



# **Agreement Between the Minnesota Department of Revenue and the City of St. Paul for Collection of a Local Sales and Use Tax and a Lodging Tax**

## **Introduction**

This agreement concerns administration of local taxes identified below:

- St. Paul sales tax
- St. Paul use tax
- St. Paul lodging tax

The St. Paul sales and use taxes are authorized by Laws of Minnesota 1993, Chapter 375, Article 9, Section 46. The taxes are imposed by St. Paul Resolution number CF 93-783.

The St. Paul lodging tax is authorized by Laws of Minnesota 1982, Chapter 523, Article XXV Sections 1-3, amended Laws of Minnesota, amended Laws of Minnesota 1986 Chapter 462, Section 28 and 31 and amended Laws of Minnesota 1991, Chapter 291, Article 8, Section 31 . The taxes are imposed by St. Paul Ordinance number 17737, amended Ordinance number 17367 and amended Ordinance number 17850.

## **Administration, collection and enforcement**

The Department of Revenue will administer, collect and enforce the St. Paul taxes identified in the introduction, as authorized under Minnesota Statutes, section(s) 297A.99 and any other authorizing statutes as authorized by the above referenced ordinance(s). The administration, collection and enforcement process will follow existing statutes (Minnesota Statutes, Chapters 297A, 289A, and 270C) and rules administered by the Department (including Chapter 8130) and administrative procedures used by the Department to administer, collect and enforce the Minnesota state sales and use tax.

## **Registration of vendors**

The Department of Revenue will handle automatic registration of vendors. Accounts that are currently registered for state sales and use tax who have a zip code in the St. Paul tax jurisdiction will be registered for the St. Paul taxes. We will mail an informational notice to these businesses notifying them that they have been automatically registered for the St. Paul taxes identified in the introduction.

The Department will notify all vendors that are registered for state sales and use tax and the general public about the St. Paul taxes by posting a notice on the Department of Revenue's website ([www.revenue.state.mn.us](http://www.revenue.state.mn.us)). Other notifications will be made at the time of registration, through newsletters and fact sheets.

St. Paul acknowledges that there is no cost effective way to identify specific vendors located outside the St. Paul taxing jurisdiction who are required to be registered for St. Paul tax. Identification of these vendors will be voluntary by vendor response to general notifications by the Department and through other contacts the vendor has with the Department or the Streamlined Sales Tax Governing Board's (SSTGB) central registration system.

## **Publicity and education**

The Department of Revenue is responsible for educating vendors that are registered for state sales and use tax of their ongoing obligations to collect and remit St. Paul taxes covered by this agreement. The Department is also responsible for informing newly registered businesses of their obligations to collect and remit taxes covered by this agreement.

St. Paul and the Department may work together to develop educational or administrative methods, using resources available, to enhance compliance. For example, St. Paul may furnish an electronic file containing license information to the Department so that a match can be made to determine if all license holders are properly registered and collecting St. Paul sales and use tax.

If St. Paul maintains an official website, it will display on its main home page a link to a notice that residents and businesses in the political subdivision may owe a local use tax on purchases of goods and services made outside of the political subdivision limits. The notice will provide information, including a link to any relevant page on the Department's website ([www.revenue.state.mn.us](http://www.revenue.state.mn.us)), on how the taxpayer may get information and forms necessary for calculating and paying the tax.

Additionally, if St. Paul provides and bills for sewer, water, garbage collection or other public utility services, the billing statement will include at least once per year a notice that residents and businesses may owe a local use tax on purchases made outside of the political subdivision limits and provide information on how the taxpayer may get information and forms necessary for calculating and paying the tax.

#### **Returns and remittance**

Vendors will remit St. Paul taxes covered by this agreement as part of their Minnesota sales and use tax returns, which include simplified electronic returns (SER's) authorized by the SSTGB. Taxes collected by the Department will be deposited in the State Treasury and credited to a special account. The Department will draw from this account to recover Department costs as provided in this agreement, and to transmit collections to St. Paul. St. Paul will accrue no interest on this amount.

