

City of Saint Paul

Short Term Rental Study

Report for the Saint Paul City Council

Department of Planning and Economic Development
Department of Safety and Inspections
6-30-2016

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Introduction

One facet of the “sharing economy” is the online, **short term rental** of houses, apartments, and condominiums. Continued growth of the “sharing economy” has led to an increase in websites (host platforms) like Airbnb and VRBO, which efficiently enable individuals (hosts) to offer space and for renters to find space.

The definition of a short term rental varies by municipality since each chooses to regulate differently. Generally speaking, a short term rental is a dwelling unit (or bedroom) being rented for a period of less than 30 consecutive days, with or without the property owner or tenant present. Some jurisdictions use other terms, including vacation rental, timeshare, and tourist rooming house. By comparison, **Lodging Establishment** in the State of Minnesota is generally any structure, or any part thereof, that is offered for less than a week.

Short term rentals are occurring in Saint Paul. While there is no official count, there are approximately 250 online listings for Saint Paul. Under current regulations, short term rentals are not permitted in the Zoning Code and there is no licensing requirement. However, short term rentals are regulated to some extent by the Fire Certificate of Occupancy program.

Recognizing the potential impact of short term rentals, the Saint Paul City Council adopted a resolution asking the Department of Safety and Inspections and the Department of Planning and Economic Development to study Airbnb and similar companies and how their operations align with current city ordinances and to evaluate whether current codes ensure that visitors, landlords, Airbnb neighbors, and private property are safe and protected. The resolution also states that departments shall ensure that the appropriate taxes are being collected from these sorts of properties and uses.

Key Findings

Based on the analysis of short term rentals in Saint Paul and a review of nationwide best practices found in the *City of New Orleans Short Term Rental Study*, the following findings informed staff recommendations:

- Saint Paul has approximately 250 short term rentals listed online. These short term rentals may be an entire house, a room, or a couch. They may occur in owner occupied or non-owner occupied units.
- Since there are no regulations specific to short term rentals it can be difficult to locate them and determine the length of stay.
- Short term rentals in Saint Paul do not appear to be generating many complaints related to negative behaviors or unsafe conditions.

- Saint Paul does not currently have any licensing requirements for short term rentals and the Zoning Code does not list short term rental as a permitted use in the Zoning Code. Any use not listed as a permitted or conditional use, or any use that has not been determined by the planning commission to be substantially similar to a listed permitted or conditional use, is prohibited. Some short term rentals are regulated by the Saint Paul Legislative Code Chapter 40 – Fire Certificate of Occupancy.
- Given 2015 City Lodging tax revenue collected and that many online short term rental listings do not list taxes, there appears to be a significant amount of tax revenue associated with short term rentals not being collected.
- Hosts of short term rentals may not fully understand tax and insurance requirements and liabilities for operating short term rentals.
- Many cities have struggled with the regulation and enforcement of short term rentals. The cities that have been most successful have categorized short term rentals into different categories based on their impacts, put standards in place to ensure guest safety, set appropriate fees and fines to incentivize compliance, and reevaluated and revised the short term rental regulations after their implementation.
- Short term rentals are residential uses with commercial type impacts. Short term rentals with lesser impacts, like those that are temporary or have a permanent resident present at the time of the rental, should be categorized separately and perhaps regulated with fewer restrictions.
- Host platforms are major companies, hosting hundreds of thousands of short term rental listings. These large companies offer services to hosts and renters (e.g. online sites and reservations), but they do not generally ensure compliance of short term rentals with local ordinances.

Recommendations

- Develop a Zoning Code amendment to permit short term rentals as an “incidental transient occupancy” and develop standards related to owner occupied and non-owner occupied units.
- Develop an ordinance amendment to fully regulate non-owner occupied units for life safety concerns through the Fire Certificate of Occupancy program.
- Develop a mechanism to ensure tax collection is occurring, possibly via host platforms.
- Develop an ordinance amendment to license host platforms, with specific requirements relating to reporting and compliance.
- Utilize complaints about short term rentals to inform recommendations for future regulations.
- Educate City staff (police, fire, and inspectors) about the presence of short term rental uses in neighborhoods and the potential for complaints.

