



CITY OF SAINT PAUL
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To: Planning Commission

From: Neighborhood Planning Committee

Re: Short Term Rental Zoning Study and Proposed Zoning Code Amendments

Background

What are short term rentals?

One facet of the sharing economy is the online, short term rental of houses, apartments, and condominiums. Continued growth of the sharing economy enabled by technology has led to an increase in websites (host platforms like Airbnb and Expedia) which efficiently enable individuals (hosts) to offer space and for renters to find space. In addition, listings for big events like the Ryder Cup which was recently held in the Twin Cities can be posted on sites like Craig's list months or a year in advance and picked up by a real estate agent that will broker the deal between the owner and renter.

The definition of a short term rental varies by municipality since each chooses to regulate differently. Generally speaking, a short term rental is a dwelling unit, bedroom, or couch rented for a period of less than 30 consecutive days, with or without the owner present. Some jurisdictions use other terms, including vacation rental, timeshare, and tourist rooming house.

Short term rentals in Saint Paul

Short term rentals are occurring in Saint Paul. While there is no official count, there are more than 250 online listings in the city, see attached map. During the recent Ryder Cup event, Airbnb alone reported more than 3,400 guests in the Twin Cities metropolitan area. Ramsey County was home to more than 500 of these.

Under current regulations, short term rentals are not permitted in the City's Zoning Code and there is no licensing requirement. Saint Paul is a place of economic vitality and wants to respond to changes in the economy so that innovations are not stifled. The City does not want to pretend that short term rentals are not occurring in the city; it wants to make what is already happening legal and in the process address concerns about health and safety as well as a level playing field.

City Council Adopts Resolution to Study Short Term Rentals

Recognizing the potential impact of short term rentals on neighborhoods, the Saint Paul City Council adopted a resolution asking the Departments of Safety and Inspections (DSI) and Planning and Economic Development (PED) to study Airbnb and similar companies and how their operations align with current

city ordinances, and to evaluate whether current codes ensure that visitors, landlords, Airbnb neighbors, and private property are safe and protected. The resolution also states that departments shall ensure that the appropriate taxes are being collected from these sorts of properties and uses.

Short Term Rental Study and City Council Directive

In July 2016 a Short Term Rental Study prepared by DSI and PED was presented to the Saint Paul City Council. The study looked at existing conditions in Saint Paul, current regulations, current tax collection, potential impacts of short term rentals, and short term rental regulations locally and nationwide. The study also made recommendations and suggested next steps, which the City Council approved. The City Council's recommendations include: 1) develop a zoning code amendment to permit short term rentals and develop standards related to owner occupied and non-owner occupied units; 2) develop an ordinance amendment to fully regulate non-owner occupied units for life safety concerns through the Fire Certificate of Occupancy program; 3) develop a mechanism to ensure tax collection is occurring, possibly via host platforms; 4) develop an ordinance amendment to license host platforms, with specific requirements relating to reporting and compliance; 5) utilize complaints about short term rentals to inform recommendations for future regulations; and 6) educate City staff (police, fire, and inspectors) about the presence of short term rentals in neighborhoods and the potential for complaints.

Potential Impacts of Short Term Rentals

The City of New Orleans issued an exhaustive study on short term rentals in January 2016. This study provides excellent background on the benefits associated with and negative impacts of, short term rentals. These are important for Saint Paul to be aware of as it considers whether and how to regulate short term rentals. The *City of New Orleans Short Term Rental Study* addresses the issues raised in the Saint Paul City Council's resolution requesting this study. The New Orleans study discusses at length the benefits and negative effects associated with short term rentals, as summarized below.

The **benefits** associated with short term rentals:

- Short term rentals are part of the rapidly growing sharing economy
- They provide additional income for hosts and individuals that support short term rentals
- Short term rentals support the tourism economy and provide a significant financial benefit to the region
- There is potential for the City to earn additional income through taxes and fees
- Short term rentals help reduce blight, activate neighborhoods, and support local businesses
- The negative impacts on neighborhood quality of life and affordable housing are over stated as most operators are good managers

The **negative impacts** associated with short term rentals:

- Short term rentals are a commercial encroachment in residential neighborhoods
- Short term rentals reduce neighborhood quality of life due to late night activity, noise, crime, litter, property damage, fire danger, loitering, and reduced on-street parking
- Short term rentals result in a reduction in long-term residents which changes the character of neighborhoods, especially in neighborhoods with the highest concentration of short term rentals
- Short term rentals reduce the number of affordable housing units in a city
- Short term rentals have an unfair competitive advantage from hotels, bed and breakfasts, and legal short term rentals because they are not licensed, do not pay taxes, are not held to the same safety requirements, and have lower capital and operating costs

Short Term Rental Regulations in Minnesota Cities and Beyond

The City of Prior Lake adopted an ordinance in mid-2015, precipitated by complaints from neighbors. The City engaged known short term rental hosts during discussions. They helped shape the regulations and permit process. Those hosts have since received permits from the City. The City is aware of other hosts that have not applied for permits. The City is following up with them. The adopted regulations link the number of parking spaces available to the number of bedrooms that can be rented. The number of guests is governed by the size of the structure and the lot. The ordinance requires there to be an owner or local agent who lives and works within 30 miles of the rental unit and the City's laws related to short term rentals must be disclosed to the guests and posted in the unit. The agent must be available 24 hours a day during the rental period to respond immediately to complaints and the agent's phone number must be provided to the City. The agent must maintain and make available upon request to City staff or law enforcement a list of all current occupants. Disorderly conduct is prohibited on all premises and the ordinance defines and gives examples of disorderly conduct.

The City of Duluth recently adopted an ordinance that provides two options. Those wishing to operate a vacation rental can do so via an interim use permit and those wishing to rent out part of their home can do so with a home share permit. The *interim use permit* regulates the length of stay, number of occupants, number of rooms, off-street parking. A \$650 fee applies. It also requires the permit holder to designate a managing agent who resides within 25 miles of the city to respond 24 hours a day to complaints and the contact information of the managing agent must be provided to all property owners within 100 feet of the property boundary. The permit holder must also post their permit number on all print, poster and web advertisements and also apply for and be granted state and local sales tax numbers. Prior to rental the building must be inspected and a permit issued by the Fire Prevention office. The *home share permit* regulates the length of stay, number of occupants, and owner occupancy. A \$100 fee applies annually. Like the interim use permit, the home share permit holder must also post their permit number on all print, poster, and web advertisements and also apply for and be granted state and local sales tax numbers. Prior to rental the building must be inspected and a permit issued by the Fire Prevention office.

