

## Agenda Cover Memorandum

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Meeting Date: January 23, 2017

Meeting Type:  COW (Committee of the Whole)  City Council  Budget Workshop

Item Title: Discuss potential regulation of short-term rental, i.e. "Airbnb," operations.

Action Requested:  Approval  For discussion  
 Feedback requested  For your information

Staff Contact: Jim Brown, Interim CP&D Director Phone: 847-318-5296  
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### Background

At the meeting of the Procedures and Regulations (P&R) Committee last November the issue of "short-term rentals," often simply referred to as "Airbnb," was discussed. This discussion followed the Zoning Coordinator's issuance of a cease-and-desist order to a local operator of an Airbnb. This order was based on the determination that the renting out of one or more rooms in the operator's single-family home was in violation of the zoning code's permitted and special uses for residential districts.

Several citizens, including the one cited for the illegal operation of a short-term rental unit, spoke at the P&R session in November.

Upon conclusion of the discussion, City Council members directed staff to: (1) issue other cease-and-desist orders for short-term rentals as staff became aware of such operations at other addresses; and (2) draft specific proposals and recommendations for the regulation of short-term rentals.

I have prepared a document that summarizes staff's actions regarding short-term rentals since November and provides specific recommendations regarding the zoning and licensing of short-term rentals. The document is attached.

### Requested Feedback

I request the COW provide guidance next steps on the potential regulation of short-term rentals. Options include the drafting of amendments to our zoning ordinance and other sections of our Municipal Code, and placing a public hearing for the zoning amendment on the Planning & Zoning Commission's agenda.

### Budget Implications:

Does Action Require an Expenditure of Funds:  Yes  No

If Yes, Total Cost:

If Yes, is this a Budgeted Item:

Yes  No  Requires Budget Transfer

If Budgeted, Budget Code (Fund, Dept, Object)

### Attachments:

- Memorandum, RE: Regulations for Short-Term Rentals ("Airbnbs"), dated 23 January 2017
- (50 ILCS 820/) Bed and Breakfast Act



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DEPARTMENT OF COMMUNITY  
PRESERVATION AND DEVELOPMENT

**Date:** 23 January 2017  
**To:** Committee of the Whole (P&R)  
**From:** Jim Brown, Interim Director of Community Preservation & Development  
**Subject:** **Regulations for Short-Term Rentals (“Airbnbs”)**

### Summary

At the Committee of the Whole meeting in November 2016, elected officials, staff and residents discussed options for the regulation of “short-term rentals,” or Airbnbs.<sup>1</sup> This memorandum provides a follow-up to that discussion and provides: the definition of “short-term rentals; an update on the short-term rental landscape in Park Ridge; other communities’ responses to the short-term rental phenomenon; and recommendations for regulation in Park Ridge.

### Definition of Short-Term Rentals

First, what are we talking about when we discuss “short-term rentals” or “Airbnbs”? The working definition for use in this memorandum and for potential use in City regulations is:

***Short-Term Rental Unit.** An owner-occupied dwelling unit, or portion of such a unit, that is rented for less than 30 days at a time, with the exception of dwelling units owned by the federal government, the state, or any of their agencies or political subdivisions and facilities licensed by the state as health care facilities.*

To be considered a short-term rental, a dwelling unit or portion of a dwelling unit, must be occupied by the owner. So a single-family homeowner who rents out a spare bedroom or other facilities within his/her own house would meet this portion of the definition. Someone who owns an apartment but does not live in it would not fit the definition (unless they lived in another apartment unit at the same address). The 30-day limit is intended to exclude relatively long-term rent contracts. For example, if someone rents out a second home to a businessman who will be working in the area for a year, that would not be considered a short-term rental.

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<sup>1</sup> “Airbnb” is the proprietary name for a company that provides the web-based platform for hosts and potential guests of short-term rentals.

