
ORDINANCE NO. O-1920-56

ITEM NO. 16

STAFF REPORT

ITEM: AN ORDINANCE OF THE COUNCIL OF THE CITY OF NORMAN, OKLAHOMA, ADDING 13-108(u) SHORT TERM RENTAL FEE; ADDING ARTICLE XXXV SHORT TERM RENTALS, SECTIONS 13-3500 THROUGH 13-3508; AMENDING 420.1 (A-1, GENERAL AGRICULTURAL DISTRICT), 420.2 (A-2, RURAL AGRICULTURAL DISTRICT), 420.3 (RE, RESIDENTIAL ESTATE DWELLING DISTRICT), 421.1 (R-1, SINGLE-FAMILY DWELLING DISTRICT), 422.2 (RM-4, MOBILE HOME PARK DISTRICT), 422.9 (O-1, OFFICE-INSTITUTIONAL DISTRICT), 423.1 (CO, SUBURBAN OFFICE COMMERCIAL DISTRICT), 424.2 (TC, TOURIST COMMERCIAL DISTRICT), 429, (MUD, MIXED USE DEVELOPMENT DISTRICT); ADDING SECTION 431.11, SHORT-TERM RENTALS; AND AMENDING SECTION 450 (DEFINITIONS) IN ARTICLE XIV OF CHAPTER 22 (ZONING ORDINANCE); ALL IN ORDER TO UPDATE CITY CODE LICENSING PROVISIONS AND THE ZONING ORDINANCE TO ALLOW FOR SHORT TERM RENTALS, AND TO ADD DEFINITIONS AND OTHER RELATED PROVISIONS; AND PROVIDING FOR THE SEVERABILITY THEREOF.

BACKGROUND: At the November 26, 2019, City Council Conference, discussion continued regarding short-term rentals. Issues such as what zoning districts STR's would be an allowed use and requiring inspections were discussed. Also discussed were options available through Host Compliance, the monitoring service.

The designated districts permitting short-term rentals as an allowed use will be required to go through the planning process for amendments as shown below.

DISCUSSION: Per Sec. 13-3500 of the attached ordinance, the definition and purpose of a Short Term Rental is as follows:

Purpose.

A Short-Term Rental is defined as the rental of an entire dwelling, or any portion thereof, for a period of not more than thirty (30) days, where the owner is engaged in a contract for the rental of that specific dwelling, or any portion thereof. An annual Short-Term Rental license may be issued to eligible Applicants by the City Clerk. A Short-Term Rental license is a privilege, not a right, and may be denied, suspended, revoked or not renewed

Attached is the final draft of the Ordinance licensing short-term rentals and the below list of the zoning districts permitting STR's as an allowed use, zoning districts requiring Council approval or Special Use and zoning districts not allowing STR's. Also attached is a copy of the First Amendment to Host Compliance Services Agreement.

Districts permitting Short-Term Rentals (STR) as an allowed use:

Chapter 22, Zoning Ordinance

A-1, General Agricultural District
A-2, Rural Agricultural District
RE, Residential Estate Dwelling District
R-1, Single Family Dwelling District
R-1-A, Single Family Attached Dwelling District
R-2, Two Family Dwelling District
RM-2, Low Density Apartment District
RM-4, Mobile Home Park District
RM-6, Medium Density Apartment District
R-3, Multi-Family Dwelling District
RO, Residence Office District (Allowed by R-3 and RM-6 Districts)
CO, Suburban Office Commercial District (Apartment Hotel)
C-1, Local Commercial District (Allowed by CO)
C-2, General Commercial District (Allowed by C-1)
C-3, Intensive Commercial District (Allowed by C-2)
O-1, Office-Institutional District with Special Use for Mix Building, per Section 422.9.3. Special Use: (c)
TC, Tourist Commercial District
MUD, Mixed Use Development District

Districts requiring Council Approval or Special Use to house STR

PUD and SPUD zoning districts – STRs cannot be an allowed use without first receiving approval for a zoning amendment for City Council.

Districts not allowing Short-Term Rentals (STR)

CR, Rural Commercial
I-1, Light Industrial District
I-2, Heavy Industrial District
M-1, Restricted Industrial District

Additional Guidelines

An applicant may be issued no more than four (4) Short-Term Rental license(s); unless the applicant complies with Sec. 434.1 – Special Uses.

