



To: Council Committee on Economic Sustainability
From: Judy Johnson, Interim Planning Director
Anya Grahn, Senior Planner
Date: March 6, 2020
Subject: Short Term Rental Regulations

Background:

What is a Short Term Rental (STR)?

Staff has proposed the following definitions:

1. **Hosted Short Term Rentals:** nightly rental of room(s) or accessory apartment within a private, resident-occupied residential dwelling unit to transients for compensation for a duration not to exceed thirty (30) consecutive days and where the use is subordinate to and incidental to the main residential use of the dwelling unit.
2. **Unhosted Short Term Rentals:** nightly rental of a principal residential dwelling unit to transients for compensation for a duration not to exceed thirty (30) consecutive days, for a maximum of ninety (90) days per year. A principal residential dwelling unit shall be occupied by the resident domiciled at that location for a cumulative minimum of 275 days per calendar year.
3. **Dedicated Short Term Rental:** nightly rental of a residential dwelling unit or accessory structure that is not used as a principal residential dwelling unit to transients for compensation for a duration not to exceed thirty (30) consecutive days.

Time Line:

Prior to June 2019

- Town received complaints about STRs
- Staff found that the Land Use Management Ordinance (LUMO) did not address this issue and began researching STRs

June 12, 2019

CHALT, Chamber for a Greater Chapel Hill-Carrboro, and local hoteliers submitted a [petition](#)¹ asking that the Town of Chapel Hill regulate short-term rentals.

June 19, 2019²

Council adopts [Resolution](#) authorizing the Town Manager to:

- Develop updated standards for STRs for Council consideration with input from community stakeholders
- Conduct short-term enforcement efforts consistent with Council direction
- Conduct an education campaign on any new STR standards adopted prior to their implementation
- Explore possible assistance with local STR identification and enforcement, and evaluate a new STR annual permitting fee from operators

September 11, 2019

³

Council adopts [Resolution](#)⁴ creates charge for the Task Force focused on dedicated STRs:

- Identify goals for ordinance
- Identify impacts of possible STR regulations on stakeholder groups
- Develop a set of final recommendations for regulations

October 2019-February 2020

STR Task Force meets monthly to discuss topics related to STRs. All meeting materials are available on the [STR webpage](#)⁵.

February 5, 2020

STR Task Force completes their study and makes findings for the Town Council to consider (see attached).

¹ <https://chapelhill.legistar.com/View.ashx?M=F&ID=7306654&GUID=5BAABE66-6F2E-4458-9F12-C2FE2F1F209E>

² <https://chapelhill.legistar.com/LegislationDetail.aspx?ID=3985501&GUID=BFA3AA22-D1D1-4D51-9285-1C4FE6B2FF99>

³ <https://chapelhill.legistar.com/LegislationDetail.aspx?ID=4126810&GUID=F8BA0754-AAA2-474C-B0EB-4D344C4711C9>

⁴ <https://chapelhill.legistar.com/View.ashx?M=F&ID=7703597&GUID=589BAB1F-CADF-41BE-8F06-C7C5DF50D462>

⁵ <https://www.townofchapelhill.org/town-hall/departments-services/planning/plans-and-ordinances/short-term-rentals>

Market Trends:

AirDNA⁶ has found for the month of February:

- Over 330 Active Rentals
- About 71% of these are entire home rentals; 29% are private room rentals
- The average rental size is 2.1 bedrooms and 5.3 guests
- The average daily rate was \$108 for an entire home and \$50 for a private room
- The occupancy rate was 65%. This is determined by the number of days a unit was booked versus the number of days a unit was available online.

The Visitor's Bureau has provided the following AirDNA analysis:

	Supply			Demand			STR Revenue		
Submarket:	2018	2019	Change	2018	2019	Change	2018	2019	Change
Chapel Hill	47,189	59,625	26.4%	26,677	35,559	33.3%	\$4,080,090	\$5,936,910	45.5%

Between 2018 and 2019, revenues increased by 38.6% or \$2,434,265 for Orange County as a whole. The majority of STRs are located in Chapel Hill, and the Town has a market share of 80.9%. The following apply to the table above:

- Supply: the number of nights STR units were available for the year.
- Demand: the number of nights STR units were booked during the year.
- Revenue: the amount of funds STRs generated during the year.

