



Short Term Rental (STR) Task Force New Member Orientation

October 2019

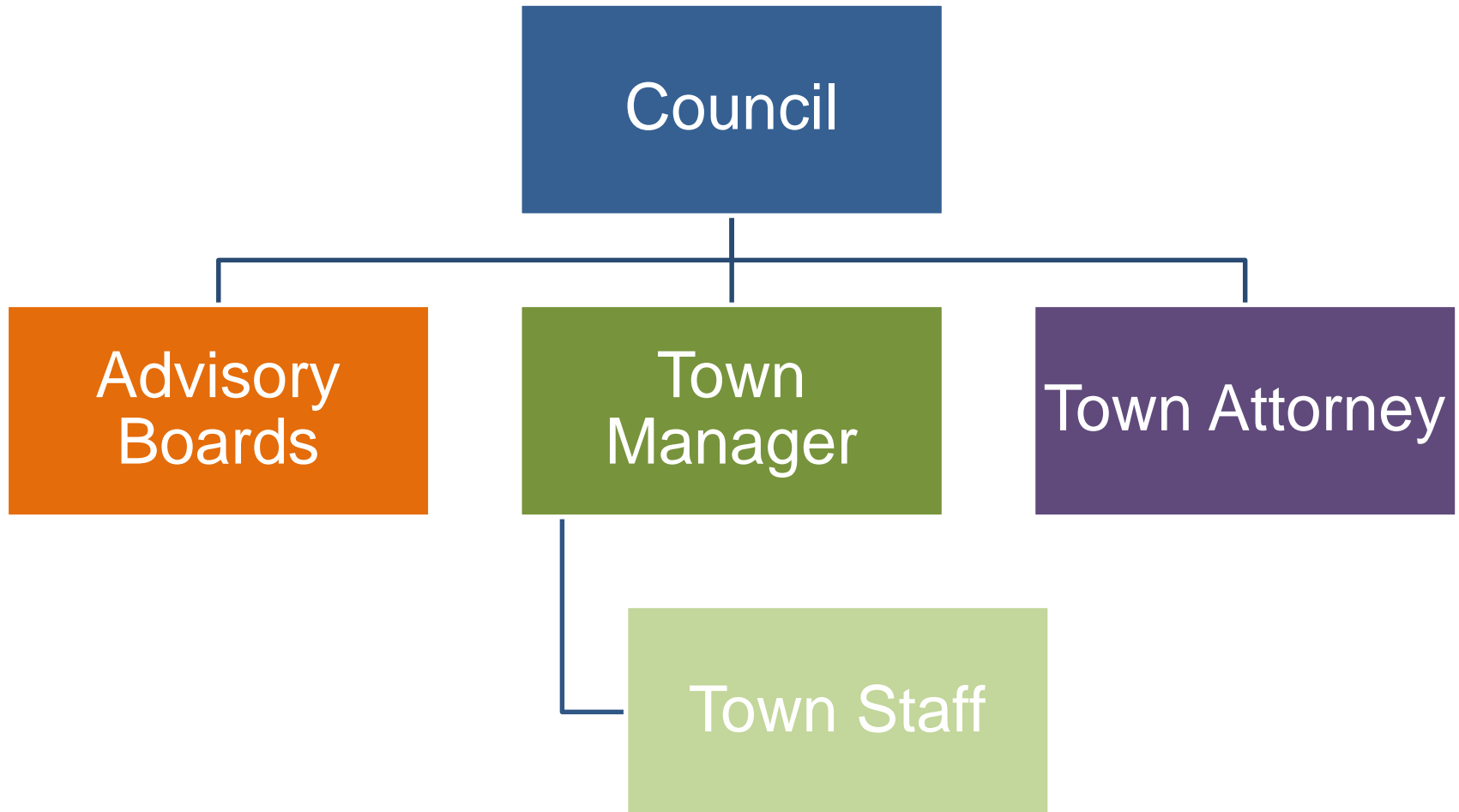
Agenda

- Overview of Advisory Board System
- Introduction to the Short Term Rental (STR) Task Force
- Open Meetings Law & Public Records



OVERVIEW OF ADVISORY BOARD SYSTEM

Reporting Structure



Purpose of Advisory Boards

- **Provide** Council with information and perspective to inform its decisions through recommendations
- **Serve** as the Council’s “eyes and ears” on issues and matters related to the board’s charge
- **Offer** additional opportunities for discussion of public issues
- **Increase** citizen engagement in issues that affect them

