



To: Council Committee on Economic Sustainability
From: Colleen Willger, Planning Director
Anya Grahn, Senior Planner
Rebecca Badgett, UNC School of Government
Date: March 5, 2021
Subject: Short Term Rental Regulations

Decision Points:

1. Agreement with revised definitions that have joined Hosted and Unhosted short-term rentals (STRs) into a single definition and use category of Primary Residence STR.
2. Reaffirm that Council is interested in allowing Dedicated STRs
3. Consider placing a cap on the number of Dedicated STRs.

Background:

Council feedback:

Staff heard the following from Council at recent meetings:

| | |
|---|--|
| CCES Meeting October 2, 2020 | <ul style="list-style-type: none"> • Consider regulations for dedicated STRs separately from hosted and unhosted STRs, as dedicated STRs potentially have a greater negative impact on residential neighborhoods • STRs are a business that require regulation • Interest in safety standards |
| Council Work Session December 2, 2020 | <ul style="list-style-type: none"> • Allow dedicated STRs with density limitations, such as a cap on the number of STRs allowed per zoning district, a cap on the number of permits issued town-wide, or proximity limitations • Difficulty in setting a specific cap based on neighborhood, zoning district, or town-wide as there could be unintended consequences to a cap • Ensuring the cap is not an arbitrary number • Concerns for STR impacts on primarily residential neighborhoods • Recognition that permitting will help staff collect data which could inform refinement of caps • Interest in allowing existing STRs to remain in operation |

What is a Short Term Rental (STR)?

Staff is proposing the following definitions:

- **Primary Residence:** the dwelling unit or dwelling unit with an accessory apartment on a property in which the host resides a majority of the year (255 days or 70% or more of the time).
- **Primary Residence Short Term Rentals:** the rental of a primary residence that is rented wholly or partly for a fee for fewer than thirty (30) consecutive days to transient guests. (Staff previously used the terms Hosted STR and Unhosted STR to describe this scenario and this definition would encompass both scenarios.) No simultaneous rental contracts are permitted when the host is not on-site.
- **Dedicated Short Term Rental:** the rental of a residential dwelling unit(s) on a property that is not used as a primary residence and is rented in its entirety to one party of transient guests at a time for a fee for fewer than thirty (30) consecutive days. No simultaneous rental contracts are permitted.

Council Question: Are these definitions useful for establishing categories of STRs and developing different regulations for each?

Types of Rentals under the Proposed Definitions:

| Classification | Main House | Accessory Dwelling Unit (ADU) |
|------------------------------|--|---|
| Primary Residence STR | Occupied by resident for 270 or more days per year | Entirely rented out as a STR |
| | Rented out as a STR for 95 days or less per year to the same party renting the ADU | Entirely rented out as a STR |
| | Entirely rented out as a STR | Occupied by resident for 270 or more days per year |
| | Rented out as a STR for 95 days or less per year | Occupied by resident for 270 or more days per year |
| Dedicated STR | Rented out as a STR for more than 270 days per year | Entirely rented out as a STR |
| Prohibited | Entirely rented out as a STR to different party than ADU | Entirely rented out as a STR to different party than the main house |

STR Pilot Program

Staff proposes launching a STR pilot program. A STR ordinance would be adopted requiring Primary Residence and Dedicated STRs to receive a zoning compliance permit for the proposed STR use. Staff will use the permits to collect data and observe trends. Staff can then share updates with the Town Council and revise the adopted ordinance as necessary.

Staff and Rebecca Badgett, an attorney with the UNC School of Government, have researched six (6) years of STR trends and data to determine an appropriate cap on the number of STRs. Staff finds:

- 334 Active Primary Residence and Dedicated STRs in existence in March 2020
- 235 Active Primary Residence and Dedicated STRs in existence in January 2021
 - Estimated 179 Whole-House STRs in January 2021, including:
 - Estimated 148 Whole-House STRs in Residential Zoning Districts
 - Estimated 29 Whole-House STRs in Non-Residential Zoning Districts
- 218 Active Primary Residence and Dedicated STRs in existence in March 2021¹

Placing a cap on the number of Dedicated STR permits specific to residential zoning districts.

In December, Staff heard from Council there was an interest in implementing a cap on the number of Dedicated STRs permitted in each zoning district as well as a town-wide cap. Staff finds that it would be difficult to do a zoning district cap or town-wide cap due to implementation, recordkeeping, and permitting challenges. Staff recommends moving forward with a percentage cap for all Dedicated STRs in residential zoning districts. Homeowner Associations (HOAs) may choose to prohibit STRs outright within their communities.

