



COUNCIL RETREAT MEETING Agenda
April 22, 2024
2nd Floor Conference room, 4:30 PM

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1. Call to Order/Introductions
 2. Review and adopt/amend agenda
 3. Communication Updates
 - a. Retreat meeting discussion items
 4. Future Meeting Dates
 - a. Future meeting dates
 5. Adjourn



REQUEST FOR Meeting, April 22, 2024

Agenda Item Description: Retreat meeting discussion items

Meeting: Meeting, 4/22/2024

Originating Department: City Administrator

Action Requested:

Discuss retreat items and provide staff direction

Background:

Items for review and discussion:

- Short Term Rental regulations
- Employee retention
- Community Garden

Reviewed By: City Administrator

Preparer: Rob Keehn, City Administrator

ATTACHMENTS:

Description

- ▣ **Planning Memo City Council 4.22.24 Short Term Rentals**
- ▣ **Lodging Tax History 2010 to 2024**
- ▣ **ORD 589 Short Term Rentals_final**

FROM THE OFFICE OF PLANNING AND COMMUNITY DEVELOPMENT

TO: City Council

FROM: Megan Smith, Planning and Community Development

SUBJECT: Short Term Rentals - Issues and Regulatory Options

DATE: Meeting of April 22, 2024

ATTACHMENTS:

1. Copy of the City's short-term rental regulations (adopted in 2018)
2. Lodging Tax Data since 2010

SUMMARY:

Cities and counties throughout Minnesota have been weighing the impact of short-term rentals in their communities since they gained popularity through online booking platforms starting around 2006. Common online platforms include Vrbo and Airbnb, along with a handful of other 3rd party sites.

There are typically two primary issues that arise when discussing short term rentals. The first issue is loss of housing supply as units are convert to short term rentals. The second issue is the loss of neighborhood character. For example, a block where historically most of the homes were owner occupied might now only have 50% owner occupancy. Those living in that neighborhood might feel like they have lost the character of a neighborhood.

UNDERSTANDING THE FACTS AND DATA:

To have an accurate understanding of the issues, it is important to understand the data and facts around the issue of short-term rentals. Below is a short summary of the common sources of data, and terms used.

Census Data:

US Census quick facts. These are estimates and assumptions based on past census data. The population of Lake City is currently at 5,307 persons, with a total of 2,346 housing units. Keep in mind the census counts a housing

unit even if it is vacant, or used seasonally. The percent of owner occupancy in Lake City is 76%.

Lodging Tax Data

On a quarterly basis, the City collects a 3% lodging tax to fund the Lake City Tourism Bureau. The income from the lodging tax has been steadily increasing each year, with 2023 at \$75,000. With no new hotels being constructed, one can conclude that the increase in the tax is due to one or more of the following factors: nightly rate increases, more units paying the tax, and more bookings in established hotels and motels.

City Tracking of Short-Term Rentals:

Since 2018, the city has registered 51 short term rentals. Of that list, approximately 28 are valid. The most common reason for a registration to become invalid is if the property ownership changes. In Lake City, some units are listed in the condos, specifically the following: Willows on the River, the Waterman's Townhome Association, The Rivage, The Villas on Pepin, and Bella Vista. The remainder are single family homes, or duplex units.

The City charges \$100 to register a short-term rental, and then also works to ensure the owner pays the lodging tax.

The owner and developer of Great River Flats recently submitted a registration form to the City to register all 19 of the unit as short term rentals. The developer, North Rock Real Estate indicated that they plan to market specifically to boaters, golfers and families visiting Wabasha County for the two large moto cross tracks that are major destinations in the summer.

County Tax Records:

The county does not have a tax classification type for short term rentals and most are still classified as residential. However, it is easy to find if the property is homesteaded, and if the mailing address is different from the property address which is a clear indicator that it's not owner occupied.

DEFINITIONS AND COMMONLY USED TERMS:

Short Term Rental:

A dwelling unit rented for a period of 30 days or less

Hotel or Motel:

A facility that will rent rooms for periods of less than one week

Lodging establishment:

A facility that will rent sleeping accommodations for periods of one week or more, and have five or more beds.

*Lake City's Zoning Ordinance groups hotel, motel, and lodging as transient accommodations.

