DATE: March 20, 2015

MEMO TO: Law & Public Safety Committee

SUBJECT: Agenda Review

The following information is provided for items scheduled for consideration by the Law & Public Safety Committee at 4:00 PM on Tuesday, March 24, 2015. The Committee will meet in Conference Room 305, Raleigh Municipal Building, 222 West Hargett Street, Avery C. Upchurch Government Complex, Raleigh, North Carolina.

13-14 Pawnbroker License Application - World Gold and Pawn (12/2/14)
13-15 Home Rental Services (1/20/15)

Marchell Adams David
Assistant City Manager/Community

Attachments

cc: City Attorney Tom McCormick
City Clerk Gail Smith
Assistant City Manager Tansy Hayward
Police – Chief Cassandra Deck-Brown, Deputy Chief J. Perry
Public Works – Acting Director Rich Kelly,
Transportation Operations Manager Mike Kennon
The Law and Public Safety Committee will meet on **Tuesday, March 24, 2015 at 4:00 P.M.**

Location: Room 305, Raleigh Municipal Building, 222 West Hargett Street, Avery C. Upchurch Government Complex, Raleigh, North Carolina. For information call 919-996-3040 (City Clerk’s office) or 919-996-3070 (City Manager’s Office).

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**All the following items are pending in Committee; however, only those items that are shown in bold print will be discussed during this meeting.**

1. **13-10** School Crossing Guard Policy (6/9/14)
2. **13-13** Property Development – Providence Baptist Church (10/21/14)
3. **13-14** Pawnbroker License Application - World Gold and Pawn (12/2/14)
4. **13-15** Home Rental Services (1/20/15)

The following items were referred from the March 17, 2015 City Council meeting:

1. **13-16** Parking – Glenwood Avenue (3/17/15)

*** Council Chamber is Assistive Listening System equipped. Deaf and hearing impaired individuals needing interpreter services should provide 48-hour notice by calling 919-996-3100 (voice) or 919-996-3107 (TDD). ***

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**NOTE:** The agenda backup will be available after 4:00 p.m. on the Friday preceding the meeting. CTRL + Click on the link below to access the City Council Committees page on the City of Raleigh Web site.

[http://www.raleighnc.gov/government/content/BoardsCommissions/Articles/CityCouncil.html](http://www.raleighnc.gov/government/content/BoardsCommissions/Articles/CityCouncil.html)
AGENDA ITEM: Pawnbroker License Application – World Gold and Pawn (13-14)

COMMITTEE DATE: March 24, 2015

ORIGIN OF ITEM: Referred at the 12/2/2014 City Council meeting by Council member Baldwin and as follow-up to January 13, 2015 L&PS Committee Meeting.

DEPARTMENT CONTACT: Joseph Perry, Deputy Chief-RPD, 919-996-3335

DESCRIPTION/SUMMARY:
Mr. Tony Ro filed a pawnbroker license application to open a business at 421-113 Chapanoke Road, Raleigh, NC 27603. The item was on the 12/2/2014 City Council meeting agenda. Due to the concerns associated with the application, the item was referred to committee.

BUDGET IMPACT (FUNDING SOURCE/BUDGET ACTION):
None.

RECOMMENDATION: Staff recommends denial of application.

ALTERNATIVES:
The Law and Public Safety Committee of the City of Raleigh met on Tuesday, January 13, 2015

**Item # 13-14 Pawnbroker license Application-World Gold and Pawn (12/2/14)** Chairperson Baldwin asked Staff to give the Committee some background on this item.

Deputy Chief Perry (RPD) gave a brief history for this item. He stated RPD has twice failed to provide a recommendation for an issuance of license to Mr. Ro. He stated he crafted a memorandum in February, 2014. They have a detective that is assigned the responsibility of auditing pawn shops. He handles compliance issues, inventory, background checks, etc. During an initial background investigation Detective O’Neal discovered in speaking with another detective there was a residence burglary in Southeast Raleigh which involved the victim having a television set stolen. The detective that was working on this case made contact with Mr. Ro at Top Pawn and asked him to place a hold on the television. The detective arrived approximately 3 hours later to find that the television had been released or sold. The owner was unable to provide the name of the person who purchased the television set.

Mr. Maiorano asked if there is a requirement for documentation.

Ms. Baldwin answered in the affirmative.

Deputy Chief Perry (RPD) stated they cited Mr. Ro. He pointed out that charge has been dismissed. Based on this the application came to him for a recommendation and the recommendation was not provided. He stated in May, 2014 this application came before RPD again and Detective O’Neal gave some input on an employee at this establishment by the name of Omar Sorrano. He pointed out they also charged him for inappropriate record keeping. He pointed out about 44 tickets were examined and they were found to have several inaccuracies. They charged the employee criminally. (RPD’s) position on issuing a recommendation was not to issue at this time. The most recent memo was crafted in November, 2014 and after communicating with the Police Attorney the business had improved their operating practices. He stated there have been no recent major issues with this so they have issued a favorable recommendation.

Deputy Chief Perry (RPD) gave an overview of the following information:

**Council Agenda Item - Application for Pawn Broker License**

The Revenue Division received a pawnbroker license application from Mr. Tony C. Ro who would like to open a new pawn business, World Gold and Pawn, to be located at 421-113 Chapanoke Road, Raleigh, NC, 27603.

Raleigh City Ordinance Section 12-2102(d) requires Council approval prior to issuing pawnbroker licenses. The required Zoning, Fire and Police reports have all been reviewed. Zoning and Fire both indicate compliance with all applicable zoning and development regulations and laws related to fire safety. The Police Department has no
objections to license issuance; however, there were concerns expressed to the Citizen Advisory Council from citizens who live in the adjacent residential community.

The Fire Safety Inspection report, completed by Michael T. Furr, indicates that the building class is Ml-Merchantile, display and sale of merchandise, and the property use is indicated as 500-Merchantile business-Other.

The Inspection\Zoning report, completed by Robert M. Pearce, Jr., indicates that the property at 421-113 Chapanoke Road is zoned industrial- 1(IND-1). This zoning district allows a pawnshop as a general approved use.

According to the Police report the CAC that incorporates this business was informed of the request to operate a pawn shop in the Chapanoke Shopping Center. Forty citizens responded, by email, asking that the request to open the pawn shop be denied. These citizens are concerned that the opening of the pawn shop, particularly when there are several others in close proximity, will lead to an increase in crime and vagrancy. They are also concerned that the presence of a pawn shop will deter other, more family-friendly businesses from opening, undermining the City's efforts to revitalize the area and negatively impacting their property values.

A memo from Deputy Chief J.C. Perry dated November 13, 2014 indicates that the Police Department does not object to approval of the application.

Section 12-2013 indicates that before issuing a license, "the Council shall be satisfied that the applicant is a suitable person to hold a pawnbroker license and that the location is a suitable place to hold the proposed license. To be a suitable place, the establishment shall comply with all the rules and regulations set out in G.S. Chapter 91A. Other factors the Council may consider in determining whether the applicant and the business location are suitable shall include all of the following:

1. The application contains no misstatement of fact.
2. The applicant conforms to all requirements of applicable zoning, building, and fire prevention codes.
3. The applicant shall not have been convicted of a felony within a ten-year period preceding the filing of the application.
4. Parking facilities and traffic facilities in the neighborhood.
5. The recommendations of the City of Raleigh Police Department.
6. Any other evidence that would tend to show whether the applicant would comply with the provisions of G.S. Chapter 91A and the applicable provisions of this Code and whether the operation of the business at that location would be detrimental to the neighborhood."

