

City of Annapolis DEPARTMENT OF PLANNING AND ZONING

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April 6, 2021

MEMORANDUM

To:

Planning Commission

From:

Sally Nash, Ph.D., AICP, Director of Planning and Zoning

Re:

Ordinance O-7-21 (ZTA2021-005) Short Term Rental License

Encl:

0-7-21

Purpose

This legislation proposes to make new non-owner-occupied short term rental licenses a special exception use in the R2-NC, C1, and C1A conservation residence districts. This includes transfers of existing licenses to a new owner.

Background

The table below shows rental data from Feb. 2020 and Feb. 2021 from Host Compliance, the City's short-term rental monitoring software.

	Total	Feb-2	% STR of	2020 OO	% OO 2020	Feb-21	2021 OO	% STR of	% OO
B1	68	1	1.5	1	100.0	0	n/a	n/a	n/a
B2	135	2	1.5	1	50.0	1	0	0.7	0.0
BCE	202	1	0.5	1	100.0	0	n/a	n/a	n/a
C1	460	25	5.4	20	80.0	19	16	4.1	84.2
C1A	310	21	6.8	11	52.4	14	9	4.5	64.3
C2	184	4	2.2	0	0.0	0	n/a	n/a	n/a
C2P	43	1	2.3	0	0.0	2	0	4.7	0.0
MX	813	1	0.1	1	100.0	1	0	0.1	0.0
PM	187	0	n/a	n/a	n/a	2	1	1.1	50.0
R1	1139	10	0.9	7	70.0	8	7	0.7	87.5
R1A	605	0	n/a	n/a	n/a	1	1	0.2	100.0
R1B	449	1	0.2	1	100.0	1	1	0.2	100.0
R2	3764	46	1.2	32	69.6	18	15	0.5	83.3
R2-NC	722	23	3.2	12	52.2	10	5	1.4	50.0
R3	4433	11	0.2	8	72.7	3	2	0.1	66.7
R3-NC	42	1	2.4	1	100.0	0	n/a	n/a	n/a
R3-NC2	98	5	5.1	4	80.0	0	n/a	n/a	n/a
R3-R	33	1	3.0	0	0.0	0	n/a	n/a	n/a
R4	554	3	0.5	2	66.7	4	2	0.7	50.0
R4-R	199	1	0.5	0	0	0	n/a	n/a	n/a
WME	183	6	3.3	4	66.7	11	1	6.0	9.1
WMI	33	1	3	1	100.0	0	n/a	n/a	n/a
WMM	145	1	0.7	0	0	0	n/a	n/a	n/a
Total	14736	166	1.1	106	63.9	95	60	0.6	63.2

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This table shows:

- Total parcels in the City by zoning district
- February 2020 and February 2021 data from Host Compliance showing compliant and non-compliant listings on different short-term rental platforms.
- Percentage of short-term rentals compared to total parcels
- Percentage of owner-occupied (OO) properties compared to total short term rentals.

The data indicates that C1, C1A, and R2-NC zoning districts have higher percentages of short-term rentals per parcel. Host Compliance reports who has advertised on the more than 60 short-term rental sites that it monitors. This number fluctuates often. As far as the potential number of properties that could be rented at any given time, there are currently 230 short term rental licenses in the City's system, either active, pending, or to be scheduled for an inspection.

There are several caveats to this data. One is that an ordinance restricting short-term rentals, O-26-19, was approved by City Council and signed into law on February 14, 2020. This ordinance ensured that the City would receive taxes from short-term rental properties and restricted the number of short-term rentals one person could hold to one.

Since then, overall numbers of licenses in the system have stayed consistent. Because O-26-19 went into effect at the same time as the global pandemic and ensuing shut-down of most travel, we cannot tease apart the effect of the ordinance versus the effect of Covid-19. Before partnering with Host Compliance (February 2021), the City did not have an effective way of tracking compliant and noncompliant properties actively listing their properties compared to total number of licenses.