Next Steps

Assemble a work group of individuals representing host platforms, hosts, hospitality industry, Visit Saint Paul, and city staff to develop specific language for recommended ordinance and policy changes.

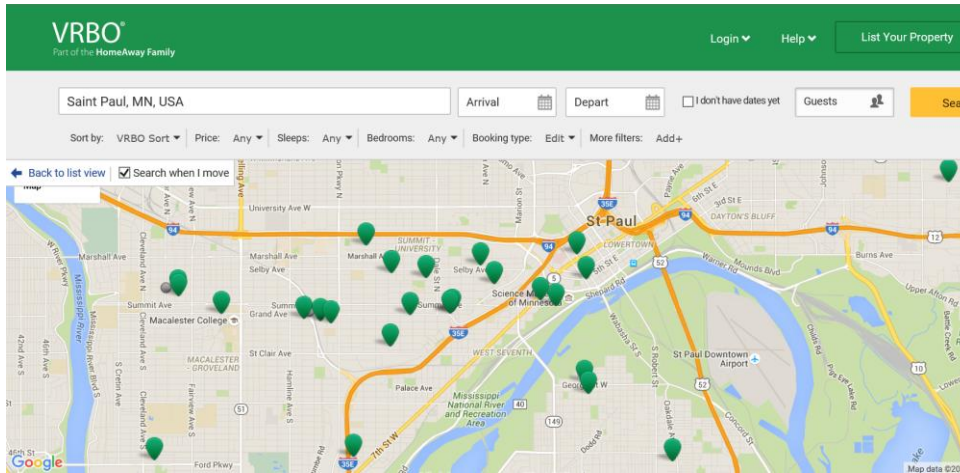
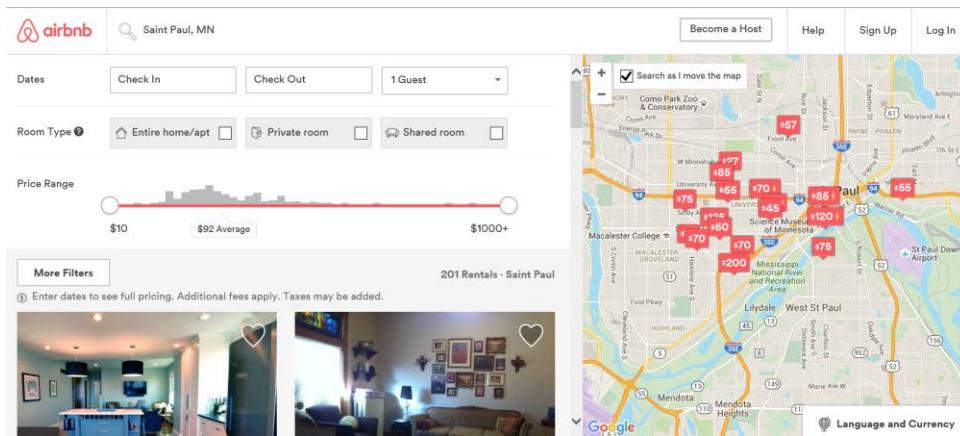
Develop recommendations and move ordinance changes in the next 120 days.

1. Existing Conditions in Saint Paul

Number of Short Term Rentals

The actual number of current short term rentals in Saint Paul is difficult to determine since some of the online sites do not provide addresses, units may be listed on more than 1 site, and the units can be very transient. Drawing upon several sources, it is estimated that there are approximately 250 short term rentals listed online in Saint Paul.