Member's Role

1. Prepare
2. Show up
3. Participate
4. Be fair, objective, & polite
5. Follow through



Chair's Role

1. Develop meeting agenda & packet with Staff Liaison
2. Facilitate discussion
3. Make sure interests of Town & Council are met
4. Sign documents & represent board as appropriate

Staff Liaison's Role

1. Develop meeting agenda & packet with Chair
2. Support not participate
3. Act as a resource
4. Write and post Action Minutes



INTRODUCTION TO STR TASK FORCE

Charge of the Task Force

- **Identify goals** of developing an effective STR ordinance relating to whole house and whole unit investor-owned rental for staff to share with the Council on November 18, 2019.
- **Review staff recommendations** for processes to handle registration and safety checks for all STRs.
- **Attend regularly scheduled meetings** where staff and guest speakers will present qualitative and quantitative information to help guide larger discussions on themes related to STR regulations.

Charge of the Task Force

- **Actively participate** in meetings to review and deliberate on themes related to STRs. Work with staff to identify topics needing further discussion as needed.
- **Identify impacts** of possible STR regulations on various stakeholder groups as presented by staff. Seek a balanced approach to regulating STRs in a way that reflects the views of multiple stakeholder groups.
- **Develop a set of final recommendations** for STR regulations for category 3 above (whole house, non-owner occupied rentals), including safety checks and registration that can be translated by staff and presented to the Council for consideration and enactment in March 2020.

Membership

- **13 members** appointed by Town Council to represent different stakeholder groups:
 - Champions from the Housing Advisory Board (HAB) and Planning Commission
 - Community members at large
 - Historic District resident
 - Hoteliers and/or lodging experts
 - STR operators and/or advocates

Open Meetings Law

- All advisory board and subcommittee meetings must be noticed on the Town's website
- Notice must be given to the public at least 48 hours before the meeting takes place
- No exceptions – If a meeting isn't noticed, it must be cancelled

Public Records

- Common types of Public Records
 - Agendas
 - Action Minutes
 - Email
 - Texts
 - Written voting ballots
 - Draft documents
- Public records may be requested by the public

For More Information:

<https://www.townofchapelhill.org/town-hall/mayor-and-council/boards-commissions/board-membership-policy>.

Checking Inn

Regulating Peer-to-peer Short Term Rentals
Rebecca Badgett

Session Agenda

- Law and process for regulating short-term rentals





What is a Short-Term Rental?

- **Hosted:** An arrangement where the guest and host are co-occupants of a dwelling unit being used as a short-term rental. This means that the host remains on-site during the rental period.
- **Unhosted STR:** The entire dwelling unit is rented while the host is temporarily away from the property.
 - **Dedicated Vacation Rental/Investor-Owned:** Full-time short-term rental.

Legal Authority to Regulate Short-Term Lodging

For the purpose of promoting health, safety, morals, or the general welfare, a LG may adopt zoning and development regulation ordinances. §153A-340 (counties); §160A-381 (cities).

- From a zoning standpoint, there is a general belief that all lawful land uses have a place somewhere within a jurisdiction's boundaries.

NC Vacation Rental Act, Chapter 42

- The Act applies to tenants, landlords, and real estate brokers in North Carolina
- A *vacation rental* is defined as including a residential property rented for a period of less than 90 days for vacation, leisure, or recreation, by someone who has a permanent residence elsewhere
- Requires a written agreement detailing the rights and obligations of the parties, amount of rent, and process for expedited eviction
 - Landlord to provide fit premises: Requires smoke alarms and 1 carbon monoxide detector
 - Tenant is to maintain dwelling unit by keeping it clean and habitable
- Transfer of property: Reservations must be honored for 180 days

*Local government can impose more restrictive regulations or require compliance with the Act.

Three Steps to Regulation



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graph LR; A[1. Gather & Analyze Data] --> B[2. Define Planning Objectives]; B --> C[3. Draft Ordinance];
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1. Gather
& Analyze
Data

2. Define
Planning
Objectives

3. Draft
Ordinance

- STR Statistics
- Current Regulations
 - Tourist Homes
 - B&B's
 - Home Occupation
 - Hotels/Overnight Lodging

- Which type of STR does the local government intend to regulate?



Identify Key Stakeholders

Who?

- Who has an interest?
- Who will this impact?
- Who should be involved in the project?

How?

- How do we reach the stakeholders?
- How do we engage the community?



