



## City of Raleigh North Carolina

To: Ruffin Hall, City Manager  
Jim Greene, Assistant City Manager  
Ken Bowers, Planning Director

From: Travis R. Crane, Planning and Zoning Administrator

Date: 9 January 2015

Re: Short-Term Online Rentals

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At the December 2, 2014 City Council meeting, staff was directed to explore the existing regulatory environment related to short-term online rentals of residential properties. Staff was also asked to identify best practices nation-wide for this use.

### Use Defined

A short-term online rental is the practice of renting a room for a short period of time, usually to a traveler. The traveler can reserve the room through a website, which provides rental opportunities throughout the world. While the method for reservation has evolved with advancing technology, the end use has remained fairly static. A consolidated website makes the use available and accessible to a wider range of customers, broadening the use to a large number of property owners. The previous Part 10 zoning code and Unified Development Ordinance contain a use category known as “*Bed and Breakfast*.” The standards in the respective codes differ; however, the basic function is the same.

### Existing Regulations

The term “*Bed and Breakfast*” was introduced in the Part 10 zoning code in 1984. At the time, a *Bed and Breakfast* could only be established within a local historic district. The regulations were amended in 1992 as a result of a petition of citizens for a property located on Hillsborough Street. The intent of the text change was to broaden the allowance to other historic structures and non-residential zoning districts within a historic district or structure. With either iteration of the Part 10 Code, a special use permit was required.

The Part 10 code also included a use known as “*Room Rental in a Dwelling Unit (Lodger)*.” This was a conditional use in most zoning districts. The conditions associated with the use required that the use occur in a single-family dwelling; the property owner must live in the dwelling; the room to be rented was a maximum of 25% of the floor area of the dwelling; a maximum of two persons can occupy the rental room; and that the maximum density in the district was not exceeded.

The “Room Rental in a Dwelling Unit” use was not included in the UDO. The Unified Development Ordinance largely replicated the requirements from the Part 10 Code related to Bed and Breakfast uses. The only real change to the regulations was in the permitted zoning districts, as a new set of mixed use districts was introduced in the UDO. The attached matrix provides a comparison between the two zoning codes (Attachment 1).

The Bed and Breakfast use has never been permitted in the Residential-1, Residential-2, Residential-4 or Residential-6 districts. The Bed and Breakfast must be located within a historic district, historic landmark, or on a property listed in the National Register of Historic Places, which represents the largest restriction on the use. The City has 6 local historic districts, 3 historic landmarks and 93 National Register listings.

Operating a Bed and Breakfast or offering a short-term rental of a room is different from a homeowner taking on a long-term renter. Both the Part 10 code and the UDO specify that up to 4 unrelated persons may occupy a dwelling unit. There is no limit from a zoning context on the number of persons related by blood, marriage or adoption occupying a dwelling unit. The distinction between a roommate and a short-term renter is difficult to quantify in either code. Simply: when does a renter cease to occupy space on a short-term basis and become a roommate? The issue of occupancy in rental situations has been a struggle from an enforcement position; density violations are difficult to prove.

#### Request for Research

City Council asked staff to research best practices related to short term residential rentals. As noted above, the idea of renting space in a residential dwelling is not new. What has changed in the past few years is advancing technology that connects traveler and host directly. The ease at which a traveler can research and reserve a room online has increased the viability of these rentals. Over the course of the past few years, the popularity of a few websites makes listing, rental and occupancy of single-family homes extremely simple. With a little to no investment, a property owner can list a bedroom on a world-wide website.

A number of cities have adopted regulations for short-term residential rentals. A few cities have adopted regulations in direct response to the increase in popularity of online short-term rentals (Austin TX, Portland OR). Many other cities have regulations that address vacation rentals. These are mostly present in resort communities or vacation destination cities. None of the surveyed cities refer specifically to the internet providers “AirBnB” or “VRBO;” rather, the terminology most commonly used is short term rentals or vacation rentals. While this distinction may seem minor, it is important to remember that the use would be regulated, not the portal used to conduct the use.

While the issues are likely similar, the regulations vary based on location. Staff surveyed a number of cities and found commonality among the collective regulations. Most cities require registration, a permit and fee and some type of inspection of the short-term rental. Requirements for the property owner to reside on the property were not very common. In fact, the resort communities permit the property owner to designate a local agent to address any concerns raised by neighbors. Attachment 2 provides an overview of regulations by city.