Staff has found that most communities choose to either (1) allow or (2) prohibit Dedicated STRs in residential zoning districts. Some communities have set caps on the number of STR permits issued, such as [Wilmington's 2% cap](#)².

The cap would be based on the percentage of the total number of residential dwelling units that may be used as a Dedicated STR. The percentage of existing STRs can be used as a base for the cap;

¹ See AirDNA, accessed 3/1/2021: <https://www.airdna.co/vacation-rental-data/app/us/north-carolina/chapel-hill/overview>

² <https://www.wilmingtonnc.gov/departments/planning-development-and-transportation/short-term-lodging>

however, if the cap is based only on existing numbers, the Town would be grandfathering existing STRs and not permitting any new dedicated STRs. It would be more legally defensible to adopt a general cap that Council determines best preserves neighborhood character. As such, staff has considered the existing percentage of STRs and rounded each number up to the nearest half percentage to allow for some STR growth.

Based on the feedback from Council, the STR Task Force and the community, staff proposes:

1. **Allowing Dedicated STRs in all mixed-use and commercial zoning districts with no cap.** These areas have fewer single-family residences and provide many of the amenities and infrastructure that visitors need such as restaurants, shopping, and transit stops. Hotels and Tourist Homes are already an allowed use in many of these zoning districts, and there are no caps in place for these uses.
2. **Placing a cap on the number of Dedicated STRs in residential zoning districts.** Staff has heard concerns from the Council, STR Task Force, and community members about non-primary resident-occupied properties and impacts of unsupervised guests in residential neighborhoods.

Council Question: What should the cap be for Dedicated STRs in residential zoning districts? (Each of the following is based on 22,767 existing residential addresses.)

- A. 1% (228 permits)
- B. 1.5% (342 permits)
- C. 2%(455 permits)
- D. 2.5% (569 permits)
- E. 3% (683 permits)

Next Steps:

Staff has heard interest in adopting STR regulations by summer 2021. If Council provides clear guidance to staff at this meeting, staff would work towards the following schedule:

- March 24 – Call for Public Hearing
- April – Planning Commission review and recommendation to Town Council
- Early May –Town Council Public Hearing
- Late June – Town Council Action
- July through August – Education campaign, including health and safety recommendations, and developing STR application
- September – Implementation of a STR ordinance, including accepting applications and implementing enforcement software

Attachments:

1. Draft Staff Presentation
2. Short-Term Rental Summary
3. Background Information and Data
4. STR Map
5. Health and Safety Items
6. Short Term Rental (STR) Task Force Findings



Short-Term Rentals (STRs)

Project Timeline

- June 12, 2019:**
CHALT, Chamber for a Greater Chapel Hill-Carrboro, and local hoteliers submitted a petition asking that the Town of Chapel Hill regulate STRs.
- June 19, 2019:**
Council adopts resolution directing staff to develop updated standards for STRs with input from community stakeholders.
- September 11, 2019:**
Council adopts a resolution creating a charge for the STR Task Force focused on dedicated STRs.
- October 2019– February 2020:**
STR Task Force meets monthly to discuss topics related to STRs.
- February 5, 2020:**
STR Task Force completes their study and makes findings for the Town Council to consider.
- March 6, 2020:**
Council Committee on Economic Sustainability (CCES) meets to discuss STRs and receive update from staff on the work of the Task Force.
- June 17, 2020:**
Council dissolves the STR Task Force and directs staff to consider next steps.
- October 2, 2020:**
CCES meets to discuss STRs and possible ordinance provisions.
- December 2, 2020:**
Town Council meets during work session to discuss STRs. Council expresses interest in providing caps on the number of Dedicated STRs permitted in the community.

For more information, please visit: <https://chplan.us/ChapelHillSTRs>

What are STRs?

A short-term rental (STR) is the renting of all or part of a residential dwelling unit for a period of less than 30 days for compensation.

The emerging phenomenon in the number of STRs has significantly increased in the last five years with the support of websites such as Airbnb, Homeaway, and VRBO. The Town’s Land Use Management Ordinance (LUMO) predates the rise of STRs. It currently does not allow for this use, except under the definitions of Home Occupation, Tourist Home, and Overnight Lodging (in the Blue Hill District only).