## **Around the Nation**

The City of Park Ridge is certainly not unique in wrestling with the issue regarding short-term rental properties. The municipal reaction around the nation to the Airbnb phenomenon has been mixed, ranging from a relatively hands-off approach to an outright prohibition on their operation. Many municipalities have amended their codes to regulate short-term rentals. These regulations are based on concerns such as: protection of neighborhood character, revenue, fair competition with licensed lodging, and the safety of renters. Regulations on short-term rentals have included geographic-based restrictions, i.e. by zoning district, quantitative or operational restrictions and registration or licensing. Operational standards have included:

- Maximum occupancy limits, e.g. two persons per bedroom, or maximum total of six guests
- Seasonal limits
- Off-street parking requirements
- Emergency access requirements
- Fire/safety requirements
- Mandatory designated representative
- Trash and recycling storage facilities

Licensing or registration requirements often entail inspections of the premises by municipal officials to ensure compliance with various codes or the operational requirements.

## **Short-Term Rentals in Park Ridge**

Using various sources, including a police report, the CP&D staff identified ten short-term rental units in Park Ridge. Table 1 below includes the results of staff's research. Some notes on the ten short-term rentals:

- Eight of the ten are rentals for 1-2 rooms; the remaining two are entire houses (indicating the renter may not actually live there).
- Two of the short-term rental units had received well over 100 reviews on the Airbnb website, indicating relatively heavy bookings for the units. Six of the units had received 20 or more reviews.
- With two exceptions, maximum guest limits ranged from 2-6 people per night.
- The two lowest advertised prices for rental were \$45 and \$47 per night; the two highest rentals were \$800 and \$3,000 per night. These two units had a maximum guest limit of 10 and 16 people respectively. These guest limits and the high price tags per night indicate the spaces are being rented for special events.
- Because of the two high outliers, the mean price of rentals is pushed up to \$434 per night. However, the median rental is \$67.5 per night. The mode is \$100.
- Seven of the ten units were in R-2 zoning district. One unit was in the R-1 and the remaining two were in the R-4.
- The highest number of units in a single ward was four, in the 3<sup>rd</sup> Ward

**Table 1: Short-Term Rentals in Park Ridge, Jan 2017**

<b>No.</b>	<b>Rooms/House</b>	<b>Reviews</b>	<b>Cost</b>	<b>Max Guest No.</b>	<b>Zoning District</b>	<b>Ward</b>
1	1-2 rooms	180	\$60/night	3	R-2 (single-family)	2
2	1-2 rooms	141	\$70/night	6	R-2 (single-family)	6
3	rooms or house	2	\$800/night	10	R-2 (single-family)	1
4	rooms or house	1	\$3,000/night	16	R-2 (single-family)	7
5	1-2 rooms	30	\$47/night	2	R-2 (single-family)	3
6	1-2 rooms	20	\$50/night	3	R-4 (Multi-family)	3
7	1-2 rooms	2	\$65/night	3	R-2 (single-family)	4
8	1-2 rooms	5	\$100/night	2	R-1 (single-family)	2
9	1-2 rooms	23	\$45/night	3	R-2 (single-family)	3
10	1-2 rooms	36	\$100/night	6	R-4 (Multi-family)	3

**Table 1** is based on research conducted by the CP&D Department during January 2017. Addresses have been omitted from this table.

Cease and desist orders were sent to two of the ten short-term rentals in November 2015 and to the other eight from January 6-9, 2017.

### **Rooming Houses**

The City of Park Ridge regulates “rooming houses” (Article 12, Chapter 8 of the Municipal Code). The City uses the State’s definition of rooming house:

*...a building or portion of a building other than a hotel, motel, apartment hotel, or residential hotel, in which sleeping accommodations not constituting an apartment are furnished at a fee for 4 or more persons ordinarily renting such accommodations at a specified rate for a specified time, and occupying the premises as a permanent place of abode rather than on a transient basis for a short term period of occupancy. An apartment is herein defined as a self-contained unit with private bath and cooking facilities. (65 ILCS 5/11-30-3)*

While this definition would not apply to the short-term rental units in Park Ridge, the City’s licensing requirements for rooming houses may also be appropriate for short-term rentals. See the recommendation section below.