The City of Eagan changed its definition of dwelling unit in November 2015 to prohibit short term rentals of less than 30 days where an owner is not present. An owner can rent out a room in an occupied unit for less than 30 days as long as the owner is present and the guest has full access to the home during the stay. This use is not regulated. Registered accessory dwelling units can be rented for 30 days or more.

The City of Burnsville prohibits short term or vacation rental in residential zoning districts. It recently adopted an ordinance restricting short term or vacation rental in its business licensing section of the City Code (the City Attorney felt that licensing was a more appropriate part of the code to regulate the use than the Zoning Ordinance). Issues identified by the City Council are: 1) vacation rentals bring strangers into a neighborhood; 2) people come and go at all times of the day and night; 3) since customers are not residents, they have no interest in maintaining the neighborhood; 4) noise; 5) trash; and 5) transient nature of the operation.

The City of Minneapolis is in the process of developing regulations for short term rentals.

The City of New Orleans Short Term Rental Study from January 2016 includes an assessment of regulations adopted by cities around the United States. While New Orleans is a major tourist destination and has far more short term rental units than Saint Paul, the information gathered in its study from other cities around the country has value and relevance to the conversation in Saint Paul about whether and how to regulate short term rentals. Important findings in the report are noted below.

The *City of New Orleans Short Term Rental Study's* assessment of regulations in other cities identified the components of a short term rental ordinance and discusses each at length. The main take away is that each city regulates differently depending upon the issue it is trying to address, but many cities tend to include most of these items in their regulations. The study also notes that the success experienced by the cities surveyed varied and that the best regulations were adapted over time as issues arose.

- **Definitions** (most are called short term rentals though some use vacation rental, timeshare, or tourist rooming house)
- **Categories** (full dwelling unit rental, single-room rental, or shared-room rental)
- **Size limitations** (number of rooms that can be rented)
- **Concentration** (limits on number of units within a geographic area)
- **Time limitations** (generally less than 30 days, the number of times a unit can be rented per year)
- **Owner occupancy** (whether owner or tenant occupancy is required and for how many days per year the owner must occupy the unit)
- **Use Standards and Guidelines** (no changes to allow a separate entrance, parking, agent contact information, posting of city ordinances, accessible agent to respond quickly to complaints, limiting number of visitors guests may have)
- **Fees** (generally between \$100 and \$150)
- **Notice** (information posted alerting surrounding properties of the use as a short term rental)
- **Taxes** (collection and payment of taxes either by hosting platform or host)
- **Fines and enforcement** (fees should be high enough to deter violations and ordinance should allow for revocation of permit or license for repeated violations)
- **Building code and inspections** (most require at a minimum fire and carbon monoxide detectors, some require inspections, many require permits, licenses, or registrations)

The *City of New Orleans Short Term Rental Study* found that short term rentals are residential uses with commercial type impacts. Generally, short term rentals where the owner or tenant is present are associated with fewer impacts than those where no owner or tenant is present and consequently, tended to be regulated with few restrictions. Short term rentals where the owner or tenant is not present tended to be regulated more strictly because the impacts of their use tended to be more commercial in nature. The City emphasized the importance of having a structure in place to regulate short term rentals to be able to minimize the negative impacts on surrounding properties and facilitate enforcement on problem operators.

Workgroup Considers and Reviews Proposed Short Term Rental Regulations

A workgroup was convened to consider proposed amendments to allow short term rentals. Workgroup participants included host platform representatives from Airbnb and Expedia, owner occupied hosts, non-owner occupied hosts, residents, bed and breakfast hosts, hospitality industry and Visit Saint Paul representatives, a Planning Commission member, and Office of Financial Services staff. The workgroup met on December 7, 2016 and February 7, 2017 to review, discuss, and advise on the proposed amendments.

Listening Session Held on Proposed Short Term Rental Regulations

A listening session was held on January 19, 2017. It was an open dialogue with the community to learn about the pros and cons of short-term rentals in Saint Paul neighborhoods and any looming concerns with how the City proposes to regulate the new use. The listening session summary is attached at the end of this memo.

Airbnb Profile of Saint Paul Hosts and Guests

Airbnb provided the following profile information about its hosts and guests in Saint Paul in 2016. The complete overview of Airbnb activity in Saint Paul is included in Airbnb's written comments on the proposed amendments attached at the end of this study.

- 200 active hosts
- \$2.5 million total host earnings
- 43 average age of host
- 10,000 guest arrivals
- 4 nights is the average length of stay
- 2.1 average group size of guests
- 51% rent entire home
- 2% rent a shared room
- 296 active listings
- \$7,300 annual earnings of typical host
- 41 average age of guest
- 44,000 Saint Paul residents used Airbnb to travel elsewhere
- 70 Nights hosted annually per typical listing
- 96% of stays involve 4 or fewer guests
- 47 % rent private space in home

How Saint Paul Proposes to Regulate Short Term Rentals

While the City Council believes there is a need to regulate short term rental uses, these uses currently operate throughout the city with relatively few complaints or calls to police. The City plans to regulate short term rentals through licensing, fire certificate of occupancy inspection, and zoning. Regulations are proposed to address life safety and habitability. Experience from other cities suggests that non-owner occupied short term rentals may be more likely to result in negative impacts on the surrounding area than owner occupied rentals. Therefore, to some extent the City intends to regulate short term rentals where the owner is present differently from ones where the owner is not present. Providing a level playing field for bed and breakfast residences and hotels is another factor when considering how to regulate short term rentals. The impact of short term rentals on the availability of affordable housing is something that is of great concern in some cities but not something Saint Paul believes is a cause for concern at this time.

1. Licensing

The City intends to license host platforms that offer booking services such as Airbnb and Expedia as well as individual hosts. Under this model, the platform would be responsible for providing requested data to the City and removing host listings when the platform has been notified the listings are not in compliance with City regulations. Individual short term rental units must: 1) be allowed by zoning; 2) maintain a lodging log; 3) have a current fire certificate of occupancy if a non-owner occupied unit; 4) provide proof of Lodging and Sales tax payment; 5) provide proof of appropriate property insurance; and 6) be licensed by the City.

If a unit is not in compliance with all applicable laws, the platform, upon being notified that the unit is not compliant, would have the responsibility to remove the host unit from its platform. If the host platform fails to comply, adverse action against the platform license could be taken. In addition, the non-compliant individual host could also receive a citation. DSI is in the process of developing licensing requirements for City Council consideration. A modest fee for a license renewed annually would apply.