#### **Transmittal of tax to St. Paul**

The Department will transmit the taxes reported on returns to St. Paul monthly through the automatic clearing house system. For each month of collection, two transmittals will be made. The first will be approximately five business days after month end. The final transmittal will be approximately 40 days after month end. The Department will retain, from the final monthly payment, a fee for administering, collecting and enforcing the St. Paul taxes as provided in this agreement.

#### **Reporting**

When the final monthly transmittal is made, a report will be sent to St. Paul indicating the total amount of St. Paul taxes reported, corresponding adjustments made, prior month corrections and administrative fees retained.

The Department will give St. Paul, on request, but no more than once a year, a report showing information about taxpayers located within the St. Paul taxing area and the amount of taxes remitted.

#### **Disclosure**

The Department will give St. Paul a copy of Minnesota Statutes, Chapter 270B, Tax Data, Classification and Disclosure. St. Paul understands that any individual account information given to its officials and representatives ("taxing officials") in connection with local sales and use taxes is subject to the classification and disclosure provisions of this chapter, and that pursuant to Minnesota Statutes, Section 270B.12, subdivision 2, such information can only be used to the extent necessary to administer the St. Paul sales or use tax.

If St. Paul requests a report showing individual account information about St. Paul taxes, the Department will conduct disclosure training to St. Paul.

**Inspection of records and audit information**

St. Paul may inspect and audit all data records relating to their local tax, the cost of collection of the taxes and the performance by the Department under this agreement.

**Reimbursement of costs**

The Department will review their direct and indirect costs for administering, collecting and enforcing local taxes once every five years and adjust costs as warranted. If changes are required the Department will notify St. Paul of the estimated cost for administering, collecting and enforcing the local taxes by January 1<sup>st</sup> of the year prior to the beginning of the State’s fiscal year when the change will be implemented. Total local tax costs are shared by all local jurisdictions based on their share of total revenues and total tax lines reported on Minnesota sales and use tax returns. The Department weights each jurisdiction’s percentage of revenue by 1/3 and their percentage of tax lines by 2/3 to compute their monthly percentage of total administrative costs. Minnesota statute does not provide a cap for direct or indirect costs for administering, collecting and enforcing local taxes. However, the Department does not anticipate retaining more than three and one-half percent (3.5%) of each month’s receipts to cover the direct and indirect costs for administering, collecting and enforcing the St. Paul tax. The historical five-year average of administrative costs for St. Paul has averaged 1.28%.

**Example:**

Assume monthly totals for all Local Sales Taxes:

Total Tax revenues	\$20,000,000.00
Total Tax lines on returns	90,000
Total Administrative costs	\$200,000.00

If Local Tax A has revenues of \$1,600,000.00 (8% of the total) and 9,000 tax lines (10% of the total) their share of monthly expenses would be 9.34% or \$18,680.00, which represents approximately 1.17% of their monthly revenues. The following is how the 9.34% was calculated:

$$\begin{aligned}
 &8\% \times 1/3 = 2.67\% \\
 &10\% \times 2/3 = \underline{6.67\%} \\
 &9.34\%
 \end{aligned}$$

**Final transmission**

When a tax ends, the Department may retain 20 percent of gross receipts for the final month, to be used as a fund to make adjustments or refunds. The portion of this fund that is not used for refunds or adjustments will be transmitted to St. Paul at the close of the period of limitations provided in Minnesota Statutes, section 289A.40. If the funds are not sufficient to cover refunds and adjustments, St. Paul must provide the Department with sufficient funding to process all closing adjustments.

**Annual Meeting**

St. Paul and the Department may meet annually, at a mutually convenient time, to review performance under this agreement and their mutual relationship in the administration of St. Paul taxes identified in the introduction.

**Responsibilities**

When the boundary limits for St. Paul change, it is the responsibility of St. Paul to provide the Department of Revenue with the updated nine-digit zip code information. The Department of Revenue will only update the St. Paul zip code guide upon receiving this information.



If St. Paul updates or amends the city ordinance relating to the St. Paul tax, St. Paul must provide the Department of Revenue with a signed copy of the revised or amended ordinance.

St. Paul must confirm with the Department of Revenue current contact information annually and advise when changes occur in St. Paul contact information. This includes, but is not limited to, the contact person, phone number, address and email.

