



**CONSIDER PURSUING A TEXT AMENDMENT PROCESS FOR CHANGES TO THE LAND USE MANAGEMENT ORDINANCE IN RESPONSE TO SHORT TERM RENTALS (STR)**

**STAFF REPORT**

TOWN OF CHAPEL HILL PLANNING DEPARTMENT  
Ben Hitchings, Director  
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**BUSINESS MEETING DATE**

June 19, 2019

**STAFF’S RECOMMENDATION**

That the Council receive the staff’s report and offer direction on pursuing a potential text amendment process to address Short Term Rentals (STRs).

**ITEM OVERVIEW**

In the LUMO, a STR is the renting of all or part of a residential dwelling unit for a period of seven (7) days or less. Searches on webpages such as Airbnb, Homeaway, and VRBO indicate that there are currently more than 300 STRs operating with the town limits of Chapel Hill.

Town staff made a [background presentation](#)<sup>1</sup> on STRs to the Council Committee on Economic Sustainability on June 7, 2019.

**DECISION POINTS**

Staff is requesting that the Council offer direction on the following items:

1. STR Standards: Should the Town develop updated standards for STRs with input from community stakeholders?
2. Short-Term Approach to Enforcement: Should the Town focus short-term enforcement efforts on education and complaint notification until new code amendments are adopted, or more aggressively implement existing standards?
3. Education Campaign on New Standards: If the Council adopts updated standards, should the Town conduct an education campaign on the new standards prior to implementation?
4. Possible Assistance for Code Enforcement: Should the Town explore possible assistance from third party vendors who can help with local STR identification and enforcement, and evaluate potential cost recovery through a new STR annual permitting fee from operators?

**PROJECT OVERVIEW AND BACKGROUND**

Many communities are experiencing a growth in STRs. Over the last several months, staff has been gathering information on the number of STRs in Chapel Hill, exploring how other municipalities are regulating this use, identifying key ordinance provisions, exploring potential missed revenue, and reviewing enforcement strategies. Staff has also been coordinating with key stakeholders, such as the Chapel Hill/Orange County Visitor’s Bureau and the Chamber for a Greater Chapel Hill-Carrboro, to share information and coordinate on opportunities for public outreach.

The Land Use Management Ordinance (LUMO) currently permits STRs under these existing land use definitions:

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

A significant majority of the STRs are unregulated as the Town has only issued 5-10 Home Occupation permits for STRs. Most STRs have not gone through the Town’s permitting process to determine compliance with health and safety standards. Additionally, STRs may have a negative impact on residential neighborhoods due to increased traffic, parking, trash, and noise. A revenue manager hired by the Visitor’s Bureau has estimated that STRs in Chapel Hill generated approximately \$5 million in revenue in 2018 alone. Staff has also been exploring the potential for uncollected occupancy taxes.

With only one zoning officer for the town, staff has been considering new enforcement strategies including contracting with enforcement software companies that could provide additional administrative support to staff; however, most likely there would still be a need for additional staff capacity dedicated to managing STRs.

<sup>1</sup> <https://www.townofchapelhill.org/home/showdocument?id=43031>

**ATTACHMENT**

1. Draft Staff Presentation
2. Resolution
3. Tourist Home Zoning Map