2. Fire Certificate of Occupancy

Short term rentals are residential uses with commercial type impacts. Generally, short term rentals where the owner or resident occupant is present are associated with fewer impacts than those where no owner or resident occupant is present and consequently may be regulated with few restrictions. Short term rentals where the owner or tenant is not present may be regulated more strictly because the impacts of their use may be more commercial in nature. It is important to have a structure in place to regulate short term rentals to be able to minimize the negative impacts on surrounding properties and facilitate enforcement on problem operators.

Complaints about short term rentals would be handled by DSI in the same manner that property complaints are handled currently. Existing hosts participating in the workgroup sessions emphasized the importance they place on establishing and maintaining a five star rating on host platform websites to generate repeat and future business; they do all they can to be good hosts and good neighbors. For reference, the definition of owner occupied is:

Fire Certificate of Occupancy Sec. 40.03

Owner occupied. Dwellings which are the principal residence of the owner of record of the building and in which the owner resides. "Owner," for the purposes of this definition, means a natural person and does not include a corporation, partnership, or other entity.

Short term rentals are, to some extent, regulated by the fire certificate of occupancy inspection program. The existing fire certificate of occupancy inspection program is sufficient to address life safety and habitability issues of short term rentals. The City currently requires a fire certificate of occupancy for all buildings with three or more units and for all non-owner occupied one and two family dwelling units. Therefore, all short term rental units in non-owner occupied units would fall under the existing fire certificate of occupancy inspection program. Short term rentals in owner occupied or resident occupied units would not require a fire certificate of occupancy. Note that the owner of an owner occupied short term dwelling unit does not need to be present during the rental period, except for duplexes with two short term rental units.

Residential fire certificate of occupancy inspections are done every one to six years depending upon the number and severity of violations found in the most previous full fire certificate of occupancy inspection. Commercial inspections are done based upon the occupancy type ranging from once a year to once every three years. No changes to the fire certification of occupancy program are proposed.

Staff considered requiring individual hosts, as part of the permit process, to designate an individual to act as an agent for the unit and be available to respond to issues 24 hours a day seven days a week, as some cities require. Rather than requiring an agent, Saint Paul opts to obtain contact information for a responsible party in addition to the host as part of the license process but not require the responsible party to be available 24/7.

3. Zoning

The City does not have an ordinance regulating short term rentals and short term rental is not listed as a use permitted in the Zoning Code. The proposed zoning amendment makes short term rentals a permitted use and establishes standards and conditions for the use. While there are short term rentals in Saint Paul, they do not generate a lot of complaints or calls for police. Consequently, the proposed amendment seeks to permit the use with a minimum amount of regulation.

Staff considered treating frequently rented units differently from those that are rented only occasionally, including putting a limit on the number of days per month or year that a unit could be

rented. However, since host platforms do not share this information for privacy reasons, it is difficult for the City to determine how often a unit is rented. Consequently, this type of regulation creates the need for a much larger regulatory framework than what is proposed, something that is much more involved and costly. Hosts participating in the workgroup were not supportive of a regulation on the number or frequency of rentals.

Staff also considered a provision to require a conditional use permit for non-owner occupied short term rental dwelling units. However, this provision would require a much larger regulatory framework than envisioned under the proposed amendments.

Proposed Amendment – Short Term Rental Dwelling Unit Discussion

The short term rental dwelling unit amendment creates Zoning Code Sec. 65.645 and provides a definition for the use. An off-street parking requirement is also established for the use. Standards and conditions establish a minimum length of stay, prohibit exterior signage in residential districts, and prohibit commercial or social events.

Standards and conditions also limit the number of short term rental dwelling units on a zoning lot to one in one- and two-family residential districts, except that two short term rental dwelling units may be permitted in an owner occupied duplex provided the duplex owner is in residence during the rental period. In other zoning districts one or up to half of dwelling units on a lot, to a maximum of four, may be used for short term rental. More than four short term rental dwelling units may be allowed for buildings with more than ten units when a conditional use permit is obtained by the building owner. The intent is to limit the number of short term rental units in a building to no more than 50 percent to prevent quasi hotels.

Finally, the amendment limits the occupancy of a short term rental dwelling unit to the Zoning Code definition of family, unless a conditional use permit is obtained. This is consistent with the current Zoning Code occupancy limit for a dwelling unit citywide and treats short term rental dwelling units similarly to bed and breakfast residences with one guest room. For reference, the definition of family is:

Zoning Code Section 60.207 – F

Family. One or two persons or parents, with their direct lineal descendants and adopted or legally cared for children (and including the domestic employees thereof) together with not more than two persons not so related, living together in the whole or part of a dwelling comprising a single housekeeping unit. Every additional group of four or fewer persons living in such housekeeping unit shall be considered a separate family for the purpose of this code.

The occupancy of a short term rental dwelling unit that exceeds the definition of a family for large one- and two-family dwellings on large lots would require a conditional use permit from the Planning Commission. Criteria for determining total occupancy in these situations would include the dwelling size, lot size, provision of off-street parking, and fire certificate of occupancy inspection. The reason to require a conditional use permit to allow occupancy to exceed the definition of family is that this is a more commercially intensive use and may be more susceptible to reducing neighborhood quality of life due to late night activity, noise, crime, litter, property damage, fire danger, loitering, and reduced on-street parking.

Why Use the Definition of Family to Determine Occupancy?

The proposed method for determining occupancy of a short term rental dwelling unit is the definition of family. While the definition of family can be confusing, especially for those not accustomed to using and interpreting it regularly, it is the standard method for determining dwelling unit occupancy that the City has used for many years. Determining occupancy of a dwelling unit based on the definition of family applies to many types of housing in the city regardless of the size of the dwelling unit (from one bedroom apartments and condos to starter homes and mansions). It also applies regardless of the length of stay of occupants in a dwelling unit. Thus, it applies equally to long term residents as well as visitors in Saint Paul for a short stay. Through the license process for short term rentals DSI staff will have the opportunity to explain the definition, how to interpret it, and answer questions.

When it comes to determining occupancy of short term rental dwelling units it is logical to treat long and short term rental dwelling units consistently and apply the same method to both. The intent in either case is to limit occupancy to no more than four unrelated adults --- this includes the host if present during the stay. More than four adults are allowed if they meet the definition of family. For example the following would meet definition of family: two grandparents, their two adult children and spouses (spouses representing the other two adults not so related), and four grandchildren. Also, recall that the proposed amendment allows occupancy of short term rental units to exceed the definition of family (more than four unrelated individuals) for large one and two-family dwellings on large lots with a conditional use permit.

