

REPORT OF THE SHORT-TERM-RENTAL COMMITTEE OF COUNCIL

Members: March Dye, Meg Walton and Linda Chase
November 9, 2023

OVERVIEW:

In general, a short-term rental (STR) refers to an activity in which one party, the “host”, agrees to rent out all or part of a home to another party, the “guest”, on a temporary basis - usually for less than 30 days.

There are only 4 known properties in the Village where the owner lives in the home and rents an attached apartment. Two are long term rentals and two are STRs. The rest of the STRs are whole houses or apartments above businesses.

The Short-Term Rental Committee of Council finds that short-term rentals of dwelling units in the Village provide value to our community. However, the increase of seasonal units, the decrease in year-round units and the increase in STRs reinforce the fact that Empire is increasingly a tourist destination and a seasonal community. These facts affect our housing supply for year-round residents, our labor force, the residential character of our neighborhoods and the welfare of our community.

This Committee was charged with the following tasks:

1. Review and update the knowns from the last Short-Term Rental (STR) Study (2/4/2020).
2. Research the following questions:
 - a. What is the problem that needs to be solved? What are the problems Empire is experiencing because of seasonal rentals? Provide evidence that demonstrates a correlation between unavailable housing stock or long-term rentals existing because of a large seasonal rental market.
 - b. Does the Village of Empire benefit from having seasonal rentals? Is there evidence of that benefit?
3. Identify Ordinance options for the village Council to consider for addressing the actual issue. What impact does each option have on the Village operations (staffing and enforcement) and budget.
4. Schedule a Special Council meeting where this information and data is shared with time for a public hearing.
 - a. All presentation materials must be posted allowing members of the public to review the information at least 5 days prior to the meeting.
 - b. The purpose of the public hearing will be to solicit input from members of the public about the need for a seasonal rental ordinance in the Village and if so, which option seems to be the best one for the Village.

REVIEW AND UPDATE THE KNOWN FROM THE LAST STUDY

Knowns from the 2019 study

Inventory of Housing Units

1. 49 STR
2. 18 Long Term Rentals (LTR)
3. 161 Year Round Residents
4. 115 Seasonal Residents

The general behavior of STR guests is acceptable with very few problems.

Empire offers a unique market to the vacationer. Empire is a vacation destination.

Empire has significant opportunities and challenges.

The population of Empire is aging. As homes in the village are left unoccupied it may cause families(trusts) to defray the cost of maintenance and taxes and turn the homes into STR or LTRs.

The Master Plan has information concerning the current housing inventory along with other important data points.

The Committee believes the Village's current infrastructure may challenge at the very least and possibly inhibit future development of buildable lots.

Explosion of Internet marketing sites for STR have made it an easier and more attractive endeavor.

Investment vs. Expense.

Insurance - Most insurance companies require a separate policy for STRs.

Townships and Villages within Leelanau County are developing STR policies on an as needed basis.

Results of 2023 Committee

63 STR Increase of 14

22 LTR Increase of 4
147 Year Round Decrease of 14
131 Seasonal Increase of 16

This Committee agrees that this is still the situation.

This Committee agrees.

Empire is landlocked by the National Park and future development of STRs would be concentrated within the Village boundaries. This is still true.

This is a possibility but we have no data on whether this is happening. There has been an increase in new built homes.

That information is out of date. It does note on page 47 -"Its's important for the Village to continue its informed monitoring of the impact of seasonal rentals on the Village and its resources."

We agree as far as business's are concerned with wastewater but have no opinion concerning housing lots.

We agree.

We feel this is not our concern.

Still True.

Yes. More have passed ordinances since the last committee met.

Within Leelanau County, the Village has a variety of Ordinances to review and consider. The Committee identified several different variations of ordinances and regulations. A chart is provided.

The public is very interested in this topic although few attended the meetings. Also the media is interested.

An ordinance could provide a stream of revenue for the Village.

Several companies are in the business of managing and enforcing STR ordinances. The committee believes this is excessive.

"The Rub" between property rights and what is the common good.