Analysis

The legislation proposes that a new use, "non-owner occupied dwelling units used for short term rentals" be added to Title 21 and be permitted in all residential zoning districts by right, except for C1, C1A, and R2-NC, where the use would be a special exception subject to standards. However, there are no standards listed in the ordinance. Additionally, there are some mixed use and business districts that do allow dwellings, including single family attached and detached and dwellings above the ground floor of nonresidential uses. It is unclear if this legislation would prohibit short term rentals in these locations and it is suggested that the legislation be amended to permit short term rentals in these districts.

Special exception uses must go to the Board of Appeals for approval and the approval runs with the land. The review criteria for special exceptions is:

21.26.050 - Review criteria and findings.

The decision by the Board of Appeals must be based upon written findings with respect to the following:

- A. The establishment, maintenance or operation of the special exception will not be detrimental to or endanger the public health, safety, morals, convenience or general welfare.
- B. The special exception will not be injurious to the use and enjoyment of other property in the immediate vicinity for the purposes already permitted, or substantially diminish and impair property values within the neighborhood.
- C. The establishment of the special exception will not impede the normal and orderly development and improvement of the surrounding property for uses permitted in the district.
- D. Adequate utilities, access roads, drainage and necessary facilities have been or are being provided.
- E. Adequate measures have been or will be taken to provide ingress and egress designed to minimize traffic congestion in the public streets.
- F. The special exception shall, in all other respects, conform to the applicable regulations of the district in which it is located, including any use provisions or standards set forth in Chapter 21.64 and be consistent with the Comprehensive Plan.
- G. In the case of food service establishments, the following additional standards for review apply. The review of the proposed food service operation shall be based upon an analysis of the proposed use's impact in the following areas
 - 1. Environmental:
 - a. Noise, including the noise of the mechanical equipment and of the patrons while on the premises,
 - b. Odors: control of odors from the cooking process and from the storage of garbage,
 - c. Trash and litter: the type of trash and garbage the food service operation will generate; the precautions to be taken to prevent littering of the streets.

2. Traffic:

- a. Streets: adequacy of the street system to handle additional traffic,
- b. Loading/unloading: off-street loading facilities available and adequate to handle the intensity and the type of trucks needed to service the proposed use; if on-street loading facilities are used, whether the use will impede traffic flow,
- c. Parking: adequate parking available either on-site or within the area for employees and patrons
- 3. Neighborhood:
 - a. Hours: the hours of operation are compatible with the surrounding commercial and/or residential neighborhood,
 - b. Loitering: the measures the restaurant will employ to discourage loitering; whether the type of use is compatible with the surrounding commercial and residential neighborhood
- 4. Adequacy of public facilities:
 - a. Water and sewer: excess capacity exists and is available,
 - b. Police: police coverage is available,

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- c. Fire: the Fire Department has access to the site; sufficient water pressure for firefighting purposes is available and the building meets life safety standards.
- 5. Community need: a community need for the use has been established.
- H. An appeal from a decision of the Board of Appeals shall be made to the Circuit Court of Maryland for Anne Arundel County.

One point that is unclear is how, from a regulatory standpoint, the special exception is tied to the license. Special exceptions run with the land, regardless of the operator. This could create some conflicts if the property changes from non-owner occupied to owner occupied if the special exception is approved with conditions.

Prior to this legislation, short-term rentals were not considered its own separate use separate from "single-family detached," "single-family attached," or other dwelling unit types. This was based on the analysis that use was the same—i.e., people using a space to eat, sleep, and cook, be it for 30 days, 92 days, or more. The zoning districts where this use is proposed to become a special exception use are C1, C1A, and R2-NC. The code sections below describe the purpose of each of these zoning districts.

21.40.130 - C1 Conservation Residence district.

A. Purpose. The C1 Conservation Residence district is designed to encourage the conservation of the educational, cultural and historic character of the old City.

21.40.140 - C1-A Special Conservation Residence district.

- A. Purpose. The C1-A Special Conservation Residence district is designed to preserve neighborhoods that have been identified as "at risk" in the Annapolis Comprehensive Plan as amended through and including amendments to the "Ward One Sector Study." At risk neighborhoods are identified as being significantly impacted by at least two of the following characteristics:
 - 1. A growing number of nonconforming uses,
 - 2. Unmaintained buildings or lots,
 - 3. Traffic volumes inconsistent with strictly residential land uses due to through commercial traffic, and
 - 4. Other adverse impact from nearby commercial uses.

