



**OPEN THE PUBLIC HEARING: LAND USE MANAGEMENT ORDINANCE TEXT AMENDMENTS - PROPOSED CHANGES TO ARTICLES 3, 4, 6, AND APPENDIX A RELATED TO SHORT-TERM RENTALS**

**STAFF REPORT**

TOWN OF CHAPEL HILL PLANNING DEPARTMENT  
 Colleen Willger, Director  
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AMENDMENT REQUEST	DATE	APPLICANT
Amend the Land Use Management Ordinance (LUMO) to provide regulations related short-term rentals (STRs).	May 19, 2021	Planning Department

**STAFF'S RECOMMENDATION**

That the Council open the public hearing regarding the Land Use Management Ordinance (LUMO) text amendment, receive public comment, close the public hearing, accept public comments for 24 hours, and consider enacting the ordinance on June 23, 2021.

PROCESS	DECISION POINTS
<p>The item before the Council is for approval of a Land Use Management Ordinance (LUMO) Text Amendment. The Council must consider whether one or more of the <b>three findings</b> for enactment of the Land Use Management Ordinance Text Amendment applies:</p> <ol style="list-style-type: none"> <li>To correct a manifest error in the chapter; or</li> <li>Because of changed or changing conditions in a particular area or in the jurisdiction generally; or</li> <li>To achieve the purposes of the Comprehensive Plan.</li> </ol>	<ul style="list-style-type: none"> <li>Allow primary residence short-term rentals (STRs) in all zoning districts, but limit dedicated short-term rentals to high density residential, mixed use, and commercial zoning districts.</li> <li>Disallow dedicated STRs in the historic districts.</li> <li>Place a cap on the number of dedicated STRs permitted within multi-family dwelling developments.</li> <li>Establish operational standards.</li> <li>Permit simultaneous rentals only when the STR operator is on-site with guests as part of a primary residence STR.</li> <li>Provide a six-month period in which existing STRs shall come into compliance with the enacted ordinance.</li> <li>Require all STR operators to apply for an STR permit within six months of the enactment of the ordinance.</li> </ul>

**Background**

An 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.

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 on a weekly basis without a permit, and the North Carolina General Statutes explicitly exclude the rental of private residences for fewer than 15 days per year from paying sales and occupancy tax on accommodation rentals; 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, Chapel Hill Alliance for a Livable Town (CHALT), Chamber for a Greater Chapel Hill-Carrboro, and local hoteliers submitted a [petition](https://chapelhill.legistar.com/View.ashx?M=F&ID=7306654&GUID=5BAABE66-6F2E-4458-9F12-C2FE2F1F209E)<sup>1</sup> asking that the Town regulate short-term rentals (STRs). That [same month](https://chapelhill.legistar.com/LegislationDetail.aspx?ID=3985501&GUID=BFA3AA22-D1D1-4D51-9285-1C4FE6B2FF99)<sup>2</sup>, Council asked staff to develop updated standards for STRs with input from community stakeholders.

In [fall 2019](https://chapelhill.legistar.com/LegislationDetail.aspx?ID=4126810&GUID=F8BA0754-AAA2-474C-B0EB-4D344C4711C9)<sup>3</sup>, Council appointed a taskforce of thirteen community stakeholders, including STR advocates and operators, neighborhood residents, and hoteliers. The task force met monthly from October 2019 through February 2020 to discuss topics related to dedicated STRs. 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

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

<sup>2</sup> <https://chapelhill.legistar.com/LegislationDetail.aspx?ID=3985501&GUID=BFA3AA22-D1D1-4D51-9285-1C4FE6B2FF99>

<sup>3</sup> <https://chapelhill.legistar.com/LegislationDetail.aspx?ID=4126810&GUID=F8BA0754-AAA2-474C-B0EB-4D344C4711C9>

examples. The Task Force completed their study with a final set of [findings](#)<sup>4</sup>, reflecting the various convictions of taskforce members. Council accepted these findings and dissolved the taskforce in [June 2020](#)<sup>5</sup>.

