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**To:** Ann Arbor City Council

**From:** Ben Carlisle, AICP  
Megan Masson-Minock, AICP  
Paul Montagno, AICP  
Melissa Kalnasy

**Date:** December 20, 2019

**Re:** City of Ann Arbor –Short Term Rentals

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At the March 18, 2019 City Council meeting, Council members discussed short-term rentals and their potential implications. As a result, the Council passed resolution R-19-112, calling for the study of potential regulation of the City's short-term rentals (STRs). In response to this resolution, Carlisle|Wortman Associates (CWA) was retained by the City to facilitate three public input sessions in order to gauge the opinions of residents regarding this matter.

In preparation for the public input sessions, CWA 1). Researched types of STRs; 2). Hired a third-party data collection firm to determine number and locations of existing STRs; 3). Researched best practices for regulation of STRs; 4). Researched regulation of STRs in comparable cities; and 5). Established a community input process. This information was presented at three meetings; each occurring on different days, at different time of day, and at different branches of the Ann Arbor District Library to accommodate for residents' varying schedules and travel constraints.

### **COMMUNITY INPUT**

The following community input meetings were held:

1. October 6<sup>th</sup>, Westgate Library, 2-4 p.m
2. October 10<sup>th</sup>, Traverwood Library, 6-8 p.m
3. October 12<sup>th</sup>, Mallets Creek Library, 9:30-11:30

Details from each meeting are included in the appendix of this report.

All three meetings generated a significant amount of interest, with passionate and constructive discussion from all sides. Participants generally fell into one of four groups:

1. Short-term rental owners of a property or multiple properties that are dedicated as short-term rentals year-round;
2. Homeowners who rent their primary residence for short-term rental;
3. Concerned neighborhood residents; and
4. Residents who use short-term rentals when traveling and would like to see it remain an option for visitors to the City.

#### **Short-term Rentals Categories**

1. Primary Residence Homestay, where owner is present during guest stay
2. Primary Residence Whole House, where owner is not present during guest stay
3. Non-Owner-Occupied, often referred to as a vacation rental. This is not the primary residence of the owner and primary purpose of home is for short-term rentals

There were generally two primary positions of those who attended: little regulation of short-term rentals and greater regulation of short-term rental. We have summarized themes from each group below.

Those in attendance who supported less regulation of short-term rentals shared:

- Short-term rentals provide a valuable option for visitors to the city.
- Short-term rental users provide significant economic spin-off including spending at restaurants, and local shops.
- Short-term rentals owners have made a significant investment in properties and have improved the housing stock.
- Good owners of short-term rentals should not be penalized by regulation to control the few “bad actors”.
- Issues raised by concern residents/neighbors can be addressed by existing city ordinances including nuisance controls.

Those in attendance who supported increased regulation of short-term rentals shared:

- Short-term rentals, particularly non-owner-occupied, cause more nuisance (noise, over parking, etc.) issues than long term rentals or owner-occupied homes.
- The City currently does not enforce or is not able to enforce nuisance codes.
- The City does not inspect all short-term rentals, particularly primary residence homestay and primary residence whole house, so the city cannot verify compliance with building and safety codes.

- There is generally a lack of education and support for short-term rental hosts regarding general best practices
- Short-term rentals change neighborhood character, particularly non-owner-occupied.
- Short-term rentals allow the overcrowding of homes.
- Short term rentals, particularly non-owner-occupied, may reduce the affordable housing in the city.

When using the information gathered through this process for decisions, we ask that Council keep the following in mind:

1. The process was designed to be qualitative, gathering personal narratives and experiences as opposed to quantitative.
2. During the process, participants were asked to share their level of comfort with different levels of STR regulation via a show of hands and a worksheet. These interactions were intended as spring boards for discussion and sharing of opinion, not as a poll to guide decision makers. The information is not representative of the entire community, which would require a statistical survey using scientific methods.
3. Several attendees participated in multiple sessions. Therefore, the results from the sessions are not aggregated.

### **STR REGULATION INVESTIGATION IN COMPARABLE CITIES**

To understand regulatory options that may be pursued, varying in depth and approach, we investigated over a dozen communities. See the appendix for more details. In this memo, we highlight STR regulations from the following comparable communities, in terms of character, presence of a university, housing costs, population size and density: Columbia (Missouri), Madison (Wisconsin), Grand Rapids (Michigan), Boulder (Colorado) and Santa Monica (California). The regulations used by these communities cover the breadth of options for short-term regulation while using places relevant to Ann Arbor.