#### Impacts Identified with Short-term Rentals

Impacts associated with short-term rentals vary by the person or entity identifying the impacts. Neighbors will identify a set of impacts while the City may identify another set of impacts. The property owner likely desires minimal regulations and a process that is not cumbersome.

When conducted in a single-family neighborhood, here are some common impacts that may be identified when a short-term rental is present:

1. *Increase in traffic in the neighborhood.*

The short-term duration may add traffic to the neighborhood streets. Unless the property is located within walking distance of a transit facility or stop, it is highly likely that at least a few trips will be generated per stay. It should be noted that because the short-term rentals are usually reserved in advance of the stay, the impact of “pass-by” traffic is mostly non-existent. Simply, this use is not an impulse activity that would cause additional trips to the property by drivers looking for an available room for rent.

2. *Additional cars parked on the street or in front of the property.*

Most travelers will come to a location by car. If the traveler brings a car to the site for the duration of the stay, the car may be parked on the property or on the street. An additional car parked on the property may be seen as an issue of aesthetics. An additional car parked on the street would represent one less available overflow parking spot for the neighborhood.

3. *Presence of a business in a district that does not permit commercial activity.*

Many short-term rentals occur in residential zoning districts. These districts have limitation on commercial activity. A property owner can establish a home occupation, which is usually little more than an office inside the residence. Customers are not permitted; neither are employees who do not reside at the property. A live-work use can be granted by the Board of Adjustment with the approval of a special use permit. The live-work would allow up to 2 employees and would permit customer activity at the property, albeit at a limited rate.

4. *Increased activity at the property.*

With the potential for travelers every few days, a common complaint is that the neighborhood will experience an influx of “new” people. If the property owner does not reside on the property, the perception is that the appearance and upkeep of the property will wane and the activity at the property will increase. There may be a fear that late night activity will increase which could be disruptive to the neighborhood.

5. *Potential conflict with or circumvention of other regulations.*

Residential zoning contains density maximums, expressed as units per acre. A dwelling unit may be comprised of a family related by blood, marriage or adoption, or by four unrelated persons. If a dwelling unit that contains four unrelated persons allows a traveler as a short-term rental, a density violation would exist. In the current zoning context, it would be difficult to navigate between the use as a short-term rental, a roommate or a boardinghouse. Raleigh has experienced difficulty in regulating rental conversions in which the property is classified as a “vacation rental;” normalizing short-term rentals may result in unforeseen impacts if loopholes through other regulations are created.

### Opportunities

The impacts identified above may be real or perceived, and may be more or less severe than noted. The allowance for short-term residential rentals does pose a few opportunities to the city as a whole:

1. *Increase to number of lodging units available for travelers.*

The City Council recently received a report that noted additional hotel rooms would be beneficial to accommodate tourists and convention goers. While the City of Raleigh is not a resort community, significant interest has generated attention to the region. This increase in attention can translate to more prospective residents and travelers.

2. *Potential influx of income to property hosts.*

A property owner can convert an unused room to be available to a short-term renter with little or no investment. Advancing technology allows for advertisement and exposure that go beyond what an individual property owner could accomplish. The additional individual income could be reinvested in the property or community.

3. *Potential for additional tax revenue to the City.*

If short-term residential rentals are permitted, the City could see an increase in permit fees and taxes generated by the property. The County collects a lodger's tax that could be applied in this situation.

### Best Practices for Regulating Short-term Rentals

Most of the surveyed cities require some level of accounting for short-term rentals, either in the form of an initial permit or an annual registration and inspection. Many of the cities quantify a short-term rental as one that is rented for not more than 30 days at a time. While the surveyed cities regulate differently based on their specific community values and concerns, many similar themes emerge. Below is list of common regulations found in many cities:

1. *Establish a defined area or range of zoning districts where short-term residential rentals would be permitted.*

Most cities define appropriate zoning districts where the activity may occur. Some design overlay districts where the activity would be deemed appropriate. This does communicate clear expectations to persons who reside or own property within the zoning districts. It can also create inequity, and to a lesser extent, encourage rezonings in an effort to allow or legalize the use. Few cities (like Portland OR, by example) permit the use in every zoning district.

