

**REVISED 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 (2021-06-23/O-16)**

WHEREAS, the Planning Commission reviewed the text amendments to Land Use Management Ordinance Sections 3.7, 4.9, 6.27, and Appendix A on May 4, 2021. The Planning Commission found the proposed text amendments were not consistent with the Comprehensive Plan and took no action on the proposed text amendments; and

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 a dwelling unit that is rented in whole or in part for fewer than thirty (30) consecutive days for a fee or other valuable consideration; and

WHEREAS, short-term rentals provide additional opportunity for overnight accommodations to guests wishing to stay in a home-like environment. These guests benefit the local economy by investing in local restaurants, shops, and museums; and

WHEREAS, short-term rentals provide many Chapel Hill residents the opportunity to supplement their income and afford housing in the community; 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-1A (R-1A), Residential-2 (R-2), Residential-2A (R-2A), Residential-3 (R-3), Residential-4 (R-4), Residential-5 (R-5), Residential-6 (R-6), Residential-Low Density 1 (R-LD1), Residential-Low Density 5 (R-LD5), Rural Transition District (RT), and Historic Rogers Road (HR) 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, dedicated STRs are appropriate in the Town Center (TC), Commercial Center (CC), Neighborhood Commercial (NC), Office/Institutional (OI), Planned Development-Office/Institutional (PD-OI), and Planned Development-Mixed Use (PD-MU) zoning districts that provide greater guest amenities such as shopping, restaurants, and access to transit; and

WHEREAS, multifamily dwelling units of three or more units are permitted in the mixed use and commercial zoning districts. Therefore, a limited number of STRs are appropriate in these zoning districts. However, placing a cap on the number of dedicated STRs within each higher density residential development will limit 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 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; and

WHEREAS, the Town Council agrees that this ordinance amendment is consistent with the Chapel Hill Land Use Management Ordinance (LUMO), and helps to promote the health, safety, and general welfare of the residents of the Town of Chapel Hill; and

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.

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:



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.

#### 6.27.2 Purpose and Intent.

The purpose of this Ordinance is to establish general requirements for the operation of short-term rentals. The purposes and intent of this Ordinance are to:

- (a) Promote the health, safety, and general welfare of the public by establishing minimum operational standards for the use of residential dwelling units as primary residence and dedicated short-term rentals.
- (b) Preserve the character and stability of the historic districts immediately surrounding the downtown and campus areas around the University.
- (c) Maintain the economic stability and neighborhood character of low-density residential zoning districts.
- (d) Maintain housing opportunities for full-time residents by preventing the conversion of residential units into dedicated short-term rentals.
- (e) Reduce nuisances to full-time residents by prohibiting dedicated short-term rentals in residential neighborhoods and the historic districts.
- (f) Provide opportunities for the operation of dedicated short-term rentals in mixed-use and commercial zoning districts where there is greater availability of public services and access to major activity centers supporting tourists.

#### 6.27.3 Definitions.

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

*Primary residence:* A dwelling unit, a single-family dwelling unit with accessory apartment, or a dwelling unit with an attached duplex unit owned by the same property owner, in which the host resides a majority of the year (183 days per year or 50 percent or more of the time).

*Short-term rental (STR):* the rental of a dwelling unit that is rented in whole or in part for fewer than thirty (30) consecutive days for a fee or other valuable consideration, or a lodging unit contained in a building that primarily contains dwelling units. A building that contains more lodging units than dwelling units, and at least three (3) lodging units, shall be considered a Tourist Home or Hotel or motel as defined in Appendix A.

*Short-term rental (STR), dedicated:* A residential dwelling unit(s) located on a property not used as a primary residence in which the dwelling unit is rented in whole or in part for fewer than thirty (30) consecutive days for a fee or other valuable consideration, or a lodging unit contained in a building that primarily contains dwelling units.

*Short-term rental (STR), host:* see definition for STR operator.

**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.

**STR Designated Local 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.

**Short-term rental (STR) operator:** A property owner or authorized agent advertising, managing, and/or facilitating the use of the property as a primary residence STR or dedicated STR.

**Short-term rental (STR), primary residence:** A primary residence rented in whole or in part for fewer than thirty (30) consecutive days for a fee or other valuable consideration.