Mr. Tony Ro filed a pawnbroker license application to open a business at 421-113 Chapanoke Road, Raleigh, NC 27603. The item was on the 12/2/2014 City Council meeting agenda. Due to the concerns associated with the application, the item was
referred to committee. Mr. Ro has completed all required inspections and met all compliance measures.

SUBJECT: Pawnbroker License Application I RPD Recommendation

The Raleigh Police Department’s Detective Division has conducted a recent audit of the reporting practices of Top Pawn located at 2814 Old Trawick Road. The business is owned by Mr. Tony C. Ro. The aforementioned audit revealed no concerning errors, discrepancies, or violations.

Mr. Ro has again applied for a pawnbroker license to conduct business as World Gold and Pawn, to be located at 421 Chapanoke Road, Suite 113 in Raleigh, NC. As you are aware, there were factors associated with his previous applications that compelled the police department to withhold a favorable recommendation to the City Council.

RCC 12-2103 requires the police department to provide a recommendation to the Council prior to the issuance of a pawnbroker license. Given the fact that Top Pawn is now in compliance with applicable local and state ordinances, the police department does not object to the issuance of the license. Should anyone have questions or concerns, please do not hesitate to contact me at (919) 996-1388.

Ms. Baldwin questioned no recent major issues. She wanted to know the minor issues.

Detective Wilbur O’Neal (RPD) briefly explained his position is to investigate pawn shops. He currently reviews over a 111 stores within the City Limits of Raleigh. He stated at this present time as it concerns Top Pawn he has not come across anything of significance to bring back to Council that regards to negative activity at this time. He stated he has not had time to review records that are maintained in the database that he utilizes to review all pawn shops.

Mr. Maiorano asked if RPD believes that it would be appropriate and necessary to undertake a more in-depth review to make sure this is the right thing to do and have a full analysis.

Deputy Chief Perry stated they can do this. There have not been any discrepancies like in the past.

Mr. Maiorano questioned when the incidents that were mentioned earlier occur is there a probationary period. Is there a follow up inspection? What happens when there are these types of store findings.

Deputy Chief Perry (RPD) stated Mr. McCormick could answer this better because once it is done in court it is done.

City Attorney McCormick briefly explained revocation by State statute. He pointed out that in the memo issued by (RPD) states that the Police Department does not object to the issuance of the license. He asked Mr. Perry if he is changing his position.
Deputy Chief Perry (RPD) explained there were about 6 months where there were no major issues but it is fair to say that when they charged criminally the owner and an employee is a concern.

Mr. Odom questioned whether there are some issues with the shops along Capital Boulevard.

Detective O’Neal stated Top Pawn is not the only shop with findings. He explained he also investigates gold buyers and some of them have been investigated by Federal agents. There are shops operating throughout the City.

Mr. Odom pointed out his specific question is about those on Capital Boulevard. He pointed out there are two across from each other on Capital Blvd. Ms. Baldwin stated they are dealing with this specific case.

**Attorney Burt Deener, 421 Chapanoke Road** stated his office is located at this address. He pointed out he has a lot of communication with Detective O’Neal. They have crafted a plan together to create guidelines for Top Pawn. They have photographed all identifications. He pointed out they have met the 6 criteria for approval. They have met with neighbors in terms of whether this business is detrimental to the neighborhood. He stated his clients have followed the law. He stated he has a very cooperative relationship with Detective O’Neal. He pointed out the two criminal charges mentioned by Deputy Chief Perry were dismissed. They have made great progress in improving store operations and compliance. As he understands RPD has not changed their opinion in terms of further investigation. As this was before Council the last opinion was favorable. The main issue before Council was one of zoning. There was a question of whether or not this would be an appropriate use of this property because it is so close to a neighborhood. There was a discussion from the current zoning standards and the proposed zoning standards. He wants to make sure they are on the same sheet of music and point out this is an accepted use for this property. He described the shopping center. He stated there is an adult entertainment permitted across the street. He briefly described the establishment. He feels from a zoning perspective he does not feel this is very clear.

Ms. Baldwin stated she believes the zoning was brought up by one of the Council members. She stated her concern is more about the charges that were brought. This is a great concern. They are looking at this on behalf of the City Attorney who asked them to do it for the review.

Mr. Deener stated his client does not supervise 24/7 and was not working for the TV incident. He explained there was a manager on the site. He pointed out there is a special holding bin and it is a bin to intake property that is not to be touched or sold. For whatever reason they decided to sell something in the bin upon his client finding out that the pieces were sold he contacted the Police Dept., he contacted the person who lost the property and purchased the owner a new and better TV than the one they had to begin with. This was not an intentional or reckless act. He will argue Detective O’Neal has had a lot of work to do. He explained there has been a significant change as it relates to pawn shop operations. He pointed out all of the recommendations that were made they have exceeded them and followed through with them. He reiterated that they were never convicted of the 2 charges. All other issues have been resolved.
Ms. Baldwin stated they do not know that they have been resolved because Detective O’Neal has not had the time to go through the latest information that he has received.

Mr. Deener pointed out the cash converter businesses don’t appear to be licensed in Raleigh. He stated pawn shops are licensed but cash converters are not. He feels that the cash converter business should have to obtain a license because they have to keep the same type of records.

Detective O’Neal briefly described cash converter businesses. They have additional rules and regulations to assist in governing and watching these operations.

Mr. Deener read the 6 criteria needed to obtain approval for pawn shops. They have gone through all and met the requirements. His client has followed the law.

Ms. Baldwin stated she does have one question regarding an email that was received regarding signage. It is in the window that says this business is operating as a pawn shop.

Mr. Deener stated on the wall it says World Gold and Pawn. They are not operating inside and out of there. He passed around a picture to the Committee. He believes there is a sign but they are not operating as a business.

Mr. McCormick stated he asked to have this item referred because if the Council is going to deny the pawn shop permit with all the appropriate City Agencies suggesting approval it will require a hearing in order for Council to do this. Before you take this step they may want to consider holding this and let Detective O’Neal take a closer look because there is a recommendation from staff that says it should be approved.

Ms. Baldwin questioned whether or not there is a timeframe from a legal standpoint where they could not have any issues of discrepancy.

Detective O’Neal stated there is no specific time line. He explained RPD can walk into any establishment and ask for records.

Mr. McCormick stated there is not. Along the grounds upon which you cannot permit is conviction of a felony and that is not the case. There are grounds if you can find that the owner is unfit to operate the business. He reiterated the fact that this can’t be denied until Council has hearing.

Mr. Maiorano questioned if it is sent back for further review and there are findings or there are some concerns that would result in a change of recommendation is this a different situation. Mr. McCormick stated they can hold it or the applicant can waive having the hearing. Ms. Baldwin asked what the timeframe was since the last application. Deputy Chief Perry stated he believes it was in November, 2014 which is about 6 months.

The group briefly discussed steps to take the item for a hearing. Ms. Baldwin suggested holding the item for further investigation from RPD. She asked the Police Department to continue the investigation.
Mary Belle Pate, 2506 Crestline Avenue, 27601-3105 stated she would like for the Committee to deny approval of the permit. She pointed out there are at least 4 locations within a 5 minute drive of this pawn shop. She stated with these type businesses it would be easy for people to break in their homes and take items to nearby pawn shops. She remembers how they broke in and stole items from Mayor McFarlane’s daughter’s home and walked to the pawn shops with the items. These businesses back up to the residential community. There should be a regulation stating you can’t be within 200 feet of a residence. She was Southwest CAC Chair for over 30 years and she has a mother hen attitude towards anything that happens in her CAC. She questioned whether these owners will follow protocol. She expressed great concern of there being too many shops open currently. She stated it would be a mistake to approve this permit. She feels they have cleaned up their act to be sure to acquire a license. She stated this is detrimental to the Southwest CAC and she can’t believe they are going to trash them again.