The data provided in the table above represents calendar years 2018 and 2019. AirDNA has shown that our market rental demand is about 72; the higher the score, the higher the travel demand is for our market. This calculation is based on annual occupancy and growth rates in the number of listings.

Present:

Possible Ordinance Provisions:

Staff is requesting Town Council's feedback on the following ordinance provisions for all three (3) types of STRs (note that Task Force recommendations relate specifically to Dedicated STRs):

- **Zoning Districts**

Opinions on the Task Force ranged from allowing STRs to operate in all zones where residences are permitted to not allowing dedicated STRs at all. Staff recommends that existing STRs, regardless of location, be allowed to continue operation so long as they register with the Town; however, all new dedicated STRs would be limited to only commercial and mixed use zoning districts. Additionally the Task Force and staff have discussed setting a cap on the number of permits issued for new dedicated STRs.

Hosted and unhosted STRs would continue to be permitted anywhere residential uses are allowed.

- **Occupancy Caps**

The Task Force found that there should be a cap on the number of guests allowed per dedicated STR unit. Many were supportive of limiting the number to two guests per bedroom plus an additional four guests. Staff heard concerns from the community that this would allow "party houses" to continue as the provision would allow eight guests in a two-bedroom unit. Staff has found that many communities set the occupancy cap at two guests per bedroom plus two additional guests, excluding children under 12.

For hosted rentals, staff recommends allowing that the maximum number of guest bedrooms shall be one less than the total number of bedrooms in the dwelling unit, not to exceed three (3) guest bedrooms.

- **Designated Responsible Party**

The Task Force found that there must be someone available at all times to respond by phone or on

⁶ AirDNA does not differentiate between STRs located inside and outside of town limits; it collects data from all STRs with a Chapel Hill address. <https://www.airdna.co/vacation-rental-data/app/us/north-carolina/chapel-hill/overview>

site in case of an emergency or nuisance. The Task Force supported having a designated responsible party that could respond on-site within two hours. Many communities have required that the designated responsible party respond within one hour to mitigate impacts to the neighborhood. Staff recommends that a designated responsible party be required only for dedicated and unhosted STRs as the resident would be on-site with the guest for hosted STRs.

- **Safety Standards**

All members of the Task Force agreed there should be standards. Staff recommends that the Town Manager prescribe items to include on a safety inspections checklist based on the input of the STR Task Force. Staff recommends STR operators complete a self-inspection with a signed affidavit at registration and permit renewal.

- **Simultaneous rental agreements.**

STRs are not intended to create bed and breakfasts or motel/hotel lodging. Staff finds that there should only be one (1) rental agreement per parcel at a time. Staff is not supportive of there being separate rental agreements with separate parties for different rooms of a house or between a house and accessory dwelling unit.

- **Addressing Existing STRs.**

Existing STRs would be required to register with the Town by receiving a permit. STR operators demonstrating that they were in operation prior to March 25, 2020 would be permitted in any zoning district and would be allowed to have simultaneous rental agreements. Existing STRs would still have to comply with Occupancy Caps, Designated Responsible Party, and Safety Standards.

All new STR operators would be required to comply with the new regulations. Hosted and Unhosted STRs could continue to operate anywhere residential uses are permitted; however, Dedicated STRs would be limited to those zoning districts where commercial activities, such as hotels, are permitted.

- **“Three strikes, you’re out” policy**

Staff recommends that the Town reserve the right to revoke a STR permit should the operator receive validated complaints for three (3) separate issues. These issues could include a zoning violation or nuisance complaint.

What we’ve heard from the community:

Public comment was provided at STR Task Force meetings during the meeting and via email.

Common issues staff heard included:

- STRs are no different than long-term rentals and should not be treated differently.
- Bad guests/operators are more of a nuisance to higher density developments such as townhouse and condo complexes compared to those in single-family residential neighborhoods.
- Commercial creep of STRs into residential zoning districts detract from the full-time residential character due to transient guests in the neighborhood, additional parking demands, and noise.
- STRs should follow the same health and safety requirements as motels/hotels.

Attachments:

1. Draft Staff Presentation
2. Short Term Rental (STR) Task Force Findings