- Columbia, Missouri: Columbia, home to the University of Missouri, implemented short-term rental regulations in 2018. Short-term rentals are regulated by the status of the rentals being hosted or unhosted (owner occupied vs non-owner occupied). Hosted short-term rentals are locations where it is the owner's primary residence for at least 270 days per year, whereas unhosted short-term rentals are not the owner's primary residence and are occupied by the owner for 29 or fewer days per year.
  - Unhosted
    - Obtain conditional use permit
    - Register with City, notify adjacent properties, and have local agent
    - No more than 3 or 4 guests (depends on zoning district)

- Bedrooms must meet International Property Maintenance Code and other applicable codes.
- Only 25% of a multiple family development can be short-term rentals
- Hosted:
  - Register with City, notify adjacent properties, and have local agent
  - No more than 3 guests total or 2 guests per bedroom (depends on zoning district)
  - Bedrooms must meet International Property Maintenance Code and other applicable codes.
- Madison, Wisconsin: Madison only permits the owners of a principal residence to rent as a short-term rental. The operator does not always have to be present during the rental period. If the operator does not occupy the residence at the time of rental (Primary Residence Whole House), rentals may not exceed thirty days per year. If the operator occupies the residence at the time of rental (Primary Residence Homestay), there is no limit to the number of days. Number of guests must comply with City occupancy limits. The operator must register with the City.
- Grand Rapids, Michigan: Grand Rapids classifies short-term lodging as those temporary lodging services of thirty (30) consecutive days or less in duration. Grand Rapids has different standards for one-room rentals, bed and breakfast establishments and hotels and motels. Although standards vary based upon the type, all short-term rentals are to be owner-occupied, owner must be present during time of rental, and there are limits on number of occupants and duration of stay.
- Boulder, Colorado: Boulder only permits a principal residence to be rented as a short-term rental. The owner must obtain a Rental License and annually submit a Short-Term Rental Affidavit, which requires the owner to provide: two local contacts, the number and location of smoke alarms and CO alarms for the entire property, proof of principal residence as, detailed on the affidavit form, and agreement to the occupancy limits. The City may revoke the License and Affidavit if the terms are not followed.
- Santa Monica, California: Santa Monica has established a multitude of standards in response to the rising number of short-term rentals resulting in the reduction of the percentage of owner-occupied homes, and to provide a means to address an existing lack of affordable housing in the City. Registration, taxation, duration of stay, owner-occupation requirements and penalization are all key components of the Santa Monica Home-Sharing Ordinance Rules. Owners must be home at all times during rental.

	<b>Columbia, MO</b>	<b>Madison, WI</b>	<b>Grand Rapids, MI</b>	<b>Boulder, CO</b>	<b>Santa Monica, CA</b>
<b>Registration/Licenses</b>	X	X	X	X	X
<b>Principal Residence only (owner occupied)</b>		X	X	X	X
<b>Conditional Use permit for non-hosted</b>	X				
<b>Inspection</b>	X				
<b>Limits on number of occupants</b>	X	X	X	X	X
<b>Local Agent</b>	X			X	X

**REGULATORY CONSIDERATIONS**

Regulation of short-term rentals may be approached many ways, including differentiation between rental types such as primary residence or non-owner-occupied, location restrictions, occupancy, penalization for non-compliance and more. Although these regulatory options may differ as to what is appropriate for each community, any potential policies and subsequent regulation should be directly aimed at solving issues identified in Ann Arbor.

In addition to establishing policy in order to directly solve the community’s unique concerns, we recommended that regulations only be implemented if they can realistically be enforced based upon certain constraints including but not limited to staffing and funding. Listed below are options for the City to consider:

<b>Regulatory Consideration</b>	<b>Purpose</b>	<b>Enforceability / Staff Commitment / Resources</b>
<b>Increase nuisance and enforcement resources</b>	Allow the City to address nuisance and enforce upon complaints.	Enforceable on a case by case basis.  Most of the nuisance complaints would have to be handled by the police, as they occur after hours. Would likely require hiring extra staff
<b>Clarify and enforce occupancy requirements</b> Options include: a. Reexamine occupancy limits b. Apply occupancy limits to maximum number of guests c. Advertisements must list occupancy. Cannot advertise more than permitted occupancy	Maintain neighborhood integrity. Eliminate overcrowding. Can make owner certify that they are limiting rentals to occupancy limits.	Advertising restrictions may be easy to monitor and enforce. Monitoring and enforcing upon actual number of occupants in a short-term rental would be difficult. Would likely require hiring extra staff.