Anthony McLeod, Renaissance Park, Cochairman of Southwest CAC, stated this would be detrimental to his neighborhood. This type element within walking distance of the neighborhood leaves thoughts of what could happen and he knows they should not live in fear. This does happen. He stated through the UDO to his understanding there is a text change that would prohibit this type business. This indicates that if approved this would be grandfathered into eternity in an area they are trying hard to keep safe. He expressed concern of trash, noise, traffic being produced from the shopping center. He does not feel these owners have their best interest in mine by bringing this to their doorstep.

Ms. Baldwin stated if there is signage in the windows advertising this as a pawn she has a real problem with this. Mr. Deener stated they have covered the sign and the establishment is not even open for any business to include the fact there is nothing in the establishment. Ms. Baldwin stated this item will be held in Committee and she will determine when to discuss this item after the investigation by RPD has been completed. The item was held in Committee.
PAWNBROKER LICENSE APPLICATION – WORLD GOLD AND PAWN –
REFERRED TO LAW AND PUBLIC SAFETY COMMITTEE

Mr. Tony C. Ro has previously submitted application for a pawnbroker license to conduct business as World Gold and Pawn, to be located at 421 Chapanoke Road, Suite 113, Raleigh. Previous applications were withdrawn by the applicant due to comments from the Police Department.

An application has been resubmitted, and the proposed business will operate from 9:00 a.m. to 6:00 p.m. Monday through Saturday. The business will not buy firearms, sell alcohol, or provide check cashing services. Under Raleigh City Ordinance 12-2101(d) the pawnbroker license requires Council approval.

As required, Zoning and Fire both indicate compliance with all applicable zoning and development regulations and laws related to fire safety. The Police Department has no objections to license issuance; however, there were concerns expressed to the Citizen Advisory Council from citizens who live in the adjacent residential community.

Recommendation: Approve the license application.

Mayor McFarlane pointed out Councilors Weeks, Crowder, Baldwin and Stephenson asked that this item be withdrawn from the Consent Agenda.

Councilor Crowder stated she had withdrawn this from the Consent Agenda pointing out in the Future Land Use Map she understands the area around 421 Chapanoke Road is designated as CX and pawnshops are not allowed in CX zoning categories. Interim Planning Director Bowers pointed out City Council had requested that the staff draft a text change that would remove pawn shops as a permitted use in the CX district; however, until that text change is adopted, pawn shops are permitted in CX. Councilor Stephenson pointed out it he feels it is the City Council’s intent that pawnshops not be allowed in a CX zoning, that is, they would not be allowed going forth but he understands the text change has not been adopted. Councilor Weeks expressed concern about pawnshops in this area and pointed out he knows this particular applicant has come forth a couple of times before and the police department had objected but he does not see any objection now. He stated however he feels the Council should have concern about what citizens think about pawnshops in their neighborhoods and/or areas.

Deputy Police Chief Perry pointed out the Police Department has withheld a recommendation for approval of this twice; however, he recently had the detective assigned to this type use to take a closer look and in the past six months there have been no recurring violations or bookkeeping irregularities like had been experienced in the past.

Mr. Stephenson moved denial based on the impact of the neighborhood and the Future Land Use Map. His motion was seconded by Mayor McFarlane.
Mr. Odom stated he is in support of the motion however, the present zoning allows pawnshops. He stated his support of this motion is with the understanding that the Council does not see this as a precedent setting motion, that is, if something comes forth that is in compliance with all plans the Council denies it because they want to change the plan in the future. Councilor Odom stated there are plenty of pawnshops in his district all up and down Capital Boulevard. He objected to those however because of zoning in the area they were approved. He is nervous about this action that is, denying a pawnshop because the Council plans to change the land uses allowed in zoning in the area.

Councilor Stephenson pointed out this corridor used to be an industrial corridor; however, Renaissance Park came along and is built on a location that used to be an airport. He stated when the Council allowed that, they said they no longer wanted the area to be an industrial corridor. It should be a mixed use corridor and the Council would not allow pawnshops adjacent to neighborhoods. The staff is acting in that accord and are coming forth with the text change. He stated over the past, the Council has taken a number of actions in that direction and will look at what is going to occur in the future.

City Attorney McCormick indicated if the Council is thinking about denial of this application, he would suggest that it be sent to a committee for one term in order to articulate reasons the City Council would base a denial. Ms. Baldwin stated she agrees and understands what the City Attorney is saying and made a substitute motion that the item be referred to Law and Public Safety Committee. Her substitute motion was seconded by Councilor Stephenson and a roll call vote resulted in all members voting in the affirmative. The Mayor ruled the motion adopted on an 8-0 vote.
The Revenue Division received a pawnbroker license application from Mr. Tony C. Ro who would like to open a new pawn business, World Gold and Pawn, to be located at 421-113 Chapanoke Road, Raleigh, NC, 27603.

Raleigh City Ordinance Section 12-2102(d) requires Council approval prior to issuing pawnbroker licenses. The required Zoning, Fire and Police reports have all been reviewed. Zoning and Fire both indicate compliance with all applicable zoning and development regulations and laws related to fire safety. The Police Department has no objections to license issuance; however, there were concerns expressed to the Citizen Advisory Council from citizens who live in the adjacent residential community.

- The Fire Safety Inspection report, completed by Michael T. Furr, indicates that the building class is M1-Mercantile, display and sale of merchandise, and the property use is indicated as 500-Mercantile business-Other.

- The Inspection\Zoning report, completed by Robert M. Pearce, Jr., indicates that the property at 421-113 Chapanoke Road is zoned Industrial-1 (IND-1). This zoning district allows a pawnshop as a general approved use.
- According to the Police report the CAC that incorporates this business was informed of the request to operate a pawn shop in the Chapanoke Shopping Center. Forty citizens responded, by email, asking that the request to open the pawn shop be denied. These citizens are concerned that the opening of the pawn shop, particularly when there are several others in close proximity, will lead to an increase in crime and vagrancy. They are also concerned that the presence of a pawn shop will deter other, more family-friendly businesses from opening, undermining the City’s efforts to revitalize the area and negatively impacting their property values.

- A memo from Deputy Chief J.C. Perry dated November 13, 2014 indicates that the Police Department does not object to approval of the application.

Section 12-2013 indicates that before issuing a license, “the Council shall be satisfied that the applicant is a suitable person to hold a pawnbroker license and that the location is a suitable place to hold the proposed license. To be a suitable place, the establishment shall comply with all the rules and regulations set out in G.S. Chapter 91A. Other factors the Council may consider in determining whether the applicant and the business location are suitable shall include all of the following:

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3. The applicant shall not have been convicted of a felony within a ten-year period preceding the filing of the application.
4. Parking facilities and traffic facilities in the neighborhood.
5. The recommendations of the City of Raleigh Police Department.
6. Any other evidence that would tend to show whether the applicant would comply with the provisions of G.S. Chapter 91A and the applicable provisions of this Code and whether the operation of the business at that location would be detrimental to the neighborhood.”
TO: Robin Rose, Deputy CFO

FROM: Deputy Chief J.C. Perry

DATE: November 13, 2014

SUBJECT: Pawnbroker License Application / RPD Recommendation

MESSAGE:

The Raleigh Police Department’s Detective Division has conducted a recent audit of the reporting practices of Top Pawn located at 2814 Old Trawick Road. The business is owned by Mr. Tony C. Ro. The aforementioned audit revealed no concerning errors, discrepancies, or violations.

Mr. Ro has again applied for a pawnbroker license to conduct business as World Gold and Pawn, to be located at 421 Chapanoke Road, Suite 113 in Raleigh, NC. As you are aware, there were factors associated with his previous applications that compelled the police department to withhold a favorable recommendation to the City Council.

