



To: Council Committee on Economic Sustainability
From: Judy Johnson, Interim Planning Director
Anya Grahn, Senior Planner
Date: October 2, 2020
Subject: Short-Term Rental (STR) Regulations

Staff has heard from the Council and the community that additional research and data specific to Chapel Hill is required before amending the Land Use Management Ordinance (LUMO) to regulate short-term rentals (STRs). Council has also expressed an interest in permitting existing STRs while monitoring the impacts of STRs on the community. In response, staff proposes a two-step process to address existing and future STRs:

Step 1: Regulations for Existing STRs

Staff proposes moving forward with a STR ordinance that would:

1. Legalize all existing Hosted, Unhosted, and Dedicated STRs by requiring STR operators to receive a STR permit. As part of the permit application, Dedicated and Unhosted operators will be asked to demonstrate that their operation existed prior to an established cutoff date. Any future changes to the LUMO would make these existing STRs legal nonconforming uses.
2. Prohibit new Dedicated and Unhosted STRs, those started after the established cutoff date, to receive a STR permit. New Hosted STRs would be allowed.
3. Establish operational requirements, safety standards, and provisions to allow the Town to revoke permits after three violations.

Step 2: Regulations for Future STRs

Following adoption of an ordinance regulating existing STRs, staff would pause to:

1. Collect additional data and observe trends based on the permit applications that can then be shared with Council.
2. Draft an ordinance for STR LUMO text amendments (LUMOTA) to address future STRs, those that did not comply with the cutoff date of the previous ordinance.

Council Input Requested

1. Cutoff date. Staff proposes establishing a cutoff date in the ordinance and requiring STR operators to demonstrate they were in operation prior to the cutoff date. Dates to consider are:
 - a. March 6, 2020 (Date of the last CCES Meeting when STRs were reviewed)
 - b. October 2, 2020 (Date of CCES Meeting)
 - c. January 2, 2021 (Future date)
 - d. Other Council ideas
2. Occupancy Cap. There has been significant discussion around limiting the number of guests per STR. While the occupancy cap is based on the number of bedrooms in a rental unit, it is not intended to dictate sleeping arrangements but rather prevent nuisances related to overcrowding, such as noise, parking, and traffic. Does Council agree with the 2 guests/bedroom + 2 guests occupancy cap (does not include children under age 12)?

Where We're Going:




Time	Key Steps
January 2021	<ul style="list-style-type: none"> • Council adopts ordinance • Applications made available to STRs in operation as of the cutoff date. • Hosted STRs become a permitted use. • Applications for Unhosted and Dedicated STRs must be submitted within 60 days of ordinance enactment.
Spring/Summer 2021	<ul style="list-style-type: none"> • No new Dedicated or Unhosted STR permit applications accepted. • Identify trends based on the STR permits, including location of STRs. • Prepare recommendations for Council's consideration. • Finalize draft regulations for future STRs

Summer 2021	<ul style="list-style-type: none"> Public Information Meeting Advisory Board review and recommendations to Town Council
Fall 2021	<ul style="list-style-type: none"> Council Public Hearing Council Action New STR permit applications accepted after adoption of new regulations.

BACKGROUND

Overview

A STR is the renting of all or part of a residential dwelling unit for a period of less than 30 days for compensation. STRs generally fall into three (3) categories:

<u>Hosted STR (aka Homestay)</u>	<u>Unhosted STR</u>	<u>Dedicated STR</u>
		
<p>Nightly rental of room(s) or an accessory apartment located on the same site as a private, resident-occupied dwelling.</p> <p>The use is subordinate to and incidental to the main residential use of the dwelling unit.</p>	<p>Nightly rental of a principal residential dwelling unit or an accessory apartment located on the same site as a private, resident-occupied dwelling, for a maximum of ninety (90) days per year.</p> <p>A principal residential dwelling unit shall be occupied by the resident domiciled at that location for the majority of the calendar year.</p>	<p>Nightly rental of a residential dwelling unit or accessory structure on a site that is not used as a principal residence.</p>
Resident is on-site with guests	Resident has vacated the site during the guests' stay	There is no resident. The site is only used for STRs.