Types of STRs:

| Primary Residence STR | Dedicated STR | |
|---|---|--|
| | | |
| Hosted STR | Unhosted STR | Dedicated STR |
| <ul style="list-style-type: none"> Primary resident (R) is on-site with guests (G) Nightly rental of a spare bedroom or accessory dwelling unit | <ul style="list-style-type: none"> Primary resident (R) is not on site with guests (G) and has vacated the site during the guests’ stay Nightly rental of a principal residential dwelling unit or an accessory apartment located on the same site as a private, resident-occupied dwelling | <ul style="list-style-type: none"> There is no resident (R). The site is only used for STRs Nightly rental of a residential dwelling unit or accessory structure on a site that is not used as a primary residence |
| <p>Current LUMO Provisions:</p> <ul style="list-style-type: none"> Home Occupation | <p>Current LUMO Provisions:</p> <ul style="list-style-type: none"> Tourist Home Overnight Lodging (Blue Hill District Only) | <p>Current LUMO Provisions:</p> <ul style="list-style-type: none"> Tourist Home Overnight Lodging (Blue Hill District Only) |

Proposed Definitions:

Primary Residence Short Term Rentals: the rental of a principal dwelling unit that is rented wholly or partly for a fee for fewer than thirty (30) consecutive days to transient guests.

Dedicated Short Term Rental: the whole-house rental of a residential dwelling unit that does not have a principal resident for a fee for fewer than thirty (30) consecutive days to tran-

Next Steps



- March 5: Town Council input at Council Committee on Economic Sustainability (CCES) meeting
- April: Public Information Meeting
- April: Planning Commission reviews ordinance
- May: Council reviews ordinance
- June: Possible Council action on ordinance

Exhibit 3 – Short-Term Rental (STR) Background & Data

University Towns and STRs

During the November 6, 2019 STR Task Force meeting, Rebecca Badgett, an attorney with the UNC School of Government provided an overview on how other university towns approach STR regulations. This table summarizes her findings and has been updated to reflect current conditions:

| College Town | Number of undergrads enrolled | Primary Residence (Hosted STRs) | Dedicated STRs |
|---|-------------------------------|--|---|
| Berkeley, CA ¹ | 31,870 | Up to 90-days of unhosted rentals | Prohibited |
| Boulder, CO ² | 29,624 | Accessory Dwelling Units limited to 120 days/year | Prohibited |
| Chapel Hill, NC | 19,117 | TBD | TBD |
| Fort Collins, CO ³ | 26,559 | Up to 90 days per year | Prohibited in high-density residential |
| Kansas City, MO ⁴ | 11,315 | Up to 95 days of unhosted rental | Year-round STRs require approval from 55% of adjacent property owners |
| Lawrence, KS ⁵ | 27,619 | Allowed. Owner is defined as residing in the unit for more than 270 days/year. | Prohibited in Single-Dwelling Residential zoning district |
| Madison, WI ⁶ | 33,456 | Up to 30 days of unhosted rentals | Prohibited |
| Nashville, TN ⁷ | 23,290 | Allowed | Not allowed in residential zones, but permitted in mixed-use and commercial zones |

¹ <https://www.codepublishing.com/CA/Berkeley/?comp-Berkeley23C/Berkeley23C22/Berkeley23C22.html>

² <https://bouldercolorado.gov/plan-develop/short-term-rentals>

³ <https://www.fcgov.com/shorttermrentals/>

⁴ https://library.municode.com/mo/kansas_city/codes/zoning_and_development_code?nodeId=ZODECOKAMI_30_0_SERIESUSRE_88-321SHTERERE_88-321-01AP

⁵ https://lawrenceks-my.sharepoint.com/:b/g/personal/webmaster_lawrenceks_org/EV5_eoKv5_BFigH4i5qMuDwB_C1vDwll_khuhL96OF6Yrg

⁶ <https://www.cityofmadison.com/dpced/bi/regulations/3449/>

⁷ <https://www.nashville.gov/Codes-Administration/Short-Term-Rentals/Permit-Types.aspx>

Short-Term Rentals and Motels/Hotels

Staff has provided a brief summary of the similarity and differences between short-term rentals and motels/hotels.

| Short-Term Rental | Motels/Hotels |
|--|--|
| <ul style="list-style-type: none"> Rental of all or part of a residential dwelling unit for compensation for 30 days or less Houses fall under residential building codes; multi-family units fall under commercial building codes. Responsible for paying occupancy tax. (Taxes are usually collected by hosting platform and remitted to the town) May be managed by a property owner or management company. Property owner sets the rental rate and duration. It may or may not be reflective of market demand. Emerged as part of shared economy, providing property owners an opportunity to rent unused space or housing units | <ul style="list-style-type: none"> A building or group of buildings containing in combination ten (10) or more lodging units intended primarily for rent or lease to transients by the day or week, as distinguished from residence halls, in which occupancy is generally by residents rather than transients. Fall under commercial building codes. Health and safety codes apply Responsible for paying occupancy tax. Motel/hotel staff is typically on-site to manage and aid guests |

Market Trends

Prior to the pandemic, the Chapel Hill community saw a significant growth in STRs. Since March 2020, the number of active STRs has decreased by 22.5%.