The Committee agrees that summer residents may have a detrimental effect on the local economy as compared to a STR. We feel that summer resident homes are vacant up to 75% of the year and may not generate a proportionate amount of cash for the local economy. We feel that home upkeep is far more progressive in a STR vs. LTR or owner occupied homes.

Do STRs interrupt the need for long-term rentals in the Village? The committee is not sure.

Yes

This Committee created a new chart with updated information.

We agree that the public is interested. We had 9 and 12 members of the public show up for the first two meetings. Then it leveled off.

We don't feel that this is the purpose of the ordinance. Fees should only be used to cover the costs of managing an ordinance.

This Committee feels it is worth looking at the costs in order to lighten the load on our Village staff.

Still true.

This Committee disagrees. Many summer residents pay very high property taxes which contributes to the running of the Village. They also participate in local events and organizations which STRs do not.

This is subjective and no real way of proving it.

If there were fewer STR would there be more LTR? We're not sure either.

TOTAL INVENTORY OF OF HOUSING UNITS IN THE VILLAGE OF EMPIRE

STREET	YEAR-ROUND OWNER OCCUPIED	SEASONAL OWNER OCCUPIED	LONG TERM RENTAL	SHORT-TERM RENTAL	UNDER CONSTR.	VACANT LOTS
Pitch Apple	5	2				2
Applewood	3					1
Wilco	1					
Lake St.	9	5	2	6		2
Front St.	6	8	3	7		
LaRue		1				
Wilce St.	8	8	1	9		3
Washington	1	2	1	2		9
Aylsworth	7	7	1	1		8
Wood	3	2				1
Michigan St.	2	5	18	2		2
M-22	4	3	2	3		7
Niagara	9	7	3	8		2
Union	5	3		1		3
Salisbury		1		3		
Reynolds	2	2	1	1	1	1
Phillip	1	3				
Lambkin Ln	1	3				
LaCore	15	10	7	5		5
Florence	3	3				1
Fisher	2					
Park St.		1				
Zelmer	2			1		2
Lake MI.Dr.	8	16		5		
Storm Hill	5	15				3
Ontario St.	4	2		1	1	6

TOTAL INVENTORY OF OF HOUSING UNITS IN THE VILLAGE OF EMPIRE

South St.	4	1		1	1	1
W.Michigan	3	1				3
Pokagon		3		1		1
Erie	5	1	1	2		4
W. Wilce	7	4		1		
W.Front Bennett	2	1		1		2
Sunset	5	3		1		
Ottawa	4	2			2	4
Crescent	3	2		1	5	6
Sleepy Valley Dr	1					3
W Filby Tr.						3
S. Roen Rd.	4	1			1	14
Village Court	3	3				6

	YEAR ROUND OWNER OCCUPIED	SEASONAL OWNER OCCUPIED	LONG TERM RENTAL	SHORT TERM RENTAL	UNDER CONSTR.	VACANT
TOTALS: 2023	147	131	22	63	12	107
Totals from 2019	161	115	18	49		
	-14	+16	+4	+14		

Note: 2 of the STR are on properties occupied year round by owners.
 5 of the STR are in 3 commercial properties with business's on main floor.
 2 of the STR are on the same residential property.
 2 of the LTR are on the same commercial property.
 1 of the LTR is on a property occupied year round by owner.
 1 of the LTR is on a property occupied seasonally by owner.
 There are also two motels and one bed and breakfast with a rental cottage.

TOTAL INVENTORY OF OF HOUSING UNITS IN THE VILLAGE OF EMPIRE

I included the rental cottage as a STR in the count since it was included in 2019. There are approximately 366 residences in the Village including the apartments.

The 2019 study did not include the 18 apartment units on Washington. Therefore, we did not include them in this tally either. It is important to remember that they do exist!

There are three houses under construction at this time which are earmarked for short term rentals.

There are approximately 366 residences in the Village including the apartments (not including the 8 STRs and the 4 LTR noted above or the homes under construction).

WHAT IS THE PROBLEM THAT NEEDS TO BE SOLVED?

