

ORDINANCE A

(Enacting the Land Use Management Ordinance Text Amendment)

AN ORDINANCE AMENDING THE CHAPEL HILL LAND USE MANAGEMENT ORDINANCE ARTICLES 3, 4, 6, AND APPENDIX A TO REGULATE SHORT-TERM RENTALS (2021-_-_/O-#)

WHEREAS, the Council called a Public Hearing for the May 19, 2021 Council meeting to amend Sections 3.7, 4.9, 6.27, and Appendix A of the Land Use Management Ordinance (LUMO) as they relate to short-term rentals; and

WHEREAS, the Council of the Town of Chapel Hill has considered the proposed text amendments to LUMO Sections 3.7, 4.9., 6.27, and Appendix A related to short-term rentals, and finds that the amendments, if enacted, are reasonable and in the public’s interest and are warranted, to achieve the purposes of the Comprehensive Plan as explained by, but not limited to, the following goals of the Chapel Hill 2020 Comprehensive Plan:

- A welcoming and friendly community that provides all people with access to opportunities. (Place for Everyone.4)
- Foster success of local businesses. (Community Prosperity and Engagement.2)
- A range of neighborhood types that addresses residential, commercial, social, and cultural needs and uses while building and evolving Chapel Hill’s character for residents, visitors, and students. (Good Places, New Spaces.5)
- A community that welcomes and supports change and creativity. (Good Places, New Spaces.6)
- Future land use, form, and density that strengthen the community, social equity, economic prosperity, and natural environment. (Good Places, New Spaces.8)
- Protect neighborhoods from the impact of development, such as stormwater runoff, light and noise pollution, and traffic. (Nurturing Our Community.8)

WHEREAS, a short-term rental (STR) is the rental of a dwelling unit that is rented wholly or partly for a fee for fewer than thirty (30) consecutive days; and

WHEREAS, the Town’s historic districts are intended to protect and conserve the heritage and character of the Chapel Hill community. Preserving the character and stability of historic districts immediately surrounding the downtown and campus areas as the University expands is vital. Tourists wanting to be close to campus for university tours, sporting events, conferences, hospital stays, and visiting students and close to downtown amenities creates a demand for dedicated short term rentals (STR) in the historic districts. The character-defining features of each district contribute to their unique identities and Chapel Hill’s sense of place. As such, the demand for dedicated STRs in these areas may significantly alter the character of these neighborhoods and detract from their special character; and

WHEREAS, the Residential-1 (R-1), Residential-2 (R-2), Residential-2A (R-2A) and Residential-3 (R-3) zoning districts are primarily comprised of single family, single family with accessory apartment, and duplex dwelling units. The low-density residential development and full-time residents of these neighborhoods contribute to their economic stability and neighborhood character. Restricting dedicated STRs in these neighborhoods will prevent the

conversion of residential units into short-term rentals, maintain housing opportunities for full-time residents, reduce nuisances to full-time residents, and preserve neighborhood character; and

WHEREAS, the Residential-4 (R-4), Residential-5 (R-5), and Residential-6 (R-6) zoning districts allow greater densities of residential development than the other residential zoning districts, provide greater availability of public services, and allow greater accessibility to major activity centers supporting tourists. These zones provide a transition between lower density single family residential neighborhoods and mixed-use and commercial areas; and

WHEREAS, multi-family dwelling units of three or more units are permitted in the Residential-4 (R-4), Residential-5 (R-5), and Residential-6 (R-6) zoning districts. Placing a cap on the number of dedicated STRs within higher density residential developments will prevent the conversion of residential units into short-term rentals, maintain housing opportunities for full-time residents, reduce nuisances to full-time residents, and preserve neighborhood character; and

WHEREAS, the intent of this article is to establish minimum operational and safety standards for the use of residential dwelling units as primary residence and dedicated short-term rentals and to minimize the impact of changed regulations on existing land uses established as of the effective date of the changed regulations.

WHEREAS, the Town Council agrees that this ordinance amendment is consistent with the Chapel Hill LUMO, and helps to promote the health, safety, and general welfare of the residents of the Town of Chapel Hill.