RCC 12-2103 requires the police department to provide a recommendation to the Council prior to the issuance of a pawnbroker license. Given the fact that Top Pawn is now in compliance with applicable local and state ordinances, the police department does not object to the issuance of the license. Should anyone have questions or concerns, please do not hesitate to contact me at (919) 996-1388.
AGENDA ITEM: Home Rental Services (13-15)

COMMITTEE DATE: March 24, 2015

ORIGIN OF ITEM: Referred as a result of January 20, 2015 City Council Meeting and as follow-up to the February 24, 2015 Law and Public Safety Committee meeting.

DEPARTMENT CONTACT: Marchell Adams David, Asst. City Manager, 919-996-3070
Travis R. Crane, Planning & Zoning Administrator, 919-996-2656

DESCRIPTION/SUMMARY: At the December 2, 2014 city council meeting staff was asked to explore the existing regulatory environment related to short-term online rentals of residential properties and identify best practices nation-wide. Staff updated the City Council on Jan. 20, 2015 and provided additional insight on Feb. 24 to the Law and Public Safety Committee. The item was held over to allow for further public comment from those who may not have been able to attend due to inclement weather.

BUDGET IMPACT (FUNDING SOURCE/BUDGET ACTION):
None at this time

RECOMMENDATION:
Consider staff recommendations as presented with the Jan. 20, 2015 City Council Meeting Agenda Item and the February 24, 2015 Law and Public Safety Committee Agenda Item: 1) Maintain Existing Regulations, 2) Authorize a Text Change to Amend the Unified Development Ordinance, or 3) Consider an Alternate Option.

ALTERNATIVES:
**Item #13-15 – Home Rental Services.** Ms. Baldwin indicated she would have canceled the meeting due to the inclement weather; however the representative from AirBNB had flown in to attend the meeting and was present.

The following Staff report was included in the agenda packet:

At the request of City Council, staff has performed research related to short-term residential rentals. Staff produced a memorandum for the January 20th City Council meeting, which is attached for reference. The memorandum provides a summary of existing regulations for short term rentals, identifies impacts related to the use, and offers some best practices for regulating the use.

Staff identified a number of potential options to accommodate short term residential rentals in the City. If the City Council wishes to explore the use further, appropriate zoning districts would need to be identified. Staff has explored the following options, which can be included in the Unified Development Ordinance:

- Create standards to cap number of occupants or rooms rented
- Require property owner to reside on the property
- Create standards for parking
- Require the owner to register as a short-term rental
- Require annual registration and inspection

Through discussion at the City Council level, additional regulations may be identified. A change to the Unified Development Ordinance would be required, which would include review of the regulations by the Planning Commission and a public hearing before the City Council. Staff would need to create a business process for application, registry and inspection of short-term rentals. Staff would suggest that the permits and inspection include a fee to partially recover cost of service.

Staff will provide a presentation on the materials and answer questions raised by the Committee.

Assistant Planning Director Travis Crane used a PowerPoint presentation to give an overview of the item as well as comparing how other municipalities are handling the issue. The PowerPoint was outlined as follows:
Short Term Residential Rentals

- Rental of a room or property for a short period of time
- Can rent portion or entire house
- Can have separate entrance and private rented space or shared space with rest of occupants
- Common in resort communities, vacation spots
- Becoming more popular in larger cities

How did we get here?

- Staff received zoning complaint in November 2014
- At December 2nd meeting, Council asked for additional information regarding use, best practices
- Staff provided memorandum at January 20th meeting

History of Use in Raleigh

- Both codes contain “Bed & Breakfast” use
- Originally inserted in code in 1984; regulations amended in 1992 to expand allowance
- Part 10 code included “Room rental in a dwelling unit (lodger)”
- Bed & Breakfast carried into UDO; lodger use was not

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<tr>
<th>Standard</th>
<th>Part 10</th>
<th>UDO</th>
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<tr>
<td>Located in historic district, landmark, National Register</td>
<td>X</td>
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<tr>
<td>Must be in single family structure</td>
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<tr>
<td>Must meet density</td>
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<tr>
<td>400-foot separation from another B&amp;B</td>
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<td>X</td>
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<tr>
<td>Must provide parking</td>
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<td>Special use permit required</td>
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Impacts identified with short term rentals:

- Presence of business in neighborhood
- Increased activity on property
- Parking to accommodate renters
- Potential conflict with other regulations (density, other long-term rental arrangements)
- Increase in traffic

Opportunities identified with short term rentals:

- Increase in available lodging for travelers
- Additional income generation for property owner
• Additional revenue for local government
  – 6% room occupancy tax (Wake County)
  – Potential future fees/licensing

Cities that allow short term rentals:

Portland, OR        Austin, TX
Seattle, WA         Madison, WI
San Diego, CA       Chicago, IL
San Francisco, CA   Miami, FL
Palm Springs, CA    Charleston, SC
Phoenix, AZ         Washington, DC
Las Vegas, NV

Some cities have regulations to address vacation rentals

• Resort communities
• Rentals occur in week blocks
• Cities concerned with accountability of guests’ actions; life/safety concerns
• Allowed in certain areas of city

Other cities have regulations to address internet based rentals

Regulations address:

• Occupancy by owner
• Amount of area rented
• Permitting (initial and annual)
• Inspection

Best practices identified through research:

• Only permitted in certain zoning districts
  – Few cities allow everywhere (Portland, Austin)
• Create regulations to mitigate impacts
  – Size, parking, maximum number of guests, signage
• Require registration/permit
• Require owner to reside in structure

Options for consideration:

1. Maintain Status Quo
   – Limited allowance for use
2. Change Zoning Code
   – Allow in more zoning districts
   – Create use standards
Identify appropriate business practice

Modifying the UDO:

1. Review by Planning Commission, public hearing by Council
2. Identification of standards
   - Appropriate zoning districts
   - Special Use Permit?
   - Maximum number of rooms/area
   - Parking
   - Owner occupancy
3. Creation of business practices
   - Rental registration
   - Permit/submittal fee required
   - Property inspection

Clerk’s note: the PowerPoint presentation also included a listing of zones that allow bed and breakfast inns for both Part 10 and the Unified Development Ordinance (UDO).

Mr. Maiorano questioned why the parking and special use permit requirements did not carry over from Part 10 to the UDO with Assistant Planning Director Crane responding this type of use is not a typical traffic generator as it is more destination-oriented.

Mr. Maiorano questioned which cities do not allow short term rentals with Mr. Crane responding he was not able to quantify specifics. Mr. Odom questioned whether there were cities that looked at short term rentals and decide to not allow them with Mr. Crane he could not find any.

Ms. Baldwin questioned whether there were other cities that permitted renting out the entire dwelling with Mr. Crane responding in the affirmative; however, owners were permitted a maximum amount of time the residences could be rented, but this is difficult to enforce. Ms. Baldwin questioned whether AirBNB could regulate the number of times a residence may be rented over the course of a year with Mr. Crane responding enforcement would be difficult as there are a number of websites that offer short-term rentals including Craig’s List, etc.

Steven Mange, Director of Government Affairs, North Carolina Restaurant and Lodging Association, indicated he was present to speak on behalf of the traditional lodging establishments that include hotels and bed and breakfast (B&B) inns. He talked about occupancy tax revenues generated through tourism promotions, and indicated the Association has no interest in shutting down AirBNB as it acknowledges how state of the art technology has changed the landscape of vacation rentals; however the Association wants a level playing field. He expressed concern regarding the collection of occupancy taxes and fees, fire and public safety, parking, etc., and talked about attending a recent public form in Asheville where members of the public talked about willingness to pay the occupancy tax and address the safety issues if those regulations were made clearer to the follow and enforce.
Mr. Mange went on to talk about proposing regulations at the state level to address occupancy and use tax regulations, as well as instituting a state-wide registry for those engaged in short term rental listings.