While the appeal of a regulation that simply states the total occupancy of a short term rental dwelling unit is clear, its application can be troublesome. For example, one method would be to determine occupancy based on the number of bedrooms in a dwelling unit, say two people per bedroom. However, this would allow the occupancy of a four bedroom house under short term rental regulations to have eight unrelated individuals. This is two times the number of unrelated individuals allowed in a long term residence. The City does not want to allow short term rental uses to be more intense than long term rental uses. The intent of the amendment is to discourage a party house type atmosphere. Generally speaking short term rental uses are more commercial and transient in nature than long term rental uses and should be regulated with more or the same restrictions as long term residences. It does not seem to make sense to allow twice as many people in a short term unit than would be allowed in a long term unit.

Also, under current regulations bed and breakfast residences with two or more guest rooms require a conditional use permit. While the number of guests per guest room is not stated, it is generally assumed to be up to two guests per room.

Finally, to determine occupancy for each licensed short term rental dwelling unit based on the fire and building codes would require a much more extensive regulatory framework than envisioned under the current proposal. Recall that the proposed amendment seeks to regulate short term rental uses with a minimum amount of regulation since they have generated few complaints to date.

The occupancy of a short term rental that exceeds the definition of a family for large one- and two-family dwellings on large lots would require a conditional use permit from the Planning Commission. Neighborhood notification would be required and a public hearing would be held. The Planning Commission may impose such reasonable conditions and limitations in granting an approval as are determined to be necessary to fulfill the spirit and purpose of the zoning code and to protect adjacent properties. The process takes to seven weeks and there is an \$840.00 application fee.

Per Sec. 61.501 of the Zoning Code, in granting a conditional use permit the Planning Commission must find that:

- (a) The extent, location and intensity of the use will be in substantial compliance with the Saint Paul Comprehensive Plan and any applicable subarea plans which were approved by the city council.
- (b) The use will provide adequate ingress and egress to minimize traffic congestion in the public streets.
- (c) The use will not be detrimental to the existing character of the development in the immediate neighborhood or endanger the public health, safety and general welfare.
- (d) The use will not impede the normal and orderly development and improvement of the surrounding property for uses permitted in the district.
- (e) The use shall, in all other respects, conform to the applicable regulations of the district in which it is located.

Questions about what constitutes a family have been raised. The following chart describes various scenarios and provides guidance for determining occupancy. The definition of family is repeated as well for easy reference.

Family. One (1) or two (2) persons or parents, with their direct lineal descendants and adopted or legally cared for children (and including the domestic employees thereof) together with not more than two (2) persons not so related, living together in the whole or part of a dwelling comprising a single housekeeping unit. Every additional group of four (4) or fewer persons living in such housekeeping unit shall be considered a separate family for the purpose of this code.

Determining occupancy of a short term rental dwelling unit (without a conditional use permit):

Host Lives Off Site

4 or fewer unrelated individuals **-or-** 4 adults, 2 of which can include their adult or minor kids

Host Lives On Site

1 adult with no kids **-and-** 3 adults, 2 of which can include their adult or minor kids

1 adult with their adult or minor kids **-and-** 3 adults, 1 of which can include their adult or minor kids

2 adults with no kids **-and-** 2 adults, of which both can include their adult or minor kids

2 adults, 1 of which has their adult or minor kids **-and-** 2 adults, 1 of which can include their adult or minor kids

2 adults, both of which have their adult or minor kids **-and-** 2 adults, no kids

3 adults with no adult or minor kids **-and-** 1 adult, including their adult or minor kids

3 adults, 1 of which has their adult or minor kids **-and-** 1 adult, including their adult or minor kids

3 adults, 2 of which have their adult and minor kids **-and-** 1 adult, with no kids

“Kids” as used above refers to individuals, whether adults or minors, who are lineal descendants and adopted or legally cared for children of the adult (and any domestic employees, like a nanny).

PUBLIC HEARING INFORMATION

The proposed zoning code amendments were released for public review by the Planning Commission on April 21, 2017. The Planning Commission held a public hearing on the proposed amendments on June 2, 2017. At the public hearing 15 people spoke; 11 in support, 3 in opposition, and 1 neutral. There were 16 written comments received. While most of the written comments were not outright statements of support or opposition, 12 of the comments suggested general support, 2 suggested opposition, and 2 were neutral comments or comments with questions. The written comments are attached at the end of this memo along with Planning Commission minutes from April 21, 2017 and June 2, 2017.

Below is a summary of oral and written testimony received along with a staff response and recommended changes to the amendments, if any. At the end of the summary of testimony is a summary of the input received on Open Saint Paul from the questions posed about short term rentals.

1. ZONING ISSUES SUMMARY

A. Definition of Family

Use of “family” to describe occupancy is a departure from guest/tourist/traveler/transient. It is cumbersome, complicated, and unenforceable and will lead to low compliance. Instead, establish a maximum number of guests, maximum number of rooms, or square footage amount to regulate occupancy.

Staff response: As noted in the study, long and short term rental units are being treated equally and consistently by using the definition of family to limit occupancy of both uses regardless of the size of the dwelling unit. A limit of four guests could be imposed but then a family with two parents and more than two children would not be able to stay in a short term rental dwelling unit in Saint Paul. A regulation based on number of guest rooms could potentially allow greater occupancy for a short term rental than a long term rental and staff does not want to allow short term rental uses to be more intense than long term rental uses. Regulation based on square footage would require a larger regulatory framework than proposed and would be more cumbersome and costly to administer.

Profile information for Saint Paul from Airbnb states that the average group size using its platform is 2.1 people.

Staff suggested change: None.

B. Multiple Units for a Single Owner

Prevent large investor groups from owning many short term rental units in a building or neighborhood. Specifically prevent a multi-unit building from becoming a quasi-hotel.

Eliminate the 50 percent rule for multi-unit buildings. Do not regulate by building type but by the number of licenses a host can hold. Limit the number of licenses a short term rental host can hold to four.

Staff response: The proposed ordinance would prevent more than four units in a multi-unit building to prevent a quasi-hotel. More than four units would require a conditional use permit. The proposed ordinance would not prevent large investor groups or even individuals from operating multiple units in a neighborhood.

The idea of limiting the number of licenses an individual can hold was considered before the proposed ordinance was drafted. A limit on the number of licenses allowed could limit economic opportunity for

some. On the other hand, no limit could allow an individual or large investor to convert many units in a neighborhood from long to short term rental. This could result in an impact to availability and affordability of housing. While this may be a possibility, the market does not seem to suggest it.

Staff suggested change: None.

C. Signage

Allow signage in residential districts the way that bed and breakfasts are allowed to have signage.

Staff response: There was only one comment about allowing signage for short term rentals. It did not seem to be a concern for most. Prohibiting signage helps to limit the commercial encroachment in residential areas.