The current Land Use Management Ordinance (LUMO) predates the phenomenon of the shared economy and the rise of STRs. Currently, the LUMO allows residents to rent their primary residence for up to 14 days per year without a permit; however, STRs are not specifically addressed. STRs may be considered under the following LUMO definitions which do not accurately reflect the STR use:

- Home Occupation (allowed in most zoning districts)
- Tourist Home (allowed in non-residential zoning districts)
- Overnight Lodging (limited to the Blue Hill District)

The number of STRs has significantly increased in the last five years with the support of websites such as Airbnb, Homeaway, and VRBO. Prior to the pandemic, staff reported that there were over 300 STRs operating in Chapel Hill; however, more recent data from [AirDNA](https://www.airdna.co/vacation-rental-data/app/us/north-carolina/chapel-hill/overview)¹ shows that there are currently about 245 rentals.

¹ <https://www.airdna.co/vacation-rental-data/app/us/north-carolina/chapel-hill/overview>

Where We've Been

Date	Activity
June 12, 2019	CHALT, Chamber for a Greater Chapel Hill-Carrboro, and local hoteliers submitted a petition ² asking that the Town of Chapel Hill regulate short-term rentals.
June 19, 2019 ³	Council adopts Resolution authorizing the Town Manager to develop updated standards for STRs for Council consideration with input from community stakeholders and conduct short-term enforcement efforts consistent with Council direction.
September 11, 2019 ⁴	Council adopts Resolution ⁵ creating charge for the STR Task Force focused on dedicated STRs, including creating ordinance goals, identifying impacts of possible STR regulations on stakeholder groups, and developing 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 project webpage ⁶ .
February 5, 2020	STR Task Force completes their study and makes findings ⁷ for the Town Council to consider.
March 6, 2020	Council Committee on Economic Sustainability meets to discuss STRs. Meeting agenda and materials are available on the STR project webpage .
June 17, 2020 ⁸	Council dissolves the Task Force and authorizes the Town Manager to review the STR Task Force's Final Findings and consider next steps.

Update Since the 3.6.2020 CCES Meeting

Staff had planned a second open house on March 16, 2020 to receive public input on proposed STR regulations; however, this open house was canceled due to the pandemic. Staff took additional steps to provide the community the opportunity to learn more about STRs and provide feedback:

- [Story Map](#)⁹. On May 22, 2020, staff launched an interactive webpage that provides an overview of STR statistics and the work completed on this project.
- Survey. Staff also adapted the open house to an online survey that was open from May 29, 2020 through June 28, 2020. Staff received 121 responses to the survey.

Survey Questions:

The survey asked participants to provide feedback on the following:

- Proposed definitions for Hosted, Unhosted, and Dedicated STRs
- Operational Standards and Requirements
- Limitations to the number and location of STRs

Survey participants had the opportunity to provide direct feedback via open ended questions. The responses demonstrate the community's various and strong positions supporting and opposing STRs. Survey results are available at: <https://chplan.us/ChapelHillSTRs>.¹⁰

² <https://chapelhill.legistar.com/View.ashx?M=F&ID=7306654&GUID=5BAABE66-6F2E-4458-9F12-C2FE2F1F209E>

³ <https://chapelhill.legistar.com/LegislationDetail.aspx?ID=3985501&GUID=BFA3AA22-D1D1-4D51-9285-1C4FE6B2FF99>

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

⁵ <https://chapelhill.legistar.com/View.ashx?M=F&ID=7703597&GUID=589BAB1F-CADF-41BE-8F06-C7C5DF50D462>

⁶ <https://www.townofchapelhill.org/town-hall/departments-services/planning/plans-and-ordinances/short-term-rentals>

⁷ <https://www.townofchapelhill.org/home/showdocument?id=45087>

⁸ <https://chapelhill.legistar.com/LegislationDetail.aspx?ID=4569907&GUID=3243B43C-A063-46AB-8885-7BC99D867FC1>

⁹ <https://chplan.us/CHSTRStoryMap>

¹⁰ <https://chplan.us/ChapelHillSTRs>

Survey Trends:

Staff has compared the initial STR Survey launched in fall 2019 to the results of the recent STR Open House Survey. Staff finds:

- In 2019, 49.6% support Hosted STRs, but there was less support for Unhosted (29.5%) and Dedicated STRs (19.4%). Comments from the 2019 and 2020 surveys on these two types of STRs generally expressed concerns for commercial creep into residential neighborhoods and impacts to full-time residents when guests go unmonitored.
- The community continues to have concerns about parking, neighborhood character, noise, commercial activity in residential neighborhoods, and the maintenance of rental properties.
- STR operators generally view STRs as a residential use and believe they are providing a needed service in Chapel Hill, taking steps to ensure the safety of their guests, and mitigating impacts to their neighbors.

Attachments:

1. Draft Staff Presentation