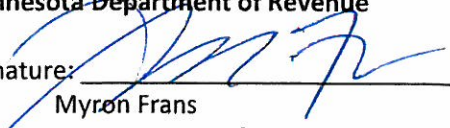
**Effective date**

This agreement is effective the day following imposition of the tax and supersedes any previous agreement.

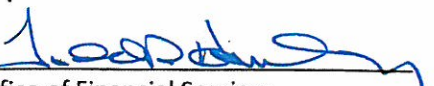
**Modifications**

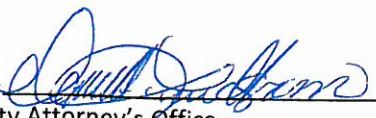
This agreement may be modified if the modification is in writing, signed by the Commissioner of Revenue and an authorized representative of St. Paul.

**Minnesota Department of Revenue**

Signature:   
Myron Frans  
Commissioner of Revenue  
Date: 5/17/13

**St. Paul Representative**

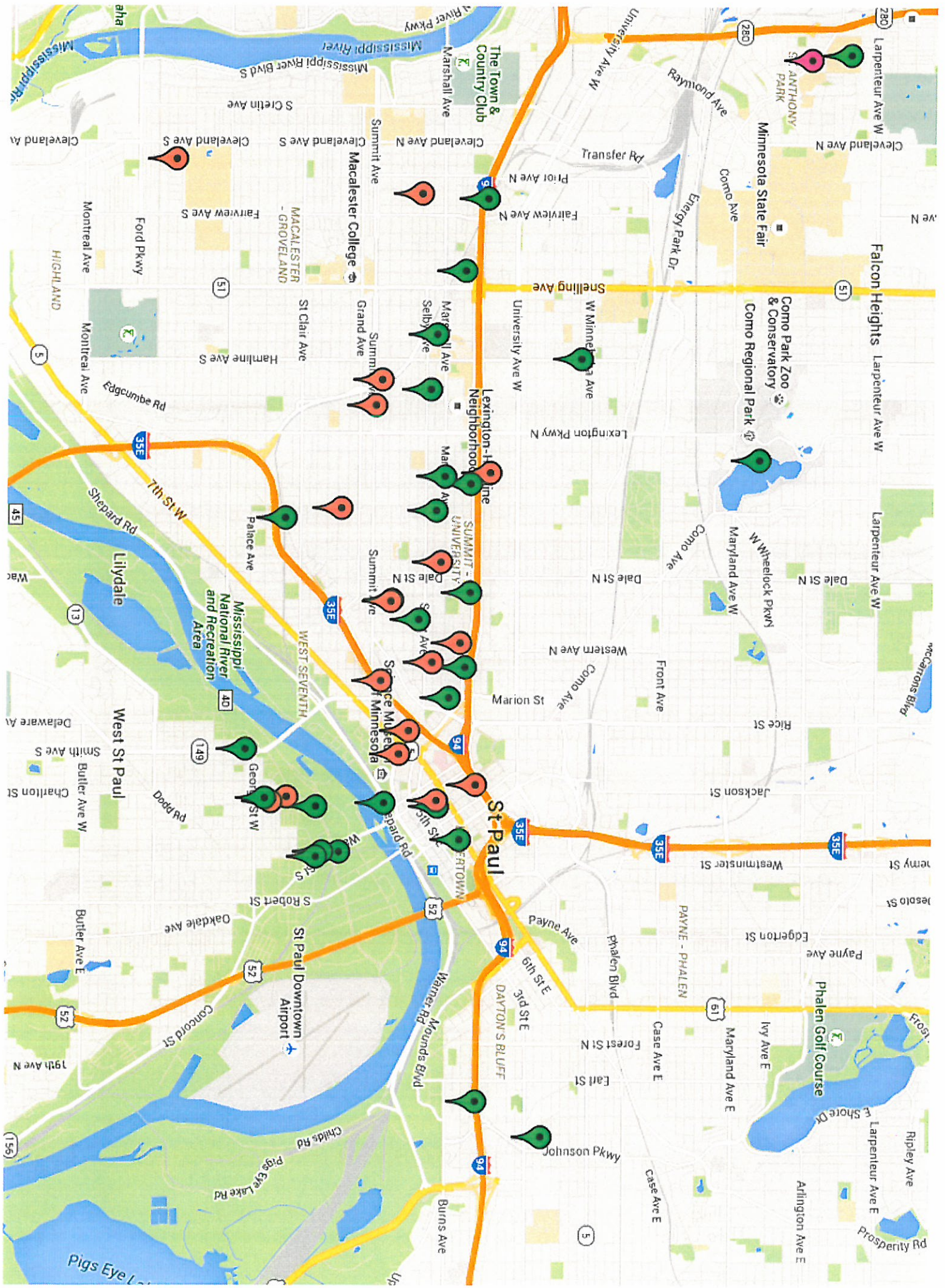
Signature:   
Office of Financial Services  
Print Name: Todd Husley  
Print Title: Director of Finance  
Date: May 8, 2013

