

Short Term Rentals

Legislation Update

October 11, 2022





Purpose



- Provide information about short term rentals (STRs)
- Inform Council about changes in state law
- Receive direction on regulation of STRs

Short Term Rentals Defined

- Any residential unit leased for less than 30 days





Legislative Background

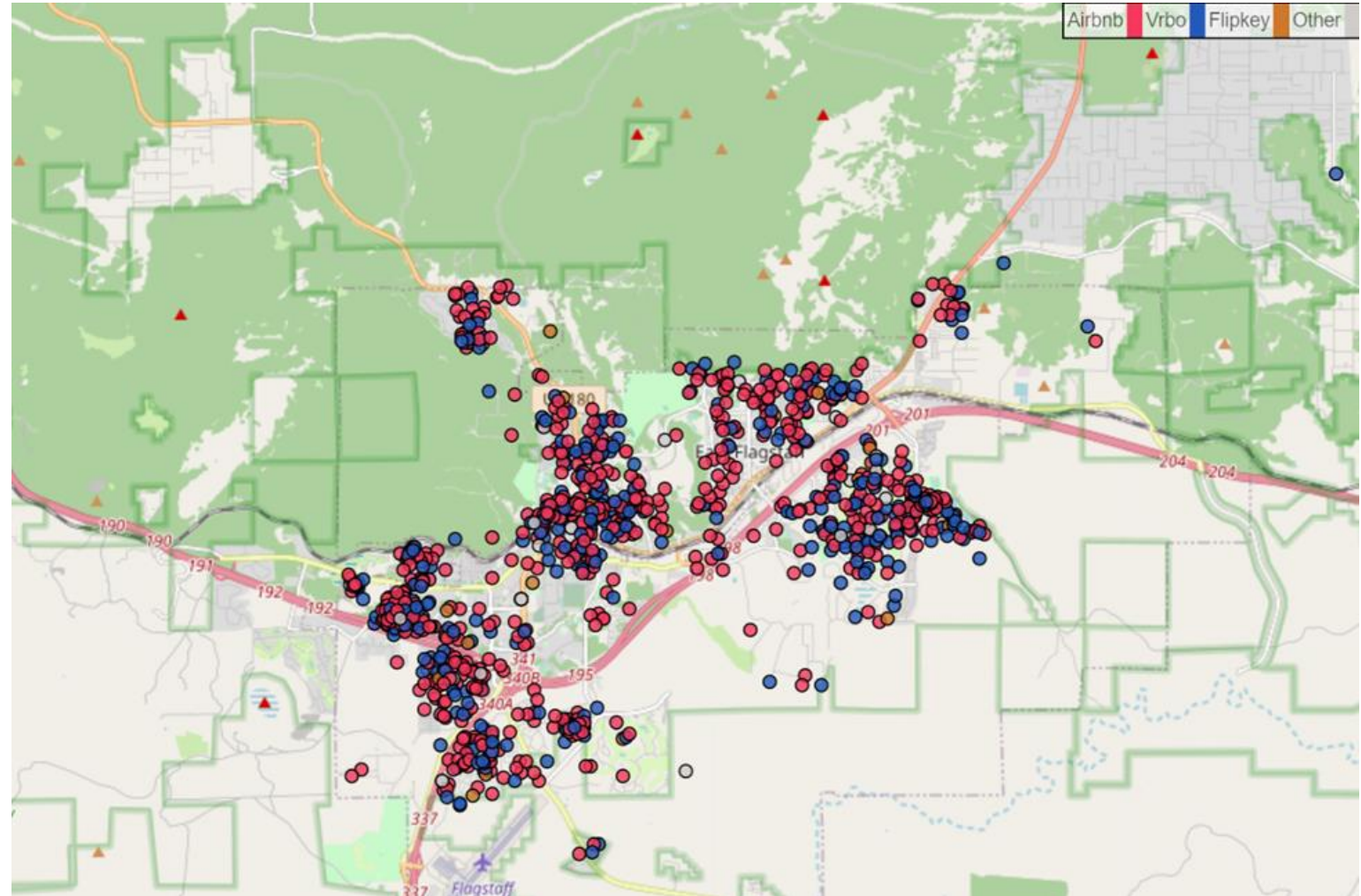
- 2016 – SB1350 passes
 - Legislature requires cities to allow STRs in residential zones
- 2019 – HB2672 passes
 - Legislature allows registration, requiring contact information, other minimal regulations
- 2022 – SB1168 passes
 - Legislature allows licensing, some increased regulation
 - Does not address the proliferation of STRs