WHEREAS, a short-term rental (STR) permit shall be required to operate a primary residence or dedicated short-term rental within the planning and regulation jurisdiction of the Town of Chapel Hill; and

WHEREAS, the requirements and provisions of this ordinance shall apply to primary residence and dedicated short-term rentals. This ordinance shall not apply to other types of lodging uses, such as hotels, motels, tourist homes, or rooming houses; and

NOW, THEREFORE, BE IT ORDAINED by the Council of the Town of Chapel Hill that Council amends the Town Code of Ordinances, Appendix A, Land Use Management Ordinance as follows:

Section 1. Section 3.7.2 Use Matrix, short-term rentals use and definitions following the table are hereby revised to read as follows:

	General Use Zoning District																	Historic Rogers Road Neighborhood District					Planned Development (PD-)										
Uses	Use Group	R-LD5	RT	R-LD1	R-1A	R-1	R-2	R-2A	R-3	R-4	R-5	R-6	R-SS-CZD	TC-1, TC-2, TC-CC	N.C.	OI-1	OI-2	OI-3	OI-4	I	LI-CZD	MH	HR-L	HR-M	HR-X	HR-C	H	SC(N)	SCI	OI	MU	I	DA-1
<u>Primary residence STR</u>	A	A	A	A	A	A	A	A	A	A	A	A	-	A	A	A	A	A	A	-	-	-	A	A	A	A	A	-	-	-	A	-	A
<u>Dedicated STR*</u>	A	-	-	-	-	-	-	-	-	P	P	P	-	P	P	P	P	P	-	-	-	-	-	-	-	-	-	-	P	P	P	-	P

"—" Not Permitted;

"S" Permitted as a special use or as a CZ in the parallel conditional zoning districts enumerated in 3.4.3 (a);

"A" Permitted as an accessory use; In LI-CZD refer to [Article 6](#) of this appendix for standards applicable to accessory uses labeled as "AY".

"P" In OI-3, OI-4, LI-CZD and MH: Permitted as a principal use;

"CZ" Permitted as a principal use in the parallel conditional zoning district and in the defined conditional zoning districts;

"Y" In LI-CZD, permitted under additional prescribed standards in [section 6.22](#)

*Dedicated STRs are not a permitted use within the town's historic districts as established pursuant to 3.6.2 Historic Districts.

Section 2: Section 3.11 Blue Hill Form District is hereby added to read as follows:

3.11.3.4. Permitted Use Table.

PERMITTED USES	WR-3	WR-7	WX-5	WX-7	Def./Stds.
Residential Uses					
Primary residence STR	P	P			See 6.27.4 Appendix A
Commercial Uses					
Dedicated STR	-	-	P	P	See 6.27.4 Appendix A

KEY:

P = Use permitted under any of the following circumstances:

- 1.Expansion of an existing public elementary or secondary school

- 2.Enhanced Development Option conditions are met as specified in Section 3.11.1.2.C
- 3.Floor area of proposed development is less than twenty thousand (20,000) square feet, and disturbed land is less than forty thousand (40,000) square feet

Otherwise, permitted following Town Council approval of Special Use Permit.

— = Use not permitted

S = Use permitted following Town Council approval of Special Use Permit

L = Limited use (refer to section 3.11.3.5.A.4.)

Section 3: Article 4.9 Zoning Compliance Permit is hereby revised to read as follows:

4.9.8 Short Term Rental Permit Required. No dwelling unit shall be used for short-term rentals until a short-term rental permit has been issued indicating compliance with the provisions of this chapter, Section 6.27, and this appendix.

Section 4: Section 6.27 Short-term rentals is hereby added to read as follows:

Unless otherwise specified, the requirements and provisions of this section shall apply to primary residence and dedicated short-term rentals (collectively called “short-term rentals” or “STRs”). This section shall not apply to other types of lodging uses, such as hotels, motels, tourist homes, or rooming houses.

Except as provided in this section, nothing herein shall be construed to prohibit, limit, or otherwise supersede existing local authority to regulate the short-term rental of property through general land use and zoning authority.

6.27.1 Definitions

For the purpose of this Section, 6.27, the following are defined terms:

Dedicated short-term rental: the rental of a residential dwelling unit(s) on a property that is not used as a primary residence and is rented in its entirety to one party of guests at a time for a fee for fewer than thirty (30) consecutive days. No simultaneous rental contracts are permitted.