Many of the trends staff initially presented to Council about the makeup of STRs have remained consistent according to [AirDNA](#).

| | Total Number of STRs | Rental Type | Rental Size |
|-------------------|----------------------|--------------------------------------|-------------------------------------|
| Jan. 2021 | 235 | 76% Entire House 24% Private Room | 2.2 Bedrooms/ 5.4 guests on average |
| March 2020 | 334 | 71% Entire House 29% Private Room | 2.1 Bedrooms/5.3 guests on average |
| July 2019 | 338 | 67% Entire House 33% Private Room | Data not collected |
| Averages | 302 | 71% Entire House 29% Private Room | 2.1 Bedrooms/5.3 guests on average |

Short-Term Rentals & Zoning

We collected data on STRs from 2014 to January 1, 2021 to determine trends among STRs. We found:

- 873 total STRs during this period (not all listings were active simultaneously)
- 25,814 residential properties in total
- This equates to about 3.4% of residential units serving as STRs over a 6-year period

To protect their clients' identity, Airbnb provides the coordinates as an estimated longitude and latitude, not a specific address. In some cases, the coordinate location showed a STR where there were no residential addresses. Staff had to approximate the location of a STR by moving it to the closest residential address within a zoning district.

Short-Term Rentals by Zoning District

Staff has summarized the number of residential dwelling units and STRs that occur in each zoning district below. Staff then considered the number of residential dwelling units in zoning districts that were similar in the types of uses that they permitted, and these are shown in bold below. We found:

- Majority (83%) of STRs are located in the Residential (R-) zoning districts. The intent of these zoning districts is to provide residential development with access to major activity centers and transportation systems.
- Town Center (TC), Office/Institutional (OI), Community Commercial (CC) and Neighborhood Commercial (NC) have fewer residential dwelling units, but higher percentages of STRs within each zoning district. These districts offer more amenities to visitors, such as access to transit, restaurants, stores, and other commercial uses. Hotels are permitted in the TC-, CC, OI-3, and OI-4 zoning districts.

| Zoning District | Residential Addresses | Existing STRs | % STR |
|-------------------------------------|-----------------------|---------------|-------------|
| Residential Zoning Districts | 22,767 | 735 | 3.2% |
| R-1 | 4,834 | 182 | 3.8% |
| R-1A | 396 | 10 | 2.5% |
| R-2 | 4,867 | 159 | 3.3% |
| R-2A | 63 | 0 | 0.0% |
| R-3 | 2,334 | 129 | 5.5% |
| R-4 | 4,809 | 134 | 2.8% |
| R-5 | 4,134 | 70 | 1.7% |
| R-6 | 190 | 6 | 3.2% |
| R-SS-CZD | 457 | 7 | 1.5% |
| R-LD1 | 576 | 32 | 5.6% |
| R-LD5 | 107 | 6 | 5.6% |
| Historic Rogers Road | 130 | 3 | 2.3% |
| HR-L | 70 | 3 | 4.3% |

| | | | |
|--|---------------|------------|---------------|
| HR-M | 60 | 0 | 0.0% |
| Neighborhood Commercial (NC) | 145 | 9 | 6.2% |
| Community Commercial (CC) | 9 | 9 | 100.0% |
| Office/Institutional Districts | 223 | 35 | 15.7% |
| OI-1 | 48 | 8 | 16.7% |
| OI-2 | 171 | 27 | 15.8% |
| OI-3 | 4 | 0 | 0.0% |
| OI-4 (UNC Zoning District) | 103 | 13 | 12.6% |
| Town Center | 632 | 42 | 6.6% |
| TC-1 | 0 | 0 | 0.0% |
| TC-2 | 175 | 34 | 19.4% |
| TC-3 | 457 | 8 | 1.8% |
| MU-OI-1 | 476 | 4 | 0.8% |
| MU-R-1 | 41 | 1 | 2.4% |
| MU-V | 334 | 12 | 3.6% |
| U-1 | 1 | 1 | 100.0% |
| Blue Hill Form Based Code Districts | 912 | 9 | 1.0% |
| WR-3 | 180 | 1 | 0.6% |
| WR-7 | 5 | 1 | 20.0% |
| WX-5 | 163 | 3 | 1.8% |
| WX-7 | 564 | 4 | 0.7% |
| RT | 32 | 0 | 0.0% |
| DA-1 | 8 | 0 | 0.0% |
| IND | 0 | 0 | 0.0% |
| LI-CZD | 1 | 0 | 0.0% |
| Total: | 27,711 | 962 | 3.472% |

