

City of Lee's Summit

Development Services

August 9, 2017

TO: Community and Economic Development Committee
FROM: Josh Johnson, AICP – Assistant Director of Plan Services, Development Services
RE: **Short Term Rental (STR) Regulation**

Staff Research and Commentary

Recently, the City processed two enforcement cases for Short Term Rentals (STRs) listed under the website Air BnB. These two cases brought to light the issue of STRs. Lee's Summit has some regulations related to traditional Bed and Breakfasts. Like most communities, our ordinance did not contemplate day to day rentals of individual rooms in homes throughout the City. STRs have become a nationwide issue and are by their nature difficult to regulate. Communities typically enact an ordinance to deal with STR's effect on housing shortages, affordability, neighborhood character, tax collection, and to address safety concerns. What City values would a Short Term Rental ordinance seek to preserve? The answer to this question will inform how an ordinance is crafted. This paper will address what data might be useful before crafting an ordinance, lessons learned from other communities with respect to enforcement, and possible regulations.

Before regulating STRs the City needs to gather some data about STRs in the community. Relevant metrics include location, rent amount, and availability/frequency. Air Bnb's website states the average rental price per night in Lee's Summit is \$82. The City needs to study what level of rent is being allowed by the market for two reasons. First, any permit requirement needs to be affordable so operators are not financially discouraged from voluntary participation. Currently a Special Use Permit for a Bed and Breakfast costs \$1,230. Second, any fines must not be cost-effective for a non-compliant operator. There is also the decision about collecting hotel taxes from these units, the driving force for some jurisdictions facing the issue of STRs. Collecting taxes on these units would require more coordination between different departments, a limiting factor in other communities. For instance, noise complaints are enforced by the police. Taxes would likely be collected by the finance department and development services would administer the ordinance and applications for operators. After some of this basic data on STRs in Lee's Summit is collected, the City will need to conduct some public engagement. Concerned neighbors need to drive the discussion about what community values an ordinance would protect. Operators of STRs can help provide comment on how the City can make any new rules easy to understand and create an application process that makes them want to voluntarily apply.

The current standards in the UDO only address traditional Bed and Breakfasts. We have two defined uses called Bed and Breakfast Homestay and Bed and Breakfast Inn.

Both require Special Use Permits, limit a guest's stay to no more than 14 days, compliance with building and fire code, require fire inspections, require health department approval for food preparation, require screened parking, and approval criteria related to general compatibility with surrounding uses and the Comprehensive Plan. The Homestay allows up to three rooms while the Inn allows 12.

There are a variety of approaches to regulating STRs. Preserving neighborhood character can be achieved through a variety of requirements, mostly based on locational criteria. Staff can explore limiting STRs to our historic districts as classically bed and breakfasts tend to occur in historic homes. Larger rural properties could also be candidates if the community is worried about compatibility. Large lots tend to have greater separation between homes and parcel size limits the affected properties. STRs can be limited to a set distance from a collector or arterial roadway to limit traffic within a neighborhood.

Homes being rented for party events tend to drive discussions about neighborhood compatibility. Requiring a 24/7 contact person for the City and neighbors is one measure used in other communities to curtail party house style rentals. The City can also require the operator post City noise ordinance rules so renters are aware. The prospect of limiting rooms, number of days, and total occupancy is difficult to verify without photo evidence from neighbors of a violation. Achieving a high rate of voluntary compliance is important when a City wants to regulate hard to enforce provisions. Other cities have found, the key to getting buy-in from landlords is an easy-to-understand process and an appropriate fee structure. Communities with high demand have encountered wholesale rental of apartment buildings on a per bedroom basis. The ordinance solution to this issue is a limit on the number of dwelling units available for STRs in the same structure.

As mentioned earlier, the City's current regulations for Bed and Breakfasts require conformance with building and fire codes while needing a regular inspection like other commercial businesses. If a similar approach is sought for STRs then there would need to be a determination about the level of parity with building and fire codes. Communities around the country vary in the level of compliance for STRs. If regular inspections are needed to address fire safety, more fees will be imposed on operators. Like other associated costs, this could affect voluntary compliance. Some City's require operators to get insurance while operating an STR.

Any ordinance addressing short term rentals will only be successful if it can be enforced. There are over 100 different websites used to put renters in contacts with properties for short term rental. Where STR ordinances have been attempted, the compliance rate has typically been low. Sometimes the address to the unit is not given until the stay is booked so the City has to catch a landlord in the act of renting out their home, do research through Google Street View or conduct a site visit to verify the location of a rental. This is an important factor as some communities have made advertising an unpermitted rental illegal.

Tracking down what property to cite can be a time consuming exercise if staff is expected to search websites and issue violations based upon listings. Third party vendors have emerged to verify and pin down addresses of short term rentals. Like other code enforcement cases, jurisdictions have a variety of initial approaches. Some Cities issue a fine upon finding an advertisement for an illegal unit while others seek compliance. Lee's Summit has traditionally sought compliance for code violations. Some communities have engaged in sting operations. These require a non-city credit card and staff time. There is a certain level of controversy associated with having City employees purchase rental rooms to investigate illegal activity.

With the correct approach, STRs could be properly located within the City. Lessons learned from other communities can assist Lee's Summit in regulating and monitoring short term rentals.