



Request for Council Action

SUBJECT: **Continuation of 2nd Reading of Ordinance Regarding the Licensing of Rental Housing and Short-Term Rentals**

MEETING DATE: December 12, 2022
ITEM TYPE: Regular Business
CONTACT: Kris Wilson, City Administrator, 651.450.2511

ACTION REQUESTED

The Council is asked to consider and provide feedback on an alternative ordinance to address the issue of short-term rental housing.

BACKGROUND

At multiple meetings earlier this year, the City Council discussed concerns about the impacts of short-term rental housing on the surrounding neighborhoods. The Council initially directed staff to prepare an ordinance that would require a minimum lease period of 30-days for any rental property within the City. The first reading of this ordinance was approved, but the second reading was tabled, following public comment on the proposed ordinance.

Since that time, staff has completed additional research regarding how other metro-area cities regulate short-term rental housing and met with several interested parties who currently operate short-term rentals within IGH. The Council has also received communication and comment from additional residents concerned about the impacts of short-term rentals.

Attached for Council's consideration is the original ordinance, which establishes a 30-day minimum rental period, and addressed a few other housekeeping items related to the City's existing rental licensing program, as well as an alternative ordinance that would allow rentals of less than 30-days under a short-term rental licensing program. The alternative ordinance, as currently drafted, contains several sections that are highlighted in yellow. Many of these are reflective of requirements for short-term rentals in other cities. They do not necessarily have to be included, or included in their current wording, in an Inver Grove Heights ordinance, but are presented for discussion. These are specific areas where the Council will need to make a policy decision and provide direction to staff regarding what is desired in a subsequent draft of any IGH ordinance.

Staff will outline the terms of both ordinances in the presentation at the December 12 meeting and seek feedback and direction from Council regarding how it wishes to proceed on this topic.

FISCAL IMPACT

RECOMMENDATION

ATTACHMENTS

1. Alternative Ordinance on Short Term Rental Licensing Ord
2. Ordinance Revising Rental Licensing Standards (from original 2nd Reading)

**CITY OF INVER GROVE HEIGHTS
DAKOTA COUNTY, MINNESOTA**

ORDINANCE NO. _____

**AN ORDINANCE AMENDING INVER GROVE HEIGHTS CITY CODE, TITLE 4,
CHAPTER 13, TO ADD ARTICLE A RELATED TO RENTAL LICENSES FOR
SHORT-TERM RENTALS**

THE CITY COUNCIL OF THE CITY OF INVER GROVE HEIGHTS ORDAINS AS FOLLOWS:

Section One. Amendment. Title 4, Chapter 13 of the Inver Grove Heights City Code is hereby amended to add Article A as follows:

ARTICLE A; SHORT-TERM RENTALS

4-13-A-1: Policy; Purpose; Objective; Intent

It is the purpose of this Article to protect and preserve the stability and character of residential areas within the city by establishing standards for the operation of short-term rental housing. The operation of short-term rental properties is a business enterprise that includes certain responsibilities. Rental owners, operators and managers are responsible to take such reasonable steps as are necessary to ensure that the guests who occupy such rental dwelling units, as well as neighboring properties, may pursue the quiet enjoyment of the normal activities of life in surroundings that are safe, secure, and sanitary, free from noise, nuisances and annoyances, and free from unreasonable fears about safety of persons and property.

4-13-A-2: Definitions

Except as expressly provided in this Article, words, terms and phrases used in this Article have the meanings given them by Section 4-13-3. In cases where conflicting definitions of a word, term or phrase make its precise meaning unclear in its application to particular facts, the city administrator is authorized to resolve the definition. For purposes of this Article, the following terms below have the meanings given them:

SHORT TERM RENTAL: The letting of a dwelling or dwelling unit for a period of less than thirty (30) consecutive days.

4-13-A-3: License Required

- A. General Rule: No person, partnership, business entity, or corporation shall operate a short-term rental dwelling or short-term rental dwelling unit in the city without first obtaining a short-term rental license. The licensee shall be the owner.
- B. Exemptions: No short-term rental license is required for the following:
 - 1. Hospitals.

