



Planning Commission

Regular Agenda – Text Amendments to Land Use Management Ordinance Text Amendment Regarding Short-Term Rental Regulations Related to Articles 3, 4, 6, and Appendix A.

Summary Report

TOWN OF CHAPEL HILL PLANNING DEPARTMENT
Anya Grahn, Senior Planner
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Applicant Town of Chapel Hill Planning Department	Meeting Date 5/4/2021	Amendment Request Amend sections of the Land Use Management Ordinance (LUMO) to provide a pilot program permitting short-term rentals (STRs).
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Staff Recommendation

Staff recommends that the Planning Commission review the proposed text amendments and forward a recommendation to the Town Council in time for the Council’s review at the May 19, 2021 Public Hearing.

Process

The LUMO requires the Planning Commission to make recommendations to the Town Council on the proposed text amendment. The Council will then hold a public hearing to consider the proposed amendments.

Decision Points

- Allow Primary Residence STRs in residential areas and limit Dedicated STRs to high-density residential, mixed-use, and commercial areas.
- Create a cap on the number of dedicated STRs that may operate in a multi-family developments.
- Require STR operators to receive an annual permit for their primary residence or dedicated STR.
- Provide operational requirements and standards for STRs.

Background

A STR is the renting of all or part of a residential dwelling unit for a period of less than 30 days. The emerging phenomenon in the number of STRs has significantly increased in the last five years with the support of hosting platforms such as Airbnb, Homeaway, and VRBO. Staff believes that there are currently about 230 STRs operating in Chapel Hill, a decrease compared to the estimated 300 STRs that existed prior to the pandemic.

STRs generally fit into one of three categories:

- **Hosted Rental (aka Homestay or Homeshare):** Rental of room(s) within a private residence for compensation while the permanent resident is on-site during the duration of the rental period.
- **Unhosted Rental:** A STR where the primary occupant vacates the unit while it is rented to guests.
- **Dedicated Rental (aka Vacation Rental):** A STR where there is no primary occupant; the unit is only used as a STR.

The current Land Use Management Ordinance (LUMO) predates the phenomenon of the shared economy and the rise of STRs. Currently, the LUMO allows residents to rent their primary residence for up to 14 days per year without a permit; however, STRs are not specifically addressed. STRs may be considered under the following LUMO definitions which do not accurately reflect the STR use:

- Home Occupation (allowed in most zoning districts)
- Tourist Home (allowed in non-residential zoning districts)
- Overnight Lodging (limited to the Blue Hill District)

On June 12, 2019, CHALT, Chamber for a Greater Chapel Hill-Carrboro, and local hoteliers submitted a [petition](#)¹ asking that the Town regulate short-term rentals (STRs). That same month, Council directed staff to develop updated standards for STRs with input from community stakeholders.

¹ <https://chapelhill.legistar.com/View.ashx?M=F&ID=7306654&GUID=5BAABE66-6F2E-4458-9F12-C2FE2F1F209E>

The Council then appointed thirteen (13) members to the STR Task Force on [October 2, 2019](#)². The Task Force consisted of community members at large, Historic District residents, hotel operators and lodging experts, STR operators and experts, and a champion for the Planning Commission. The Council [charged](#)³ the Task Force to focus on Dedicated STRs, those that have no primary resident and are exclusively used for STRs.

From October 2019 through February 2020, the STR Task Force met monthly to discuss topics related to ordinance development. Staff and Rebecca Badgett, an attorney with the UNC School of Government, provided guidance on subjects including the legal authority for municipalities to regulate STRs, health and safety requirements, and common STR ordinance provisions based on state and national examples. The Task Force's final findings reflect these discussions on key ordinance provisions including:

- Geographic and quantitative limitations regulating which zoning districts would permit STRs, the number of dedicated STRs that would be permitted to operate, and proximity between dedicated STRs.
- Operational requirements such as occupancy caps, designated responsible party, signs, and insurance requirements.
- Health and safety standards including safety standards checklist and Town-led inspections.
- Considerations for regulating existing STRs.

Council accepted the STR Task Force's final set of findings and dissolved the task force in June 2020. Since that time, staff has met with Council and the Council Committee on Economic Sustainability. Staff has received the following feedback from Council on proposed ordinance provisions:

- STRs are a business that require regulation
- Consider regulations for dedicated STRs separately from hosted and unhosted STRs, as dedicated STRs potentially have a greater negative impact on residential neighborhoods
- Support for allowing hosted and unhosted STRs in residential neighborhoods.
- Dedicated STRs do not belong in residential neighborhoods; however, they may be appropriate in mixed use and commercial areas if there is a cap on the number of dedicated STRs permitted.
- Consider a cap on the number of dedicated STRs within multi-family dwelling developments, such as apartments.
- Interest in safety standards

Staff held a public information meeting for this item on April 19, 2021. Community feedback included:

- Concerns for protecting residential neighborhoods from impacts of STRs
- Demand for STRs as not all guests are interested in staying at a hotel and STRs provide a home-like experience, particularly for longer stays
- STRs provide opportunities to save for homeownership
- Neighbors feared that enforcement required them to complain while STR operators found that the review system on hosting platforms, such as Airbnb, prevented nuisances to their neighbors
- Interest in providing a sunset clause for existing STRs

For more information, please see Exhibit 2 – Background Timeline

Text Amendment Overview

Working with Rebecca Badgett, staff has crafted a draft STR ordinance that addresses two types of STRs:

- **Primary Residence STR:** The rental of a dwelling unit or dwelling unit with an accessory apartment on a property in which the host resides a majority of the year and is rented to transient guests for a fee for fewer than 30 consecutive days.
- **Dedicated STR:** 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 transient guests at a time for a fee for fewer than 30 consecutive days.

² <https://chapelhill.legistar.com/LegislationDetail.aspx?ID=4149112&GUID=9E9B4066-4AB7-4818-BE9B-A75F76CBB3B2>

³ <https://chapelhill.legistar.com/View.ashx?M=F&ID=7703597&GUID=589BAB1F-CADF-41BE-8F06-C7C5DF50D462>

Primary Residence STRs would be permitted in all zoning district that allow for residential uses, whereas, dedicated STRs would only be permitted in mixed-use and commercial areas. Staff will develop a STR permit that requires annual renewal.

The STR ordinance would provide:

1. Allow Primary Residential STRs in all residential zoning districts and limit Dedicated STRs to only high-density residential, mixed-use, and commercial zoning districts.
2. Require a Zoning Compliance Permit (STR permit).
3. Place a cap on the number of STRs permitted in any multi-unit dwelling building to 2 units or no more than 3%, whichever is greater.
4. Amend Article 6- Special Regulations for Particular Uses to provide operational requirements for STRs.
5. Provide enforcement provisions including a "Three strikes, you're out" stipulation.

These LUMO text amendments are proposed to create a pilot program for regulating STRs. The pilot program would allow staff to collect data on existing STRs through the permitting process and gain a better understanding of where STRs exist, types of STRs, and the number of STRs in the community. Further, the pilot program will be an opportunity for additional monitoring, community feedback, and adjusting the program as necessary to address impacts to the community. Staff proposes scheduling six-month and annual check-ins with Council, as necessary, to discuss the progress of the pilot program.

Exhibits

1. Technical Report
2. Background Timeline
3. Resolution A (Resolution of Consistency)
4. Ordinance A (Enactment of Land Use Management Text Amendment Proposal)
5. Resolution B (Deny Land Use Management Text Amendment Proposal)



Proposed Changes: Text Amendments to the Land Use Management Ordinance Articles 3, 4, and 6 of Appendix A

The following is a summary of the proposed text amendments to provide STR regulations.

1. Allow Primary Residential STRs in all residential zoning districts and limit Dedicated STRs to only high-density residential, mixed-use, and commercial zoning districts.

This amendment will modify the use table in order to specifically allow primary residence and dedicated STRs in certain zoning districts.

2. Require a Zoning Compliance Permit (STR permit).

This amendment will require that STR operators obtain a STR permit annually. A permit number will be assigned to each residential unit and this permit number shall be included in all online advertisements.

3. Place a cap on the number of STRs permitted in any multi-unit dwelling building to no more than 3%.

This amendment will permit only 3% of units within a multi-unit dwelling development, such as apartment and condo complexes, to operate as dedicated STRs.

4. Amend Article 6- Special Regulations for Particular Uses to provide operational requirements for STRs.

Operational requirements include the following:

- Maximum overnight occupancy of 2 persons per bedroom + 2 additional persons, not including children under 12 years of age.
- Designated Responsible Party that is available to respond on-site within 2 hours to address any emergency situations stemming from the STR use.
- Instructions for Trash and Recycling
- Adequate on-site parking
- Prohibition of signs advertising the STR use
- STR operators are responsible for paying taxes
- Minimum rental age of 18 years of age
- Minimum rental duration not less than overnight
- Notice to neighbors within 100 feet of the STR property

5. Provide enforcement provisions including a “Three strikes, you’re out” stipulation.

Similar to other zoning compliance permits, the STR permit is subject to enforcement. Should a property receive three (3) separate violations related to the use of the property as a STR within a 12 month period, the STR permit may be revoked. Notices of violation will only be issued to those found to be in violation of the code following investigation of a complaint.

6. Amend Appendix A to incorporate definitions related to STRs as well as amend or remove outdated definitions.

Staff proposing adding definitions for:

- Designated STR
- Designated Responsible Party
- Hosting Platform
- Operator
- Primary Residence
- Primary Residence STR
- Property Owner
- STR
- STR Permit

Staff proposes amending definitions for:

- Lodging Unit
- Tourist Home