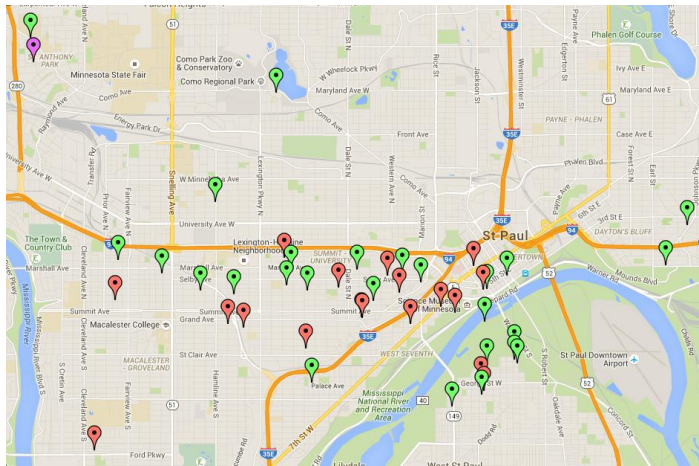
Examples of online sites:



Complaints and Safety Issues

Information was gathered on 45 short term rentals in Saint Paul to assess impacts. The review of police calls and Fire Certificate of Occupancy issues revealed limited reports of negative behavior or unsafe conditions. See the Appendix for details of the assessment.

The short term rentals sampled are shown on the following map. Green dots represent Airbnb short term rentals and red dots represent VRBO shorter term rentals.



The assessment identified two complaints about short term rentals.

1. A resident in a small condominium building expressed concern about strangers, noise, and over occupancy in a shared space.
2. A recently permitted and licensed bed and breakfast operator complained about an unfair playing field.

It should be noted that most people (staff and residents) are not fully educated about short term rentals, their presence in the City, and potential impacts.

2. Current Regulation

The City of Saint Paul does not have an ordinance specifically regulating short term rentals. Short term rental is not listed as a permitted use in the Zoning Code. Any use not specifically permitted under the Zoning Code is prohibited, Legislative Code §66.101(c). In addition, there are no permitting or licensing regulations specific to the operation of short term rental businesses in the City of Saint Paul. That being said, short term rentals are regulated to some extent through the Saint Paul Legislative Code Chapter 40 – Fire Certificate of Occupancy¹. Generally speaking, where there is a Fire Certificate of Occupancy inspection for individual units, as in apartment buildings, short term rental regulation can occur. However, it is important to point out that there are no current requirements regulating time or length of rental agreement. Where no Fire Certificate of Occupancy inspection of individual units takes place, as in owner-occupied dwellings and condominiums, no short term rental regulation occurs.

Current Short Term Rental Permitting and Licensing

Currently there are no permitting or licensing regulations specific to the operation of short term rental businesses in the City of Saint Paul.

Current Short Term Rental Regulations Relating to Life Safety and Certificate of Occupancy

Owner Occupied 1 and 2 Family Dwellings - Short term rental *is not regulated* by Saint Paul Legislative Code Chapter 40 - Fire Certificate of Occupancy. Owner occupied units are exempt from the certificate inspection by Chapter 40. The City could respond to complaints of over-occupancy, life safety, and habitability.

Non-Owner Occupied 1 and 2 Family Dwellings (could include townhouse units) - Short term rental *is regulated* by Saint Paul Legislative Code Chapter 40 - Fire Certificate of Occupancy. However there are no requirements regulating time or length of the rental agreement.

Multi-Family Dwellings of 3 or More Units - Short term rental *is regulated* by Saint Paul Legislative Code Chapter 40 - Fire Certificate of Occupancy. However there are no requirements regulating time or length of the rental agreement.

Owner Occupied Condominium (in a multi-family building) - Short term rental *is not regulated* by Saint Paul Legislative Code Chapter 40 - Fire Certificate of Occupancy. There is a certificate on the building, and the common spaces are inspected. The individual owner occupied units are exempt from the certificate inspection by Chapter 40. The City could respond to complaints of over-occupancy, life safety, and habitability.

