

VII. Staff Report of Research on Short-Term Rental Ordinances

Background

- A Short Term Rental (STR) is a use emerging in residential neighborhoods
- RL (Residential Low Density) district is the predominant zoning district for City's residential neighborhoods and housing
- Currently Short Term Rentals are not authorized in RL district
- Recent bills introduced to state legislature would pre-empt authority of jurisdictions without an ordinance regulating Short Term Rentals ("STR")

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Similarities to Other Uses

- Hotels and Bed and Breakfasts
 - Each guest stays less than 30 days
 - Hotels are only allowed in commercial districts BB and GB
 - Bed and Breakfasts allowed only in RM by SEP, and RH administratively
- Accessory Apartments
 - Portions of a dwelling or accessory structure rented for longer than 30 days
 - Administratively allowed only as part of a detached single-family dwelling
 - Requires an SEP to be located in an accessory structure

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Key Definitions and Terminology

- "**Short-term rental**" means the provision of a room or space that is suitable or intended for occupancy for dwelling, sleeping, or lodging purposes, for a period of fewer than 30 consecutive days, in exchange for a charge for the occupancy.
 - "hosted" STR - A hosted STR is one where the homeowner resides on the premises during its operation as an STR
 - "non-hosted STR" - A non-hosted STR is a dwelling that is not occupied by the owner when rented to users. Typically these are managed by an off-site owner.
- "**Operator**" means the proprietor of any dwelling, lodging, or sleeping accommodations offered as a short-term rental, whether in the capacity of owner, lessee, sublessee, mortgagee in possession, licensee, or any other possessory capacity.

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Key Benefits from STRs

- Supplemental income for homeowners who host
- Supplemental income can help make homeownership more affordable
- Generates additional tax revenue from transient occupancy taxes
- Provides a different type of lodging from typical hotels that can meet different demands/needs
- Additional lodging can encourage tourism of the City and region
- Can serve to attract future residents if visitors enjoy their stay

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Key Impacts/Concerns for STRs

- Parking and Traffic
- Noise related to parties
- Loss of residential character
- Allowing non-hosted units spurs investors to acquire residential properties in neighborhoods and operate as a commercial revenue generating use, which can lead to a reduction of affordable housing for owner residents.
- Competition for non-hosted units can lead to bidding wars that can price out owner residents due to an increase in prices in comparison quotes for nearby dwellings.
- Excessive occupancy that may exceed safety ratings for structures intended for residential use.
- Change in demand for City services, such as police patrols, garbage disposal and recycling services, water and sewer usage

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Trends Among Other Jurisdictions

- All localities require written consent from the property owner in some form (via letter, signature on permit application, etc.).
- Many localities allow STRs in neighborhoods where the property owner resides at the STR (“hosted STR”).
- Many localities allow hosted STRs by an administrative process (home occupation permit, zoning permit, short term rental application, etc.).
- All localities impose taxes on the use (required by the state).
- All localities require some sort of zoning approval that must be obtained prior to operation regardless of hosting status.
- Many localities require an inspection prior to operation for non-hosted STRs.

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Trends Among Other Jurisdictions

- All localities enforce penalties for not obtaining approval for an STR or for repeated violations of Code of Conditions of Approval (includes prohibition to operate as an STR).
- Not all of localities mention the use of a registry or a registry fee (this may be because of the exemption for licensed realtors). However, many localities do charge an annual fee for the STR use.
 - Either by registry or by annual permit.
- For localities that allow non-resident STRs, many require the equivalent of a Special Exception Permit and contact information for the operator/authorized agent for the STR to be provided to the locality.

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PC recommendations:

- The STR ordinance should define a “resident hosted STR” use, which is an STR use operated by an on-site resident.
- The STR ordinance should define a “non-hosted STR” use, which is an STR operated by an off-site owner.
- The STR ordinance should establish a legislative approval process for “non-hosted STR” uses via a Special Exception Permit (SEP).
- The STR ordinance should establish parking standards for STR uses.
- The STR ordinance should limit the number of STR uses within a specific residential neighborhood.

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PC recommendations :

- The STR ordinance should establish an inspection process prior to the operation of an STR.
- The STR ordinance should limit the number of guests allowed in the unit.
- The STR ordinance should regulate the number of guest pets allowed in an STR.
- Signs for STR uses should be prohibited in residential neighborhoods.
- STR uses should be limited near schools.

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Staff recommends requiring:

- Written permission from property owner for property to operate as a Short-term Rental;
- Zoning approval prior to operation of the STR;
- Penalties for non-compliance with City Code.

State of Virginia requires:

- Tax collection for the use (§ 58.1-3826. **Scope of transient occupancy tax.**)

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Scope and Timeline for Ordinance Adoption

- June 20 – CC worksession to get CC direction
- July – start drafting using City Council Recommendations
 - Compile relevant portions of ordinances to regulate STR for sample language
 - Coordinate with other City agencies for input
- Prior to PC PH
 - Council Preview of Draft Ordinance
 - Publish proposed draft on website to allow public review and comment
- Sept. or Oct. – PC public hearing
- Oct. or Nov. – CC public hearing
- Nov. or Dec. – CC 2nd reading

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Key Points to Remember

- The overall objective is to get regulations for the use adopted before any new state law prohibits local restrictions of STRs.
- The recommendations are general and will be refined during ordinance drafting.
- The formal ordinance to regulate STRs will come before Council at a future date.
- STR uses still required to meet all City codes and requirements:
 - Building Code
 - Property Maintenance Code
 - Zoning Ordinance
 - Noise Ordinance
 - Tall Grass Ordinance
 - Exterior Storage and Clutter Ordinance
 - Limits to number of animals (Chapter 98-10)

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Staff Recommendation

Staff recommends City Council provide direction regarding:

- (i) Planning Commission recommendations,
- (ii) Staff recommendations, and
- (iii) key topics under Council's purview.

Upon such direction, Staff will develop a DRAFT ordinance for the regulation of Short Term Rental uses to be brought forward to Council for consideration at a future Council meeting.

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Key issues to discuss - Staff recommendations:

- Written permission from property owner for property to operate as a Short-term Rental
- Zoning approval prior to operation of the STR;
- Tax collection for the use (required by the State); and
- Penalties for non-compliance with City Code.

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Key issues to discuss:

- Should the STR ordinance establish an administrative approval process for “hosted STR” uses?
 - Planning Commission was split on this recommendation (3-3).
- Should an accessory structure be allowed to operate as an STR?
- Does City Council want an annual registration process and fee for STRs?
- Does City Council want penalties in place for non-compliance with the STR ordinance?
- How does City Council want to address STR uses operating at this time?