Mr. Maiorano questioned whether there was an established model for a state-wide registry with Mr. Mange responding the traditional lodging industry has a similar registry through the State’s Division of Public Health. In response to questions, Mr. Mange acknowledged some cities have a registry, but there are no state-wide registries.

Mr. Odom expressed concern regarding giving such control to the State and would much prefer more local control.

Max Pomeranc, Public Policy Director for AirBNB, indicated his company is concerned with keeping things simple. He indicated most AirBNB listers do it on the side: a few times a year, a weekend, for a sabbatical, etc. He expressed concern regarding establishing a public registry as it may discourage most users who list only on occasion; however, he acknowledged a registry would be easier for those who list their properties on a regular basis, such as properties that are rented for more than 180 days per year. He questioned the definition of “primary residence” indicating most cities define those as owner-occupied more than 180 days per year.

Mr. Odom talked about how such an application as AirBNB competes with commercial B&B’s and soul would want a more level playing field.

Ms. Baldwin expressed concern regarding owners who purchase properties in order to rent out the entire residence on a short term basis with Mr. Pomeranc pointing out most beach communities are okay with that and went on to talk about how some cities regulate such rentals. Ms. Baldwin pointed out the City of Raleigh requires the owner occupy the residence in a B&B.

Mr. Pomeranc talked about how his company handles customer and lister complaints and how it is a challenge to regulate its lister noting AirBNB is “learning as it goes” and went on to refer to the City of San Jose’s example of initiating an 18-month pilot program for short term rentals.

Ms. Baldwin questioned the number of local “amateurs” listing on AirBNB including those who rent out rooms or entire residences with Mr. Pomeranc responding he will research those numbers and bring a response back to the Committee.

Mr. Pomeranc talked about how AirBNB is addressing collecting and paying occupancy taxes and indicated his company is open to working with the State on voluntary collection and paying the tax.

Ms. Baldwin questioned how AirBNB addresses safety issues with Mr. Pomeranc responding his company requires its listers provide emergency exit maps, smoke alarms, etc. He compared his company’s safety regulations to that of the automobile industry in that it has general safety standards; however, each State as its own, more detailed and stringent measures, and stated his company is eager to work with local municipalities to address safety issues. In response to questions, Mr. Pomeranc stated his company has a $1 million policy which covers damage by
renters as well as a $1 million homeowner policy which covers hosts in areas not covered by the hosts’ own homeowners policy.

Discussion took place regarding AirBNB’s application process with Mr. Odom questioning why Raleigh shouldn’t have its own registry with Mr. Pomeranc expressing concern for the privacy of those hosts who list their properties on occasion.

Brief discussion took place regarding how the City of Austin, Texas regulates its short-term rentals.

Brad Thompson, indicated he is a host on AirBNB and talked about his experience in residential and commercial real estate. He talked about the shortage of hotel space in the area and how local listers on AirBNB have experienced success. He asserted there is no parking issue and expressed concern regarding the rush to regulate the industry. In response to questions, Mr. Thompson expressed his opinion a commercial registry would deter some people from listing their residences; however, he supports purchasing multiple residences for use as short-term rentals as he believes the market supports it, and asserted the owner-occupancy rule would be difficult to enforce.

Mr. Odom talked about the number of rental residences in his district and how those residences are registered with the City. He expressed concern regarding how short-term rentals may cause difficulty in the neighborhood with Mr. Thompson pointing out he does not split-rent his premises.

Mr. Thompson went on to talk about his positive experience with AirBNB with Mr. Pomeranc adding how hosts and guests rate each other on the AirBNB website and talked about how those ratings help keep the quality of hosts and facilities up. In response to questions, Mr. Thompson stated he rents 3 bedrooms in his home and talked about difficulty maintaining non-owner-occupied residences. He reiterated he had a very good experience with AirBNB and asserted there is not real competition with hotels as most users of AirBNB are executives who are on a work-vacation and may have certain dietary restrictions and requirements, and he could better accommodate them.

Doris Jurkiewicz, 414 North Bloodworth Street, stated she is the owner of the Oakwood Inn Bed and Breakfast and expressed concern the playing field is not level. She asserted AirBNB is taking away her customers and talked about all the rules and regulations she must follow to run her business. She talked about how a potential customer told her she chose to stay at an AirBNB because it was cheaper and she didn’t need breakfast. She talked further about how AirBNB affected her business and pointed out another B&B in Raleigh closed because they were not able to compete with AirBNB. She indicated she could list which of her neighbors are renting rooms through AirBNB and how they are not regulated whereas she is required to meet all state and local fire and health regulations. She talked about how her business is treated as a hotel and point out AirBNB is a multi-billion dollar industry whereas she is a mom-and-pop operation.

Greg Stebben, 1803 White Oak Road, talked about his experience with AirBNB pointing out people stay in his house almost every day. He stated he has been promoting AirBNB every day
on the radio as he is a technology journalist, and asserted Raleigh needs to work things out with AirBNB since Raleigh is known as a technology hub and there is potential for becoming a prime example of the kind of partnership other cities can emulate.

Mr. Pomeranc noted in his travels he found each city has a unique housing situation and expressed his company’s desire to establish such a partnership with Raleigh and use it as an example as a partnership “done right”.

Mr. Odom expressed concern regarding enforcement and maintaining control over the short-term rental situation with Ms. Baldwin indicating once the Committee receives the data from AirBNB the City can get a better picture.

Mr. Maiorano questioned whether a uniform code of enforcement was not yet formed and expressed concern regarding how businesses struggle with regulations, and also expressed concern regarding neighbors not wanting commercial businesses in their neighborhoods with Mr. Pomeranc pointing out the San Jose program was only recently established in February of this year. Mr. Maiorano pointed out the City currently deals with boarding houses embedded in certain neighborhoods and the problems surrounding that situation.

Jeff Murison talked about his neighbors being AirBNB hosts and how he happened to be present at his neighbors’ home when their guests arrived and he was able to meet and talk with them. He indicated he had such a good experience with the meeting he himself began listing with AirBNB. He expressed concern he would not want to register his listing with the City and talked about how every 4 years in the Washington DC area almost every residence is rented out for the inauguration festivities.

Billy Edwards, Greater Raleigh Convention and Visitors Bureau, expressed concern conventioneers using AirBNB facilities as a result of Convention and Visitors Bureau-funded promotion and advertising on the behalf of area hotels.

Discussion took place regarding how AirBNB collects and pays occupancy taxes.

Mr. Stebben asserted all the regulations could be handled by AirBNB at the corporate level with Ms. Baldwin questioning if the City limited the number of times a person can rent rooms over the course of a year could AirBNB handle that requirement. Mr. Pomeranc responded in the negative pointing out the host could list on other sites as well and went on to reiterate concern regarding self-regulation and privacy issues.

Discussion took place regarding the number of listing sites available on the internet besides AirBNB as well as the regions served by those sites with Mr. Thompson asserting many of those listings are owner-occupied and talking about how each AirBNB host serves a certain niche clientele. He talked about how one guest flew his entire family from Hawaii so the father could attend a meeting at the Convention Center, and wanted to use the time for a family vacation.