If a *license* is denied, suspended or revoked, and applicant desires to submit a new application, the applicant must comply with Sec. 434.1 – Special Uses.

General Conditions

- No person shall manage/operate STR without a license and payment of fees
- Applicant may be issued no more than four (4) STR licenses; unless Applicant complies with Sec. 434.1
- STR are not permitted outdoors, in accessory structure (shed, garage) or in recreational vehicle
- Only one party of guests; no one under 18 may rent
- Commercial or social events prohibited
- Shall outwardly appear as residential dwelling
- Shall not adversely affect residential character of neighborhood

- No use of sound equipment, amplified music and musical instruments
- Shall not violate parking ordinances
- Must have local contact
- Must update information

Monitoring Service

On April 2, 2020, the City contracted with Host Compliance, who helps manage over 300 municipalities to implement and enforce fair and effective short-term rentals. Host Compliance's software platform helps manage all of the registration, permitting, address identification, compliance monitoring, enforcement, outreach, tax collection and complaint processes. Host Compliance is in the process of building the site and performing a test review.

As of March 17, 2020, there were 206 STR rental units in or near Norman. 75% are single family and are an entire home. 31% are three-bedrooms and 34% have two-bathrooms. Only 9% have four or more bedrooms.

There are additional services available in addition to the Address Identification currently being accessed through the Host Compliance dashboard. The Address Identification service provides the complete address and owner information of each STR from a number of social platforms such as AirBNB and VRBO. The annual cost is \$7,500 and the renewal date is April 2020. Other services offered are:

- Compliance Monitoring. Ongoing monitoring of the STR operating in Norman's jurisdiction for zoning and permit compliance coupled with systematic outreach to unpermitted and/or illegal STR operators (using Norman form letters). Annual cost: \$2,462
- 24/7 STR Hotline. 24/7 staffed telephone and online hotline for neighbors to report non-emergency problems related to STR properties. Annual cost: \$1,969
- Rental Activity Monitoring and Tax Collection Support. Ongoing monitoring of jurisdiction's STR properties for signs of rental activity and/or tax compliance. This includes automatic monitoring of review activity over 15 STR websites, weekly screenshots of reviews and calendars for each active listing, quarterly pro-active, systematic and date-informed outreach to STR operators regarding their tax remittance obligations (using Norman form letters), quarterly staff report on jurisdictions STR tax compliance, up-to-date STR landlords of suspected under-reporting taxes and related documentation. Annual cost: \$3,282
- Mobile Enabled Web Based Tax Assessment Collection Forms. The development and hosting of an electronic web-based STR tax assessment collection forms. Annual cost: \$5,000
- Mobile Enabled Web Based Registration. The development and hosting of an electronic web-based STR rental form. Annual Cost: \$5,000

The total annual cost for all the services is \$25,213.

STR Fees/Licensing

The STR licensing ordinance establishes a \$150 annual licensing fee and a \$50 inspection fee. Assuming 150 STRs complete the requirements for licensing, the annual fees collected would be \$22,500, which would cover most of the annual cost of the monitoring service. The inspection fee would generate \$7,500 annually with an estimated 150 STRs.

Tax Estimate

After consultation with Host Compliance regarding the average number of nights booked for each STR in Norman, they estimated approximately 200 nights per STR annually. Host Compliance developed its estimate from a third-party that does not monitor all STR websites but monitors by zip code. The data showed an average nightly rate of \$90. Below are calculations for tax collection for three different average annual nights per STR.

$\$90 \times 200 \text{ nights} \times 150 \text{ STRs} = \$2,700,000 \times 5\% \text{ (hotel/motel tax rate)} = \$135,000$

$\$90 \times 150 \text{ nights} \times 150 \text{ STRs} = \$2,025,000 \times 5\% \text{ (hotel/motel tax rate)} = \$101,250$

$\$90 \times 100 \text{ nights} \times 150 \text{ STRs} = \$1,350,000 \times 5\% \text{ (hotel/motel tax rate)} = \$67,500$

CONCLUSION:

It is the recommendation of city staff to move forward with approval of Article XXXV Short-Term Rentals, Sections 13-3500 through 13-3508 for licensing of Short-Term Rentals in the zoning districts as designated in the attached Ordinance.