Identifying Planning Objectives

- Housing Availability/Affordability
- Preserving Neighborhood Character
- Economic Development
- Health & Safety
- Leveling the Regulatory Playing Field

Ordinance Drafting

Geographic Regulations

In which zoning districts may STRs operate

- Should whole-house rentals be allowed to operate in residential zones?

Operational Requirements

- What will be asked of the host

STR in a Residential District

Prohibit

Allow

Cap on nights
rented

Density; 2%/400
yards

One STR permit
per natural
person

Unrestricted.
Subject to
operational regs.

Which Regulations Would You Support?

Issuing Zoning Permits

Occupancy Caps

Designated Responsible Party/Notice to Neighbors

Parking Restrictions

Health & Safety Inspections

Prohibit Special Events (weddings, fundraisers)

Enforcement

- Taskforce will make recommendations for the types of regulations to adopt
- Town will consider enforcement implications





Short Term Rentals (STRs)

STR Task Force

October 16, 2019

Anya Grahn, AICP
Senior Planner



Background

1. Citizen Complaints
2. Code Enforcement
3. Engage with Partners/Stakeholder
4. Petition from Hoteliers
5. Town Council direction to develop an ordinance



Short Term Rentals (STRs): Growing Trend

Rapid Expansion of the Sharing Economy:

Travelers:

- Online booking; competitive pricing
- New options for accommodations
- Growing interest in lifestyle travel

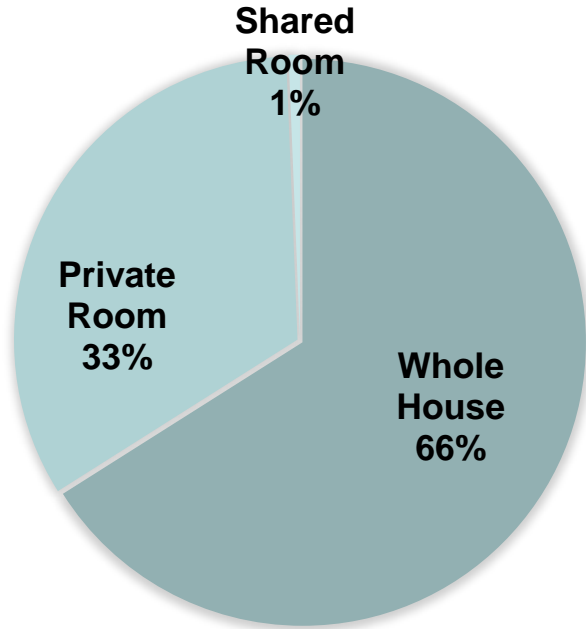
Operators:

- New income generating opportunity
- Leveraging an underutilized asset
- Sharing over consuming



Understanding Chapel Hill's STR Market

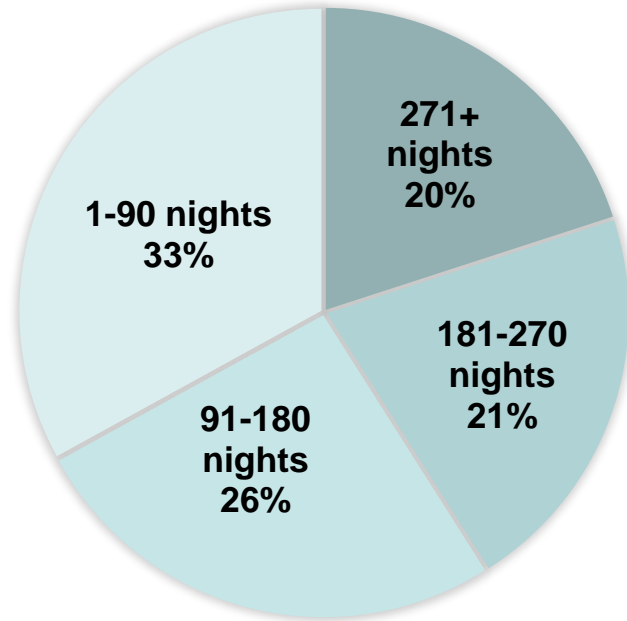
RENTAL TYPE



What we've learned:

- +300 STRs currently
- \$5 million in revenue in 2018
- Approximately 40% increase in room nights, 2017 to 2018
- 95% listed on Airbnb

AVAILABLE NIGHTS



- 60% of STRs are available less than half of the year
- Only 20% are available year-round
- *Note: AirDNA qualifies “full time” rental as more than 180 available nights/year*