Staff suggested change: None.

D. Parking

The proposed parking requirements are too restrictive since many guests fly into Saint Paul and take transit or a taxi. Many guests have a single car or no car at all. The need for parking for short term rental dwelling units may be less than what is needed for long term rentals.

Staff response: The proposed ordinance calls for 1 space per dwelling unit and 0.5 spaces per every 2 adult guests. The Airbnb profile information suggests the average group size is 2.1 people. This would not require an additional parking space since 1.5 spaces is rounded down to 1 space. Three or more adult guests would require an additional space. The proposed parking requirement seems appropriate and not onerous.

Staff suggested change: None.

E. Limit on Number of Units Allowed

If 50 percent of units in a multi-unit building can be short term rental, how would that work with buildings with an odd number of units? At least two short term rental dwelling units should be allowed in a triplex. Duplexes and triplexes are by their nature commercial businesses, the only difference between them and short term rentals is the length of stay. Short term rentals are no more commercial in nature than long term rentals. Do not limit the number of short term rental dwelling units in a four unit building to two; allow up to four short term rental units. The City runs the risk of overregulating in anticipation of adverse outcomes which may or may not occur.

Staff response: The number of short term rental units allowed in a multi-unit building with an odd number of units would be rounded down. For example, a triplex would be allowed one short term rental unit and a five unit building would be allowed two short term rental units. The state definitions of hotel and motel are unclear. Without a limitation on the number of units we could end up with a hotel. This may be detrimental in a residential setting.

It can be difficult for neighbors to develop a sense of community with properties used exclusively as short term rentals. Without the monitoring an owner-occupant provides parking, noise, and disrespectful behavior may become potential issues for a neighborhood.

The Zoning Administrator in the Department of Safety and Inspections pointed out that the ordinance language does not contemplate a situation in which a duplex is located in a zone other than R1 through RT1. The way the ordinance language reads as proposed, a duplex in an RT1 zone or higher would be limited to only one short term rental dwelling unit (no more than 50 percent of units). The Zoning Administrator recommended revising the language to treat duplexes similarly regardless of the zoning

district in which they located: allow both units of an owner-occupied duplex to be short term rental provided the owner is in residence during the guest stay.

Staff suggested change: Allow both units of an owner-occupied duplex in any zone to be short term rental provided the owner is in residence during the guest stay.

F. Bed and Breakfast Regulations

Keep current laws as they are and require a bed and breakfast license, perhaps eliminating the need to serve breakfast as a requirement. Current law allows a bed and breakfast with one guest room with a license, no conditional use permit required. A bed and breakfast with more than one guest room requires a license and conditional use permit. Grandfather in existing bed and breakfast residences and allow more guest rooms and guests, and remove the limit on number of employees allowed.

Staff response: The short term rental model is different from a bed and breakfast and a new ordinance is needed to define and regulate the use. While a bed and breakfast owner typically lives on site and offers rooms for guests, short term rentals can involve house sharing or exclusive use of a residence. No meals are offered in conjunction with a short term rental stay.

It does not seem appropriate to allow bed and breakfast residences to have more guest rooms or guests than what was approved as part of their conditional use permits. The proposed ordinance limits occupancy of a short term rental dwelling unit to 4 or fewer individuals or a group that meets the definition of family. This includes the unit's residents if they are present during the stay. A conditional use permit would allow greater occupancy, similar to a bed and breakfast.

If a bed and breakfast operator wishes to have more than one employee, they can request a modification of this condition of the permit from the Planning Commission and provide a justification for the modification based on unique circumstances.

Staff suggested change: None.

G. Heritage Preservation Commission Involvement

Involve the Heritage Preservation Commission in the conditional use permit process for short term rental dwelling units.

Staff response: The Heritage Preservation Commission reviews exterior changes in historic districts and to designated structures. It does not consider use of the structure or property. It is possible that a change in use could trigger the need for exterior changes. If that is the case an application for review would be required, but the use itself is not relevant to the review of exterior changes.

Staff suggested change: None.

H. Commercial Encroachment and Rezoning

A short term rental dwelling unit is a business in a residence.

Staff response: Short term rental uses are residential uses with commercial impacts. There seemed to be a misunderstanding expressed in oral and written testimony about the proposed ordinance. Commenters stated that the proposed ordinance would change the zoning of property from residential to commercial. This is not the case. The residential use (short term rental) would be allowed in residential and commercial zoning districts but there is no intent to change the zoning of property from residential to commercial.

Staff suggested change: None.

2. TAXES SUMMARY

There was agreement that taxes should be paid by hosts. Licensing regulations should require tax collection via host platforms for online bookings and collection from hosts for bookings made directly with hosts.

Staff Response: Staff agrees that taxes should be collected from both host platforms when there is an arrangement to do so and directly from hosts when there is no such arrangement and guests book directly with hosts. This is a matter for the licensing component of regulation and not for the zoning component. Thus no change is suggested.

Staff suggested change: None.

3. COMPLAINTS AND ENFORCEMENT SUMMARY

The ability to enforce regulations, especially on weekends was expressed (noise, crime, litter, property damage, fire, loitering, parking). Concern about the costs of enforcement was also noted. Neighbors should not have to be responsible for making complaints to get compliance from hosts.

Airbnb is open to creating a voluntary process with the City to remove problem hosts after appropriate notification and consideration.

Safety and security for guests and residents in surrounding neighborhoods is a concern, especially for residents of multi-unit buildings.

Staff Response: The study noted that education is part of the process of regulating the new use. City staff including police, fire, and inspectors will be informed about the presence of the use in neighborhoods and the potential for complaints. Enforcement is done on a complaint basis so neighborhood involvement is critical in bringing problems to the attention of City staff. Residents are encouraged to make complaints when issues arise. Complaints will be investigated and appropriate action taken to protect the health, safety, and general welfare of residents and neighborhoods. The proposed zoning ordinance provides standards and conditions for the use. The proposed license provides for a civil remedy for hosts who fail to comply with regulations.

The minimal regulation proposed should help to limit the cost to administer and enforce the regulations.

Airbnb's *A Resource for Neighbors* includes the following:

Anyone can go to [Airbnb.com/neighbors](https://www.airbnb.com/neighbors) to share specific concerns they might have about a listing in their community. These concerns could include things like noise complaints. From there our team will review their concern and, if necessary, follow up with the host regarding the issue.

Neighbors can submit information without having their name disclosed to a host or allow our team to pass along their contact information so the host can follow up with them directly. Once a neighbor submits feedback, we will send a confirmation email, along with a case number.