As shown in the updated housing stock the number of STRs has increased by 14 (give or take 4) in the 2 1/2 years since the last study was done. The year round population is down and the seasonal population is up.

There have been 25 new homes built since the last study was completed (mostly in the New Neighborhood and the M22 Neighborhood). Fourteen of them are year round, 8 are seasonal and 3 are STRs.

STRs occur primarily in the summer months (June-August), due to the summer resort nature of the community. STRs in the off-season (September-May) are markedly diminished, which may leave many neighborhoods with numerous vacant houses for large parts of the year. The fewer year-round residents the harder it is for our businesses to survive through the off season.

There is no way to determine if STRs are taking away from long-term rentals. In fact the most recent count shows an increase of 4 long-term rentals. However, if there were fewer STRs there would be more housing stock. Every new STR does take away from the *potential* year round or long term rental housing stock.

It is this committee's view that it is in the best interest of the Village to preserve and maintain the residential community character of the Village by limiting the number of STRs allowed in the Village.

DOES THE VILLAGE OF EMPIRE BENEFIT FROM HAVING SEASONAL RENTALS? IS THERE EVIDENCE OF THAT BENEFIT?

STRs can provide a community benefit by providing a number and type of lodging facilities that support commerce in our Village.

They can assist owners of homes by providing revenue that may be used for mortgage, maintenance and upgrades.

A benefit from STRs could be that people who visit and stay in a STR may eventually buy a home here and move here.

It is also important to note here that there have been very few problems with the existing STRs.

IDENTIFY ORDINANCE OPTIONS FOR THE VILLAGE COUNCIL TO CONSIDER FOR ADDRESSING THE ACTUAL ISSUE.

There are two basic approaches to regulating STRs.

1.. Zoning: The benefits of the zoning approach for STRs are that it can be tailored to specific land use districts where the problems with STRs exist. For instance - STRs could be allowed in the Gateway Corridor District and the Front Street District only. The problem with this approach is that it does not allow equal opportunity for people in various areas of town to have STRs. It would also create a greater percentage of STRs in certain neighborhoods thereby decreasing the sense of neighborhood. None of the ordinances we looked at were zoning ordinances. Traverse City has a zoning ordinance. Their population is 15,675. Petoskey (pop. 5,877), Charlevoix (pop.2,348), Suttons Bay Twp. (pop. 2,994) and Harbor Springs (pop.1274) also have this type of ordinance.

2. Police Power Ordinance: The second approach is to adopt a police power ordinance, under a village's general ordinance powers, as set forth in the State of Michigan's General Law Village Act 67.1(z) "To adopt other ordinances and make other regulations for the safety and good government of the village and the general welfare of its inhabitants that are not inconsistent with the general laws of this state."

All of the ordinances we looked at were these types plus Beulah (pop. 304) Boyne City (pop. 3,816), Harbor Springs (pop. 1274), South Haven (pop. 3,964), Arcadia (pop.657), Northport (pop. 507), Bingham Twp. (pop.2558), Elmwood Twp. (pop.4,528), Leelanau Twp.(pop.1,552), and Long Lake Twp.(pop. 9,956).

Items that this Committee feels are important to include in an ordinance are:

- *Registration with a fee.
- *Cap on number of STR
- *Grandfather Clause (allowing all existing STRs to continue operating as long as they meet terms of the ordinance)
- *Proof of operation as a STR
- *Septic System - There must be a record of the septic system filed with the Benzie/Leelanau Health Dept. showing compliance with all County Health Department requirements.
- *Trash regulation
- *Number of people per bedroom - total capacity
- *No camping (motor homes, trailers, tents etc)
- *No special events over a certain number of people.
- *Safety Standards
- *Good Neighbor or Emergency Guide
- *Fines for not complying with ordinance.
- *License non-transferable