Short Term Rentals: Feedback to Date

Neighbors:

- Parking
- Noise
- Strangers in the neighborhood

Hoteliers:

- Level playing field
- Impacts to business

STR Operators:

- Customer demand for this option
- Customer reviews help ensure appropriate use
- STR revenue is important source of personal income

Staff:

- Health and safety
- Occupancy tax revenue

Short Term Rentals: Proposed Timeframe

Short Term (Ongoing):

1. Outreach, Education & Enforcement

- Create webpage
- Inform STR operators of applicable regulations
- Inform property owners of complaints

Currently:

2. Ordinance Update

- Engage community stakeholders and receive input
- Identify key goals
- Check in with Council
- Draft updated standards
- Present for Advisory Board review and Town Council review and approval

3-6 Months After New Ord:

3. Education & Enforcement

- Conduct education campaign on new ordinance
- Enforce new standards

Short Term Rentals (STRs): Next Steps



In June, Council adopted Resolution R-6 authorizing the Town Manager to:

1. Develop updated STR standards with input from community stakeholders
2. Conduct appropriate enforcement efforts in the short-term
3. Conduct education campaign prior to implementation of new regulations
4. Explore possible enforcement assistance from third party vendors

September 23rd Open House:

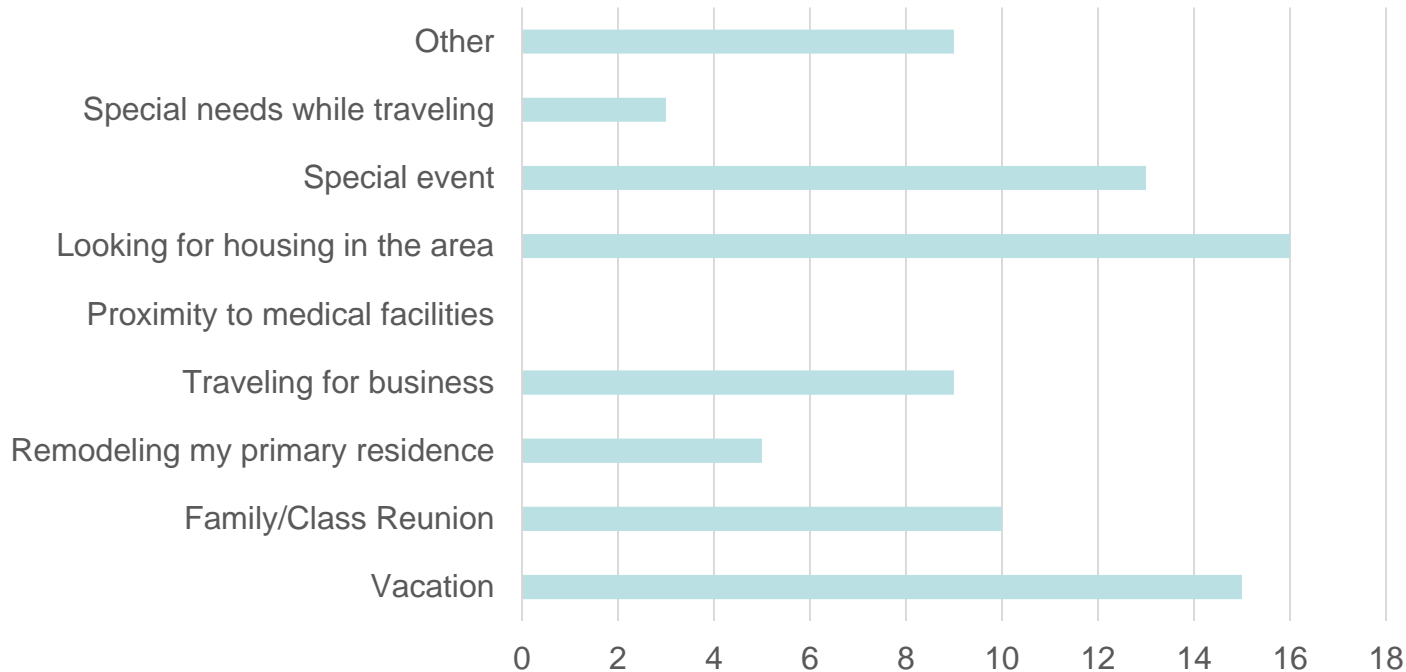
Some things we heard:

- Interest in reasonable restrictions and decisions based on data
- Concerns that STRs were a commercial use, not a residential use
- Market demand for STRs
- Some wanted to see no regulations, others thought STRs should only be allowed as homestays



Community Engagement Feedback:

What was the occasion for which you stayed in a STR?