2. *Create standards in the zoning code that address occupancy or size; establish parking standards; occupancy by property owner; signage.*

Clear zoning standards can address impacts generated by the use. Some cities cap the maximum number of persons that may rent a room, while others place a maximum square footage on the amount of area that can be devoted to the use. Parking and traffic are generally cited as impacts. A few cities (Portland OR and Austin TX) require that the property owner reside on the property. Austin does permit another type of rental where the property owner does not need to live onsite; however the development standards are more stringent.

3. *Require an initial registration or permit for purposes of enforcing regulations.*

A permit to establish the use will allow the City to check for compliance with the regulations. Some cities require an annual registration, which can trigger an inspection to ensure compliance with regulations.

4. *Require the owner or agent to reside on the property.*

Many of the impacts or fears related to impacts can be lessened by having a designated person responsible for complaints and compliance with the regulations.

### Recommendations

The City Council can consider a range of options related to short term residential rentals. The Unified Development Ordinance currently permits this use in certain zoning districts. If the Council is satisfied with the existing law, there is no further action needed. If the City Council would like to amend the regulations to broaden the applicability of the use, a text change to the Unified Development Ordinance would be required. Staff offers three potential options for the City Council to consider:

1. *Maintain the existing regulations.*  
Short term residential rentals are permitted in certain zoning districts, and that allowance would remain.
2. *Authorize a text change to amend the Unified Development Ordinance.*  
The text change would explore additional zoning districts to allow the use and introduce development standards associated with the use. This could include a definition of the use, appropriate zoning districts for the use, standards related to occupancy, size and parking, and a business process for licensing, permitting, registration and inspection.
3. Staff can also explore a requirement for the property owner to obtain a special use permit in certain zoning districts. This would require a public hearing before the Board of Adjustment, where adjacent neighbors could testify on the matter.
4. *Consider an alternative option identified by City Council.*  
Through discussion of the issues, the City Council may choose to pursue an option not identified by staff.

# Attachment 1: Bed & Breakfast

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## *Part 10 Code*

Permitted Districts	Regulations
R-10	<ol style="list-style-type: none"> <li>1. Special use permit required</li> <li>2. Located within historic district, designated as historic landmark, National register of historic places, contributing structure un National register District</li> <li>3. Originally constructed as single-family dwelling</li> <li>4. Cannot exceed density regulations</li> <li>5. Small sign permitted (2 square feet)</li> <li>6. Located 400 feet from another B&amp;B, rooming house, or boardinghouse</li> <li>7. Owner lives on the property</li> <li>8. Breakfast provided only to guests</li> <li>9. Parking must be provided (1.5 spaces for every room greater than 70 square feet; 1 space for every room less than 70 square feet)</li> <li>10. Interior renovations shall not be injurious to the historic character</li> </ol>
R-15	
R-20	
SpR-30	
R-30	
Residential Business	
O&I-1	

## *Unified Development Ordinance*

Permitted Districts	Regulations
R-10	<ol style="list-style-type: none"> <li>1. Located within historic district, designated as historic landmark, National register of historic places, contributing structure un National register District</li> <li>2. Originally constructed as single-family dwelling</li> <li>3. No signage or wedding events permitted in R-10</li> <li>4. One parking space per bedroom</li> </ol>
RX	
OX	
NX	
CX	
DX	
Campus	

# Attachment 2: Peer City Review

City	Permitted?	License/Fee Required?	Inspection for basic life/safety?	Area allowed	Size restriction?	Parking?	Owner occupied?	Notes
Portland OR	•	•	•	all zones	Y 2-5 BRs		Y (270 days/yr.)	
Seattle	•	•	•	all zones	Y (1,000)	•	•	
San Francisco	•	•	•	all zones			Y (275 days/yr.)	Liability insurance required
San Diego	•							
Palm Springs	•	•		all zones				vacation home regulations; maximum number of guests based on number of bedrooms; detailed noise ordinance
Phoenix	•	•				•		vacation home regulations; taxes not required if you own less than three rental properties
Las Vegas	•	•	•	all zones		•		vacation home regulations; property owner must reside in the City of Las Vegas; not on property
Austin	•	•	•	certain districts		•	Y/N (depends on type)	
Madison	•	•						If owner does not live on property, house can be rented a maximum of 30 days per year
Chicago	•	•	•					Ordinance written for longer-term rentals
Miami	•			certain districts				Cannot operate in a single family house, only apartments and condos
Charleston SC	•	•		certain districts	No more than 9/lot	•		
Washington DC	•			certain districts			•	