Non-Owner Occupied Condominium Unit (individual unit in a multi-family building) - Short term rental *is regulated* by Saint Paul Legislative Code Chapter 40 - Fire Certificate of Occupancy. There is a certificate on the building, and the common spaces are inspected. The individual, non-owner occupied units are subject to the certificate inspection by Chapter 40. However, the City would have to know that they are being used as non-owner occupied units in order to schedule the inspection. Generally a separate certificate is not required on the non-owner occupied unit.

¹ According to Building, Life Safety Code Regulations; Saint Paul Legislative Code Chapter 40 - Fire Certificate of Occupancy; and Saint Paul Legislative Code Chapter 34 - Property Maintenance.

Accessory Dwelling Units (proposed legislation) - As proposed, short term rental of interior units or attached units for owner occupied single family dwellings *is not regulated* by Saint Paul Legislative Code Chapter 40 - Fire Certificate of Occupancy. The City could respond to complaints of over-occupancy, life safety, and habitability. Short term rental of detached units would be regulated by Saint Paul Legislative Code Chapter 40 - Fire Certificate of Occupancy, and a certificate required. However there are no current requirements regulating time or length of the rental agreement.

Current Zoning Regulations

Saint Paul does not have an ordinance regulating short term rentals and short term rental is not listed as a permitted use in the Zoning Code. The Zoning Code provides for roominghouses, bed and breakfast residences, hotel, inns, and motels as noted below.

Zoning Code Section 65.171 - Roominghouse

1. Any residential structure or dwelling unit, supervised or not, which provides living and sleeping arrangements for more than four unrelated individuals for periods of one week or longer; or
2. Any residential structure or dwelling unit which provides single room occupancy (SRO) housing as defined in CFR section 882.102 to more than four unrelated individuals; or
3. Any building housing more than four unrelated individuals which has any of the following characteristics shall be considered and regulated as a roominghouse:
 - a. Rental arrangements are by the rooming unit rather than the dwelling unit.
 - b. Rooming unit doors are equipped with outer door locks or chains which require different keys to gain entrance.
 - c. Kitchen facilities may be provided for joint or common use by the occupants of more than one rooming unit.
 - d. Rooming units are equipped with telephones having exclusive phone numbers.
 - e. Rooming units are equipped with individual intercom security devices.
 - f. Each rooming unit has a separate assigned mailbox or mailbox compartment for receipt of U.S. mail.

Standards and conditions, except in B4—B5 business districts:

- a. A minimum lot area of 5,000 square feet plus 1,000 square feet for each guest room in excess of two guest rooms.
- b. In the I2 general industrial district, a roominghouse must be co-located with a health department licensed community residential facility as defined and regulated in [section 65.155](#). This condition may not be modified.

Permitted: T2, B4, B5

CUP Required: RM1, RM2, RM3, T1, T3, T4, BC, I2

Parking: 1 space per 3 occupancy units

Zoning Code Section 65.641. - Bed and breakfast residence

A dwelling unit, located within a one- or two-family dwelling, in which guest rooms are rented on a nightly basis for periods of less than a week and where at least one meal is offered in connection with the provision of sleeping accommodations only.

Standards and conditions in residential and BC community business (converted) districts:

- a. In residential districts, a conditional use permit is required for bed and breakfast residences with two or more guest rooms, and for any bed and breakfast residence located in a two-family dwelling. In RL—R4 residential districts, a bed and breakfast residence may contain no more than one guest room.
- b. The bed and breakfast residence may be established in a one-family detached dwelling or a two-family dwelling, located within a single main building.
- c. The guest rooms shall be contained within the principal structure.
- d. There shall be no more than one person employed by the bed and breakfast residence who is not a resident of the dwelling.
- e. Dining and other facilities shall not be open to the public, but shall be used exclusively by the residents and registered guests.
- f. No additional exterior entrances shall be added to the structure solely for the purpose of serving guest rooms.
- g. The zoning lot shall meet the minimum lot size for the one-family dwelling or two-family dwelling in the district in which it is located, and shall have a minimum size according to the following combination of dwelling units and guest rooms:

Dwelling Units	Guest Rooms	Minimum Lot Size
1	2	6,000
1	3	7,000
1	4	8,000
2	1	6,000
2	2	7,000
2	3	8,000

- h. One-family dwellings may contain no more than four guest rooms. Two-family dwellings may contain no more than three guest rooms.
- i. No bed and breakfast residence containing two through four guest rooms shall be located closer than 1,000 feet to an existing bed and breakfast residence containing two through four guest rooms, measured in a straight line from the zoning lot of an existing bed and breakfast residence.

Permitted: R1, R2, R3, R4, T1, T2, T3, T4, B1, BC, B2, B3

Permitted/Conditional: RT1, RT2, RM1, RM2 (P/C - sometimes permitted, sometimes requires a CUP)

Parking: 1 space per dwelling unit and 0.5 spaces per guest room

Hotel, inn, motel

There is no definition in the Zoning Code.

Licensing Code Section 407.02 - Definition

"Hotel" means and includes every building or structure kept, used, maintained, advertised or held out to the public to be a place where sleeping or rooming accommodations are furnished to the general public for a shorter period of time than one week, whether with or without meals and which does not qualify for a bed and breakfast residence license under the provisions of chapter 378. The person or persons in

charge of any such hotel, whether as owner, lessee, manager or agent, shall, for the purpose of this chapter, be deemed to be the proprietor of such hotel.

Permitted: T2, T3, T4 (no motel in the T districts), B3, B4, B5, IT, I1, I2

Parking: 1 space per 3 occupancy units plus required parking for bars, restaurant, assembly rooms

Zoning Code Definitions

Zoning Code Section 60.207 - F

Family. One or two persons or parents, with their direct lineal descendants and adopted or legally cared for children (and including the domestic employees thereof) together with not more than two persons not so related, living together in the whole or part of a dwelling comprising a single housekeeping unit. Every additional group of four or fewer persons living in such housekeeping unit shall be considered a separate family for the purpose of this code.

Zoning Code Section 60.205 - D

Dwelling unit. One or more rooms, designed, occupied or intended for occupancy as a separate living quarter, with a single complete kitchen facility (stove and/or oven, refrigerator, and sink), sleeping area, and bathroom provided within the unit for the exclusive use of a single household.

Zoning Code Section 65.111 - Dwelling, one-family

A building designed exclusively for and occupied exclusively by one family in one dwelling unit.

3. Current Taxes

The City's ½ cent sales tax, the City's 3% lodging tax, and State sales (lodging) tax should apply to short term rentals.

The City's 3% lodging tax states:

Sec. 25.02. - Tax imposed.

- (a) There is hereby imposed a tax of three (3) percent in addition to the sales tax imposed by the State of Minnesota on room charges, as herein defined, except that no tax shall be imposed on rooms renting for two dollars (\$2.00) or less per day. The tax shall apply to sales made on or after March 1, 1970.

Sec. 25.01. - Definitions.

The following words, terms and phrases when used in this chapter shall have the meanings ascribed to them in this section except where the context clearly indicates a different meaning: (3) *Room charges* shall mean the furnishing for a consideration of lodging by a hotel, roominghouse, tourist court, or motel or the granting of any similar license to use real property other than the renting or leasing thereof for a continuous period of thirty (30) days or more, but shall not be applicable to a mission as that term is defined in Section 60.214 of the Zoning Code.

Based on 2015 City Lodging tax revenue collected (from entities offering less than 50 rooms for rent), there is potentially a significant amount of tax revenue not being collected from short term rentals. The City contracts with the State Department of Revenue to collect and audit these tax collections.