We'll treat each case seriously and ensure that we give hosts and their neighbors the opportunity to resolve concerns themselves, whenever possible. Hosting is a big responsibility and those who repeatedly fail to meet our standards and expectations will be subject to suspension or removal from the Airbnb community.

Note that Airbnb is one of many online hosting platforms. The policy above applies only to Airbnb hosts.

Regarding safety and security in multi-unit buildings, it is up to building owners to establish rules appropriate to each situation, whether and how to allow the use or prohibit it altogether.

Staff suggested change: None.

4. SUPPLEMENTAL INCOME SUMMARY

Many testifying and submitting written testimony expressed the benefits of the supplemental income that comes from short term rental units. The added income helps with affordability, taxes, and insurance as well as allowing residents to maintain, improve, and invest in their properties.

Hosts note that short term rental guests cause less wear and tear than even the most well-meaning long term residents.

Staff Response: These are important reasons to make the use legal and establish regulations to protect the health, safety, and general welfare.

Staff suggested change: None

5. LICENSING SUMMARY

Licensing the platforms violates federal law.

Skepticism was expressed about the City's ability to license the platforms and get the necessary information from platforms to ensure compliance and enforce regulations.

Amend certificate of occupancy inspection process to include a category/tier for short term rentals the same way that long term rental is a category/tier. Require host attendance at a Short Term Rental 101 course as part of license requirement.

Support for licensing hosts and platforms.

Staff response: Online platforms argue that licensing platforms violate federal law. The Department of Safety and Inspections staff are working with City attorneys to ensure that the City's proposed law is permitted under federal law. This is a matter for the licensing component of regulation and not for the zoning component. Thus no change is suggested.

Staff suggested change: None.

6. NEIGHBORHOOD LIVABILITY

Allow short term rental dwelling units but preserve the residential character of neighborhoods through regulation. Short term rental dwelling units are a commercial encroachment/business in residential units and often residential neighborhoods.

Guests in short term rental dwelling units support tourism and local businesses and promote the city.

Staff response: The intent of the proposed ordinance is to permit the use but with limitations to preserve the residential character of neighborhoods. For example, limits on occupancy, prohibiting social or commercial events, and requiring off-street parking are measures aimed at limiting the impact of the use.

Staff suggested change: None.

7. HOUSING AVAILABILITY AND AFFORDABILITY SUMMARY

Loss of housing affordability and long term rental units to short term rental are concerns that are not addressed by the study or regulations. Should the conversion of long term to short term units be tracked to assess the impact to availability and affordability of housing?

Staff response: Maintaining housing availability and affordability are important for Saint Paul. We know from testimony and information from hosts that some units in the city have been converted to short term rental from long term rental. The proposed ordinance limits the number of units in multi-unit buildings to

prevent conversions to quasi-hotels. Tourist-driven cities like New York, San Francisco, and New Orleans with very expensive housing markets have seen losses in housing availability and affordability as a result of conversions to short term rentals. Housing in Saint Paul is more affordable than in these cities and the year round tourism demand pressuring conversions to short term rentals is not so great. So, while availability and affordability are concerns for Saint Paul, the market here is different from other cities and the pressure to convert less strong at this time. Department of Safety and Inspections staff will track and monitor this with data and information from the online platforms.

Staff suggested change: None.

Open Saint Paul: A Sampling of Responses to the three questions

What do you see as the benefits of short term rentals?

- Tourism, community and business support, property values increase with awareness and sharing of hip places, affordable travel options, people connecting.
- Hotels are cost-prohibitive.
- Money to keep up property.
- A way for families to make extra money to cover the cost of living and high property taxes.

What issues or concerns do you have with short term rentals?

- People with multiple locations renting only for profit are a concern.
- Commercial short-term rentals that are not owner occupied are a problem. Without the monitoring an owner/occupant provides parking, noise, and disrespectful behavior becomes a potential issue for the neighborhood.
- Guests are on vacation and want to have a good time but the neighboring houses are filled with people that need to sleep and go to work and school the next day. Lack of on street parking is a concern. We all expect our neighbors to have parties occasionally and understand that parking won't be easy on that day, but to consistently have trouble would negatively impact our neighborhood.
- I think the use of the property is very different depending upon the length of time the property is rented.
- Non-resident short term rentals are no more than hotels and should be governed as such.
- If properties are used exclusively as short term rentals it is difficult for neighbors to develop community with those at that property. And not all short term rental hosts and guests are equal in quality and concern for community.

What are ways to ensure that short term rentals benefit neighborhoods?

- Protections and recourse for the renter would be helpful.
- Having high standards on properties and owners can ensure good renters who bring tourist dollars to neighborhoods.
- House rules that respect neighbors.
- Ensuring that the owners of the properties maintain the properties and renters are respectful of the surrounding neighbors.
- We want to encourage homeowners who open their homes out of adventure, curiosity, love of travel and people, and their community to still participate in Airbnb but permit or tax those who are just in it for sole income or rental property.

Proposed Amendment - Bed and Breakfast Residence

In addition to the proposed short term rental dwelling unit ordinance, an amendment to the bed and breakfast ordinance Zoning Code Sec. 65.641 is proposed to make the language regarding use of dining and other facilities of a bed and breakfast residence consistent with the language for short term rental dwelling units, which prohibits commercial and social events.

Recommendation for Planning Commission Action

The Neighborhood Planning Committee recommends approval of the following proposed amendments to Zoning Code §§ 65.641, 65.645, 66.221, 66.321, 66.421, 66.521, and 63.207.

NOTE: Existing language to be deleted is shown by ~~strikeout~~. New language to be added is shown by underlining. [Drafting notes are in brackets.] P refers to permitted uses and C refers to conditional uses.

Sec. 65.641. Bed and breakfast residence.

A dwelling unit, located within a one- or two-family dwelling, in which guest rooms are rented on a nightly basis for periods of less than a week and where at least one meal is offered in connection with the provision of sleeping accommodations only.