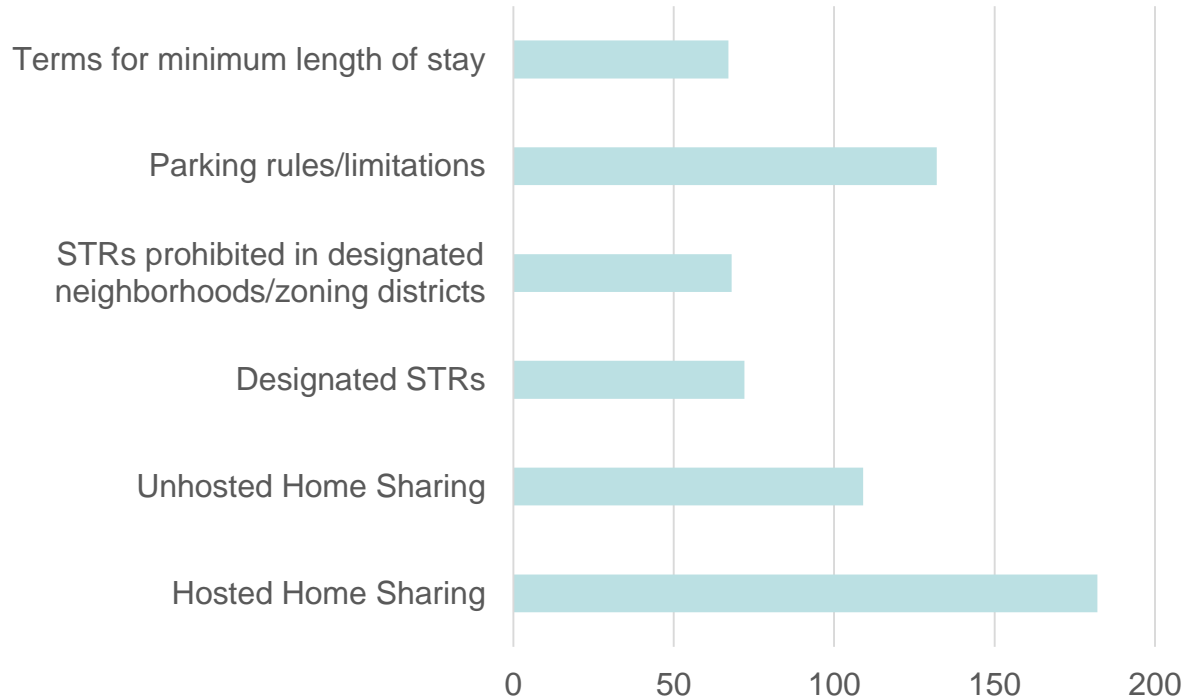


Survey Results:

- 378 survey participants (thus far)
- 55 survey participants answered this question

Community Engagement Feedback:

Which of the following would you support?



Survey Results:

- 378 survey participants (thus far)
- 207 survey participants answered this question

More survey results to be shared at a later date

Steps to Developing an Ordinance:



Developing updated standards

Council direction for the task force:

- Develop regulations for whole-house, investor-owned rentals (dedicated STRs)
- Noise, parking, and garbage will be addressed by Code Enforcement and Police Department
- Provide feedback on enforcement strategies

Potential regulations to consider going forward:

- Occupancy Caps
- Designated Responsible Party
- Insurance
- Health & Safety Inspections
- Permit approval expirations
- Limitations on number of permits issued
- Duration
- Prohibition of special events
- Signs



Where we're headed:

Advisory Board meetings
(August & September)

Town Council appointments Task Force members

Task Force meetings
(Ongoing from October through February)

Check-in with Town Council
(Tentatively scheduled November 18th)