Signature:   
City Attorney's Office  
Print Name: Daphne A. Lundstrom  
Print Title: Assistant City Attorney  
Date: May 8, 2013

Signature: N/A  
Human Rights and Equal Economic Opportunity  
Print Name: \_\_\_\_\_  
Print Title: \_\_\_\_\_  
Date: \_\_\_\_\_



- Airbnb
- VRBO
- Flipkey







CITY OF SAINT PAUL  
 Christopher B. Coleman, Mayor

375 Jackson Street, Suite 220  
 St Paul, Minnesota 55101-1806

Telephone: 651-266-8989  
 Facsimile: 651-266-9124  
 Web: www.stpau.gov/dsi

## DETAILS OF THE FIRE CERTIFICATE OF OCCUPANCY PROGRAM

### RESIDENTIAL POINT SCHEDULE

- CLASS A – Residential buildings with an average of fewer than five (5) points per dwelling unit shall be classified as Class A – Inspected every 6 years.
- CLASS B – Residential buildings with an average of five (5) or more but less than eleven (11) points per dwelling unit shall be classified as Class B – Inspected every 4 years.
- CLASS C – Residential buildings with an average eleven (11) or more but less than forty (40) points per dwelling unit shall be classified as Class C – Inspected every 2 year.
- Class D - Residential buildings with an average forty (40) or more points per dwelling unit shall be classified as Class D – Inspected every 1 year.

### \* \* FIRE CERTIFICATE OF OCCUPANCY INSPECTION FEES \* \*

Residential Buildings	Commercial Buildings
1 Unit . . . . . \$202.00	<u>Occupancy Types and Inspection Schedule:</u>  A (Assembly) - Inspected every 2 years B (Business) - Inspected every 3 years E (Education) - Inspected every 3 years F (Factory) - Inspected every 3 years H (Hazardous) - Inspected every 1 year I (Institutional) - Inspected every 2 years M (Mercantile) - Inspected every 3 years S (Storage) - Inspected every 3 years  Base Fee: up through 13,999 sq ft: \$ 185.00  14,000 through 48,999 sq ft: \$ 14.00 per 1,000 sq ft  49,000 through 117,999 sq ft: \$ 721.00  118,000 and over sq. ft. maximum fee: \$ 853.00
2 Units . . . . . \$237.00	
3 Units . . . . . \$247.00	
4 Units . . . . . \$259.00	
5 Units . . . . . \$269.00	
6 Units . . . . . \$279.00	
7 Units . . . . . \$290.00	
8 Units . . . . . \$301.00	
9 Units . . . . . \$312.00	
10 – 15 Units . . . . . \$322.00	
16 – 20 Units . . . . . \$355.00	
21 – 25 Units . . . . . \$444.00	
26 – 30 Units . . . . . \$527.00	
31 – 35 Units . . . . . \$610.00	
36 – 40 Units . . . . . \$693.00	
41 – 100 Units . . . . . \$758.00	
100 + Units . . . . . \$895.00	

Please Note: These fees are applicable when the building is inspected for renewal of the Fire Certificate of Occupancy.

#### Related Fees

- Re-inspection Fee – 50% of the renewal fee outlined above.
- No Entry Fee - \$72.00 for failing to keep a written inspection appointment.