**Short-term rental (STR) property owner:** The owner of record of the short-term rental property as recorded in the Orange County Register of Deeds. The property owner maybe an individual or individuals or any form of business entity recognized by the State of North Carolina. If the property owner is a form of business entity, it shall maintain current registration with the North Carolina Secretary of State.

**Short-term rental (STR) permit:** The zoning compliance permit issued by the Town to property owners or designated agents to certify that a residential dwelling unit or accessory structure may be used as a primary residence STR or dedicated STR.

#### **6.27.4 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 STR or dedicated STR 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 rental advertisements.
- (b)** STR permits shall be renewed annually before the expiration date. Failure to timely renew may result in expiration of the STR permit. The Town Manager may consider a grace period.
- (c)** No more than two (2) units or three percent (3%) of units, whichever is greater, in a multifamily development shall be used as a Dedicated STR. For the purposes of this section, "multifamily development" is defined as a residential development consisting of a building or group of buildings containing three (3) or more dwelling units on one zoning lot.
- (d) Grounds for Denial.** The Town Manager may deny an application for a short-term rental (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 short-term rental permit to the Board of Adjustment pursuant to the requirement set forth in the Chapel Hill Land Use Management Ordinance 4.10.

#### **6.27.5 Operational Requirements.**

(a) Rentals.

(1) Operators of dedicated STRs consisting of residences with an accessory apartment may, at any given time, offer for short-term rental either the single-family dwelling unit or the accessory apartment, or both units. The simultaneous rental of both the single-family dwelling unit and the accessory apartment to more than one party under separate contracts is prohibited. The units may, however, be rented out together to one party under a single contract.

(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 more than one dwelling unit on the zoning lot to more than one party under separate contracts is permitted only when the STR operator is onsite.

(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) *STR Designated Local Responsible Party.* Operators shall designate a short-term rental local responsible party available to respond within two (2) hours to handle emergency situations stemming from the short-term rental use. The responsible party shall be available 24 hours per day and seven (7) days a week during all times the property is under 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. The designee may be the property owner. A designee's repeated failure to timely respond to renter issues, resident concerns, or Town initiated communications may result in revocation of the STR permit.

(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 and 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) *Parking.* One parking space per bedroom plus one parking space should be provided for each STR. Each STR is further subject to the parking regulations in LUMO Section 5.9.

(f) *Special Events.* STR operators are responsible for securing the necessary permits for any special events that may impact nearby residents or businesses.

(g) *Signs.* Signs on the property advertising it as the location of 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 law.
- (i) Minimum Rental Age. An STR operator shall ensure that the primary responsible renter of a short-term rental shall be at least twenty-one (21) years old.
- (j) Minimum Rental Duration. The operator shall not make the short-term rental available for a period of less than 18 hours, which period shall include the overnight hours.

#### 6.27.6. 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. The town manager may revoke a STR permit if he/she determines the conditions are being violated as outlined in LUMO Section 4.9.5.
- (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) Expiration of Short-Term Rental (STR) Permit. Approval of the STR permit shall expire upon failure to comply with the annual renewal requirement in section 6.27.4.
- (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 or within 30 days of the conclusion of an appeal, the Town may initiate a civil action in the nature of a debt. The manager is authorized to reach equitable settlement of unpaid penalties.

#### 6.27.8 Existing short-term rentals.

- (a) Any short-term rental existing at the time of the adoption of this ordinance ("existing STR") is subject to the requirements of sections 3.7, 4.9.8, 6.27, and all other relevant requirements of the LUMO.
- (b) Any existing STR that is not a permitted use under section 3.7 shall nevertheless be allowed to continue operating as a short-term rental for eighteen months after the effective date of this ordinance, provided its continued operation on or after December 23, 2022, shall be in violation of the LUMO.

**Section 4: Appendix A. Definitions is hereby revised to modify Hotel or motel, Lodging unit and Tourist home, and add Short-term rental (STR) as follows:**

*"Hotel or motel:* A building or group of buildings containing in combination ten (10) or more lodging units intended primarily for rental or lease to transients by the day or week, as distinguished from residence halls, in which occupancy is generally by residents rather than transients. **This term does not include short-term rentals.**"

*"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 **thirty (30) days**.

*"Short-term rental (STR):* **A dwelling unit rented in whole or in part for fewer than thirty (30) consecutive days for a fee or other valuable consideration as defined in section 6.27 or a lodging unit contained in a building that primarily contains dwelling units.**"

*"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 23<sup>rd</sup> day of June, 2021.