2. State licensed residential care facilities.
 3. Assisted living facilities.
 4. Nursing homes.
 5. Hotels or motels.
 6. Single-family homes in which an individual owns the single-family home and resides in a portion of the building in which there is a rental dwelling unit and there are a total of no more than three (3) persons within the rental dwelling unit that are unrelated to the owner and to each other.
 7. Accessory dwelling units pursuant to section 10-18-1 of this code.
 8. Supervised student housing pursuant to subsection 10-14-2H of this code.
- C. Non-Transferable: A short-term rental license is nontransferable. If there is a change in the ownership of the rental dwelling or rental dwelling unit, a new license is required.
- D. License Term: The term of the license shall be two years, beginning on April 1 of all odd-numbered years.
- E. License Fees: Applicants for a license shall pay a fee as set by resolution adopted by the City Council. The license fee is not refundable, even if the application is withdrawn, denied, revoked or suspended or the applicant ceases to operate the property as a short-term rental during the term of the license.
- F. Renewal And Late Fees:
1. An application for license renewal must be filed at least sixty (60) days prior to the license expiration date.
 2. An applicant who fails to submit a completed renewal application at least sixty (60) days prior to the expiration date shall pay a late fee equal to fifty percent (50%) of the license fee, in addition to the required license fee for the renewal.

4-13-A-4: License Application

Application for a license must be made to the city by the owner of a short-term rental dwelling or dwelling unit upon forms provided by the city. After the city has received a completed application, including all required documentation and application fee, and the appropriate fees, the license will be reviewed by city staff and then submitted to the city council for consideration. Incomplete applications will be rejected by city staff and will not be submitted to the city council.

1. **Neighbor Notification:** Prior to submitting a license application, the applicant must notify the owner of any neighboring property abutting to the side, rear or across the street from their property of their intent to seek a short-term rental license. Such notification shall be on a form provided by the City.
2. **Required Applicant Information:** The following information shall be required with each application for a short-term rental license.
 - A. **Natural Person:** If the applicant is a natural person, the applicant must provide the information required in Section 4-13-3(B)(1).
 - B. **Partnership:** If the applicant is a partnership, the applicant must provide the information required in Section 4-13-3(B)(2).
 - C. **Corporation:** If the applicant is a corporation or other organization, the applicant must provide the information required in Section 4-13-3(B)(3).
 - D. **Additional Information From All Applicants:** All applicants must provide the information required in Section 4-13-3(B)(4).
 - E. **Property Contact Information:** All applicants must provide the information required in Section 4-13-3(4)
 - F. **Number And Type Of Units:** The license application must contain the number of units and types of units (condominium, apartment, townhome, etc.) within the rental dwelling. If the number or types of units change, the licensee must notify the city.
3. **Changes On Application:** An applicant must notify the city in writing of any changes to the name(s) provided on the application including, but not limited to, owners, the property management company, property managers, twenty-four (24) hour contact information, or agents responsible for management of the rental dwelling or rental dwelling unit. Any changes may result in additional background checks, as required by this Article, if deemed necessary by the city
4. The applicant must file with the city proof of insurance as required in Section 4-13-3(E). The applicant may not cancel or change the insurance without fifteen (15) days' prior written notice to the city by certified mail. The certification of insurance must be continuously in effect until fifteen (15) days after receipt of the written notice of cancellation or change, provided however, the certification must not extend for more than two (2) years.
5. **Criminal Background Investigation.**

a. In order to protect the general welfare of the public for all applications, criminal history background reports from the BCA must be submitted with the application for any owner who has or would have the means to enter rental dwelling units or any manager who has or would have the means within the scope of the individual's duties, to enter rental dwelling units. To satisfy this requirement:

1. An owner who has or would have the means to enter rental dwelling units must provide a copy of a BCA public criminal conviction history report, which must be dated within twenty-four (24) months of the date of the application.
2. A manager must provide a BCA public criminal conviction history report and a response from the superintendent of the BCA required by Minnesota statutes section 299C.68, both of which must be dated within twenty-four (24) months of the application.