City of Saint Paul

# Short Term Rental Study

Report for the Saint Paul City Council

Department of Planning and Economic Development  
Department of Safety and Inspections  
6-30-2016



## Table of Contents

Section	Page
<b>Table of Contents</b>	
Introduction	1
Key Findings	1
Recommendations	2
Next Steps	2
Existing Conditions in Saint Paul	3
Complaints and Safety Issues	3
Current Regulation	5
Current Short Term Rental Permitting and Licensing	5
Current Short Term Rental Regulations Relating to Life Safety and Certification of Occupancy	5
Current Zoning Regulations	6
Zoning Code Definitions	8
Current Taxes	8
Potential Impacts of Short Term Rentals	9
Local and National Short Term Rental Regulations	10
Appendix	
Introduction to Airbnb	A
The Airbnb Community Compact	B
Airbnb Host Protection Insurance Summary	C
Short Term Rental Map	D
Copy of City of Saint Paul STR Houses	E
Saint Paul Hosts	F
Tax Agreement	G
Copy of Breakdown by Size	H
Peer City Review	J
Duluth Vacation Home Rentals	K
AHLA Testimony	L
STR Legislation Guidelines	M
Global Legislation Guidelines	N
Short term Rental Research	O
Big Events	P

## Introduction

One facet of the “sharing economy” is the online, **short term rental** of houses, apartments, and condominiums. Continued growth of the “sharing economy” has led to an increase in websites (host platforms) like Airbnb and VRBO, which efficiently enable individuals (hosts) to offer space and for renters to find space.

The definition of a short term rental varies by municipality since each chooses to regulate differently. Generally speaking, a short term rental is a dwelling unit (or bedroom) being rented for a period of less than 30 consecutive days, with or without the property owner or tenant present. Some jurisdictions use other terms, including vacation rental, timeshare, and tourist rooming house. By comparison, **Lodging Establishment** in the State of Minnesota is generally any structure, or any part thereof, that is offered for less than a week.

Short term rentals are occurring in Saint Paul. While there is no official count, there are approximately 250 online listings for Saint Paul. Under current regulations, short term rentals are not permitted in the Zoning Code and there is no licensing requirement. However, short term rentals are regulated to some extent by the Fire Certificate of Occupancy program.

Recognizing the potential impact of short term rentals, the Saint Paul City Council adopted a resolution asking the Department of Safety and Inspections and the Department of Planning and Economic Development to study Airbnb and similar companies and how their operations align with current city ordinances and to evaluate whether current codes ensure that visitors, landlords, Airbnb neighbors, and private property are safe and protected. The resolution also states that departments shall ensure that the appropriate taxes are being collected from these sorts of properties and uses.

## Key Findings

Based on the analysis of short term rentals in Saint Paul and a review of nationwide best practices found in the *City of New Orleans Short Term Rental Study*, the following findings informed staff recommendations:

- Saint Paul has approximately 250 short term rentals listed online. These short term rentals may be an entire house, a room, or a couch. They may occur in owner occupied or non-owner occupied units.
- Since there are no regulations specific to short term rentals it can be difficult to locate them and determine the length of stay.
- Short term rentals in Saint Paul do not appear to be generating many complaints related to negative behaviors or unsafe conditions.



- Saint Paul does not currently have any licensing requirements for short term rentals and the Zoning Code does not list short term rental as a permitted use in the Zoning Code. Any use not listed as a permitted or conditional use, or any use that has not been determined by the planning commission to be substantially similar to a listed permitted or conditional use, is prohibited. Some short term rentals are regulated by the Saint Paul Legislative Code Chapter 40 – Fire Certificate of Occupancy.
- Given 2015 City Lodging tax revenue collected and that many online short term rental listings do not list taxes, there appears to be a significant amount of tax revenue associated with short term rentals not being collected.
- Hosts of short term rentals may not fully understand tax and insurance requirements and liabilities for operating short term rentals.
- Many cities have struggled with the regulation and enforcement of short term rentals. The cities that have been most successful have categorized short term rentals into different categories based on their impacts, put standards in place to ensure guest safety, set appropriate fees and fines to incentivize compliance, and reevaluated and revised the short term rental regulations after their implementation.
- Short term rentals are residential uses with commercial type impacts. Short term rentals with lesser impacts, like those that are temporary or have a permanent resident present at the time of the rental, should be categorized separately and perhaps regulated with fewer restrictions.
- Host platforms are major companies, hosting hundreds of thousands of short term rental listings. These large companies offer services to hosts and renters (e.g. online sites and reservations), but they do not generally ensure compliance of short term rentals with local ordinances.