Regulatory Consideration	Purpose	Enforceability / Staff Commitment / Resources
<p><b>Create registration and license program</b> Options include:</p> <ul style="list-style-type: none"> <li>a. Require local contact person/ agent</li> <li>b. Create a process for dealing with violators</li> <li>c. Ability to collect fees</li> <li>d. Requiring monthly reports from hosting sites to be filed with the Planning Department, which will share the information with City Council.</li> </ul>	<p>Can require local contact person / agent. Can create a process for dealing with violators. Can revoke license for repeat offenders. Can establish fees to offset City costs. Can monitor nuisance complains with registered rentals.</p>	<p>Enforceable. Would likely require extra staffing.</p>
<p><b>No advertisements on premise</b></p>	<p>Maintain neighborhood integrity. Eliminate visual clutter.</p>	<p>Enforceable</p>
<p><b>Inspection and Life and Safety Codes</b> Options include:</p> <ul style="list-style-type: none"> <li>a. Currently required for Non-Owner-Occupied, Whole House (Vacation rental).</li> <li>b. Require inspection for Primary Residence Whole House.</li> <li>c. Require inspection for Primary Residence Homestay.</li> </ul>	<p>Ensure public health, safety, and welfare</p>	<p>Enforceable. Currently required for Non-Owner-Occupied, Whole House (Vacation rental). However, depending on if primary residences short-term rentals require inspection, it would likely require extra staffing</p>
<p><b>Limit number of days to be rented out a year</b></p>	<p>Maintain neighborhood integrity by limiting number of days for rental and reduce renter turnover. In theory, less rental turnover equates to less nuisance issues and better maintains neighborhood integrity.</p>	<p>May be difficult to enforce. Staff would have to monitor number of visitors of times house is rented. Could require owners to register all dates with City. Would likely require hiring extra staff.</p>
<p><b>Limit by Geography</b></p> <ul style="list-style-type: none"> <li>a. Location</li> <li>b. Spacing/distance from each other to limit clustering</li> </ul>	<p>Limit to specific area of city. Maintain neighborhood integrity by limiting clustering of short-term rentals.</p>	<p>Enforceable through registration program</p>
<p><b>Registration Fees</b></p>	<p>Collect fees to offset administration cost and any additional enforcement</p>	<p>Enforceable with registration program</p>
<p><b>Ban STR's</b> Options include banning primary residence, whole house and/or just non-owner occupied (vacation rental)</p>	<p>Eliminate issues caused by short-term rentals.</p>	<p>Enforceable but would require constant staff monitoring.</p>

**REGULATORY OPTIONS**

Based upon the listed regulatory options, we have provided the following regulatory options for the City to consider. Please note that most if not all municipalities vary their regulations by short-term rental type, which fall into three general categories:

1. Primary Residence Homestay, where owner is present during guest stay
2. Primary Residence Whole House, where owner is not present during guest stay
3. Non-Owner-Occupied, often referred to as a vacation rental. This is not the primary residence of the owner and primary purpose of home is for short-term rentals

For some regulations we have grouped them by STR type (Homestay, whole house, and vacation rental) as different regulations may be applied by type. Please note that we have not listed all regulatory options discussed above because 1). they may be difficult to enforce and/or require significant staffing needs; and 2). some regulations are not necessary if other regulations are chosen. For example, if the city desires to only permit owner-occupied short-term rentals, many of the listed regulations are not necessary.

Regulations		Option 1	Option 2	Option 3
<b>Regulations for All Short-Term Rental Types</b>				
Increase nuisance and enforcement resources		X	X	X
Clarify and enforce occupancy requirements		X	X	X
Create registration and license program		X	X	X
Require local contact person/ agent		X	X	X
Limit advertising		X	X	X
<b>Regulation by Short-Term Rental Type</b>				
Regulate Non-Owner-Occupied (Vacation rental)	Fees		X	<b>Not allowed</b>
	Limit number of days rented		X	
	Require Inspection		X	
	Spacing / Distance / Location		X	
Regulate Primary Residence, Whole House (where owner is not present during guest stay)	Fees		X	X
	Require Inspection		X	X
	Limit number of days rented		X	X
Regulate Primary Residence Homestay (owner present during guest stay)	Fees			X
	Require Inspection			X

**SUMMARY**

We have provided the City with three options to consider for the regulation of short-term rentals. Based upon the discussion of the City Council we can assist staff in creating any regulatory ordinance(s). We look forward to the City Council discussion.

Sincerely,



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**CARLISLE/WORTMAN ASSOC., INC.**  
**Benjamin R. Carlisle, AICP, LEED AP**  
**Principal**



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**CARLISLE/WORTMAN ASSOC., INC.**  
**Megan Masson-Minock, AICP**  
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