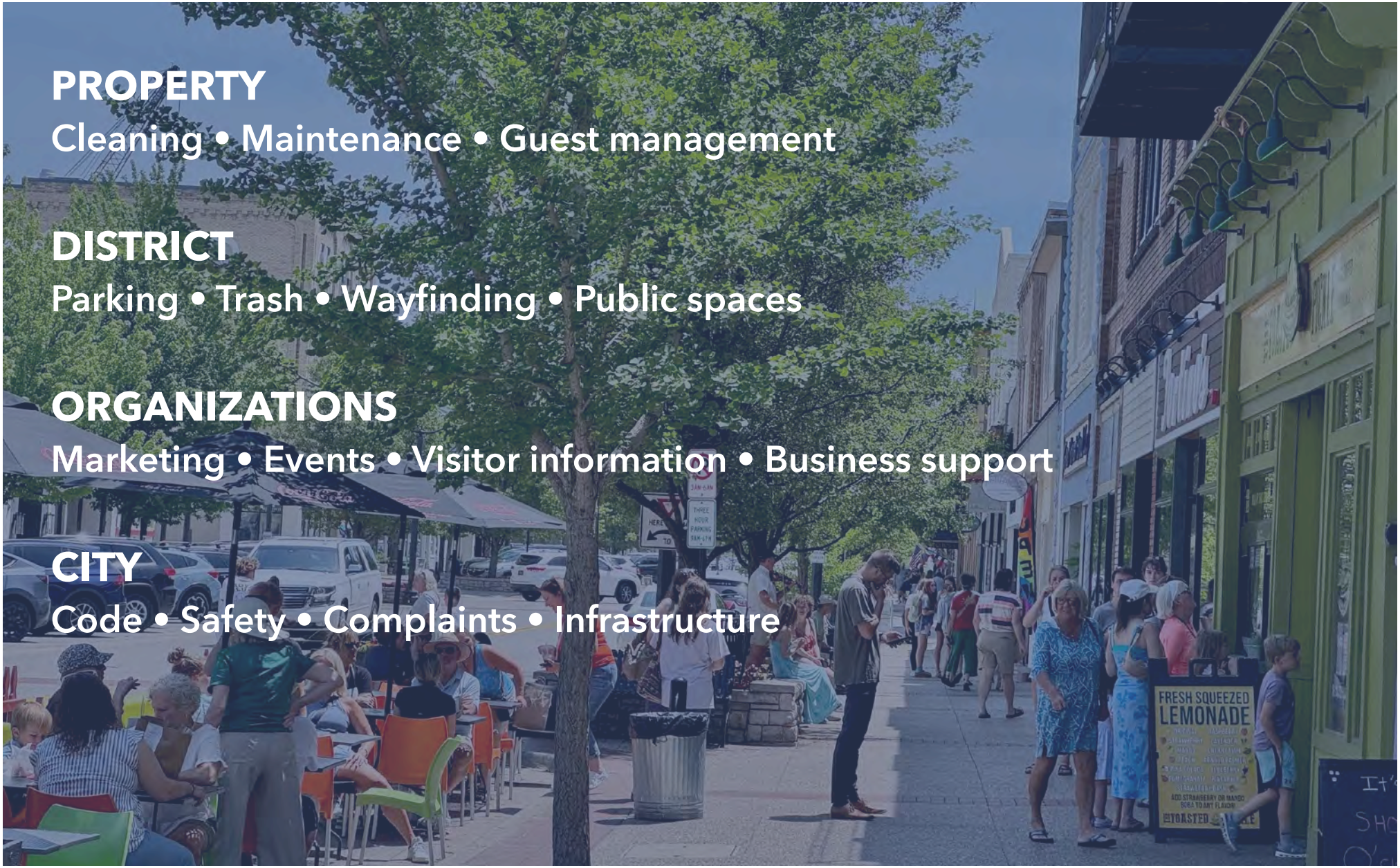
Historic downtowns function as neighborhoods, commercial centers, workplaces, visitor destinations, and gathering places.

The concern begins when one function starts making the others significantly harder.

Momentum question: Does this pattern make the next good investment easier or harder?

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Who Carries the Visitor Economy?



As visitor demand grows, does local capacity grow with it?

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Part 4:

Audience Exercise

Round 1: Pick the Property

Which property is the strongest candidate for short-term lodging?



A | SAVE THE BUILDING

Vacant for 24 years

Major structural work needed

Local owner

8 STR suites proposed



B | CHANGE THE USE

4 occupied apartments

Recently redeveloped

Out of town owner

Convert all 4 to STRs



C | FILL A MARKET GAP

Usable upper floor

Vacant 18 months

No hotel in town

2 STR units proposed

Talk to your neighbor. Take a couple of minutes to decide. Explain your reason.

