



## CITY OF PARK RIDGE

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DEPARTMENT OF COMMUNITY  
PRESERVATION AND DEVELOPMENT

**Date:** February 28, 2017  
**To:** Planning and Zoning Commission  
**From:** James A. Brown, Community Preservation & Development Director  
**Subject:** Short-Term Rental Units

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### 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.

### Short-Term Rentals Around the Nation

Airbnb was founded in 2008. Its website describes itself as a “trusted community marketplace for people to list, discover, and book unique accommodations around the world—online or from a mobile phone or tablet...Airbnb connects people to unique travel experiences, at any price point, in more than 34,000 cities and 191 countries. And with world-class customer service and a growing community of users, Airbnb is the easiest way for people to monetize their extra space and showcase it to an audience of millions.” (<https://www.airbnb.com/about/about-us>).

Airbnb is but one of several tech or start-up companies that have developed ways for people to earn extra money by offering routine services for transportation or lodging. Along with Airbnb, Uber and Lyft are major players in what has been referred to as “the sharing economy,” which de-emphasizes ownership and embraces sharing. Such “sharing economy” companies have three traits in common: (1)

They rely on technology to satisfy consumer demands; (2) They exist parallel to other well-established industries; and (3) They present new and fundamentally different issues for regulatory bodies—including municipalities—because they and their technologies were not foreseen when governing statutes and regulations were enacted.

Proponents of Airbnbs claim they allow ordinary citizens to earn extra money that helps them make mortgage payments or pay bills. They also claim Airbnbs bring visitors and money into the community, with Airbnb visitors staying longer and spending more money locally than traditional hotel guests do. In regards to Park Ridge, I find the first argument specious, and unfortunately can't verify the second. Someone operating an auto body paint shop out of his residential garage wants more income too, but the City doesn't allow that type of operation in residential districts either. I do not doubt that short-term rental guests contribute to the economic vitality of Park Ridge. Given the under-the-radar existence of short-term rentals in Park Ridge, however, I have no way to quantify the contribution. I suspect, given the relatively small number of Airbnbs that neither the number of their guests nor the guests' contributions to the local economy are significant.

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. Close to home, Chicago, Schaumburg, Evanston, Oak Park, and Lincolnwood regulate short-term rentals, and several other communities are considering regulations. 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**

In November 2015 the City's zoning coordinator issued a cease-and-desist order to a local operator of an Airbnb. The zoning coordinator had determined 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. The zoning coordinator had consulted with the city's attorney on this interpretation, and the city attorney concurred that the operation of the Airbnb violated our zoning code. As stated in the cease-and-desist letter written by the zoning coordinator:

The Zoning Ordinance lists all of the permitted and special uses in the City’s residential zoning districts. According to Table 7.2 “the absence of the use from the table indicates that the use is not permitted with that district.” Short-term rentals, (through Airbnb or by some other means), bed and breakfasts, rooming houses, or similar uses are not listed in Table 7.2 as either as a permitted or special use.

Thus, due to the lack of terms in the zoning ordinance that could be construed to cover short-term rentals, they are currently not allowed by the City’s zoning regulations.

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 the entire house (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**

<i>No.</i>	<i>Rooms/House</i>	<i>Reviews</i>	<i>Cost</i>	<i>Guest No.</i>	<i>Zoning District</i>	<i>Ward</i>
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

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)*

This definition would not apply to the short-term rental units in Park Ridge. Moreover, “rooming house” is not defined by the Zoning Ordinance.

## Recommendations

My recommendations to the Committee of the Whole were twofold: (1) consider amending the zoning ordinance to accommodate short-term rentals as a permitted use in select zoning districts; and (2) consider amending the business license section of the Municipal Code to include licensing requirements for short-term rentals. (Note that I did not necessarily endorse short-term rentals, but rather thought that if they were going to be allowed and regulated a combination of amendments to the Zoning Ordinance and other sections of the Municipal Code would be in order.)

*I must also note that many of the health and safety considerations for short-term rentals are outside of the zoning and land use purview of the P&Z, and are best evaluated and considered by staff (e.g. number and location of smoke detectors, which is best evaluated by the Fire Marshall) and the elected officials. I suggest the P&Z remain focused on elements of short-term rental operations that could potentially present safety and welfare concerns to the neighborhood or negatively impact the neighborhood (e.g. parking, signage, frequency and number of guests).*

Therefore, if the P&Z favorably considers adding provisions that would allow short-term rental units to various zoning districts, I suggest the following:

*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 list under “Use” and in each zoning district indicate whether short-term rental units or permitted, a special use, or not allowed. My own preference would be to avoid having short-term rental units as special uses, but rather attempt to mitigate valid land use concerns about short-term rentals through additional restrictions such as:

- Limit one short-term rental unit per building. This would prevent multiple units in an apartment being from becoming transient lodging. Alternatively, the P&Z could simply recommend that short-term rentals not be allowed in multi-family zoning districts. This too would prevent multi-family buildings from becoming transient lodging.

- 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.

I have taken the approach of inserting “short-term rental unit” as a permitted use in Table 1 (Permitted and Special Uses) in Section 7.2. Alternatively, the P&Z may wish to consider the following:

- Allowing short-term rental units as a special use
- Inserting provisions regarding short-term rental units in the Zoning Ordinance’s section on accessory structures and uses (Section 11.4) rather than the section on permitted and special uses (Section 7.2).

### **Short-Term Rentals as a Special Use**

In clarifying the purpose of special uses, the Zoning Ordinance states that: “...It is recognized, however, that there are specific uses which, because of their unique characteristics, cannot be properly classified in any particular district or districts without consideration, in each case, of the impact of those uses upon neighboring land and of the public need for the particular use at the particular location.” (§4.6.A.) That is, operational aspects of certain land uses may give rise to unique issues that impact the surrounding area. The special use approval procedure provides for a discretionary review of the aspects and issues and allows for conditions of approval intended to mitigate adverse impacts on surrounding properties.

I believe virtually any negative impacts of the short-term rentals can be mitigated by licensing requirements, and therefore would prefer not to amend our ordinance to allow short-term rentals as a special use. To do so would unnecessarily burden staff, the ZBA and invite continued and repeated airings of similar objections. I believe it would be better to make a decision on the appropriateness of short-term rentals as permitted uses or prohibit them altogether.

### **Short-Term Rental Provisions in Accessory Uses Section?**

I choose to insert the draft provisions regarding short-term rentals in Table 1 of Section 7.2 and provide a footnote that clarified a couple of other conditions. I felt this was most appropriate because:

- Table 1 is probably the first place staff and concerned residents look when looking to see what is allowed in a particular district; the section on accessory structures and uses is somewhat hidden within the ordinance.
- By using footnotes instead of referencing another section, people are not forced to flip through the ordinance (or webpages) to find all of the applicable regulations.

### **Attachment**

DRAFT Amendments for Short-Term Rentals (Sec 7.2 and 16)