Number of STR Listings by Zoning District

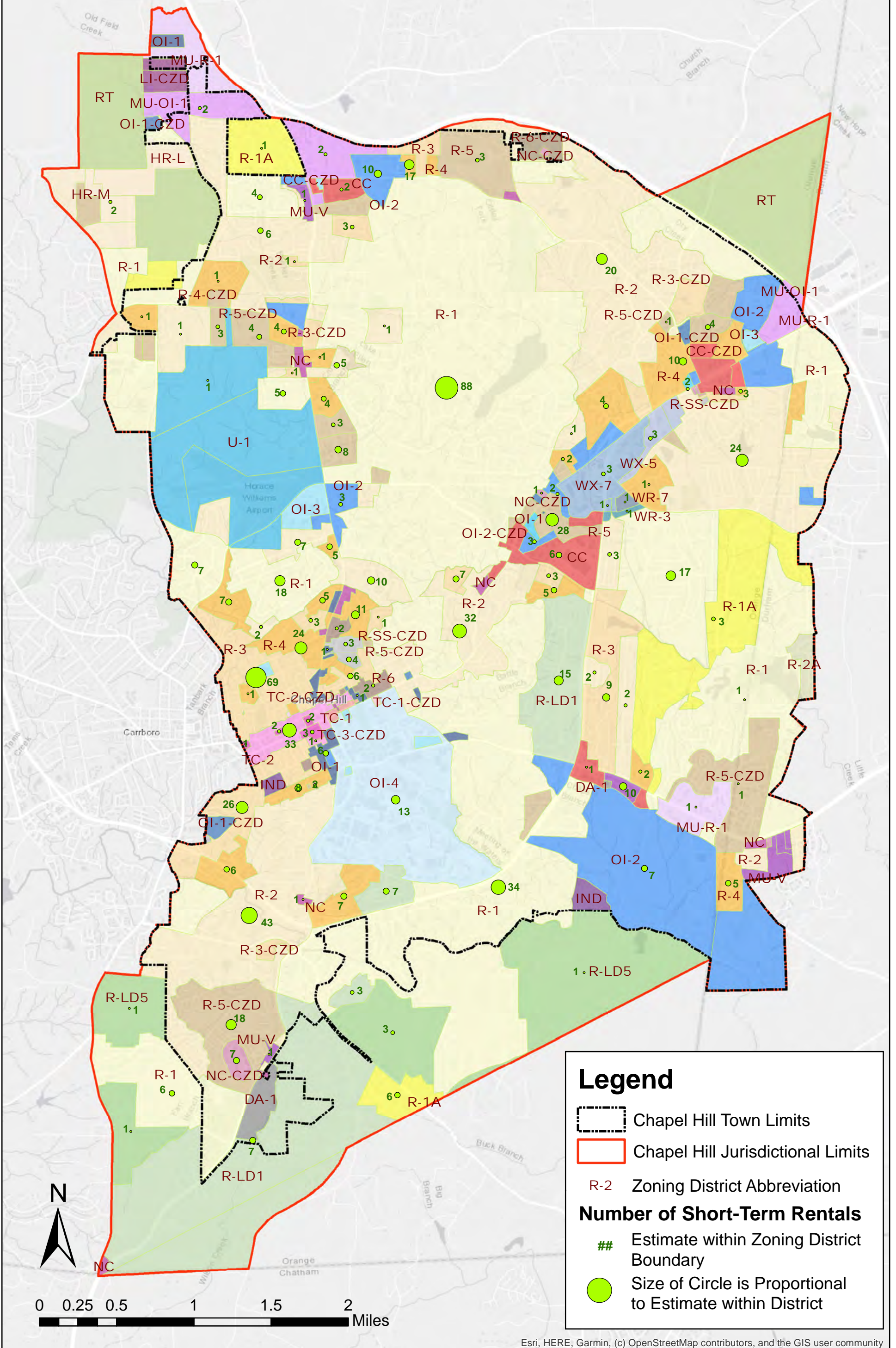


Exhibit 5 – Health & Safety Checklist

Staff proposes including a Health & Safety Checklist as part of the Zoning Compliance Permit. The Town would require applicants to perform a self-inspection of the short-term rental unit to ensure standards are met.