Designated Responsible Party: the local contact responsible for responding to emergency complaints or issues stemming from the use of the dwelling unit as a short-term rental.

Primary residence: the dwelling unit or dwelling unit with an accessory apartment on a property in which the host resides a majority of the year (219 days or 60 percent or more of the time).

Primary residence Short Term Rentals: the rental of a primary residence that is rented wholly or partly for a fee for fewer than thirty (30) consecutive days. No simultaneous rental contracts are permitted when the host is not on-site.

Short-term rental (STR): the rental of a dwelling unit that is rented wholly or partly for a fee for fewer than thirty (30) consecutive days.

Short-term rental (STR) hosting platform: a public platform that allows an operator to advertise a residential dwelling unit for use as a short-term rental and facilitates the booking transaction between the operator and the guest.

Short-term rental (STR) property owner: the owner of record of the short-term rental property as recorded in the Orange County Land Records Office. The property owner shall be a person, or any form of business entity recognized by the State of North Carolina. If the property owner is a form of business entity, the business entity shall maintain current registration with the North Carolina Secretary of State.

Short-term rental (STR) operator: the property owner or any person, company, or rental agency that is authorized by the property owner to advertise a residential dwelling unit for nightly rentals and/or otherwise facilitates the use of the property as a primary residence or dedicated short-term rental.

Short-term rental (STR) permit: the zoning permit that may be issued to property owners or designated agents to certify that a residential dwelling unit or accessory structure may be used as a primary residence or dedicated short-term rental, provided certain requirements are satisfied.

6.27.2 Permitting

- (a) A short-term rental (STR) permit shall be assigned to each residential dwelling unit that satisfies the requirements of this section and is used as a primary residence or dedicated short-term rental for more than fourteen (14) days per calendar year. A permit number shall be assigned to each STR and the permit number shall be clearly noted in any advertisements.
- (b) STR permits shall be renewed annually before the expiration date. Failure to timely renew will result in an expiration of the STR permit and may result in a voluntary forfeiture of all legal rights and claims to continue the use.
- (c) Dedicated STRs are not permitted in the local historic districts.
- (d) No more than two (2) units or three (3) percent of units, whichever is greater, on a zoning lot shall be used as a dedicated STR.
- (e) In the Residential-4 (R-4), Residential-5 (R-5), and Residential-6 (R-6) zoning districts, dedicated STRs shall only be permitted in multi-family dwelling units.
- (f) Grounds for Denial. The Town Manager may deny an application for a STR permit if any of the following has occurred:
 - (1) The applicant submits an incomplete application; or
 - (2) The proposed short-term rental fails to meet a specified standard set forth in this appendix.

The applicant may appeal the denial of a STR permit to the Board of Adjustment pursuant to the requirement set forth in the Chapel Hill Land Use Management Ordinance 4.10.

6.27.2 Operational Requirements.

(a) **Rentals.**

- (1) Operators of dedicated STRs consisting of residences with an accessory apartment shall only rent the single-family dwelling unit or the accessory apartment as a short-term rental. The simultaneous rental of both the single-family dwelling unit and the accessory apartment to more than one party under separate contracts is prohibited.
 - (2) Operators of primary residence STRs consisting of single-family residences with an accessory apartment or a duplex unit on the same lot may rent the single-family dwelling unit, the accessory apartment, or one dwelling unit in the duplex as a short-term rental. The simultaneous rental of all dwelling units on the zoning lot to more than one party under separate contracts is permitted only when the STR operator is on-site.
- (b) **Maximum Overnight Occupancy.** The overnight occupancy shall not exceed two (2) persons per bedroom plus two (2) additional persons, excluding children under twelve (12) years of age. The occupancy limit shall be posted prominently within the short-term rental and be included in property listings on hosting platforms.
- (c) **Designated Responsible Party.** Operators shall designate a local responsible party who is available to respond on-site within two (2) hours to handle emergency situations stemming from the short-term rental use. The responsible party shall be available 24 hours and seven (7) days a week during all times that the property used as a short-term rental. The name, telephone number, and email address of the designee shall be conspicuously posted within the short-term rental and match the name, telephone number, and email address provided in the short-term rental permit. A designee's repeated failure to timely respond to complaints may result in the revocation of the STR permit. The designee may be the property owner if he/she satisfies these requirements.
- (d) **Noise.** The noise regulations set forth in Chapter 11, Article III of the Code of Ordinances shall apply to short-term rentals. Among other requirements, Article III regulates nuisance noises, which makes it unlawful to create, cause or allow the continuance of any unreasonably loud noise, particularly during nighttime, which interferes seriously with neighboring residents' reasonable use of their properties.
- (e) **Trash and Recycle Disposal.** The dates and instructions for trash and recycling collection shall be posted prominently within the short-term rental. Waste shall not be placed in trash bags at the curb; all trash is required to fit into trash receptacles. Trash and recycling shall follow rules and regulations set forth in the Code of Ordinance Section 8.5.
- (f) **Parking.** Parking for STR shall be provided on-site and shall not be permitted in the right-of way. See parking regulations set forth in Code of Ordinances [Section 5.9](#).