EXISTING REGULATIONS:

Federal

No federal regulations apply to specifically to short term rentals. However, two laws usually come into play. The first is the federal fair housing law. If a property owner (or their agent) decides not to rent to someone based on that person's status in a protected class, they can be found in violation of the law. Secondly, federal income tax applies to income earned from renting the room, as well as other applicable business taxes based on the entity that owns the unit.

State

Two primary state departments and they state laws there are charged with upholding related to short term rentals.

- Minnesota Department of Health,
The MDH requires a license based on type unit under their lodging division. Rental units rented for a period of less than one week are considered a hotel/motel, regardless of whether they are a single-family home, rental unit, or rooms in an owner-occupied home. Plan review fees start at \$375 with MDH, and the license fee is an additional annual fee with MDH. Inspections are required.
- Minnesota Department of Revenue
In Minnesota, a lodging retailer must collect, report and remit sales and use taxes on the full sales price of lodging. There are also special rules for owners of short-term lodging that use an accommodations intermediary—an organization or platform that facilitates the sale of short-term rentals of residential property.

Local

The City of Lake City adopted an ordinance in 2018 that requires all short-term rentals be registered. At the time, the primary concerns centered around nuisance issues related to parties, loud music, excessive cars, and smoke from bonfires. These issues have proven to be mostly unfounded as Lake City is fortunate to have owners who do a good job managing their guests. The issue that seems to have gained traction recently relates to the loss of residential housing stock to tourists at the expense of full time residents.

ISSUES:

Some of the concerns in Lake City that merit discussion revolve around the issue of residential units being taken out of the supply chain when they are converted to short term rentals. In this instance, what typically is occurring is that a home comes up for sale and is purchased as an investment, without any intention of occupying the structure as a home. Often, money is invested into the home through remodeling and upgrades, and it is listed as rental. Sometimes these houses do not ever hit the MLS and are sold through a “pocket listing” – directly to those who are seeking out these types of properties. Investors who have cash and are willing to forgo housing inspections can put traditional homebuyers at a disadvantage. This adds difficulty to homebuyers who are already dealing with few options for homes to purchase in Lake City.

Aside from real estate market competition, the other issue that arises is loss of neighborhood character when several short-term rentals pop up in any given neighborhood. Homeowners might feel a range of issues that span from changes in property value to loss of a sense of stability and security that comes with knowing your neighbor. These issues are highly dependent on individual situations, but the common theme is that there is a loss of a feeling of belonging, safety, and neighborliness.

In Lake City, there are two unique factors that need to be considered that contribute to the success of short-term rentals: Lake Pepin, and the age of the population. Lake Pepin, including the Mississippi river and surrounding bluffs contribute to this area being highly desirable for tourism. This will always make Lake City an attractive investment prospect for those who are interested in real estate investments and lodging. The second factor is the age of the population. Nearly 30% of Lake City's population is over the age of 65. For comparison, Stewartville has 13% of its residents are over the age of 65, and Red Wing is at 21%. Retirees may have incomes that allow them to have second homes, and/or travel though out the year leaving their residence vacant and able to be rented out when they are gone. Operating or owning a short-term rental can be a supplemental source of income for retirees. In looking at the list of short-term rentals that have registered in Lake City, several of them are owned and operated by people over the age of 65.

Although there are certainly issues related to loss of housing supply to short term rentals, there are benefits. These benefits are typically going to help the segments of the economy that benefit from tourism, such as retail, restaurants, entertainment, and golf courses. The Tourism Bureau gets

lodging tax from the short-term rentals, and is thereby able to do a better job promoting Lake city, resulting in more demand for lodging units. Short terms rentals also tend to attract groups of people who want to share common space and have a yard, on site parking, and a kitchen. This appeals to family get togethers, bachelor/bachelorette parties, guys/girls weekend get aways, and other stays with larger groups. The other major advantage that cannot be overlooked is the properties that are often targeted by investors of short-term rentals have been historically run down and dilapidated properties. With investments from the owner, the homes are usually remodeled. Owners are motivated to have clean, up to date accommodates because online reviews and attractive photos drive algorithms to increase booking searches. This in turn contributes to higher property values and increased tax base.

STAFF RECOMMENDATION:

Staff has spent a limited amount of time researching the pros and cons of each method of regulation. If the City Council wishes to ban, or further regulated short terms rentals in a way that limits them, additional staff time would need to be spent tailoring a set of proposed regulations that would be appropriate for Lake City.