### **Hotel Taxes**

The State of Illinois has a Hotel Operators’ Occupation Tax. This tax is imposed in addition to all other occupation or privilege taxes imposed by the State of Illinois or by any municipal corporation or political subdivision within Illinois. For the purposes of this tax, hotel means:

*...any building in which the public may, for a consideration, obtain living quarters, sleeping or housekeeping accommodations. The term includes inns, motels, tourist homes or courts, lodging houses, rooming houses and apartment houses. (35 ILCS 145/2)*

The short-term rental units would fall under this definition. Additionally, the City of Park Ridge has a hotel tax. For the City, however, a hotel is defined as:

*...every building or other structure kept, used, maintained, advertised and held out to the public to be a place where sleeping accommodations are offered for adequate pay to travelers and guests whether transient, permanent or residential to which 50 or more rooms are used for the sleeping accommodations, but shall not include rooming houses as defined in this Code. The term "permanent resident" shall mean any individual or family occupying one or more hotel rooms for 30 or more consecutive days." (Municipal Code, Article 2, Chapter 17)*

Because of the threshold of 50 or more rooms in this definition, the City's hotel tax would not be applicable to short-term rentals.

The City last collected hotel tax revenue in 2014—total revenues were \$50.

## **Recommendations**

The recommendations of staff are twofold: (1) amend the zoning ordinance to accommodate short-term rentals as a permitted use in select zoning districts; and (2) amend the business license section of the Municipal Code to include licensing requirements for short-term rentals.

*Recommendation 1:* In Section 16 of the Zoning Ordinance, add a definition of "short-term rental unit." The definition as stated above should suffice for the City's purposes.

*Recommendation 2:* In Table 2 (Residential Districts Permitted and Special Uses) of Section 7.2 of the Zoning Ordinance, add "short-term rental unit" to the as a permitted use in the R-1, R-2, R-3 and R-4 and R-5 zoning districts. Thus short-term rentals would be allowed in all of the City's residential districts. A note in Table 2 would also indicate that the permitted use of short-term rentals is contingent upon approval of a business license. Additionally:

- There should be a provision that limits one short-term rental unit per building. This would prevent multiple units in an apartment being from becoming transient lodging; and
- The building and property must conform to the zoning code, i.e. it cannot be a non-conforming lot or building or house a non-conforming use.

*Recommendation 3:* Add provisions to Article 12 (Businesses and Occupations) of the Municipal Code for the licensing of short-term rentals. These provisions could be inserted either in Chapter 8 (Rooming Houses) or in a new chapter within Article 12. Note that these provisions would be in addition to any requirements for general business licensing. The general outline and many of these new provisions could

mimic the provisions for rooming houses found in Chapter 8 (see attached chapter). Specific licensing requirements could include the following:

- The premises shall be occupied by the owner as a principal residence.
- The license certificate shall be posted in a conspicuous place within ten (10) feet of the main entrance to the premises. (Also in Ch 8)
- Prior to the issuance of the license, the premises shall be inspected by authorized, fire, building and health officials who shall confirm compliance with licensing regulations. (Ch 8 contains a provision that the establishment “shall be open” to the inspectors; here the requirement is for only a one-time inspection prior to licensing. Alternatively, there could be an annual inspection requirement.)
- This inspection shall include a pest control element, i.e. inspection for signs of bedbugs, rodents, etc. Pest treatment, removal, and re-inspection shall be conducted prior to issuance of license.
- Off-street parking facilities shall be provided for all motor vehicles used by any guests.
- The establishment shall meet the fire safety requirements set forth in 50 ILCS 820/6, which covers health, food and safety issues for bed and breakfast establishments. (Also in Ch 8) (50 ILCS 820/6 attached.) Additionally, the establishment shall provide a hard-wired smoke detector in each guest room and in all common areas in accordance with requirements of the City fire inspector of a type which upon activation transmits a signal to a central receiving station.
- The liability insurance required by 50 ILCS 820/7 shall be in an amount not less than five hundred thousand dollars (\$500,000.00).
- Bathroom facilities shall be provided as follows:
  - all such facilities shall be located within the dwelling so as to be reasonably accessible to all persons sharing such facilities and from a common hall or passageway and provided that such facilities shall not be located more than one (1) floor above or below the rooming unit or units served;
  - Every lavatory basin and bathtub or shower shall be supplied with heated and unheated water under pressure at all times;
  - If the dwelling unit has only one bathroom for use by the occupants, said bathroom shall not be located in a basement except by written approval of the Building Official.
- Food service, if provided for any meal, shall be in accordance with the provisions of 50 ILCS 820/4.
- Linen and soap service shall be provided in accordance with 50 ILCS 820/5.
- No bedroom may be occupied by more than two (2) adults. Every such room shall contain not less than eighty (80) square feet of floor space for one (1) person and not less than one hundred thirty (130) square feet of floor space for two (2) people.
- Access to and from each bedroom shall be accomplished without passing through any other bedroom. Bedroom doors shall have locks to insure privacy.
- The premises shall meet applicable requirements of the "Illinois Accessibility Code."
- The premises shall comply with the Park Ridge Zoning Ordinance regarding home occupations and signs.
- The applicant shall sign an affidavit affirming that he/she will abide by all rules and regulations governing short-term rentals.
- The applicant must not have any outstanding debts with the City.
- The property must not have any outstanding building, health, zoning, fire, police or other violations.
- License may be revoked for failure to comply with these rules.

## Some Questions

If staff is directed to craft regulations for short-term rentals, the following questions below will need to be addressed. Note: These are listed for informational purposes only; they do not necessarily need to be discussed or decided upon at the COW meeting.

- Should there be a fee—in addition to normal business license fee—to help defray administrative and inspection costs?
- How should “permanent resident” be defined?

## **(50 ILCS 820/) Bed and Breakfast Act.**

Sec. 1. This Act shall be known and may be cited as the "Bed and Breakfast Act".

Sec. 2. Used in this Act, unless the context otherwise requires:

(a) "Bed and breakfast establishment" shall mean an operator-occupied residence providing accommodations for a charge to the public with no more than 5 guest rooms for rent, in operation for more than 10 nights in a 12 month period. Breakfast may be provided to the guests only. Bed and breakfast establishments shall not include motels, hotels, boarding houses, or food service establishments.

(b) "Operator" shall mean the owner of the bed and breakfast establishment, or the owner's agent, who is required by this Act to reside in the bed and breakfast establishment, or on contiguous property.

(c) "Guest room" shall mean a sleeping room intended to serve no more than 2 transient guests per night.

Sec. 3. The corporate authorities of any county or municipality shall:

(1) Provide for the regulation, safe operation, licensing and inspection of bed and breakfast establishments.

(2) Provide for examination and regulation of bed and breakfast establishment operators.

(3) Designate and use full-time municipal, district, county or multicounty health departments and local fire departments as its agents.

However, the powers granted to the corporate authorities of counties by this Act shall apply only to unincorporated areas within the county.

(Source: P.A. 85-399.)

Sec. 4. Bed and breakfast establishments which serve breakfast shall comply with the following minimum standards:

(1) Food shall be clean, wholesome, free from spillage, free from adulteration and misbranding and safe for human consumption. Containers of food shall be stored above the floor, on clean racks, shelves or other clean surfaces in such a manner as to be protected from splash or other

contamination. Milk of only pasteurized Grade A may be used. Use of home canned food is prohibited except for jams and jellies.