Lands zoned C1-A are the focus of the intensive public efforts, including periodic monitoring of land uses, to minimize conversions from single-family to multi-family or office use, to stabilize and enhance the residential quality of life, and to encourage single-family development and conversion to single-family use.

21.40.060 - R2-NC Single-Family Residence Neighborhood Conservation district.

A. Purpose. The purpose of the R2-NC Single-Family Residence Neighborhood Conservation district is to preserve patterns of design and development in residential neighborhoods characterized by a diversity of styles and to ensure the preservation of a diversity of land uses, together with the protection of buildings, structures or areas the destruction or alteration of which would disrupt the

existing scale and architectural character of the neighborhoods. The general purposes include:

- 1. Protection of the architectural massing, composition and styles as well as neighborhood scale and character;
- 2. Compatibility of new construction and structural alterations with the existing scale and character of surrounding properties; 3. Encouragement of existing types of land uses that reflect the mixture and diversity of uses that have historically existed in the community; and 4. Preservation of streetscapes.

See map below, which shows RN-NC in orange, C1 in light pink, and C2A in dark pink.



Title 17 regulates short term rentals, and has since 2015. Under 17.44.090, the following regulations apply to these rentals, which applies to leases that are 90 days or fewer:

• A licensee may not hold more than one short-term rental operating license.

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- A licensee must either reside in the City or employ a local property manager registered with the City who is available by telephone at all times in case of an emergency, safety, public health, or police concern.
- A short-term rental operating license does not transfer on the sale or any other ownership transfer of a premises or dwelling unit.
- No short-term rental operating license shall be issued or renewed unless the licensee of the premises is registered with the State Comptroller for the collection of the State's sales and use tax.
- No short-term rental operating license shall be issued or renewed without a
 Department inspection of all rooms and dwelling units in the premises without
 regard to which rooms comprise part of the dwelling unit or premises being rented
- No short-term rental operating license shall be approved or issued unless it is in accordance with the rules of any applicable condominium, homeowners, community or other similar association having authority over the use of the premises, and if consent is required by such rules, it shall be provided to the Director in the manner required by the bylaws of such association.
- At least one occupant over the entire rental term is over the age of twenty-one years;
- The licensee renting a dwelling unit or premises pursuant to a short-term rental operating license shall maintain records indicating the names, addresses, and phone numbers of all tenants during the term of the license.

The last part of the ordinance includes a new definition. A "non-owner-occupied dwelling units used for short-term rentals" is defined as "a premises that is not designated as the owner's principal residence with the state department of assessments and taxation." This database is found online at:

https://sdat.dat.maryland.gov/RealProperty/Pages/default.aspx. Host Compliance also asks applicants if the property is owner occupied or not.

Report Prepared by

Sally Nash, Ph.D., AICP

Director of Planning and Zoning

..Title 1 Short Term Rental Licenses – For the purpose of requiring special exception approval for a new 2 non owner-occupied short term rental license in the R2-NC, C1, and C1-A conservation residence 3 4 districts; requiring special exception approval for the transfer of any existing non owner-occupied 5 short term rental license in the R2-NC, C1, and C1-A conservation residence districts; providing 6 definitions; providing for the waiver of special exception approval for certain individuals; and 7 generally related to short term rental licenses. 8 ..Body CITY COUNCIL OF THE 9 City of Annapolis 10 11 12 Ordinance 7-21 13 **Introduced by: Alderwoman Tierney** 14 15 Co-sponsored by: 16 Referred to 17 **Planning Commission** 18 **Rules and City Government** 19 20 180 day Rule: 21 AN ORDINANCE concerning 22 23 24 **Short Term Rental Licenses** 25 **FOR** the purpose of requiring special exception approval for a new non owner-occupied short 26 term rental license in the R2-NC, C1, and C1-A conservation residence districts; requiring 27 special exception approval for the transfer of any existing non owner-occupied short term 28 rental license in the R2-NC, C1, and C1-A conservation residence districts; providing 29 definitions; providing for the waiver of special exception approval for certain individuals; 30 and generally related to short term rental licenses. 31 32 33 BY repealing and reenacting with amendments the following portions of the Code of the City 34 of Annapolis, 2021 Edition 17.44.030 35 17.44.090 36 37 21.48.010 21.72.010 38 39 40 WHEREAS, currently the majority of short term rental licenses are concentrated in the R2-NC, 41 C1, and C1-A Conservation Residence districts; and 42 43 WHEREAS, Section 21.40.060 of the Annapolis City Code states that "the R2-NC Single-44 Family Residence Neighborhood Conservation district is to preserve patterns of 45 design and development in residential neighborhoods characterized by a diversity 46

