



Legislation Text

File #: 20-834B, Version: 1

CITY COUNCIL AGENDA ITEM

ACTION REQUESTED:

Pass the ordinance adding a new Chapter 18 (Short-Term Residential Rentals) to Title 3 (Business and License Regulations) of the Naperville Municipal Code

DEPARTMENT: Transportation, Engineering and Development

SUBMITTED BY: Allison Laff, AICP, Deputy Director; Pat Lord, Senior Assistant City Attorney

BOARD/COMMISSION REVIEW:

Amendments to Title 3 do not require Planning and Zoning Commission review.

BACKGROUND:

Under new business at the February 4, 2020 meeting, City Council directed staff to prepare a report with potential options that could be used to regulate short-term residential rentals ("STR"). This request was driven by resident complaints concerning a large party held at a STR located at 843 Santa Maria in Naperville on Super Bowl Sunday 2020. There had also been resident complaints related to a prior large STR party that was held at the same residence on New Year's Eve 2018.

On March 12, 2020, Staff provided Council with a communication through a Manager's Memorandum that gave an overview of potential STR regulations. Following its issuance, no immediate Council direction was given regarding the potential regulations as the City was preoccupied managing disruptions due to the COVID-19 pandemic.

At the June 2, 2020, City Council meeting, Council re-raised consideration of STR regulations in response to resident complaints regarding incidents occurring at two local STRs (843 Santa Maria - same location referenced above; and 404 Verbena Court). Resident complaints regarding both locations concerned incidents that occurred in May 2020 where STR parties were held that generated concerns over the large number of people in attendance (particularly given social distancing guidelines), loud noise, late hour activities, and physical altercations. The Naperville Police were called and responded for both incidents.

At the June 16, 2020 City Council meeting, Council considered potential STR regulations and directed staff to prepare an ordinance for Council consideration that would establish STR regulations. A consensus of Council supported establishing a maximum occupancy limit at STRs, intended to minimize disruptive parties on-premise, and imposing a progressive fine structure for STR violations.

At the August 4, 2020 City Council meeting, Council held the first reading on a short-term residential rental ordinance. The ordinance presented defined short-term rentals, required their one-time registration online, established a maximum occupancy of 20 persons, required that the short-term

rental be owner-occupied for at least 6 months per year, established a progressive fine structure, and included other provisions to ensure consistency with the adjacent residential neighborhood.

Following several public speakers and comments read into the record, the City Council considered two motions: (1) motion to draft an ordinance prohibiting short-term rentals and direct staff to bring back a report with additional options for regulations in 6-months (motion passed); and (2) motion to pass the ordinance as presented with certain amendments, including removing the 6-month owner-occupancy requirement; restricting third-party rentals; and decreasing the maximum occupancy to 10 persons (motion failed 4-5).

DISCUSSION:

Based on City Council discussion, staff has prepared two ordinances for consideration on August 18, 2020:

1. Ordinance prohibiting short-term residential rentals from being rented, leased, or otherwise offered or permitted within the City of Naperville corporate limits. This ordinance also includes penalties for violating this prohibition, as further described below under “Progressive Fine Structure”.
2. Ordinance permitting short-term residential rentals to operate in the City of Naperville on a limited basis, as follows:
 - a. Must **register online** with the City and provide information re: the premises and contact information for the owner.
 - b. The **maximum occupancy** is determined by the following formula: number of bedrooms X 2, plus 4; and no more than **10 persons** regardless of the number of bedrooms. A bedroom is defined as: *“a private room planned and intended for sleeping, separated from other rooms by a door, and including windows and a closet as defined in the International Residential Code as adopted by the City of Naperville”*.
 - c. The STR must be rented by the STR Owner to an STR Renter (and **not by any third-party operator**, individual, or entity).
 - d. Must be **respectful of the residential character of the adjacent neighborhood**, and to that end, shall at all times:
 - i. Maintain the property **free of garbage, trash, and litter**.
 - ii. **Maintain noise and lighting levels** on the property that comply with the applicable limits.
 - iii. **Garbage** shall be neatly stored and left outside only on the day of garbage pick-up.
 - iv. **Parking** shall be made available so as to accommodate as many vehicles on-site as possible and any off-street parking must comply with applicable codes.
 - e. **Prohibited from operating or advertising a STR for purposes of hosting parties**, events or gatherings that would exceed the maximum occupancy.
 - f. **Required compliance** with various other ordinance provisions intended to make the short-term rental safe.

Components Included in Both Ordinance Options

The following provisions have been included in both ordinance options as they are applicable whether short-term rentals are banned or if they are permitted to operate on a limited basis.

STR Definition

A STR is defined as a residential structure offered for rent in its entirety for a period not to exceed 30 consecutive days. This definition specifically excludes hotels, bed and breakfast establishments, and boarding facilities as those uses are separately defined and regulated in the City's Zoning Code. Further, longer-term residential rentals (those in excess of 30 days) are also excluded from this new ordinance.

Progressive Fine Structure

Violations of the ordinance will be punishable for a \$500 fine for first offenses within a 12-month period and a \$1,000 fine for second or subsequent offenses within a 12-month period. Each day an offense occurs shall be considered a separate finable offense. Multiple offenses can cause a STR property to be deemed a public nuisance and the City will then be able to seek injunctions to stop violations and recovery of reimbursement for the cost of City services incurred to abate any public nuisance.

Delayed Effective Date for Compliance

In order to give impacted entities, notice, an opportunity to comply, and reasonable time to modify existing rental contracts the proposed ordinance is drafted so as to not be effective until September 1, 2020. That will give impacted entities approximately four weeks from initial discussion of the ordinance (August 4) to bring STRs into compliance with the new ordinance.

Also, the proposed ordinance provides that any existing STR agreements entered prior to Council's passage of the ordinance (prior to August 19, 2020) will be exempt from the ordinance for 60-days (until October 20, 2020). In other words, if, there is currently a STR reservation for Labor Day weekend it will be allowed to continue as planned, but if there is one for Halloween weekend it will have to comply with the new ordinance. Staff believes that providing a reasonable period for implementation will minimize the adverse impact on people who have may have already made plans prior to the enactment of the new ordinance.

City Council Action on August 18, 2020

The Council held the first reading on an ordinance establishing regulations for short-term residential rentals on August 4, 2020. Accordingly, on August 18th, the City Council may adopt either ordinance option that is being presented (i.e., ban or limited operations) without holding any additional readings.

FISCAL IMPACT:

The City's 5.50% hotel and motel use tax is currently applicable to short-term rentals.