4. Potential Impacts of Short Term Rentals

The City of New Orleans issued an exhaustive study on short term rentals in January 2016. This study provides excellent background on the benefits associated with and negative impacts of, short term rentals. These are important for Saint Paul to be aware of as it considers whether and how to regulate short term rentals. The [City of New Orleans Short Term Rental Study](#) addresses the issues raised in the Saint Paul City Council's resolution requesting this study. The study discusses at length the benefits and negative effects associated with short term rentals. Below is a summary of the benefits and negative impacts discussed in the study.

The **benefits** associated with short term rentals are:

- Short term rentals are part of the rapidly growing sharing economy
- They provide additional income for hosts and individuals that support short term rentals
- Short term rentals support the tourism economy and provide a significant financial benefit to the region
- There is potential for the City to earn additional income through taxes and fees
- Short term rentals help reduce blight, activate neighborhoods, and support local businesses
- The negative impacts on neighborhood quality of life and affordable housing are over stated as most operators are good managers

The **negative impacts** associated with short term rentals are:

- Short term rentals are a commercial encroachment in residential neighborhoods
- Short term rentals reduce neighborhood quality of life due to late night activity, noise, crime, litter, property damage, fire danger, loitering, and reduced on-street parking
- Short term rentals result in a reduction in long-term residents which changes the character of neighborhoods, especially in neighborhoods with the highest concentration of short term rentals
- Short term rentals reduce the number of affordable housing units in a city
- Short term rentals have an unfair competitive advantage from hotels, bed and breakfasts, and legal short term rentals because they are not licensed, do not pay taxes, are not held to the same safety requirements, and have lower capital and operating costs

5. Local and National Short Term Rental Regulations

Most of the Minnesota cities contacted for this study do not regulate short term rentals. Others prohibit them. Below is a description of how some Minnesota cities handle short term rentals.

The City of Prior Lake adopted an ordinance in mid-2015, precipitated by complaints from neighbors. The City engaged known short term rental hosts during discussions. They helped shape the regulations and permit process. Those hosts have since received permits from the City. The City is aware of other hosts that have not applied for permits. The City is following up with them. The adopted regulations link the number of parking spaces available to the number of bedrooms that can be rented. The number of guests is governed by the size of the structure and the lot. The ordinance requires there to be an owner or local agent who lives and works within 30 miles of the rental unit and the City's laws related to short term rentals must be disclosed to the guests and posted in the unit. The agent must be available 24 hours a day during the rental period to respond immediately to complaints and the agent's phone number must be provided to the City. The agent must maintain and make available upon request to City staff or law enforcement a list of all current occupants. Disorderly conduct is prohibited on all premises and the ordinance defines and gives examples of disorderly conduct.

The City of Duluth recently adopted an ordinance that provides two options. Those wishing to operate a vacation rental can do so via an interim use permit and those wishing to rent out part of their home can do so with a home share permit. The interim use permit regulates the length of stay, number of occupants, number of rooms, off-street parking. A \$650 fee applies. It also requires the permit holder to designate a managing agent who resides within 25 miles of the city to respond 24 hours a day to complaints and the contact information of the managing agent must be provided to all property owners within 100 feet of the property boundary. The permit holder must also post their permit number on all print, poster and web advertisements and also apply for and be granted state and local sales tax numbers. Prior to rental the building must be inspected and a permit issued by the Fire Prevention office. The home share permit regulates the length of stay, number of occupants, and owner occupancy. A \$100 fee applies annually. The permit holder must also: post their permit number on all print, poster, and web advertisements and also apply for and be granted state and local sales tax numbers. Prior to rental the building must be inspected and a permit issued by the Fire Prevention office.

The City of Eagan changed its definition of dwelling unit in November 2015 to prohibit short term rentals of less than 30 days where an owner is not present. An owner can rent out a room in an occupied unit for less than 30 days as long as the owner is present and the guest has full access to the home during the stay. This use is not regulated. Registered accessory dwelling units can be rented for 30 days or more.