Ms. Baldwin summarized the discussion noting the Committee won’t take action at this time as the inclement weather prevented some people from attending the meeting. She indicated this
item will be held over to March and will invite additional public comment at that time. She questioned whether there was a local AirBNB representative with Mr. Pomeranc responding his company’s San Francisco representative is from the Raleigh area and that her mother is also an AirBNB host. He indicated it would be better if the City hears from local hosts.
To:  Mary Ann Baldwin, Chairperson
     Members of the Law & Public Safety Committee

From:  Travis R. Crane, Planning and Zoning Administrator

Date:  19 February 2015

Re:  Short-Term Online Rentals

At the request of City Council, staff has performed research related to short-term residential rentals. Staff produced a memorandum for the January 20th City Council meeting, which is attached for reference. The memorandum provides a summary of existing regulations for short term rentals, identifies impacts related to the use and offers some best practices for regulating the use.

Staff identified a number of potential options to accommodate short term residential rentals in the City. If the City Council wishes to explore the use further, appropriate zoning districts would need to be identified. Staff has explored the following options, which can be included in the Unified Development Ordinance:

- Create standards to cap number of occupants or rooms rented
- Require property owner to reside on the property
- Create standards for parking
- Require the owner to register as a short-term rental
- Require annual registration and inspection

Through discussion at the City Council level, additional regulations may be identified. A change to the Unified Development Ordinance would be required, which would include review of the regulations by the Planning Commission and a public hearing before the City Council. Staff would need to create a business process for application, registry and inspection of short-term rentals. Staff would suggest that the permits and inspection include a fee to partially recover cost of service.

Staff will provide a presentation on the materials and answer questions raised by the Committee.
To: Ruffin Hall, City Manager  
Jim Greene, Assistant City Manager  
Ken Bowers, Planning Director

From: Travis R. Crane, Planning and Zoning Administrator

Date: 9 January 2015

Re: Short-Term Online Rentals

At the December 2, 2014 City Council meeting, staff was directed to explore the existing regulatory environment related to short-term online rentals of residential properties. Staff was also asked to identify best practices nation-wide for this use.

Use Defined
A short-term online rental is the practice of renting a room for a short period of time, usually to a traveler. The traveler can reserve the room through a website, which provides rental opportunities throughout the world. While the method for reservation has evolved with advancing technology, the end use has remained fairly static. A consolidated website makes the use available and accessible to a wider range of customers, broadening the use to a large number of property owners. The previous Part 10 zoning code and Unified Development Ordinance contain a use category known as “Bed and Breakfast.” The standards in the respective codes differ; however, the basic function is the same.

Existing Regulations
The term “Bed and Breakfast” was introduced in the Part 10 zoning code in 1984. At the time, a Bed and Breakfast could only be established within a local historic district. The regulations were amended in 1992 as a result of a petition of citizens for a property located on Hillsborough Street. The intent of the text change was to broaden the allowance to other historic structures and non-residential zoning districts within a historic district or structure. With either iteration of the Part 10 Code, a special use permit was required.

The Part 10 code also included a use known as “Room Rental in a Dwelling Unit (Lodger).” This was a conditional use in most zoning districts. The conditions associated with the use required that the use occur in a single-family dwelling; the property owner must live in the dwelling; the room to be rented was a maximum of 25% of the floor area of the dwelling; a maximum of two persons can occupy the rental room; and that the maximum density in the district was not exceeded.
The “Room Rental in a Dwelling Unit” use was not included in the UDO. The Unified Development Ordinance largely replicated the requirements from the Part 10 Code related to Bed and Breakfast uses. The only real change to the regulations was in the permitted zoning districts, as a new set of mixed use districts was introduced in the UDO. The attached matrix provides a comparison between the two zoning codes (Attachment 1).

The Bed and Breakfast use has never been permitted in the Residential-1, Residential-2, Residential-4 or Residential-6 districts. The Bed and Breakfast must be located within a historic district, historic landmark, or on a property listed in the National Register of Historic Places, which represents the largest restriction on the use. The City has 6 local historic districts, 3 historic landmarks and 93 National Register listings.

Operating a Bed and Breakfast or offering a short-term rental of a room is different from a homeowner taking on a long-term renter. Both the Part 10 code and the UDO specify that up to 4 unrelated persons may occupy a dwelling unit. There is no limit from a zoning context on the number of persons related by blood, marriage or adoption occupying a dwelling unit. The distinction between a roommate and a short-term renter is difficult to quantify in either code. Simply: when does a renter cease to occupy space on a short-term basis and become a roommate? The issue of occupancy in rental situations has been a struggle from an enforcement position; density violations are difficult to prove.

Request for Research
City Council asked staff to research best practices related to short term residential rentals. As noted above, the idea of renting space in a residential dwelling is not new. What has changed in the past few years is advancing technology that connects traveler and host directly. The ease at which a traveler can research and reserve a room online has increased the viability of these rentals. Over the course of the past few years, the popularity of a few websites makes listing, rental and occupancy of single-family homes extremely simple. With a little to no investment, a property owner can list a bedroom on a world-wide website.

A number of cities have adopted regulations for short-term residential rentals. A few cities have adopted regulations in direct response to the increase in popularity of online short-term rentals (Austin TX, Portland OR). Many other cities have regulations that address vacation rentals. These are mostly present in resort communities or vacation destination cities. None of the surveyed cities refer specifically to the internet providers “AirBnB” or “VRBO;” rather, the terminology most commonly used is short term rentals or vacation rentals. While this distinction may seem minor, it is important to remember that the use would be regulated, not the portal used to conduct the use.

While the issues are likely similar, the regulations vary based on location. Staff surveyed a number of cities and found commonality among the collective regulations. Most cities require registration, a permit and fee and some type of inspection of the short-term rental. Requirements for the property owner to reside on the property were not very common. In fact, the resort communities permit the property owner to designate a local agent to address any concerns raised by neighbors. Attachment 2 provides an overview of regulations by city.

Impacts Identified with Short-term Rentals
Impacts associated with short-term rentals vary by the person or entity identifying the impacts. Neighbors will identify a set of impacts while the City may identify another set of impacts. The property owner likely desires minimal regulations and a process that is not cumbersome.

When conducted in a single-family neighborhood, here are some common impacts that may be identified when a short-term rental is present:
1. **Increase in traffic in the neighborhood.**
The short-term duration may add traffic to the neighborhood streets. Unless the property is located within walking distance of a transit facility or stop, it is highly likely that at least a few trips will be generated per stay. It should be noted that because the short-term rentals are usually reserved in advance of the stay, the impact of “pass-by” traffic is mostly non-existent. Simply, this use is not an impulse activity that would cause additional trips to the property by drivers looking for an available room for rent.

2. **Additional cars parked on the street or in front of the property.**
Most travelers will come to a location by car. If the traveler brings a car to the site for the duration of the stay, the car may be parked on the property or on the street. An additional car parked on the property may be seen as an issue of aesthetics. An additional car parked on the street would represent one less available overflow parking spot for the neighborhood.

3. **Presence of a business in a district that does not permit commercial activity.**
Many short-term rentals occur in residential zoning districts. These districts have limitation on commercial activity. A property owner can establish a home occupation, which is usually little more than an office inside the residence. Customers are not permitted; neither are employees who do not reside at the property. A live-work use can be granted by the Board of Adjustment with the approval of a special use permit. The live-work would allow up to 2 employees and would permit customer activity at the property, albeit at a limited rate.

4. **Increased activity at the property.**
With the potential for travelers every few days, a common complaint is that the neighborhood will experience an influx of “new” people. If the property owner does not reside on the property, the perception is that the appearance and upkeep of the property will wane and the activity at the property will increase. There may be a fear that late night activity will increase which could be disruptive to the neighborhood.