Provisions of the checklist:

1. Fire extinguishers
2. Smoke detectors
3. Carbon monoxide detectors
4. Standard deadbolt locks
5. Safe emergency egress
6. Visible property address
7. 911 address in the unit
8. Designated responsible party's contact information

Short Term Rental (STR) Task Force

Final Findings

The Short Term Rental (STR) Task Force completed their discussions on February 5, 2020. This document summarizes the Task Force's findings regarding regulations for dedicated STRs—those having no primary resident living in the dwelling.

Geographic & Quantitative Requirements

Where/in what zoning districts should dedicated STRs be permitted?

- Campus removed from discussion
- Some members believe dedicated STRs should be allowed anywhere residences are allowed, subject to the same guidelines as other residential uses
- Some members believe dedicated STRs should be allowed only in areas where overnight lodging is currently allowed, given the view that these function more like businesses than residences
- Some members believe dedicated STRs should not be allowed anywhere

How many dedicated STRs should be allowed to operate?

- All members believe the number of dedicated STR permits issued should be capped
- Some members believe dedicated STR permits issued should be capped as a percentage of total housing in each zoning district

Proximity

- Some members believe dedicated STR permits should also have a minimum proximity limitation (i.e. so many feet between STRs)
- Some members do not believe dedicated STR permits should have a minimum proximity limitation

Operational Requirements

Occupancy

- All task force members believe there should be an occupancy cap in dedicated STRs
- Some members believe dedicated STR occupancy should be capped at 2 guests per bedroom plus 4 guests (not restricted to sleeping only in bedrooms)
- Some members believe dedicated STR occupancy should capped per Fire Code

Designated Responsible Party

- All members believe dedicated STRs should be required to list a designated responsible party, who could be the owner of the property
- Some members believe the designated responsible party or their proxy should be available by phone 24/7 and available to respond on site within 2 hours in case of a nuisance issue or emergency

Signs

- All members believe dedicated STRs should not be allowed to post signs advertising its short-term rental use

Insurance

- All members believe dedicated STRs operators should sign an affidavit confirming they have short term rental specific insurance coverage at all times the property is rented

Health & Safety Standards

Should a Safety Standards Checklist be required?

- All members agree dedicated STRs should follow a safety standards checklist.
- Some members believe the safety standards checklist should be displayed to guests with the 911 address in a prominent location on the interior of the STR unit

What to include on a Safety Standards Checklist

- Wall-mounted fire extinguishers accessible from the kitchen area
 - Provide operable smoke detectors with a minimum of one smoke detector per level and per bedroom. Operator is to change batteries annually or upon receiving notice from tenant. (Unanimous agreement)
 - Some members believe dedicated STRs should follow fire department recommendations for fire extinguishers for residential/commercial properties.
- Provide a minimum one operable carbon monoxide alarm per level, either battery-operated or electrical. Operator is to change batteries annually or upon receiving notice from tenant. (Unanimous agreement)
- Use only standard deadbolt locks. No double-keyed deadbolt locks. (Unanimous agreement with wording change)
- Ensure exit doors and windows can be easily opened in an emergency and ensure all levels have safe egress. (Unanimous agreement.)
- Ensure property address is easily visible from the street day or night. (Unanimous agreement)
- Ensure 911 address is posted within the STR and is easily visible to guests. (Unanimous agreement)

Enforcement & Inspections

- Some members believe dedicated STRs should have an initial safety inspection by the Town upon application of a STR permit, followed by self-inspection and a signed affidavit at permit renewal
- Some members believe dedicated STR operators should complete a self-inspection with a signed affidavit at registration and at permit renewal. Safety inspections by the Town would be conducted on a complaint basis.

Grandfathering/Existing STRs:

- Some members believe existing dedicated STRs should be grandfathered from all new regulations.
- Some members believe existing dedicated STRs should be grandfathered into a new ordinance as long as they are in compliance with everything except Geographic & Quantitative requirements subject to a specified date to prevent problematic incentives.
- Some members believe dedicated STRs should not be grandfathered in and must come into compliance with Town ordinance.

Other:

All members agree real estate transactions, such as rent-back or lease-back, is not considered a STR.