### **Recommendations**

- Develop a Zoning Code amendment to permit short term rentals as an “incidental transient occupancy” and develop standards related to owner occupied and non-owner occupied units.
- Develop an ordinance amendment to fully regulate non-owner occupied units for life safety concerns through the Fire Certificate of Occupancy program.
- Develop a mechanism to ensure tax collection is occurring, possibly via host platforms.
- Develop an ordinance amendment to license host platforms, with specific requirements relating to reporting and compliance.
- Utilize complaints about short term rentals to inform recommendations for future regulations.
- Educate City staff (police, fire, and inspectors) about the presence of short term rental uses in neighborhoods and the potential for complaints.

### **Next Steps**

Assemble a work group of individuals representing host platforms, hosts, hospitality industry, Visit Saint Paul, and city staff to develop specific language for recommended ordinance and policy changes.

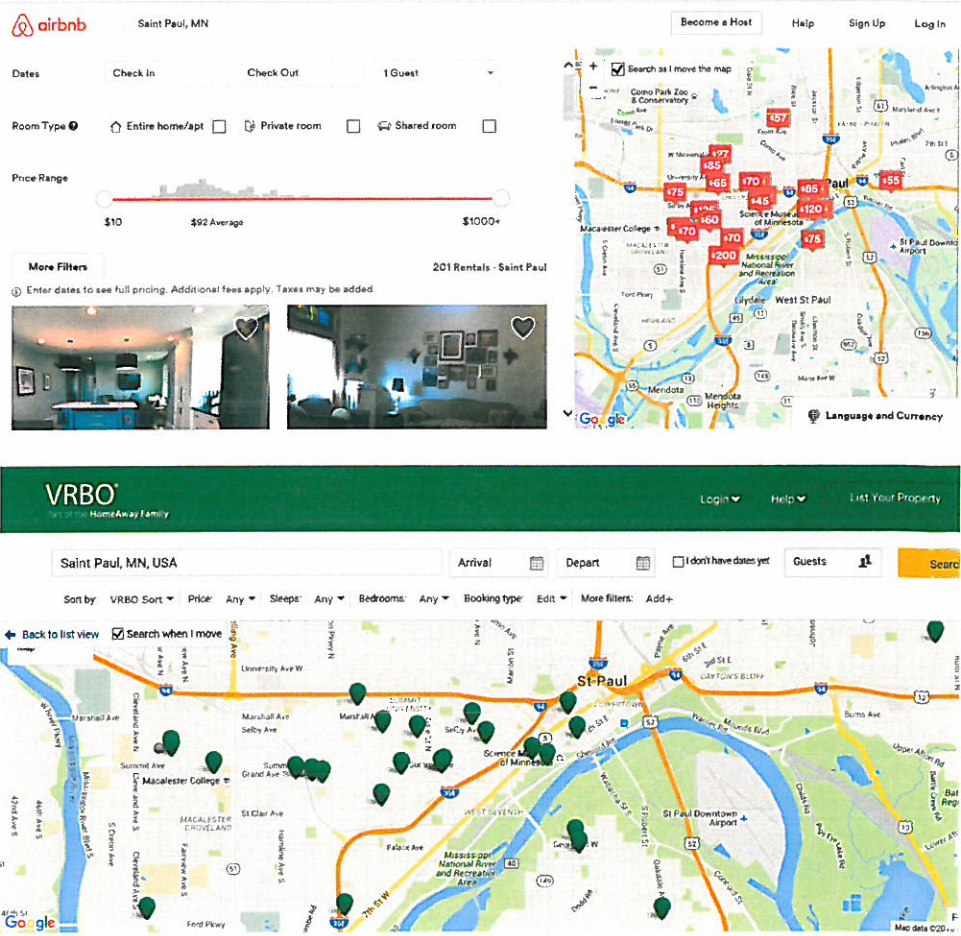
Develop recommendations and move ordinance changes in the next 120 days.