5. **Potential conflict with or circumvention of other regulations.**
Residential zoning contains density maximums, expressed as units per acre. A dwelling unit may be comprised of a family related by blood, marriage or adoption, or by four unrelated persons. If a dwelling unit that contains four unrelated persons allows a traveler as a short-term rental, a density violation would exist. In the current zoning context, it would be difficult to navigate between the use as a short-term rental, a roommate or a boardinghouse. Raleigh has experienced difficulty in regulating rental conversions in which the property is classified as a “vacation rental;” normalizing short-term rentals may result in unforeseen impacts if loopholes through other regulations are created.

**Opportunities**
The impacts identified above may be real or perceived, and may be more or less severe than noted. The allowance for short-term residential rentals does pose a few opportunities to the city as a whole:

1. **Increase to number of lodging units available for travelers.**
The City Council recently received a report that noted additional hotel rooms would be beneficial to accommodate tourists and convention goers. While the City of Raleigh is not a resort community, significant interest has generated attention to the region. This increase in attention can translate to more prospective residents and travelers.
2. **Potential influx of income to property hosts.**
   A property owner can convert an unused room to be available to a short-term renter with little or no investment. Advancing technology allows for advertisement and exposure that go beyond what an individual property owner could accomplish. The additional individual income could be reinvested in the property or community.

3. **Potential for additional tax revenue to the City.**
   If short-term residential rentals are permitted, the City could see an increase in permit fees and taxes generated by the property. The County collects a lodger’s tax that could be applied in this situation.

**Best Practices for Regulating Short-term Rentals**
Most of the surveyed cities require some level of accounting for short-term rentals, either in the form of an initial permit or an annual registration and inspection. Many of the cities quantify a short-term rental as one that is rented for not more than 30 days at a time. While the surveyed cities regulate differently based on their specific community values and concerns, many similar themes emerge. Below is list of common regulations found in many cities:

1. **Establish a defined area or range of zoning districts where short-term residential rentals would be permitted.**
   Most cities define appropriate zoning districts where the activity may occur. Some design overlay districts where the activity would be deemed appropriate. This does communicate clear expectations to persons who reside or own property within the zoning districts. It can also create inequity, and to a lesser extent, encourage rezonings in an effort to allow or legalize the use. Few cities (like Portland OR, by example) permit the use in every zoning district.

2. **Create standards in the zoning code that address occupancy or size; establish parking standards; occupancy by property owner; signage.**
   Clear zoning standards can address impacts generated by the use. Some cities cap the maximum number of persons that may rent a room, while others place a maximum square footage on the amount of area that can be devoted to the use. Parking and traffic are generally cited as impacts. A few cities (Portland OR and Austin TX) require that the property owner reside on the property. Austin does permit another type of rental where the property owner does not need to live onsite; however the development standards are more stringent.

3. **Require an initial registration or permit for purposes of enforcing regulations.**
   A permit to establish the use will allow the City to check for compliance with the regulations. Some cities require an annual registration, which can trigger an inspection to ensure compliance with regulations.

4. **Require the owner or agent to reside on the property.**
   Many of the impacts or fears related to impacts can be lessened by having a designated person responsible for complaints and compliance with the regulations.
Recommendations
The City Council can consider a range of options related to short term residential rentals. The Unified Development Ordinance currently permits this use in certain zoning districts. If the Council is satisfied with the existing law, there is no further action needed. If the City Council would like to amend the regulations to broaden the applicability of the use, a text change to the Unified Development Ordinance would be required. Staff offers three potential options for the City Council to consider:

1. **Maintain the existing regulations.**
   Short term residential rentals are permitted in certain zoning districts, and that allowance would remain.

2. **Authorize a text change to amend the Unified Development Ordinance.**
   The text change would explore additional zoning districts to allow the use and introduce development standards associated with the use. This could include a definition of the use, appropriate zoning districts for the use, standards related to occupancy, size and parking, and a business process for licensing, permitting, registration and inspection.

   Staff can also explore a requirement for the property owner to obtain a special use permit in certain zoning districts. This would require a public hearing before the Board of Adjustment, where adjacent neighbors could testify on the matter.

3. **Consider an alternative option identified by City Council.**
   Through discussion of the issues, the City Council may choose to pursue an option not identified by staff.
Part 10 Code

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<th>Permitted Districts</th>
<th>Regulations</th>
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<tr>
<td>R-10</td>
<td>1. Special use permit required</td>
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<td>R-15</td>
<td>2. Located within historic district, designated as historic landmark, National register of historic places, contributing structure un National register District</td>
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<td>R-20</td>
<td>3. Originally constructed as single-family dwelling</td>
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<td>SpR-30</td>
<td>4. Cannot exceed density regulations</td>
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<td>R-30</td>
<td>5. Small sign permitted (2 square feet)</td>
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<td>Residential Business</td>
<td>6. Located 400 feet from another B&amp;B, rooming house, or boardinghouse</td>
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<td>O&amp;I-1</td>
<td>7. Owner lives on the property</td>
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<td>8. Breakfast provided only to guests</td>
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<td>9. Parking must be provided (1.5 spaces for every room greater than 70 square feet; 1 space for every room less than 70 square feet)</td>
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<td>10. Interior renovations shall not be injurious to the historic character</td>
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Unified Development Ordinance

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<td>OX</td>
<td>3. No signage or wedding events permitted in R-10</td>
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<td>NX</td>
<td>4. One parking space per bedroom</td>
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HOME RENTAL SERVICES – REFERRED TO LAW AND PUBLIC SAFETY COMMITTEE; DIRECTION GIVEN ON CITATIONS ISSUED

During the December 2, 2014 Council meeting, staff reported the City had received a zoning complaint related to residential property being used as a Bed and Breakfast. Staff sought guidance from the City Council regarding regulations and direction. Council directed the zoning administrator to contact the property owner relative to the alleged complaint to request the cessation of property rentals until the end of January to allow the Council time to take a look at best practices across the country and directed that the matter be placed on this agenda to receive a report from staff. A memorandum was included with the agenda packet.

The memo was as follows:

At the December 2, 2014 City Council meeting, staff was directed to explore the existing regulatory environment related to short-term online rentals of residential properties. Staff was also asked to identify best practices nation-wide for this use.

Use Defined
A short-term online rental is the practice of renting a room for a short period of time, usually to a traveler. The traveler can reserve the room through a website, which provides rental opportunities throughout the world. While the method for reservation has evolved with advancing technology, the end use has remained fairly static. A consolidated website makes the use available and accessible to a wider range of customers, broadening the use to a large number of property owners. The previous Part 10 zoning code and Unified Development Ordinance contain a use category known as “Bed and Breakfast.” The standards in the respective codes differ; however, the basic function is the same.

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Council member received a matrix showing comparison between the two zoning codes.

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The City has 6 local historic districts, 3 historic landmarks and 93 National Register listings.

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Request for Research
City Council asked staff to research best practices related to short term residential rentals. As noted above, the idea of renting space in a residential dwelling is not new. What has changed in the past few years is advancing technology that connects traveler and host directly. The ease at which a traveler can research and reserve a room online has increased the viability of these rentals. Over the course of the past few years, the popularity of a few websites makes listing, rental and occupancy of single-family homes extremely simple. With a little to no investment, a property owner can list a bedroom on a world-wide website.

A number of cities have adopted regulations for short-term residential rentals. A few cities have adopted regulations in direct response to the increase in popularity of online short-term rentals (Austin TX, Portland OR). Many other cities have regulations that address vacation rentals. These are mostly present in resort communities or vacation destination cities. None of the surveyed cities refer specifically to the internet providers “AirBnB” or “VRBO;” rather, the terminology most commonly used is short term rentals or vacation rentals. While this distinction may seem minor, it is important to remember that the use would be regulated, not the portal used to conduct the use.