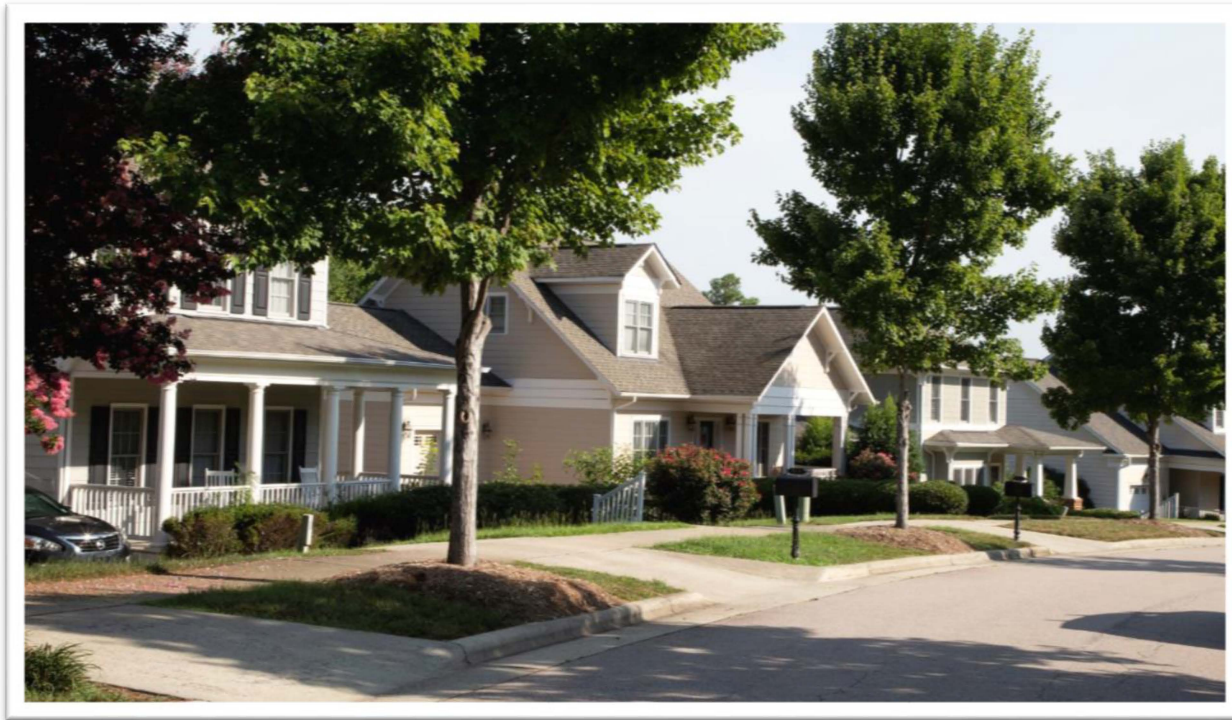
Advisory Board Check-ins on ordinance provisions

Drafting ordinance

Public information meeting

Planning Commission review and recommendation to Town Council

Town Council hearing and consideration



Discussion & Feedback



Town of Chapel Hill

SHORT TERM RENTAL (STR) TASK FORCE

Wednesday, September 16, 2019, 4:00 p.m.-6:00 p.m.
The Sienna Hotel, Tuscany Room
1505 East Franklin Street, Chapel Hill, NC 27514

Meeting Agenda

Members: Housing Advisory Board Member, Manish Atma, Anthony Carey, Shelley De Fosset, Jennifer Hoffman, Jamine Ifedi, Nathan Ligo, Alexa Nota, James Parrott, Sally Persing, John Quinterno, Mary Stowe, Steven Whitlow

1. Opening

a. Roll Call & Introductions

2. Advisory Board Training

3. Business

a. State Regulation of STRs

Background: Rebecca Badgett, UNC School of Government, will provide an overview of state regulations pertaining to STRs.

b. Town Regulation of STRs

Background: Anya Grahn, Town of Chapel Hill Planning Department, will provide an overview of current Town regulations, background on the topic, and next steps on developing an ordinance.

c. Other Task Force Discussion

Background: Jim Huegerich, Town of Chapel Hill Ombudsman, will review meeting organization and task force procedures.

4. Public Comment

5. Election of Officers

a. Chair

b. Vice Chair

6. Adjournment

Charge of the Task Force: The Town Council has charged the STR Task Force with: (1) Identify goals of developing an effective STR ordinance relating to whole house and whole unit investor-owned rental for staff to share with the Council on November 18, 2019. (2) Review staff recommendations for processes to handle registration and safety checks for all STRs. (3) Attend regularly scheduled meetings where staff and guest speakers will present qualitative and quantitative information to help guide larger discussions on themes related to STR regulations. (4) Actively participate in meetings to review and deliberate on themes related to STRs. Work with staff to identify topics needing further discussion as needed. (5) Identify impacts of possible STR regulations on various stakeholder groups as presented by staff. Seek a balanced approach to regulating STRs in a way that reflects the views of multiple stakeholder groups. (6) Develop a set of final recommendations for STR regulations for category 3 above (whole house, non-owner occupied rentals), including safety checks and registration that can be translated by staff and presented to the Council for consideration and enactment in March 2020.