Standards and conditions in residential and BC community business (converted) districts:

- a. In residential districts, a conditional use permit is required for bed and breakfast residences with two or more guest rooms, and for any bed and breakfast residence located in a two-family dwelling. In RL—R4 residential districts, a bed and breakfast residence may contain no more than one guest room.
- b. The bed and breakfast residence may be established in a one-family detached dwelling or a two-family dwelling, located within a single main building.
- c. The guest rooms shall be contained within the principal structure.
- d. There shall be no more than one person employed by the bed and breakfast residence who is not a resident of the dwelling.
- e. ~~Dining and other facilities shall not be open to the public, but shall be used exclusively by the residents and registered guests.~~ Use of a bed and breakfast residence for any commercial or social event is prohibited.
- f. No additional exterior entrances shall be added to the structure solely for the purpose of serving guest rooms.
- g. The zoning lot shall meet the minimum lot size for the one-family dwelling or two-family dwelling in the district in which it is located, and shall have a minimum size according to the following combination of dwelling units and guest rooms:

| Dwelling Units | Guest Rooms | Minimum Lot Size |
|----------------|-------------|------------------|
| 1 | 2 | 6,000 |
| 1 | 3 | 7,000 |
| 1 | 4 | 8,000 |
| 2 | 1 | 6,000 |
| 2 | 2 | 7,000 |
| 2 | 3 | 8,000 |

- h. One-family dwellings may contain no more than four guest rooms. Two-family dwellings may contain no more than three guest rooms.
- i. No bed and breakfast residence containing two through four guest rooms shall be located closer than 1,000 feet to an existing bed and breakfast residence containing two through four guest rooms, measured in a straight line from the zoning lot of an existing bed and breakfast residence.

Sec. 65.645. Short term rental dwelling unit Reserved.

A dwelling unit, or a portion of a dwelling unit, rented for a period of less than thirty (30) days.

Standards and conditions:

- (a) In RL – RT1 districts, there shall be no more than one (1) short term rental dwelling unit on a zoning lot unless a duplex is owner occupied and the owner is in residence during the rental period. In other districts, one (1) or up to 50 percent of dwelling units on a zoning lot, to a maximum of four (4), may be short term rental dwelling units, except that an owner occupied duplex may have two units provided the owner is in residence during the stay and except that more than four (4) short term rental dwelling units may be permitted when a conditional use permit is obtained by the building owner for a specific number of short term rental dwelling units.
- (b) No more than one (1) rental of a short term rental dwelling unit shall be permitted per day. Use of a short term rental dwelling unit for any commercial or social events is prohibited.
- (c) No exterior identification sign of any kind shall be permitted in residential districts.
- (d) Total occupancy of a short term rental dwelling unit shall not exceed the definition of family in Section 60.207 allowed in a single housekeeping unit except that occupancy in excess of the definition of family may be permitted with a conditional use permit, on a case by case basis, for large one- and two-family dwellings on large lots.

Table 66.221 Principal Uses in Residential Districts

| Use | RL | R1-R4 | RT1 | RT2 | RM1 | RM2 | RM3 | Definition (d) Standards (s) |
|--|------------|------------|------------|------------|------------|------------|------------|---------------------------------|
| Commercial Uses | | | | | | | | |
| <i>Commercial Lodging</i> | | | | | | | | |
| Bed and breakfast residence | P | P | P/C | P/C | P/C | P/C | | (d), (s) |
| <u>Short term rental dwelling unit</u> | <u>P/C</u> | <u>P/C</u> | <u>P/C</u> | <u>P/C</u> | <u>P/C</u> | <u>P/C</u> | <u>P/C</u> | <u>(d), (s)</u> |

Table 66.321 Principal Uses in Traditional Neighborhood Districts

| Use | T1 | T2 | T3 | T4 | Definition (d) Standards (s) |
|---|------------|------------------------------|------------------------------|------------------------------|---------------------------------|
| Commercial Uses | | | | | |
| <i>Commercial Recreation, Entertainment and Lodging</i> | | | | | |
| Reception hall/rental hall | | C | C | C | |
| <u>Short term rental dwelling unit</u> | <u>P/C</u> | <u>P/C</u> | <u>P/C</u> | <u>P/C</u> | <u>(d), (s)</u> |
| Theater, assembly hall | | C/P <u>P/C</u> | C/P <u>P/C</u> | C/P <u>P/C</u> | (s) |

Table 66.421 Principal Uses in Business Districts

| Use | OS | B1 | BC | B2 | B3 | B4 | B5 | Definition (d) Standards (s) |
|---|------------|------------|------------|------------|------------|------------|------------|---------------------------------|
| Commercial Uses | | | | | | | | |
| <i>Commercial Recreation, Entertainment and Lodging</i> | | | | | | | | |
| Reception hall/rental hall | | | | P | P | P | P | |
| <u>Short term rental dwelling unit</u> | <u>P/C</u> | <u>P/C</u> | <u>P/C</u> | <u>P/C</u> | <u>P/C</u> | <u>P/C</u> | <u>P/C</u> | <u>(d), (s)</u> |
| Steam room/bathhouse facility | | | P | P | P | P | P | (d) |

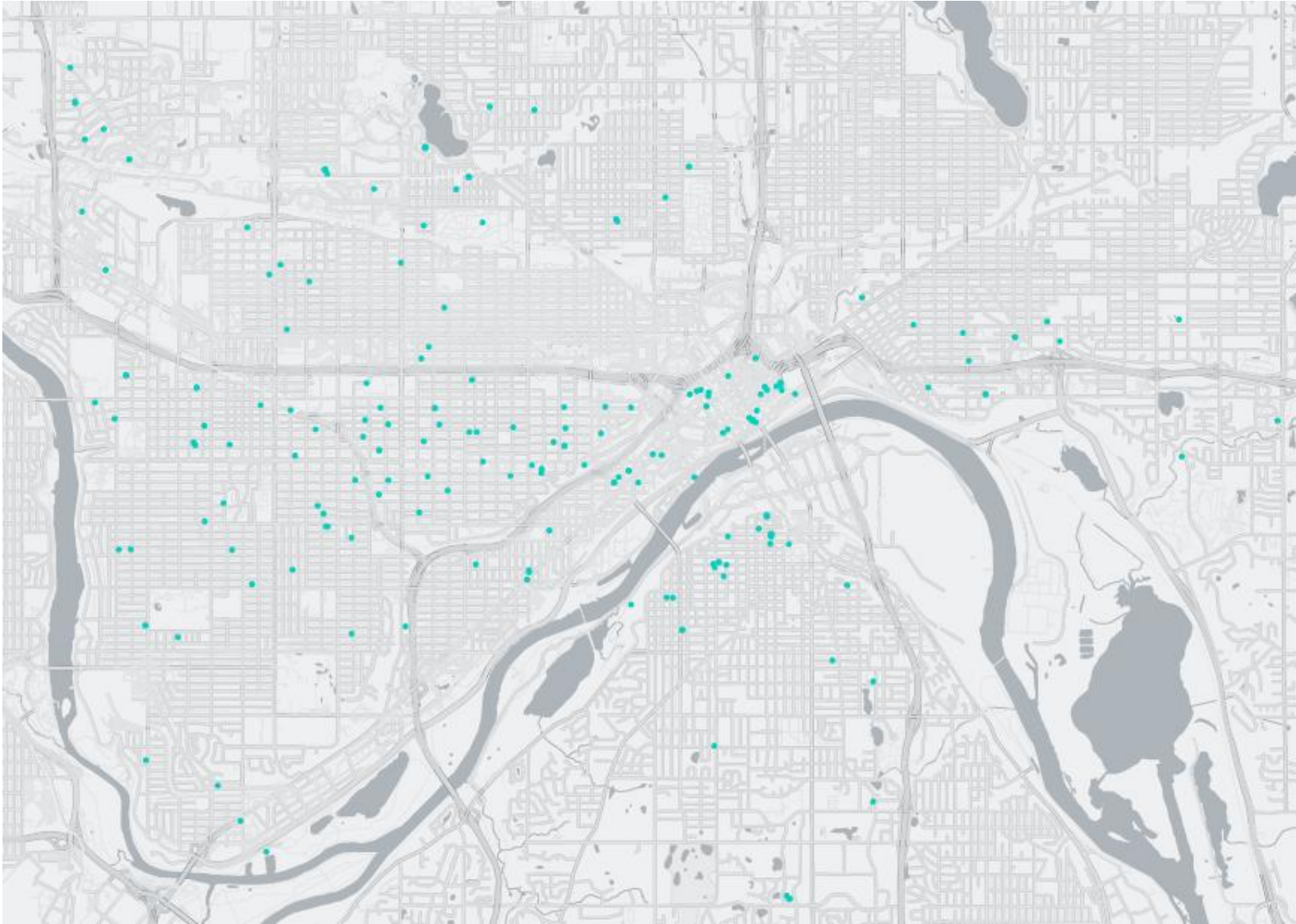
Table 66.521 Principal Uses in Industrial Districts