 of styles and to ensure the preservation of a diversity of land uses, together with the protection of buildings, structures or areas the destruction or alteration of which would disrupt the existing scale and architectural character of the neighborhoods.

- WHEREAS, Section 21.40.130 of the Annapolis City Code states that "the C1 Conservation Residence district is designed to encourage the conservation of the educational, cultural and historic character of the old City"; and
- WHEREAS, Section 21.40.140 of the Annapolis City Code states that "the C1-A Special Conservation Residence district is designed to preserve neighborhoods that have been identified as "at risk" in the Annapolis Comprehensive Plan as amended through and including amendments to the "Ward One Sector Study." At risk neighborhoods are identified as being significantly impacted by at least two of the following characteristics:
 - 1. A growing number of nonconforming uses,
 - 2. Unmaintained buildings or lots,
 - 3. Traffic volumes inconsistent with strictly residential land uses due to through commercial traffic, and
 - 4. Other adverse impact from nearby commercial uses.

Lands zoned C1-A are the focus of the intensive public efforts, including periodic monitoring of land uses, to minimize conversions from single-family to multifamily or office use, to stabilize and enhance the residential quality of life, and to encourage single-family development and conversion to single-family use"; and

- WHEREAS, Chapter 21.48 of the City Code sets forth permitted and non-permitted uses in the R2-NC, C1, and C1-A Special Conservation Residence districts and those non-permitted uses include, but are not limited to, Apartment hotels, Bed and Breakfast homes (unless Chapter 21.64 use standards are met), Multi-family dwellings, and Inns; and
- WHEREAS, Non owner-occupied Short Term Rental Properties are income producing properties that are used as commercial businesses and as such, should not be permitted in the R2-NC, C1, and C1-A Special Conservation Residence districts without special exception approval as is required of all other non-permitted uses; and
- WHEREAS, due to the significant historic nature of the conservation residence districts, the City Council desires to require special exception approval for any new non owner-occupied short term rental licenses and on the transfer of any existing non owner-occupied short term rental licenses in the R2-NC, C1, and C1-A conservation residence districts; and
- **WHEREAS**, this Ordinance comports with the proposed 2021 Comprehensive Plan's guiding principle of preserving and enhancing neighborhood character.

SECTION I: BE IT ESTABLISHED AND ORDAINED BY THE ANNAPOLIS CITY

COUNCIL that the Code of the City of Annapolis shall be amended to read as follows:

Title 17 – BUILDINGS AND CONSTRUCTION Chapter 17.44 - RENTAL UNIT LICENSES

Section 17.44.030 - Rental operating license types.

A. Provided that the premises meets all of the applicable requirements pursuant to Chapter 17.40 and this chapter, the Director may issue the following types of rental operating licenses.

 1. A standard rental operating license may be applied for and issued for any premises, except for bed and breakfast homes, hotels, motels, and inns, rented for occupancy or use pursuant to an agreement, written or oral, where the premises is rented for more than ninety days.

 2. A short-term rental operating license may be applied for and issued for any premises, except for bed and breakfast homes, hotels, motels, and inns, rented for occupancy or use pursuant to an agreement, written or oral. The number of overnight occupants is subject to the limitations specified in Chapter 17.40. A SHORT-TERM RENTAL OPERATING LICENSE IS FURTHER SUBJECT TO THE REQUIREMENTS OF SECTION 17.44.090. A short-term rental operating license is not required for premises rented exclusively on only those days each year coinciding with annual United States Naval Academy graduation ceremonies and with activities associated with the spring and fall sailboat and powerboat shows held in the City of Annapolis; or with any other event as specified by resolution of the City Council.