Public Charge: The STR Task Force pledges its respect to the public. The Task Force asks the public to conduct themselves in a respectful, courteous manner, both with the Task Force and with fellow members of the public. Should any member of the Task Force or any member of the public fail to observe this charge at any time, the Chair will ask the offending person to leave the meeting until that individual regains personal control. Should decorum fail to be restored, the Chair will recess the meeting until a genuine commitment to this public charge is observed.



Town of Chapel Hill

SHORT TERM RENTAL (STR) TASK FORCE

Wednesday, September 16, 2019, 4:00 p.m.-6:00 p.m.
The Siena Hotel, Tuscany Room
1505 East Franklin Street, Chapel Hill, NC 27514

1. Opening at 4:00 PM

a. Roll Call & Introductions

STR Task Force Members: Manish Atma, Anthony Carey, Shelley De Fosset, Jennifer Hoffman, Jamine Ifedi, Nathan Ligo, Alexa Nota, James Parrott, Sally Persing, John Quintero, Mary Stowe, Steven Whitlow

Town Staff: Anya Grahn, Judy Johnson, Jim Huegerich, Ralph Karpinos

UNC School of Government: Rebecca Badgett

2. Advisory Board Training

Staff liaison Anya Grahn gave an introduction to serving on the task force. She provided an overview of the advisory board system, discussed the role and charge of the task force, and explained open meetings law and public records.

3. Business

a. State Regulations of STRs

Rebecca Badgett, UNC School of Government, introduced the topic of short term rentals (STRs). She reviewed how local government has zoning authority to regulate land uses, such as STRs. She went over the North Carolina Vacation Rental Act and how it differed from STRs. She also discussed the importance of developing regulations and identified key planning objectives. She talked about how she would be aiding the town in drafting an ordinance.

b. Town Regulations of STRs

Staff liaison Grahn provided an overview of STRs in Chapel Hill. She described the background of the project, the expansion of the shared economy, and shared statistics concerning Chapel Hill's rental market. She discussed the types of feedback the Town had heard from the different stakeholders—neighbors, STR operators, hoteliers, and staff. She summarized the timeline for developing standards to include in the draft ordinance.

The task force requested that staff provide more detail on how STRs are currently regulated and the complaints the Town had received. They were also interested in receiving clarity from Council on their charge. Staff committed to determining whether Council's charge was for the task force to make recommendations on only investor-

owned properties or all unhosted rentals. There was interest in learning more about where STRs were located in the community, defining key terms, and distinctions between owner-occupied and investor-owned rentals.

c. **Other Task Force Discussion**

The task force set the following dates for upcoming meetings:

- November 6, 2019 – 4:30pm-6:30pm
- December 11, 2019 – 4:30pm-6:30pm
- January 15, 2020 – 4:30pm-6:30pm

4. Election of Officers

A motion was made by Atma, seconded by Hoffman, to nominate Nota and Carey to serve as co-chairs of the task force; the motion passed with a unanimous vote.

5. Public Comment

Members of the public spoke of market demand for STRs and concerns about how town regulations would impact the restrictive covenants of HOAs. STR operators explained steps they took to prevent nuisances to the neighborhood, housing affordability, and need for diverse lodging types. There were concerns about investors purchasing single-family homes for use as STRs. Some expressed concern about strangers in their neighborhood, competition for hotels, and investor-owned STRs.

6. Adjournment at 6pm

My name is Eric Plow. I have been doing short term rentals for almost 20 years, and have never had one complaint. I have probably done more STR's than anyone else in Chapel Hill. I have 7 apartments in an area surrounded by apartments mostly rented by students, very close to the UNC campus and downtown. My purpose in being here today is to show you that you have been asked to solve a problem that is being promoted by people in different kinds of neighborhoods, such as single-family, far from the kind of area my apartments are in. This can be solved by simple steps without restricting the use of private property.