If not a Minnesota resident, a criminal conviction history report from the appropriate government agency in the state of residency is also required.

b. Authorization: At the time of making applications for an initial or renewal license, the applicant must provide written authorization to the city to investigate all facts set out in the application. The information obtained from the investigation shall be used to assist the police chief in making a recommendation as to whether the applicant should be granted a license.

c. Police Chief Recommendation: The Police Chief or their designee shall make a recommendation to the City Council as to whether the applicant should be a granted a license, based on any of the following criteria:

- a. Whether the owner or manager subject to the investigation required in this Article was convicted of a crime or offense in the last five (5) years involving or directly relating to the business for which a license is sought; or
- b. Whether the owner or manager subject to the investigation required in this Article was convicted of a "background check crime" as defined by Minnesota statutes section 299C.67, subd. 2, or as it may be amended, within the last ten (10) years; or
- c. Whether there is a material misrepresentation in the application or other grounds for denial of the license application.

4-13-A-5: License Hearing

a. New Or Renewal Application Consideration:

1. Action: The city council must take action on each new and renewal license application within a reasonable time following receipt of a completed application and recommendation from the police chief or their designee regarding the application.

2. Procedure: At the city council meeting at which the license application is considered, any person must be provided an opportunity to be heard for or against the license. The city council may then take any of the following actions:
 - a. Approve the license,
 - b. Deny the license,
 - c. Approve the license with reasonable conditions,
 - d. Approve the license on a provisional basis, or
 - e. Continue the license application for additional information.
- b. Denial, Suspension, or Revocation of License or License Application: At the recommendation of a city official, the city council or its designee may hold a hearing to take action on a short-term rental license to deny, suspend, or revoke a license or to consider other actions against the license holder. In addition to those grounds enumerated in section 3-2-10 of this code, any license may be denied, suspended, issued on a conditional or provisional basis, or revoked for one or more of the following reasons listed in section 4-13-8(B).
- c. Suspension Or Revocation Hearing: Short-term rental license may be suspended or revoked following the procedures in Section 4-13-8(C).
- d. Reapplication Following License Revocation or Denial: Upon denial or revocation of a license, the owner may not reapply for a license for the same rental dwelling or rental dwelling unit for a period of six months.

4-13-A-6: Performance Standards

All short-term rental dwellings and short-term rental dwelling units shall be subject to the following performance standards.

- A. Maintenance Standards: The licensee must ensure that every short-term rental dwelling and short-term rental dwelling unit is maintained in compliance with all city codes and state laws, including:
 1. The City's Building code (title 9, chapter 1 of this code)
 2. The City's Zoning code (title 10 of this code),
 3. Animal control requirements (title 5, chapter 4 of this code),
 4. Fire prevention code (title 9, chapter 2 of this code),
 5. Property nuisances (title 5, chapter 9 of this code),
 6. Miscellaneous offenses (title 5, chapter 5 of this code),
 7. The applicable provisions of the 2021 International property maintenance code as adopted and with the exceptions found in Section 4-13-1-E.
- B. Parking Requirements: In all zoning districts, all renter and/or guest parking for a short-term rental dwelling or short-term rental dwelling unit must be on an

improved driveway or improved parking surface located on the premise or property where the short-term rental unit is located.

C. Events: Events are not allowed to be hosted by renters or guests on the premises. For purposes of this section, an event means a gathering on the premises of more than three un-registered individuals.

D. Required Postings

1. Display Of License Certificate: The license certificate must be exhibited in a conspicuous place at or near the entrance to the short-term rental dwelling or short-term dwelling unit. One license certificate must be displayed for each building.
2. Display of Property Address and Emergency Contact Information.

E. Tenant Register: As a condition of the license, the licensee must, as a continuing obligation, maintain a current register of tenants and other persons who have a lawful right to occupancy of short-term rental dwellings or short-term rental dwelling units. In its application, the applicant must designate the name of the person or persons who will have possession of the register and must promptly notify the city of any change in the identity, address or telephone numbers of such person. The register must be available for inspection by city officials at all times and must be kept for a period of twelve (12) months.

F. Payment of Lodging Taxes: The property owner must pay all applicable federal, state and local taxes related to the short-term rental. In addition, the licensee is required to collect and remit to the city on a quarterly basis the lodging tax imposed under Title 4, Chapter 10 of this code. If no sales are made during a quarter, a report must be submitted to the city stating that no sales were made or lodging tax collected during that quarter.

G. Responsibility for Acts of Managers: Licensees are responsible for the acts or omissions of their managers as it pertains to the short-term rental dwelling.