STRs in Flagstaff



- Most are in single-family residential neighborhoods
- 887 unique properties, 636 registered
- About 2.8% of all residential units are STRs (including apartments)
 - Most Valley cities about 1-2% of all residential units
 - Sedona about 10% of all residential units





City's Current Regulations

- Became effective January 1, 2021 - Chapter 3-12 of City Code
- Matches A.R.S. § 9-500.39 (before it was amended in 2022) and includes:
 - Registration (free)
 - Emergency contact information
 - It is unlawful to use a STR for any nonresidential use, special events that require a permit or license, retail business, restaurant, event center, banquet hall or other uses prohibited by A.R.S. § 9-500.39 or in violation of public health and safety codes
 - All city codes apply (building codes, health and sanitation, party ordinance)
 - Must post notice of unlawful uses in the STR
 - Advertisements need to include Transaction Privilege Tax License #
 - No false advertising
 - Civil penalties for verified violations (related to owner, not occupants)



Flagstaff Zoning

- STRs are allowed in all zones where residential units exist
- STRs are allowed in primary unit or the accessory dwelling unit, but not both
- Temporary use permit may be required for special events (but not an event center)
- City may not require CC&Rs prohibiting STRs as condition of rezoning, but incentives and private restrictions possible



Flagstaff's Registration System

- Online registration system through LodgingRev
- Software costs approx. \$25,000 annually
- Software helps identify new STRs in Flagstaff
- City sends letters to any new STRs monthly re. registration
- Reminders to renew registration are sent in November
- The registration system could be converted to licensing



Complaints and Code Compliance

- Online [incident reporting form](#)
- Complaint hotline (928) 714-7951
- Number of complaints received last fiscal year:
 - 40 complaints received in system complaint line
 - 20-25 additional complaints received by email or phone call
 - Related to noise, strangers, litter and parking, occupancy
- Code Compliance works with residents and property owners
- Police enforces city codes and laws, eg. noise, disorderly conduct, party ordinance



What new regulations may be adopted?

SB1168 allows for a STR license or permit*

- Owner contact
- STR address
- Proof of compliance with A.R.S. § 42-5005 (TPT license)*
- \$1,000 civil penalty if owner fails to provide within 30 days of City notice*
- Agree to comply with laws
- Owner notice to residential neighbors of new STR, license #, emergency contact*
 - Notice again if emergency contact changes
 - Demonstrate compliance to City
- License fee up to \$250.00*



What new regulations may be adopted?

SB1168 license approval or denial criteria*

- City must issue or deny license within 7 business days
 - A.R.S. § 9-835 triggered
- Allowable grounds for denial
 - Failure to provide required information, or false information
 - Failure to pay license fee
 - License has been suspended
 - Owner is a registered sex offender or convicted of criminal act that resulted in death or serious injury or use of deadly weapon in last 5 years



What new regulations may be adopted?

SB1168 grounds for license suspension*

- Verified violation means "a final adjudication finding of guilt or civil responsibility for violating any City Code regulation relating to unlawful use of a short-term rental"
- 3 "verified violations" within 1 year
 - Must be serious threat to public health or safety (not aesthetic, trash, parking violations)
- 1 "verified violation"
 - Owner felony in or near STR
 - Owner's knowing, intentional or reckless conduct causes serious physical injury or wrongful death at or related to STR
 - Owner knowingly or intentionally allows rental of STR to sex offender, sexual oriented business, for sexual offenses or prostitution, or for sober living home
 - Owner knowingly or intentionally allows rental of STR for special event without a permit or license, or for retail, restaurant, banquet space



What new regulations may be adopted?

SB1168 advertisements and background checks

- Advertisement for STR to include TPT license #
- Advertisement for STR to also include and City STR license #*
- Sexual offender background check of owner*
- Sexual offender background check for booking guest*
- \$500,000 in liability insurance (undefined)*



What new regulations may be adopted?

Civil Penalties*

- Up to \$500 or one night's rent, 1 verified violation
- Up to \$1,000 or two nights' rent, 2nd verified violation
- Up to \$3,500 or three nights' rent, 3rd verified violation



What new regulations may be adopted?

Within the Zoning Code

- Could define a special event in a residential zone, examples:
 - Special event is an event where admission is charged
 - Special event is an event with more than XX people
 - (Would apply to all residential uses, including owner-occupied)
- Could require permit for special events in residential zones
- Could prohibit special events in residential zones (in conjunction with new definition)

Council Discussion/ Direction

- STR permit or license?
- Regulate special events in residential zones?