You were asked by the council to not consider noise and parking issues because those are already addressed in current ordinances. But let's face it, that is what started concerns about STR's. There are many people that are extremely worried about these 2 issues. I have never had these problems, and my experience has shown that noise and parking problems usually emanate from long-term student rentals. I rent to mostly families who are here for special events, funerals, weddings, and whose house is being renovated. I rent to families visiting their college students, who are doing college tours for at UNC, or are here to support a family member who is having medical treatment at UNC. I sometimes rent to single individuals who are here for job interviews, who are attending conferences, or who need temporary housing as the next speaker will explain. All of my guests have been extremely responsible and respectful.

After each Airbnb rental, the host gets to review the guest and the guest gets to review the place they stayed at. When someone wants to rent a place, they see the reviews on where they want to stay, and the owner can see reviews on that guest before accepting the reservation. Therefore a guest that has caused problems in the past are basically black-listed, and the same holds true for owners who provide poor or unsafe housing.

So, if we put aside noise and parking, which is what you are not supposed to consider, what concerns remain? Let's examine them one by one.

- 1) Some people have expressed concerns that there will be strangers in the neighborhood. Chapel Hill is a very transient place. This is not a reason to restrict uses of property that do not cause problems for others. This especially applies to rental apartments such as mine, which is in a multi-family area that is already highly transient. Even in single-family neighborhoods, the question should be how to allow use of property that does not negatively affect others.
- 2) Hotels want to restrict STR's because they want a "level playing field". I am sure that no Airbnb host would object complying with safety standards, such as smoke and CO detectors. The "level playing field" argument was used by taxis to try to stop Uber and Lyft. How many of you have used (and appreciate) Uber? It turns out that there are some families that want all the comforts of home rather than a motel room. Do you want these folks to rent in Durham, Hillsborough, or Carrboro and spend their money there? I submit that taxis and Uber have learned to peacefully co-exist, and the same can occur between hotels and STR's. There is a market for both.
- 3) One big issue seems to be the occupancy tax. Chapel Hill get 3% of any rentals under 90 days. You may not be aware that Airbnb collects the occupancy tax from the renters and automatically submits it to the town. Based on personal

experience, Airbnb accounts for the vast majority of STR's. This means Chapel Hill already gets the lion's share of STR occupancy taxes. Now it is true that some owners may occasionally rent a room in their home without collecting the few dollars of occupancy tax. The cost of hunting these people down would vastly exceed any revenue collected. But this would be a trivial amount compared to what guests spend at restaurants and other businesses in Chapel Hill, for which they pay sales tax, part of which goes to Chapel Hill.

- 4) The last concern is that investors will buy up numerous single-family homes in established Chapel Hill neighborhoods and turn them into Airbnb rentals. This fear is absolutely and completely unfounded. Keep in mind that single-family homes in Chapel Hill sell for a very high price, and in addition to that, owners have to pay high property taxes, maintenance costs, and cleaning between renters. There is not enough STR demand to keep a property occupied most of the time. I know the market, but other than football and graduation weekends, a 25% occupancy rate is good. A 25% occupancy rate will not provide a reasonable rate of return on such a huge investment. On the contrary, anyone engaging in this enterprise would lose a lot of money very quickly. I bought my 7 condos 20 years ago, but if I bought them at today's prices, I could not get enough STR business to make any money. So the fear that investors would buy up Chapel Hill housing and turn them into STR's is simply unrealistic.

Can anyone else think of other reasons that STR's present such a problem that they need to be restricted or even eliminated? We live in a country where the ownership and use of private property is one of our core values. I have hired an attorney to protect my property rights in the event that attempts are made to restrict or eliminate the business that I have spent 1/3 of my life building up, and for which I am earning income during my retirement years. You have the ability to recommend measures that will protect my business. **One of these would be to set out particular uses that are specific to different zoning districts. If the primary concern is for single-family neighborhoods, which seems to be the main concern for the town council, this is the tried-and-true way to accommodate different uses for different areas.**

Finally, my apartments are governed by a Homeowners Association, and it's covenants specifically allow short-term rentals. This task force should not set out to overturn covenants in condominium complexes. People who buy into such complexes have the opportunity to read the covenants in advance. The main purpose of covenants is to set out what uses can and cannot be made of property, and under what conditions. The town should not get into the business of attempting to overturn existing covenants in condominiums relating to use of property so long as such covenants do not impact public safety. HOAs are ways by which people in certain areas mutually agree to allow some uses of property and restrict others. **Negating property-use provisions in established covenants would set a very dangerous precedent.**

I conclude by saying that I will be glad to work with you in any way possible so that it is a win-win situation for everyone concerned.