4-13-A-6: Inspections; Compliance Orders

Inspections of short-term rental dwellings and dwelling units may be inspected in the same manner and per the process found in Section 4-13-6. Violations of this Article may be addressed by the issuance of compliance orders and criminal citations in the same manner and per the process found in Section 4-13-7.

4-13-A-7: Summary Action

A. Emergency: When the conduct of any owner or owner's agent, representative, employee or lessee, or the condition of the rental dwelling or rental dwelling unit, or the property in or on which it is located, is detrimental to the public health, sanitation, safety and general welfare of the community, or residents of the rental dwelling or rental dwelling unit so as to constitute a nuisance, fire hazard, or other unsafe or dangerous condition and thus give rise to an emergency, the chief building official has the authority to summarily condemn or close individual rental dwelling units or areas of the rental dwelling as the chief building official

deems necessary. The chief building official will post the date the rental dwelling or rental dwelling unit shall be vacated and no person shall reside in, occupy or cause to be occupied that rental dwelling or rental dwelling unit until the chief building official permits it.

B. Notice: No person shall remove the posted notice, other than the chief building official or their designated representative.

4-13-A-8: No Warranty by City

By enacting and undertaking to enforce this Article, neither the city nor its city council, agents or employees warrant or guaranty the safety, fitness or suitability of any short-term rental dwelling or rental dwelling unit in the city. Owners and occupants should take appropriate steps to protect their interests, health, safety and welfare.

4-13-A-9: Violations

A violation of this Article is a misdemeanor.

Section Two. Effective Date. This Ordinance shall be in full force and effect upon its passage and publication as provided by law.

Passed in regular session of the City Council of the City of Inver Grove Heights on the ____ day of _____, 2022.

CITY OF INVER GROVE HEIGHTS

By: _____

Thomas Bartholomew, Mayor

ATTEST:

Rebecca Kiernan, City Clerk

**CITY OF INVER GROVE HEIGHTS
DAKOTA COUNTY, MINNESOTA**

ORDINANCE NO. _____

**AN ORDINANCE AMENDING INVER GROVE HEIGHTS CITY CODE, TITLE 4,
CHAPTER 13, RELATED TO RENTAL LICENSES**

THE CITY COUNCIL OF THE CITY OF INVER GROVE HEIGHTS ORDAINS AS FOLLOWS:

Section One. Amendment. Section 4-13-2 of the Inver Grove Heights City Code is hereby amended as follows. The ~~struck-out text~~ shows the deleted wording and the underlined text shows the language added to the code:

4-13-2: DEFINITIONS:

FAMILY: An individual, or two (2) or more persons related by blood, marriage or adoption, or a group of not more than four (4) persons not so related, living together as a single housekeeping unit maintaining a common residence and sharing ~~using~~ common cooking facilities, bathroom(s), and living spaces.

Section Two. Amendment. Section 4-13-3 of the Inver Grove Heights City Code is hereby amended as follows. The ~~struck-out text~~ shows the deleted wording and the underlined text shows the language added to the code:

4-13-3: LICENSE REQUIRED:

- A. General Rule: No person, partnership, business entity, or corporation shall operate a rental dwelling or rental dwelling unit in the city without a license. The licensee shall be the owner. No dwelling or dwelling unit, other than those exempt from the licensing requirements of this Chapter, shall be rented or let for a period of less than thirty (30) consecutive days.
- D. Application Fees: ~~Rental dwelling owners shall pay a fee as set by resolution adopted by the city council. The license fee is not refundable.~~ Applicants for a license shall pay an application fee in amount set annually by the City Council via resolution. The application fee is due at the time the license application is submitted. The application fee is not refundable, even if the application is withdrawn or denied.

Section Three. Amendment. Section 4-13-8(C) of the Inver Grove Heights City Code is hereby amended as follows. The underlined text shows the language added to the code:

4-13-8: LICENSE HEARING:

4. Reapplication Following License Revocation or Denial: Upon denial or revocation of a license, the owner may not reapply for a license for the same rental dwelling or rental dwelling unit for a period of six months.

Section Four. Effective Date. This Ordinance shall be in full force and effect upon its passage and publication as provided by law.

Passed in regular session of the City Council of the City of Inver Grove Heights on the ____ day of _____, 2022.

CITY OF INVER GROVE HEIGHTS

By: _____

Thomas Bartholomew, Mayor

ATTEST:

Rebecca Kiernan, City Clerk