(2) Food shall be protected from contamination while being stored, prepared and served, and during transportation. Perishable foods shall be stored at temperatures that will protect them against spoilage. Potentially hazardous food shall be maintained at safe temperatures of 45 degrees F. or below, or 140 degrees F. or above, as appropriate, except during necessary periods of preparation and serving. Frozen food shall be kept at temperatures that will keep them frozen, except when being thawed for preparation. Potentially hazardous frozen food shall be thawed at refrigeration temperatures or below, quick thawed as part of the cooking process, or thawed by another method approved by the local Health Department. An indicating thermometer shall be located in each refrigerator. Raw fruits and vegetables shall be washed thoroughly before use. Stuffings, poultry, and pork products shall be cooked to heat all parts of the food at least 165 degrees F. before being served. Salads made of meat, poultry, potatoes, fish, shellfish, or eggs and other potentially hazardous prepared food, shall be prepared from chilled products with a minimum of manual contact. Portions of food once served to an individual may not be served again. Laundry facilities shall be separated from food preparation areas. Live animals shall be excluded from food preparation areas.

(3) No person knowingly infected with a communicable disease that may be transmitted by food handling may work in a bed and breakfast establishment.

(4) If the bed or breakfast operator suspects that any employee, family member or the operator himself or herself has a communicable disease, the operator shall notify the local Health Department immediately.

(5) All operators shall be certified. Certification shall be achieved by successfully completing an examination offered by the local Health Department as described in the current edition of the State of Illinois Food Service Sanitation Rules and Regulations.

(6) Persons preparing or serving food or washing utensils shall wear clean outer garments and maintain a high degree of personal cleanliness. They shall wash their hands thoroughly before starting work and as often as necessary while working to remove soil and contaminants. After visiting a toilet room, persons shall wash their hands thoroughly in a lavatory but never in the kitchen sink.

(7) No one, while preparing or serving food, may use tobacco in any form.

(8) Utensils shall be kept clean and in good repair.

(9) Multiuse eating and drinking utensils shall be thoroughly cleaned after each use. Facilities needed for the operations of washing, rinsing and sanitizing shall be provided.

(10) Pots, pans and other utensils used in the preparation or serving of food or drink and all food storage utensils shall be thoroughly cleaned after each use. Cooking surfaces of equipment, if any, shall be cleaned at least once each day.

Non-food contact surfaces of equipment shall be cleaned at intervals that will keep them in a clean and sanitary condition.

(11) Residential sinks and home-style mechanical dishwashing machines are acceptable facilities for washing multi-use eating and drinking utensils. Utensils shall be air dried.

(12) Immediately following either manual or mechanical washing of eating or drinking utensils, and pots, pans and other cooking utensils, these utensils shall be effectively sanitized by being submerged in a hypochlorite solution with a chlorine concentration continuously maintained in one hundred parts per million, or another approved sanitizing solution which shall be used at the concentration tested and approved by the local Health Department. Dishpans may be used to accomplish the final sanitizing rinse.

(13) The reuse of single-service utensils is prohibited. (Source: P.A. 85-399.)

Sec. 5. Each person who is provided accommodations shall be provided individual soap and clean individual bath cloths and towels. Clean bed linen in good repair shall be provided for each guest who is provided accommodations and shall be changed between guests and as often as necessary. Clean linen shall be stored and handled in a sanitary manner. (Source: P.A. 85-399.)

Sec. 6. Bed and breakfast establishments shall meet the State Fire Marshal's requirements for one and two-family dwellings. In addition, the following standards shall be required:

(a) Manual extinguishing equipment shall be provided on each floor in accordance with NFPA 10 - Standards for the Installation of Portable Fire Extinguishers.

(b) All combustibles or flammable liquids shall be stored in approved metal containers. No combustible storage in or under stairways.

(c) All trash containers shall be metal.

(d) No cooking facilities shall be permitted in guest rooms.

(e) All hallways and stairways shall be adequately lighted.

(f) No portable heating devices shall be permitted in guest rooms.

(g) The operator shall submit a floor plan of the bed and breakfast establishment to the local Fire Department.

(h) Smoke detectors shall be provided in each guest room.

Sec. 7. The bed and breakfast establishment shall provide proof of adequate liability insurance as required by the licensing agency. (Source: P.A. 85-399.)

Sec. 8. The bed and breakfast establishment shall fulfill the requirements of the Illinois Department of Revenue, including the payment of any applicable hotel taxes.