While the issues are likely similar, the regulations vary based on location. Staff surveyed a number of cities and found commonality among the collective regulations. Most cities require registration, a permit and fee and some type of inspection of the short-term rental. Requirements for the property owner to reside on the property were not very common. In fact, the resort communities permit the property owner to designate a local agent to
address any concerns raised by neighbors. An overview of regulations by city was provided to Council.

Impacts Identified with Short-term Rentals
Impacts associated with short-term rentals vary by the person or entity identifying the impacts. Neighbors will identify a set of impacts while the City may identify another set of impacts. The property owner likely desires minimal regulations and a process that is not cumbersome.

When conducted in a single-family neighborhood, here are some common impacts that may be identified when a short-term rental is present:

1. *Increase in traffic in the neighborhood.*
The short-term duration may add traffic to the neighborhood streets. Unless the property is located within walking distance of a transit facility or stop, it is highly likely that at least a few trips will be generated per stay. It should be noted that because the short-term rentals are usually reserved in advance of the stay, the impact of “pass-by” traffic is mostly non-existent. Simply, this use is not an impulse activity that would cause additional trips to the property by drivers looking for an available room for rent.

2. *Additional cars parked on the street or in front of the property.*
Most travelers will come to a location by car. If the traveler brings a car to the site for the duration of the stay, the car may be parked on the property or on the street. An additional car parked on the property may be seen as an issue of aesthetics. An additional car parked on the street would represent one less available overflow parking spot for the neighborhood.

3. *Presence of a business in a district that does not permit commercial activity.*
Many short-term rentals occur in residential zoning districts. These districts have limitation on commercial activity. A property owner can establish a home occupation, which is usually little more than an office inside the residence. Customers are not permitted; neither are employees who do not reside at the property. A live-work use can be granted by the Board of Adjustment with the approval of a special use permit. The live-work would allow up to 2 employees and would permit customer activity at the property, albeit at a limited rate.

4. *Increased activity at the property.*
With the potential for travelers every few days, a common complaint is that the neighborhood will experience an influx of “new” people. If the property owner does not reside on the property, the perception is that the appearance and upkeep of the property will wane and the activity at the property will increase. There may be a fear that late night activity will increase which could be disruptive to the neighborhood.

5. *Potential conflict with or circumvention of other regulations.*
Residential zoning contains density maximums, expressed as units per acre. A dwelling unit may be comprised of a family related by blood, marriage or adoption, or by four unrelated persons. If a dwelling unit that contains four unrelated persons allows a traveler as a short-term rental, a density violation would exist. In the current zoning context, it would be difficult to navigate between the use as a short-term rental, a roommate or a boardinghouse. Raleigh has experienced difficulty in regulating rental conversions in which the property is classified as a “vacation rental;” normalizing short-term rentals may result in unforeseen impacts if loopholes through other regulations are created.

Opportunities
The impacts identified above may be real or perceived, and may be more or less severe than noted. The allowance for short-term residential rentals does pose a few opportunities to the city as a whole:

1. Increase to number of lodging units available for travelers.
   The City Council recently received a report that noted additional hotel rooms would be beneficial to accommodate tourists and convention goers. While the City of Raleigh is not a resort community, significant interest has generated attention to the region. This increase in attention can translate to more prospective residents and travelers.

2. Potential influx of income to property hosts.
   A property owner can convert an unused room to be available to a short-term renter with little or no investment. Advancing technology allows for advertisement and exposure that go beyond what an individual property owner could accomplish. The additional individual income could be reinvested in the property or community.

3. Potential for additional tax revenue to the City.
   If short-term residential rentals are permitted, the City could see an increase in permit fees and taxes generated by the property. The County collects a lodger’s tax that could be applied in this situation.

Best Practices for Regulating Short-term Rentals
Most of the surveyed cities require some level of accounting for short-term rentals, either in the form of an initial permit or an annual registration and inspection. Many of the cities quantify a short-term rental as one that is rented for not more than 30 days at a time. While the surveyed cities regulate differently based on their specific community values and concerns, many similar themes emerge. Below is list of common regulations found in many cities:

1. Establish a defined area or range of zoning districts where short-term residential rentals would be permitted.
   Most cities define appropriate zoning districts where the activity may occur. Some design overlay districts where the activity would be deemed appropriate.
does communicate clear expectations to persons who reside or own property within the zoning districts. It can also create inequity, and to a lesser extent, encourage rezonings in an effort to allow or legalize the use. Few cities (like Portland OR, by example) permit the use in every zoning district.

2. *Create standards in the zoning code that address occupancy or size; establish parking standards; occupancy by property owner; signage.*
   Clear zoning standards can address impacts generated by the use. Some cities cap the maximum number of persons that may rent a room, while others place a maximum square footage on the amount of area that can be devoted to the use. Parking and traffic are generally cited as impacts. A few cities (Portland OR and Austin TX) require that the property owner reside on the property. Austin does permit another type of rental where the property owner does not need to live onsite; however the development standards are more stringent.

3. *Require an initial registration or permit for purposes of enforcing regulations.*
   1. A permit to establish the use will allow the City to check for compliance with the regulations. Some cities require an annual registration, which can trigger an inspection to ensure compliance with regulations.

4. *Require the owner or agent to reside on the property.*
   Many of the impacts or fears related to impacts can be lessened by having a designated person responsible for complaints and compliance with the regulations.

Recommendations
The City Council can consider a range of options related to short term residential rentals. The Unified Development Ordinance currently permits this use in certain zoning districts. If the Council is satisfied with the existing law, there is no further action needed. If the City Council would like to amend the regulations to broaden the applicability of the use, a text change to the Unified Development Ordinance would be required. Staff offers three potential options for the City Council to consider:

1. *Maintain the existing regulations.*
   Short term residential rentals are permitted in certain zoning districts, and that allowance would remain.

2. *Authorize a text change to amend the Unified Development Ordinance.*
   The text change would explore additional zoning districts to allow the use and introduce development standards associated with the use. This could include a definition of the use, appropriate zoning districts for the use, standards related to occupancy, size and parking, and a business process for licensing, permitting, registration and inspection.

   Staff can also explore a requirement for the property owner to obtain a special use permit in certain zoning districts. This would require a public hearing before the Board of Adjustment, where adjacent neighbors could testify on the matter.
3. Consider an alternative option identified by City Council.
   Through discussion of the issues, the City Council may choose to pursue an
   option not identified by staff.

Ms. Baldwin moved the item be referred to Law and Public Safety Committee. Her motion was
seconded by Mr. Maiorano and put to a vote which resulted in all members voting in the
affirmative. The Mayor ruled the motion adopted on an 8-0 vote.

Ms. Baldwin pointed out there is a second part to this issue and that relates to the extension of
the enforcement date for the zoning citations which have been issued. She suggested that the
Council continue the stay on those citations until the Council has an opportunity to review and
act on this issue and so moved. Her motion was seconded by Ms. Crowder and put to a vote
which passed unanimously. The Mayor ruled the motion adopted on an 8-0 vote.

In response to questioning, City Attorney McCormick indicated Planner Crane had issued a
notice of violation relating to the complaint received. Ms. Baldwin was talking about a stay of
enforcement on that citation. He stated the ordinance is still in effect and if there are complaints
and other violations they are subject to citation and the same direction would apply.

Mr. Stephenson talked about what other cities have done and what he felt could be done to
maintain accountability. He stated a number of cities have short term rentals in designated areas
and he would like to know how they do that, the mechanics, what type areas are utilized, etc. In
response to questioning, Ms. Baldwin pointed out the issue will not be on the next Law and
Public Safety agenda she wants the staff to have time to prepare and the committee could have a
discussion and she feels this issue can be resolved.