- (g) **Signs.** Signs on the property advertising it as a short-term rental are prohibited.
- (h) **Taxes.** Short-term rental operators are responsible for paying the state sales tax, personal property taxes, the transient occupancy tax and any other applicable taxes and fees as established by state and local law.
- (i) **Minimum Rental Age.** The principal guest of a short-term rental shall be at least eighteen (18) years old.
- (j) **Minimum Rental Duration.** The operator shall not make the short-term rental available for a period of less than overnight.
- (k) **Notice.** At the time of application, the Town of Chapel Hill will notify neighboring property owners located within 100 feet of the short-term rental lot that the property is being used as a short-term rental. The notice to neighboring property owners shall include the street address of proposed short-term rental.

6.27.4. Enforcement.

- (a) **Enforcement.** The procedures for the enforcement of this ordinance are set forth in LUMO Section 4.13 Violations and penalties.
- (b) **Penalties and Remedies for Violations.** The penalties and remedies for violations of this ordinance are set forth in LUMO Section 4.13 Violation and penalties.
- (c) **Permit Revocations.** If a property receives three (3) separate violations relating to the use of the property as a short-term rental within a rolling twelve (12) month period, the STR permit shall be revoked.
- (d) **Operating Without a Permit.** Any person who operates a short-term rental property without a valid STR permit shall be in violation of LUMO Section 4.9.8.
- (e) **Registration Termination.** Registration shall terminate upon failure to renew annual registration
- (f) **Action for Recovery of Civil Penalty.** If payment of a civil penalty is not made, or if violations are not cured or corrected, within the time specified in the citation, then the matter may be referred to the Town Attorney for institution of a civil action before a court of competent jurisdiction.

6.27.5 Existing short-term rentals

- (a) **Any short-term rental existing at the time of the adoption of this ordinance shall be brought into compliance with this ordinance within six months of the effective date of this ordinance, or no later than [6 months + effective date].**

(b) Short-term rental operators shall apply for a short-term rental (STR) permit within six months of the effective date of this ordinance, or no later than [6 months + effective date]

Section 5: Appendix A. Definitions is hereby revised to read as follows:

Lodging unit: A room or group of rooms forming a separate habitable unit used or intended to be used for living and sleeping purposes by one (1) family only, without independent kitchen facilities; or a separate habitable unit, with or without independent kitchen facilities, occupied or intended to be occupied by transients on a rental or lease basis for periods of less than one (1) week. This term does not include short-term rentals.

Short-term rental (STR): the rental of a dwelling unit that is rented wholly or partly for a fee for fewer than thirty (30) consecutive days as defined in section 6.27

Tourist home: A building or group of buildings containing in combination three (3) to nine (9) lodging units intended for rental or lease primarily to transients for by the day or week with or without board, as distinguished from rooming houses in which occupancy is generally by residents rather than transients. Emergency shelters for homeless persons and residential support facilities, as defined elsewhere in this appendix, are not included. A tourist home shall not be considered an accessory use or as a home occupation. This term does not include short-term rentals.

Section 6. This ordinance shall be effective upon enactment.

This the _____ day of _____, 2021.