3. A bed and breakfast rental operating license may be applied for and issued for those premises operating as a bed and breakfast home. A short-term rental operating license shall not be required for a bed and breakfast home, irrespective of advertisement through internet-based hosting platforms that facilitate short-term guest reservations.

4. A hotel, motel and inn rental operating license may be applied for and issued for those premises operating as a hotel, motel or inn. A short-term rental operating license shall not be required for a hotel, motel or inn, irrespective of advertisement through internet-based hosting platforms that facilitate short-term guest reservations.

B. A rental operating license fee for each type of rental operating license shall be as established by resolution of the City Council annually, which shall be payable in advance of issuance or renewal of any rental operating license.

Section 17.44.090 - Short-term rentals.

A. A licensee may not hold more than one short-term rental operating license. A licensee must either reside in the City or employ a local property manager registered with the City on the application required by Section 17.44.040 and available by telephone at all times in case of an emergency, safety, public health, or police concern. A licensee must provide the Director

- with written notice of any change to the name or address of its local property manager no more than five calendar days after any such change.
- B. A short-term rental operating license does not transfer on the sale or any other ownership transfer of a premises or dwelling unit.
- C. No short-term rental operating license shall be issued or renewed unless the licensee of the premises is registered with the State Comptroller for the collection of the State's sales and use tax. A licensee of the premises, if applicable, shall be registered with Anne Arundel County for the remittance of hotel occupancy taxes if collection and remittance is required by the Anne Arundel County Code.
- D. In addition to the requirements of SECTION 17.44.050, no short-term rental operating license shall be issued or renewed without a Department inspection of all rooms and dwelling units in the premises without regard to which rooms comprise part of the dwelling unit or premises being rented, and without a determination by the Department of the premises' full compliance with Chapter 17.40 and this chapter.
 - E. No short-term rental operating license shall be approved or issued unless it is in accordance with the rules of any applicable condominium, homeowners, community or other similar association having authority over the use of the premises, and if consent is required by such rules, it shall be provided to the Director in the manner required by the bylaws of such association. Failure to adhere to the rules of any applicable association shall be a basis for revocation of a short-term rental operating license.
 - F. In addition to the requirements of Chapter 17.40 and this chapter, the following apply to any rental of a premises pursuant to a short-term rental operating license:
 - 1. No licensee shall rent a dwelling unit or the entire premises pursuant to a short-term operating license:
 - a. Without there being at least one occupant over the entire rental term that is over the age of twenty-one years;
 - b. For greater than ninety days to any single tenant; and

- c. Without publishing in a conspicuous manner the short-term rental operating license number in all written and electronic advertising and listing of the availability of the dwelling unit or premises for short-term rental, including on internet-based hosting platforms that facilitate short-term guest reservations.
- 2. The licensee renting a dwelling unit or premises pursuant to a short-term rental operating license shall maintain records indicating the names, addresses, and phone numbers of all tenants during the term of the license, which shall be made available to the Director upon request.
- G. The licensee renting a dwelling unit or the entire premises pursuant to a short-term rental operating license shall ensure that the entire premises, including but not limited to any licensed dwelling unit, is in compliance with all applicable laws and codes of the City and the State of Maryland, including building, residential maintenance, electrical and plumbing codes, and applicable laws, regulations and guidance concerning smoke detectors, carbon monoxide detectors and lead-based paint. No short-term rental operating license shall be issued until the premises is in full compliance with all applicable laws and codes.

- H. A licensee renting a dwelling unit or the entire premises pursuant to a short-term rental operating license is not subject to the lease term requirements of Subsections (B) and (D) of Section 18.04.010 of the Code.
 - I. A LICENSEE RENTING A NON-OWNER-OCCUPIED DWELLING UNIT USED FOR SHORT-TERM RENTALS PURSUANT TO A SHORT-TERM RENTAL OPERATING LICENSE IN A R2-NC, C1, OR C1A RESIDENTIAL ZONING DISTRICT MUST BE APPROVED AS A SPECIAL EXCEPTION IN ACCORDANCE WITH CHAPTER 21.26. A DETERMINATION OF WHETHER AN APPLICANT HAS ESTABLISHED RESIDENT STATUS SHALL BE MADE BY THE DIRECTOR OF PLANNING AND ZONING IN CONSULTATION WITH THE DIRECTOR OF FINANCE.

