

Legislation Text

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Agenda Date: 10/23/2018

Subject:

Study Session regarding the regulation of short-term rentals in Title 10, Littleton's Zoning Code

Presented By: Steve Kemp, City Attorney and Jocelyn Mills, Community Development Director
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POLICY QUESTION:

Does city council support enacting a licensing method for the regulation of short-term rentals, and upon such support directing introduction of an ordinance on first reading?

BACKGROUND:

Short-term rentals are the rental of property to an individual for a period that does not exceed thirty (30) days, granting the individual the rights of a tenant as compared to a person renting a hotel or motel room. Short-term rentals may consist of an entire house, a single room in a house, or a combination of these. All of these would have the same type of sales tax licenses under the lodging classification. Other types of lodging classifications advertise and use short-term online rental platforms.

The city issues business and sales/use tax licenses for the collection of sales taxes under the lodging classification for a number of businesses, including short-term rental properties. This same sales tax classification is used to issue business and sales/use tax licenses for many other uses such as hotels, motels, mobile home parks, communal rooming facilities, such as a YMCA, and bed and breakfasts.

Use of the sales tax licensing system as a means to regulate short term rentals is ineffective because the tax system does not look at operational issues. It is designed for the collection of taxes. Most cities that regulate short term rentals enact regulations addressing short-term rentals in residential units in their zoning code.

PRIOR ACTIONS OR DISCUSSIONS:

The following prior actions and discussions have been held on this topic.

- **July 10, 2018:** City council study session regarding short-term rental policies. Council directed staff to draft ordinance language to regulate short-term rentals.
- **August 28, 2018:** City council study session to review the draft short-term rental regulations, including:
 - Creating an annual business license fee and annual operator license structure
 - Defining short-term rentals (and clarifying other definitions in Littleton's code)
 - Allowing the issuance of one short-term rental license per person, and said person must reside in Littleton

- Requiring occupancy of short-term rentals to meet applicable city zoning and building codes, and all other fire and building safety codes
 - Requiring a local contact within twenty miles of the short-term rental property
 - Establishing rules around revocation of an operator's license for a short-term rental
 - And, that any existing short-term rental licensee come into compliance with the proposed - regulations by January 1, 2020
- **September 6 to September 18, 2018:** Public comment and input solicited from community members via *LittletonPlans.org*, and individual letters to all short term rental business license holders.
- **September 24, 2018:** Planning commission held a public hearing on the draft short-term rental regulations. The commission voted to continue the hearing and asked staff to revise several sections and bring back updated regulations as the basis for Planning Commission to further discuss its recommendation to city council regarding the regulations.
 - *Note: Several emails and written comments were received from community members that were part of the commission's packet sent out the Wednesday prior to the hearing date. These comments and written comments received between packets being sent out through to the hearing are included as an attachment to this staff communication.*
- October 8, 2018: Planning Commission continued its hearing, considered revised language, and recommended approval to city council regarding a draft ordinance on short-term rentals, that generally included (bold text below represents their difference from the original draft ordinance):
 - Creating an annual business license fee and annual operator license structure
 - Defining short-term rentals (and clarifying other definitions in Littleton's code)
 - **Not allowing short-term rentals in the city's larger lot residential zones - R-E, R-S, R-L and R-1**
 - **Allowing short-term rentals in the city's other residential zone districts and any other non-residential district that allows residential uses**
 - Allowing the issuance of one short-term rental license per person, and said person must reside in Littleton
 - Requiring occupancy of short-term rentals to meet applicable city zoning and building codes, and all other fire and building safety codes
 - **Requiring a minimum stay of two nights rented to the same party**
 - **Requiring parking to be on property for the short-term rental but not allow a residence to pave the front yard for parking of short-term rentals**
 - Requiring a local contact within twenty miles of the short-term rental property
 - Requiring the short-term rental city license number to be located on all advertising for the rental
 - Establishing rules around revocation of an operator's license for a short-term rental
 - And, that any existing short-term rental licensee come into compliance with the proposed short term regulations by January 1, 2020
 - *Note: A few more emails and written comments were received from community members after the September 24 hearing, which were part of the commission's packet sent out the Wednesday prior to the hearing date. These comments and written comments received between packets being sent out through to the hearing are also included as an attachment to this staff communication.*

- The planning commission acts on a text amendment. Unlike zoning cases, it is sending you its recommendations which council may give such recognition as it determines appropriate. The same is true of public comments and testimony. As council is acting in a legislative role, it may consider all relevant information in the process of consideration of the proposed ordinance.
- **October 2, 2018 and October 16, 2018:** City council passed on first and second reading an extension of the moratorium on issuance of any additional license for short-term rentals. The extension would be through the middle of January, 2019.

STAFF ANALYSIS:

The proposed ordinance is modeled after the City of Golden Code and designed to handle these as licenses issued administratively in designated zoning districts.

The ordinance is designed to meet the three objectives previously discussed with council:

1. Develop a formalized process to regulate short term rentals.
2. Maintain community and neighborhood character.
3. Develop rules to ensure public safety.

The formalized process will include annual business and operator's licenses with a minimal fee. Existing short-term rentals will have until January 1, 2020, to come into compliance. Community and neighborhood character will be addressed by requiring that the short-term rental must be a primary residence and requiring compliance with all city codes. Public safety will be enhanced by providing lessees with copies of relevant city codes and having a designated local contact.

These provisions meet the initial council objectives. Should council introduce and adopt the ordinance, staff will evaluate its operation and as with most cities make periodic recommendations for improvement.

OPTIONS/ALTERNATIVES:

Option A. Direct staff to proceed with a draft ordinance to planning commission for review and, upon recommendation, to a first reading with city council.

Option B. Direct staff to terminate further actions in regard to short-term rentals.

Option C. Provide further guidance to staff on regulations, recognizing that the current moratorium expires on January 14, 2019.

FISCAL IMPACTS:

There may be a very modest amount of revenue received from new license fees.

STAFF RECOMMENDATION:

Staff is recommending council direct staff to bring an ordinance forward for first reading.