| <i>Use</i> | IT | I1 | I2 | I3 | Definition (d) Standards (s) |
|---|------------|------------|------------|----|---------------------------------|
| Commercial Uses | | | | | |
| <i>Commercial Recreation, Entertainment and Lodging</i> | | | | | |
| Reception hall/rental hall | P | P | C | | |
| <u>Short term rental dwelling unit</u> | <u>P/C</u> | <u>P/C</u> | <u>P/C</u> | | <u>(d), (s)</u> |
| Steam room/bathhouse facility | P | P | P | | (d) |

Table 63.207 Minimum Required Off-Street Parking By Use

| <i>Land Use</i> | Minimum Number of Parking Spaces |
|--|--|
| Lodging | |
| Bed and breakfast residence | 1 spaces per dwelling unit and 0.5 spaces per guest room |
| <u>Short term rental dwelling unit</u> | <u>1 space per dwelling unit and 0.5 spaces per every 2 adult guests</u> |

Short Term Rental Hosts in Saint Paul – July 2016



To: Dan Niziolek

From: Jerome Benner II

Re: Listening Session for Short-Term Rentals (Airbnb's and VRBO's)

Purpose:

The purpose of this listening session was to create an open dialogue with the community to learn about the benefits of short-term rentals in their respective neighborhoods and any looming concerns with how the City proposes to regulate the new use. Councilmember Prince attended the meeting on behalf of her constituents. The following information are comments collected from the meeting held on January 19, 2017:

Benefits of short-term rentals?

- Building new relationships within the community
- Alternative lodging options for those who do not want to stay in a traditional hotel
- More personal feel. Better for families that are traveling together
- Generates income opportunities for the host(s)
- Builds City's image and generates money for the local economy
- Company for those that are lonely and enjoy having additional guests stay with them
- More eyes on the neighborhood
- Less wear and tear on the homes because guests are staying for shorter periods of them than long-term renters
- Helps with hotel overflow

Issues or concerns with short-term rentals?

- Safety issues – people have died at Airbnb's (Airbnb now supplies Co2 and smoke detectors)
- No notice to residents. Many felt they do not have a say in what goes on in their neighborhoods
- Fear of not knowing who is staying next door (stranger danger!)
- Creating economic/commercial uses in predominately residentially zoning areas
- Hosts discriminating against guests
- Despite being a good host, residents are concerned bad guest will still be an issue
- Traffic congestion on local street systems
- Clarity in ordinance
- Unsavory entrepreneur host platforms

Ways to ensure short-term rentals are a beneficial part of neighborhoods?

- De-regulate traditional bed and breakfast uses to make it easier for business owners
- Require inspections of all short-term rentals
- Platform to allow residents to submit complaints regarding the improper use of a short-term rental
- Education hosts and potential guests about short-term rentals prior to their stay
- Database to collect ID from residents
- Separation requirement to help mitigate impact on neighborhoods
- State-Sponsored listing site
- Host pays inspection fees
- Create off-street parking requirements for hosts
- Require a Conditional Use Permit for all short-term rentals

Number of Short Term Dwelling Units Permitted



Single family home

1 short term rental dwelling unit permitted



Duplex

Non-owner occupied

1 short term rental dwelling unit permitted

Owner occupied – and owner present

2 short term rental dwelling units permitted



Three unit building (triplex)

1 short term rental dwelling unit permitted



Four unit building

2 short term rental dwelling units permitted



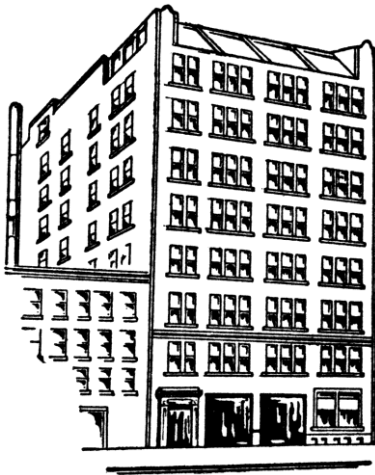
Six unit building

3 short term rental dwelling units permitted



Eight unit building

4 short term rental dwelling units permitted



Larger apartment/condo building*

4 short term rental dwelling units permitted

*The number of short term rental dwelling units may exceed 4 if a building owner obtains a conditional use permit for a larger number of units.

The occupancy of any short term rental dwelling unit is limited by the zoning code definition of family. This occupancy can be exceeded with a conditional use permit, on a case by case basis, for large one and two-family dwellings on large lots.

Family - One or two persons or parents, with their direct lineal descendants and adopted or legally cared for children (and including the domestic employees thereof) together with not more than two persons not so related, living together in the whole or part of a dwelling comprising a single housekeeping unit. Every additional group of four or fewer persons living in such housekeeping unit shall be considered a separate family for the purpose of this code.

“Children” refers to individuals, whether adults or minors, who are lineal descendants and adopted or legally cared for children of the adult (and any domestic employees, like a nanny).