The City of Burnsville prohibits short term or vacation rental in residential zoning districts. It recently adopted an ordinance restricting short term or vacation rental in its business licensing section of the City Code (the City Attorney felt that licensing was a more appropriate part of the code to regulate the use than the Zoning Ordinance). Issues identified by the city council are: 1) vacation rentals bring strangers

into a neighborhood; 2) people come and go at all times of the day and night; 3) since customers are not residents, they have no interest in maintaining the neighborhood; 4) noise; 5) trash; and 5) transient nature of the operation.

The City of Minneapolis does not regulate short term rentals and they report that they have not received many complaints about them. Complaints that have been received have tended to come from condominium buildings where unsold units are rented out and subsequently condominium residents become upset about noise and activity. The City feels that it has a mechanism to deal with these complaints. It is aware that there are short term rentals throughout the City but does not plan to regulate them at this time since they do not seem to be causing a problem.

The Appendix provides information about how short term rentals are regulated in some Minnesota cities as well as Information on short term regulation in cities outside of Minnesota.

The *City of New Orleans Short Term Rental Study* referenced earlier in this report also includes an assessment of regulations adopted by cities around the United States. While New Orleans is a major tourist destination and has far more short term rental units than Saint Paul, the information gathered in its study from other cities around the country has value and relevance to the conversation in Saint Paul about whether and how to regulate short term rentals. Important findings in the report are noted below.

The *City of New Orleans Short Term Rental Study's* assessment of regulations in other cities identified the components of a short term rental ordinance into the following categories and discusses each at length. The main take away is that each city regulates differently depending upon the issue it is trying to address, but many cities tend to include most of these items in their regulations. The study also notes that the success experienced by the cities surveyed varied and that the best regulations were adapted over time as issues arose.

- **Definitions** (most are called short term rentals though some use vacation rental, timeshare, or tourist rooming house)
- **Categories** (full dwelling unit rental, single-room rental, or shared-room rental)
- **Size limitations** (number of rooms that can be rented)
- **Concentration** (limits on number of units within a geographic area)
- **Time limitations** (generally less than 30 days, the number of times a unit can be rented per year)
- **Owner occupancy** (whether owner or tenant occupancy is required and for how many days per year the owner must occupy the unit)
- **Use Standards and Guidelines** (no changes to allow a separate entrance, parking, agent contact information, posting of city ordinances, accessible agent to respond quickly to complaints, limiting number of visitors guests may have)
- **Fees** (generally between \$100 and \$150)
- **Notice** (information posted alerting surrounding properties of the use as a short term rental)
- **Taxes** (collection and payment of taxes either by hosting platform or host)

- **Fines and enforcement** (fees should be high enough to deter violations and ordinance should allow for revocation of permit or license for repeated violations)
- **Building code and inspections** (most require at a minimum fire and carbon monoxide detectors, some require inspections, many require permits, licenses, or registrations)

The *City of New Orleans Short Term Rental Study* found that short term rentals are residential uses with commercial type impacts. Generally, short term rentals where the owner or tenant is present are associated with fewer impacts than those where no owner or tenant is present and consequently, tended to be regulated with few restrictions. Short term rentals where the owner or tenant is not present tended to be regulated more strictly because the impacts of their use tended to be more commercial in nature. The City emphasized the importance of having a structure in place to regulate short term rentals to be able to minimize the negative impacts on surrounding properties and facilitate enforcement on problem operators

New Orleans intended to work with the hosting platforms like Airbnb and VRBO to reach agreements to cooperate on the following:

- Platforms should collect and remit all applicable taxes or inform their users of their requirement to pay taxes
- Platforms could require that all listings provide and post a permit number to advertise
- Upon notice from the City of evidence of a violation, platforms should provide specific, relevant data to the City and remove or modify listings that are found to be in violation of the short term rental regulations