



CITY OF WASHINGTON, ILLINOIS Committee of the Whole Agenda Communication

Meeting Date: July 8, 2024

Prepared By: Jon Oliphant, AICP, Planning & Development Director

Agenda Item: Short-Term Rental Amendment Discussion

Explanation: Two residents appeared at a June City Council meeting to speak about two homes in the city limits that are being utilized as short-term rental (STR) units. While the City's zoning code does not specifically address the allowance of STR's, among the permitted uses in any residential zoning district is the following:

"The taking of boarders, renting or leasing of rooms by a resident family, provided the total number of boarders and roomers does not exceed two (2) in any one-family or two-family dwelling, or one (1) per dwelling unit in any multiple dwelling."

Many Illinois municipalities have regulations to address STR's. While STR definitions can vary slightly, it generally refers to renting a residential unit for a temporary time period and can be differentiated depending on whether the owner resides within the unit during the duration of the rental period or not. The former is viewed as an accessory residential use and is sometimes allowed as a permitted use through a permit or registration process while the latter is more often a special use and can have more stringent locational constraints such as limits on the number that may be allowed within a particular area on the micro level or the city as a whole. State law sets 31 days as the maximum rental period to be considered an STR. The rental of two or more units in a building with four or more units needs a license from the Illinois Department of Public Health. Homes being rented are exempt from licensing but must register with the State.

A local permit/license and fee are often required regardless of whether the owner would be on the premises at the same time as the visitors. Many municipalities require that STR's are subject to the collection and remittance of the identical local tax as are hotels and motels with some placing an additional surcharge on STR's. At a minimum, STR's would be held to the same property maintenance and noise regulations as any other property in the city, though more rigid standards could be adopted.

For the purposes of this discussion, this review only focuses on STR's that would be within principal single-family, two-family, and multi-family residential units. It does not consider the possible allowance for accessory dwelling units, which are more often utilized for longer-term stays but could potentially be rented for shorter durations. While it would be beneficial to consider establishing a framework for the allowance of STR's, it must be pointed out that the enforcement of such regulations can be difficult and time-consuming depending on their complexity. It is assumed that most STR's are advertised through well-known third-party sites, though some may be rented through word-of-mouth. Locally, East Peoria, Morton, Pekin, and Peoria have STR regulations. Below is a snapshot of each municipality and how STR's are regulated:

<u>City</u>	<u>Permitted/Special Use?</u>
East Peoria	Special Use
Morton	Special Use only in R-4 district
Pekin	Special Use in R-1—R-4 districts (identified as "Room Rentals")
Peoria	Owner Present: Permitted; Not Present: Special Use

Following are some regulations that could be considered:

- Establish locational or density limits to ensure that any STR's are not predominantly located in any particular neighborhoods. Setback radii could be established from any approved STR.
- Prohibit any change in the exterior appearance of a residential building.
- Limit the number of daytime and overnight occupants based on the building size, the number of bedrooms, and/or the availability of off-street parking spaces. A common provision is to limit overnight visitors to two adults per bedroom.
- Set a cap on the total number of STR's that are allowed in the city at any given time.
- Require a minimum lot size to ensure that the property can handle additional activity, parking of vehicles, and to reduce the proximity between the STR and neighboring residential units.
- Require periodic or annual property inspections. Please note that more thought would need to be given to how exactly that would be structured, as it can be challenging to handle solely with City staff and some municipalities utilize third-party firms that specialize in assisting with such programs.
- Allow STR's as permitted uses where the owner resides in the same structure during the tenure that any rooms are rented.
- Allow STR's as special uses where the owner is not present during the tenure that a housing unit is rented. As an alternative to requiring a special use, the burden could be placed on the property owner to receive signatures from all adjacent and adjoining property owners consenting to the desired use as an STR.
- Establish a limit on the number of days an STR can operate within a calendar year. Ninety days is a frequent cap that municipal regulations enforce.
- Require property owners to obtain an annual license. Inspections, if required, would be completed prior to the issuance of the license to ensure that the building meets the City's adopted building codes. Language could include the option for the City to revoke a license if a particular number of verified complaints are received.
- Require that the owner of an unhosted STR either be within a set radius of the property during the rental period and/or to have an affiliate be nearby to address any questions or concerns in person. This could minimize potential violations and ensure that the owner or a representative of the owner is available should issues arise.
- Require the license number be placed on the STR platform to verify that the owner has acquired the necessary permit and is abiding by City regulations.
- Require the STR owner to collect and show proof of remittance of the hotel/motel tax. While this has become more common and STR platforms have built that into their fee structures, checks and balances should be in place to verify that the proper tax is being remitted. It may be more effective to require the property owner to remit that instead of relying on the numerous platforms that are currently operating.

Fiscal Impact: STR's can provide a revenue stream to the City and even the playing field with the hotels and motels. That revenue can offset some of the expense that would be required for the administration of such a program. STR's can also be an income source for property owners. However, the allowance of them should not be done at the expense of the nearby residents and any potential nuisance issues that may result.

Action Requested: Staff requests feedback from the Council at the July 8 Committee of the Whole meeting on whether to proceed with a possible code amendment to allow STR's in the city limits. Should there be interest, staff will begin drafting an amendment that would eventually require a public hearing at a Planning and Zoning Commission meeting, though additional Council discussion may first be warranted. Other sections of City Code may also need to be amended. Any STR regulations should be clear and easily enforceable to reduce the likelihood of any misinterpretations.