Village of Empire Pop. 356-362 1.24 Sq. Mile	City of Frankfort Pop. 1,034 1.4 Square Mile	Village of Suttons Bay Pop. 658 1.3 Sq. Mile	Village of Benzonia Pop. 556 1.1 Sq. Mile	Village of Elk Rapids Pop. 1,438 1.7 Sq. Mile	Lake Twp. Pop. 704 35.1 Sq. Mile	Village of Elberta Pop. 295 .7 Sq. Mile	Onekema Twp. Pop. 1,285 18.4 Sq. Miles
STR Ordinacne	yes	yes	yes	yes	yes	yes	yes
Registration/ Permit Required	yes	yes	yes	yes	yes	yes	yes
Valid For:	3 years	3 years	2 years	1 year	1 year	1 year	1 year
Fees:	\$1000	\$500	\$50 initial reg \$200 bi-annual	\$250 increased to \$500	\$500	Yes	?
Management Company		Granicus \$8,245.80/yr		Granicus			
Renewal App.	yes	yes	yes	yes	yes	yes	yes
Cap	yes - 120	yes - 45	yes - 20	yes - 61 with no new permits	yes - 150	yes - 25	no
Grandfather Clause	no	yes	no	yes	no	no	no
Local Contact	yes	yes	yes	yes	yes	yes	yes
Septic Reg.	no (wastewater)	no (wastewater)	no	no (wastewater)	yes	no (wastewater)	yes
Parking Reg.	yes	yes	yes	yes	yes	yes	yes
No. of people per bedroom	2 per br + 4	2 per br Max of 10	2 per br + 2 per floor	2 per br + 2 per floor Max of 10	2 per br + 2 Max or 12	2 per br + 2 Max of 12	3 per br
No Overnight Outside	yes		yes	yes		yes	yes
Trash	yes	yes	yes	yes	yes	yes	yes

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Limited >14 days Duration exemption			yes	yes			
Proof of Insurance	yes		yes	yes	yes	yes	
Special Events	Not Allowed	Not Allowed	Not Allowed		Not Allowed	Not Allowed	Not Allowed
Good Neighbor or Emergency Guide	yes		yes	yes	yes	yes	
Inspection of STR allowed	yes	yes		yes	yes	yes	
Safety Standard	yes	yes	yes	yes	yes	yes	yes
Fines for Violations	yes \$50-\$500	yes \$500 per day	yes \$500 per day	yes	yes \$50- \$500	yes	yes
Enforcement Officer	Zoning Admin. Police	Village Manager or designee	Code enforce officer	Enforcement officer	Zoning Admin. Sheriff	Code enforce officer	Anyone designated
Proof of Operations as a STR				yes			
Is the STR permit transferable.	no	no	no	Yes but changing to no	no	no	?

WHAT IMPACT DOES EACH OPTION HAVE ON THE VILLAGE OPERATIONS (STAFFING AND ENFORCEMENT) AND BUDGET

At the present time our Village office staff seems to be fully occupied with the jobs they have been assigned.

A licensing or registration fee can be charged to cover the costs. The fees charged by the communities we looked at ranged from \$100 to \$500 per year. The fees could either go to hire someone to oversee the STRs or hire a company such as Granicus or GOVOS to oversee this.

The costs would probably be highest in the first year since that is the time the most new STRs would be registered and everyone in the village would have to be notified. After that it would be mainly renewals.

Either way - it would need to be added to the budget.

The Zoning Administrator would have to enforce this.

CLOSING OBSERVATIONS

The Leelanau County Housing Action Committee (HAC) has as its first goal for 2023 to “Promote the preservation of existing affordable homes and rental units, and limitations on STRs.”

Networks Northwest says “Every community has to decide if a STR ordinance is right for them and if now is the right time to enact an ordinance. It is good to keep in mind, however, that communities have found it easier, and less contentious, to enact an ordinance before it becomes a local crisis.”

The National League of Cities in their “Short-Term-Rental Regulations: A Guide for Local Governments” states that “it is important to pass regulations early. It is easier to limit the spread of STRs before they have proliferated than to retroactively remove them.”

You can also look at page 27 and 47 of the Master Plan for the Village of Empire to see how the issue is addressed in the Master Plan.