Since that time, staff has met with Council to receive input on possible STR ordinance provisions. Staff has received the following feedback from Council on proposed ordinance provisions:

- Support for allowing primary residence STRs.
- Dedicated STRs do not belong in residential neighborhoods; they may be appropriate in mixed use and commercial areas, but there should be a cap on the number of dedicated STRs permitted.
- Concerns for the impact of STRs on residents and residential neighborhoods.
- Consider a cap on the number of STRs within multi-family dwelling developments, such as apartment complexes.
- Interest in requiring permits to collect data and clarify the number of STRs operating in the community.

Staff held a public information meeting on April 19, 2021 regarding STRs. 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 submit complaints to the Town, 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 regarding past meetings, materials, and recordings, please see the project website: <https://chplan.us/ChapelHillSTRs><sup>6</sup>.

### TEXT AMENDMENT OVERVIEW

Staff proposes permitting 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.

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

The STR ordinance would:

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 two (2) units or no more than three (3) percent, 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 program for regulating STRs. Following adoption of the ordinance, staff will 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. The ordinance will provide an opportunity for additional monitoring, community feedback, and identifying issues that need to be addressed. Staff proposes scheduling six-month and annual check-ins with Council, as necessary, to discuss the progress of the STR program. Staff will initiate text amendments to amend the STR ordinance as necessary based on our data collection.

### ATTACHMENTS

1. Text Amendment Summary
2. Draft Staff Presentation
3. Resolution of Consistency (For proposed Land Use Management Ordinance amendment)
4. Ordinance A (Enactment of Land Use Management Ordinance Text Amendment Proposal)
5. Resolution B (Deny Land Use Management Ordinance Text Amendment Proposal)
6. Planning Commission Recommendation
7. Emails from the public

<sup>4</sup> <https://www.townofchapelhill.org/home/showdocument?id=45087>

<sup>5</sup> <https://chapelhill.legistar.com/LegislationDetail.aspx?ID=4569907&GUID=3243B43C-A063-46AB-8885-7BC99D867FC1>

<sup>6</sup> <https://chplan.us/ChapelHillSTRs>



## **PROPOSED CHANGES: TEXT AMENDMENTS TO THE LAND USE MANAGEMENT ORDINANCE ARTICLES 3, 4, 6, AND APPENDIX A**

The following is a summary of the proposed text amendments to amend the LUMO to include STR regulations:

**1. Allow Primary Residence 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 Dedicated STRs permitted in any multi-unit dwelling building to no more than two (2) units or three (3) percent of units, whichever is greater.**

This amendment will permit only three (3) percent of units within a multi-unit dwelling development, such as apartment and condo complexes, to operate as Dedicated STRs. Permits will be issued on a first-come, first-served basis.

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

A. Staff proposing adding definitions for:

- Primary Residence
- Short-term rental (STR)
- STR, Dedicated
- STR, Primary Residence
- STR Local Designated Responsible Party
- STR Hosting Platform
- STR Permit

B. Operational requirements include the following:

- Limiting simultaneous rentals to primary residence STRs and only when STR operator is on-site.
- Maximum overnight occupancy of two (2) persons per bedroom + two (2) additional persons, not including children under 12 years of age
- Designated Responsible Party that is available to respond on-site within two (2) hours to address any emergency situations stemming from the STR use
- Adequate on-site parking
- Prohibition of signs advertising the STR use
- STR operators are responsible for paying all applicable taxes and fees
- Minimum rental age of 18 years of age
- Minimum rental duration not less than overnight

**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 rolling 12-month period, the STR permit may be revoked and the applicant shall have to submit a new STR permit. 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 clarify that these definitions do not apply to STRs.**

Staff proposes amending the following definitions to clarify that they do not apply to STRs:

- Lodging Unit
- Tourist Home