Methods of regulation that could work in Lake City:

1. Limit the total number of short terms rentals
2. Limit short term rentals to specific zoning districts or areas
3. Ban new short-term rentals
4. Require a conditional use permit or interim use permit for non-owner-occupied short terms rentals

Lodging Tax Contributions to LC Tourism Bureau

101-44990-405

2010- Present

Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	TOTAL
2010	7,505	13,345	15,351	9,270	45,471
2011	5,219	14,021	23,067	8,595	50,902
2012	6,885	14,809	24,711	9,573	55,979
2013	5,623	15,494	23,877	11,743	56,737
2014	6,428	13,962	25,511	9,024	54,925
2015	5,827	16,213	27,170	12,166	61,376
2016	6,263	17,037	23,215	12,984	59,498
2017	6,732	18,180	26,202	13,901	65,014
2018	7,211	20,209	30,401	11,928	69,749
2019	7,406	17,313	27,038	12,070	63,827
2020	5,752	3,892	18,529	7,674	35,848
2021	5,421	16,834	27,040	12,803	62,099
2022	6,529	19,645	32,084	14,269	72,527
2023	6,306	23,476	31,727	13,424	74,933
2010-2023 Average					61,003
Average 2010-2023	6,412	16,964	25,953	11,673	

*not included in average



s due to COVID-19



ORDINANCE 589

AN ORDINANCE AMENDING TITLE XI, SECTION 110 OF THE LAKE CITY MUNICIPAL CODE RELATING TO SHORT TERM RENTAL REGULATIONS

THE CITY OF LAKE CITY ORDAINS:

Section 1. Title XI, Chapter 110 of the Lake City Municipal Code is amended by adding the underlined language as follows:

SHORT TERM RENTAL REGULATIONS

Section

<u>110.72</u>	<u>Definitions</u>
<u>110.73</u>	<u>Registration Required</u>
<u>110.74</u>	<u>Registration Application Requirements</u>
<u>110.75</u>	<u>Fees and Terms</u>
<u>110.76</u>	<u>Operation Requirements</u>

§ 110.72 DEFINITIONS.

For the purpose of Sections 110.72- 110.75 of this Chapter, the following definitions shall apply unless the context clearly indicates or requires a different meaning.

DWELLING. Any building or structure, or portion thereof, except temporary housing, which is wholly or partly used or intended to be used for living or sleeping by human occupants.

DWELLING UNIT. Any habitable room located within a dwelling with facilities that are used or intended to be used for living, sleeping, cooking, or eating.

OPERATOR. Any person, other than the owner, who has charge, care, or control of a building, or part thereof, in which dwelling units, rooming units, sleeping rooms, or units are let.

OWNER. The person who is the fee owner, the contract purchaser, or the agent of the aforementioned person or a member resident of a warrant-owned building as defined by Minnesota Statutes, Section 273.124, subdivision 3.

RENT. The temporary occupancy, use, or possession of a dwelling or dwelling unit in exchange for compensation, in money or other consideration, given or offered in exchange for such use, whether or not received.

SHORT TERM RENTAL DWELLING UNIT. A dwelling unit rented for a period of less than 30 consecutive days, for tourist or transient use.

§ 110.73 REGISTRATION REQUIRED.

No dwelling unit may be used as a short term rental dwelling unit unless it has been registered with the city as required by this Chapter.

§ 110.74 REGISTRATION APPLICATION REQUIREMENTS.

(A) A registration application for a short term rental dwelling unit must be submitted by the owner on the form prescribed by the city.

(B) The registration form shall include all requested information including the exact location and street address of the dwelling unit or units which will be used as a short-term rental dwelling unit.

(C) The registration form must be completed by the owner(s) of the short-term rental dwelling unit. If the property is owned by a partnership, limited liability company, non-profit corporation, or partnership, the full legal names and addresses of all officers and persons holding a 25 percent or greater beneficial interest in the entity in shall be provided on the application.

(D) Registrations for short term rental dwelling units shall be administered by the city's Office of Planning and Community Development.

§ 110.75 FEES AND TERMS.

(A) The registration fee for the short term rental dwelling unit will be set forth in the city's fee schedule.

(B) A short term rental dwelling unit registration shall expire or be null and void under the following circumstances:

(1) Change of ownership of the short term rental dwelling unit;

(2) Failure by the owner or operator to notify the city of contact information changes within 30 days of such changes occurring, as herein required.