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Round 2: Now Add the District

The buildings stay the same, but the community has changed.

- 14 STR permits are already concentrated on two downtown blocks
- Long-term rental availability is tightening
- The city is considering a cap on new STR licenses
- New STRs must provide off-street parking
- Ground-floor commercial space must remain commercial in the core district



Does anyone change their answer? What fact mattered most?

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Round 3: One More Change

Building A may not have much more time.

Structural deterioration has accelerated.

Without a feasible rehabilitation plan within 18-24 months, demolition may become a realistic possibility.

What are you protecting?

- BUILDING
- HOUSING
- VISITOR CAPACITY
- PUBLIC RESOURCES
- DISTRICT BALANCE



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The 6 Questions Behind the Decision



The policy conversation gets better when the diagnosis gets better.

1. What problem are we trying to solve?
2. What does this use save or make possible?
3. What does it replace?
4. Who owns it, and who stewards it?
5. What happens if this becomes the pattern?
6. Who carries the added work, and do they have the capacity?

These questions won't tell you whether to approve an STR. They'll help you understand what you are actually deciding.

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Part 5:

District Durability

Two Tourism Economies. Two Different STR Questions.

Context determines the trade-off.



CYNTHIANA, KENTUCKY

Growing the destination

Strong fall tourism identity
Real weekend demand
Downtown businesses benefit
Limited conventional lodging

Question:
How do you add lodging without outrunning local capacity?



GRAND HAVEN, MICHIGAN

Managing the destination

Established visitor economy
Strong seasonal demand
STRs permitted in selected districts
Ground-floor commercial function protected

Question:
How do you add lodging without giving up the mixed-use district?

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What Makes a Historic District Durable?



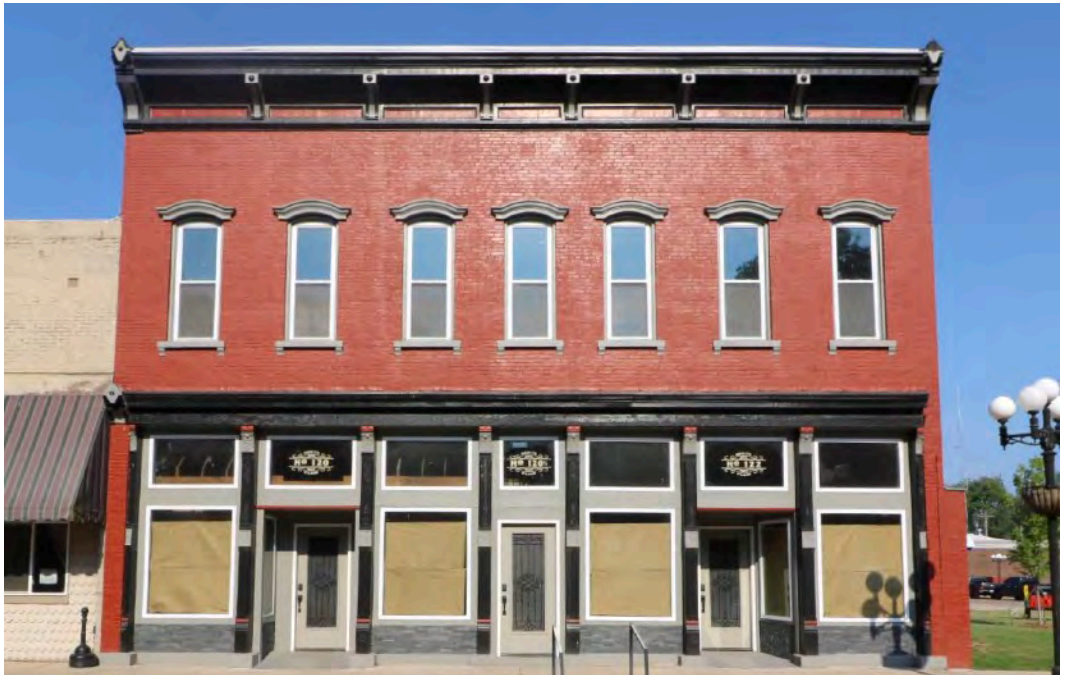
Historic district health means the place continues functioning over time, not simply that the façades survive.

- ✓ Buildings worth investing in
- ✓ Uses capable of supporting those buildings
- ✓ People present throughout the year
- ✓ Owners who steward their properties
- ✓ Businesses that benefit from activity
- ✓ A mix of uses that keeps the district functioning

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What Should Communities Watch Over Time?