TITLE 21 - PLANNING AND ZONING Chapter 21.48 - USE TABLES

Section 21.48.010 - Table of Uses—Residential Zoning Districts.

P = Permitted Use; S = Special Exception Use; -Std = Use Subject to Standards (Chapter 21.64); A = Accessory Use; Blank = Not Permitted

A use, including a special exception use, that is not normally permissible as a permitted use or use subject to standards in a zoning district may be permitted in that district as a planned development use pursuant to Section 21.24.020.

Uses	District R1A	District R1B	District R1	District R2	District R2-NC	District R3	District R3-NC	District R3- NC2	District R3-R	District R4	District R4-R	District C1	District C1A
Apartment hotels										P-Std	P-Std		
Bed and breakfast homes					P-Std		P-Std	P-Std				P-Std	P-Std
Bed and breakfast home in a structure constructed or erected after December 14, 1998 on a vacant lot of record					S-Std								
NON-OWNER- OCCUPIED DWELLING UNITS USED FOR SHORT- TERM RENTALS	<u>P</u>	<u>P</u>	<u>P</u>	<u>P</u>	S-STD	<u>P</u>	<u>P</u>	<u>P</u>	<u>P</u>	<u>P</u>	<u>P</u>	S-STD	S-STD

- 1 Duplex units existing on August 10, 1970, may be altered or enlarged provided that the alteration or enlargements otherwise meet the provisions of the R2 zoning district, except that the shared lot line between each half of the duplex unit must meet the provisions of the R3, General Residence District, and subject to minor site design plan review.
- 2 Attached units existing on August 10, 1970, may be altered or enlarged provided that the alteration or enlargement otherwise meets the provisions of the C1A zoning district except that the shared lot line between attached units will have no setback requirement, and subject to minor

1	site design plan approval and review by the Historic Preservation Commission under Section
2	21.56 of this Code.
3	DEVICOD'S NOTE. In this section, the use "Non-Overen Occupied Divisiling Units
4	REVISOR'S NOTE: In this section, the use "Non-Owner-Occupied Dwelling Units
5	Used for Short-term Rentals" is added. See the defined term in Section
6	21.72.010.D of this Ordinance.
7	
8	No other changes are made.
9	
10	C
11 12	Section 21.72.010 – Terms.
13	D. List of Definitions.
14	
15	"NON-OWNER-OCCUPIED DWELLING UNITS USED FOR SHORT-TERM RENTALS"
16	MEANS A PREMISES THAT IS NOT DESIGNATED AS THE OWNER'S PRINCIPAL
17	RESIDENCE WITH THE STATE DEPARTMENT OF ASSESSMENTS AND TAXATION."
18	
19	REVISOR'S NOTE: In this section "Non-Owner-Occupied Dwelling Units Used for
20	Short-term Rentals" is added to provide an express definition of that term.
21	
22	No other changes are made.
23	
24	CECTION II AND DE LE BUDGHED ECTADI ICHED AND ODDANIED DIVITUE
25	SECTION II: AND BE IT FURTHER ESTABLISHED AND ORDAINED BY THE
26 27	ANNAPOLIS CITY COUNCIL that the Revisor's Notes contained in this Ordinance are not law and may not be considered to have been enacted as a part of this Ordinance.
28	and may not be considered to have been enacted as a part of this Ordinance.
29	SECTION III: AND BE IT FURTHER ESTABLISHED AND ORDAINED BY THE
30	ANNAPOLIS CITY COUNCIL that the renewal of any existing non-owner-occupied short-term
31	rental license is exempt from the special exception approval requirement of this ordinance.
32	Applications for a new non-owner-occupied short term rental license or the transfer of an existing
33	non-owner-occupied short term rental license submitted after the passage of this ordinance shall
34	be subject to special exception approval.
35	
36	Explanation:
37	UPPERCASE indicates matter added to existing law.
38	Strikethrough indicates matter stricken from existing law.
39	<u>Underlining</u> indicates amendments.
40	