(3) Lapse in operation of the dwelling unit as a short term rental dwelling unit for a period of more than 12 consecutive months;

(4) Upon revocation of the short term rental dwelling unit's registration by the city council;

(C) Short term rental dwelling unit registrations are non-transferable.

§ 110.76 OPERATION REQUIREMENTS.

All short term rental dwelling unit owners and operators who offer dwelling units for short term rental use in the city must comply with the following:

(A) Comply with all applicable city, state, and federal laws, ordinances, and regulations.

(B) Remit all applicable local, state, and federal taxes, including, but limited to, the City's lodging tax as specified in this Chapter.

(C) Ensure that all rental dwelling units have working smoke detectors and carbon monoxide alarm(s) in every bedroom and on all habitable floors. Additionally, each unit shall have at least one properly maintained and charged fire extinguisher located in an easily-accessible location which is clearly marked and which is made known to the temporary occupants.

(D) Provide and post the following information in a conspicuous place within each short term rental dwelling unit:

- (1) Emergency contact information for the short term rental dwelling unit owner;
- (2) Emergency contact information for the short term rental dwelling operator, if applicable;
- (3) The street address of the short term rental dwelling unit;
- (4) A floor plan of the short term rental dwelling unit indicating fire exits, escape routes, and the location of all fire extinguishers;
- (5) The maximum occupancy limits of the short term rental dwelling unit; and
- (6) A parking map showing all allowable parking locations serving the property.

(E) A guest registry of the short term rental dwelling unit must be kept by the owner that includes the following information: a record of the dates the unit was rented, the number of guests during the rental periods, and the amount of rent paid by the guests in connection with the rental of the short term rental dwelling unit. This record shall be kept by the owner for at a minimum of five years.

(F) The city must be provided with accurate and up to date information regarding the name and contact information for the short term rental dwelling unit owner and operator, if applicable. If the owner or operator's contact information changes, updates must be filed with the city within 30 days of the date of the change.

(G) No short term rental dwelling unit may be rented to any person who is under the age of 18. The person who rents the unit must provide a telephone number to the owner or operator and must be accessible to the owner or operator by telephone during the short term rental period.

(H) If the short term rental dwelling unit includes a swimming pool, spa, or hot tub, the owner or operator must post a sign near the pool, spa, or hot tub indicating that it is not licensed or inspected by the State or the county.

(I) The short term rental dwelling unit must have a visible house number that can be easily seen from a public street during the day and at night.

(J) Two off-street parking spaces must be provided for each short term rental dwelling unit that consists of a single family residence, and one off-street parking space must be provided for each short term rental dwelling unit that is located within a multi-family building, unless parking for the unit is not required by the city code. The owner or operator of the short term rental dwelling unit must ensure that all guests are aware of the city's on-street parking regulations within the neighborhood in which the short term rental dwelling unit is being operated.

(K) The owner of a short term rental dwelling unit must provide sufficient trash collection containers and service for the short term rental dwelling unit in order to meet the demand of the unit's occupants. The owner shall be solely responsible for ensuring that trash is properly collected, stored, and made available for regular collection.

(L) The owner or operator of the short term rental dwelling unit is responsible to ensure that the property remains in compliance with the city's public nuisance regulations, including, but not limited to, noise and smoke regulations.

(M) Any violation of, or noncompliance with, any registration requirement or regulation, or any applicable law, statute, regulation, or ordinance shall be grounds for revocation of a short term rental dwelling unit registration by the city council. The registration may be revoked by the city council after providing written notice to the owner of the violation and the intended revocation and providing an opportunity for a hearing before the city council.

Section 2. This ordinance shall take effect after its passage and publication in accordance with Section 3.09 of the Lake City Charter.

Introduced by the Lake City Common Council the 11th day of June, 2018.

Adopted by the Lake City Common Council the 16th day of August, 2018.



REQUEST FOR Meeting, April 22, 2024

Agenda Item Description: Future meeting dates

Meeting: Meeting, 4/22/2024

Originating Department: City Clerk

Action Requested:

Background:

The following dates have been established for the remaining 2024 Council retreat sessions:

- July 22, 2024, at 4:30 p.m.
- October 21, 2024, at 4:30 p.m.

Reviewed By: Administration

Preparer: Rob Keehn, City Administrator