STR concentration by block or district

Long-term housing loss

Reinvestment in historic buildings

Parking and code impacts

Ground-floor commercial retention

Year-round activity

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Examples

Aledo, Illinois



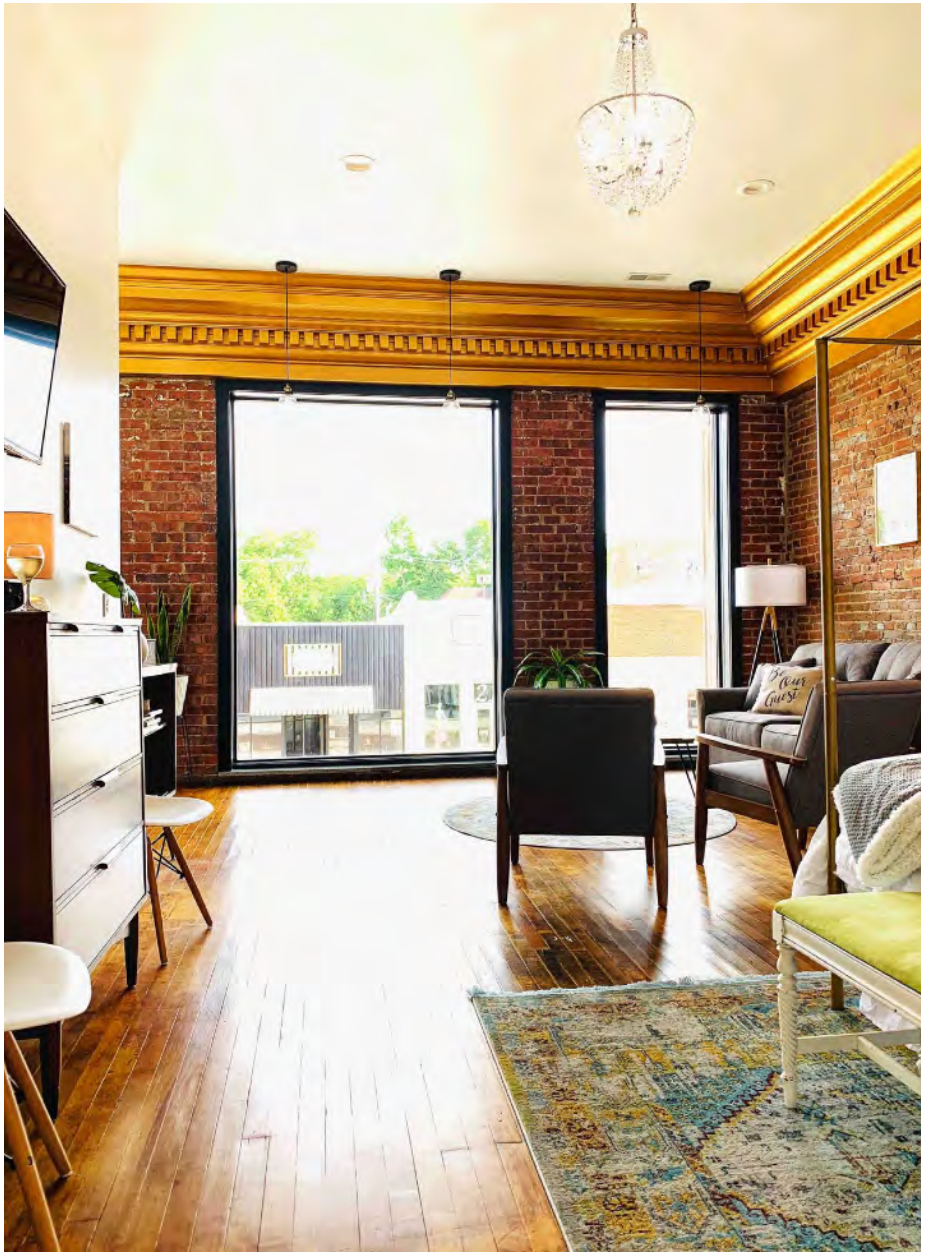




Listen to WRMJ Studios live from downtown and stay at the Cooper Building lofts.

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Havana, Illinois







Explore historic Havana and experience the Havana Lofts.

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Monticello, Illinois







The Red House provides a place to stay while the Green Door speakeasy is a place to play in the basement.

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Cynthiana, Kentucky







A cozy and private apartment in the heart of downtown Cynthiana.

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Thank You!



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Questions?

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