# 1. Existing Conditions in Saint Paul

## Number of Short Term Rentals

The actual number of current short term rentals in Saint Paul is difficult to determine since some of the online sites do not provide addresses, units may be listed on more than 1 site, and the units can be very transient. Drawing upon several sources, it is estimated that there are approximately 250 short term rentals listed online in Saint Paul.

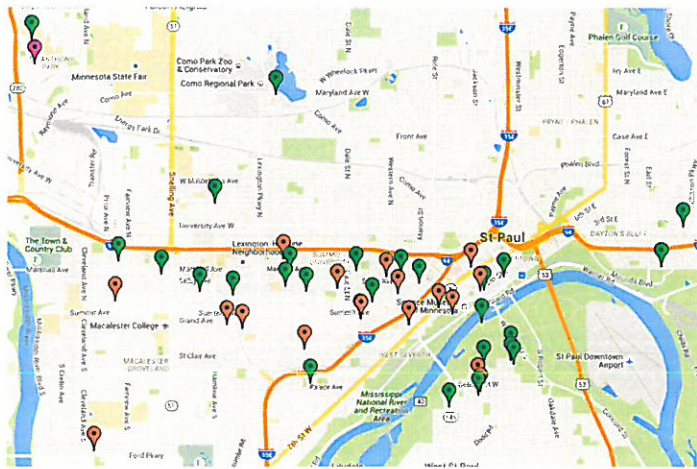
Examples of online sites:



## Complaints and Safety Issues

Information was gathered on 45 short term rentals in Saint Paul to assess impacts. The review of police calls and Fire Certificate of Occupancy issues revealed limited reports of negative behavior or unsafe conditions. See the Appendix for details of the assessment.

The short term rentals sampled are shown on the following map. Green dots represent Airbnb short term rentals and red dots represent VRBO shorter term rentals.



The assessment identified two complaints about short term rentals.

1. A resident in a small condominium building expressed concern about strangers, noise, and over occupancy in a shared space.
2. A recently permitted and licensed bed and breakfast operator complained about an unfair playing field.

It should be noted that most people (staff and residents) are not fully educated about short term rentals, their presence in the City, and potential impacts.



## 2. Current Regulation

The City of Saint Paul does not have an ordinance specifically regulating short term rentals. Short term rental is not listed as a permitted use in the Zoning Code. Any use not specifically permitted under the Zoning Code is prohibited, Legislative Code §66.101(c). In addition, there are no permitting or licensing regulations specific to the operation of short term rental businesses in the City of Saint Paul. That being said, short term rentals are regulated to some extent through the Saint Paul Legislative Code Chapter 40 – Fire Certificate of Occupancy<sup>1</sup>. Generally speaking, where there is a Fire Certificate of Occupancy inspection for individual units, as in apartment buildings, short term rental regulation can occur. However, it is important to point out that there are no current requirements regulating time or length of rental agreement. Where no Fire Certificate of Occupancy inspection of individual units takes place, as in owner-occupied dwellings and condominiums, no short term rental regulation occurs.

### ***Current Short Term Rental Permitting and Licensing***

Currently there are no permitting or licensing regulations specific to the operation of short term rental businesses in the City of Saint Paul.

### ***Current Short Term Rental Regulations Relating to Life Safety and Certificate of Occupancy***

Owner Occupied 1 and 2 Family Dwellings - Short term rental *is not regulated* by Saint Paul Legislative Code Chapter 40 - Fire Certificate of Occupancy. Owner occupied units are exempt from the certificate inspection by Chapter 40. The City could respond to complaints of over-occupancy, life safety, and habitability.

Non-Owner Occupied 1 and 2 Family Dwellings (could include townhouse units) - Short term rental *is regulated* by Saint Paul Legislative Code Chapter 40 - Fire Certificate of Occupancy. However there are no requirements regulating time or length of the rental agreement.

Multi- Family Dwellings of 3 or More Units - Short term rental *is regulated* by Saint Paul Legislative Code Chapter 40 - Fire Certificate of Occupancy. However there are no requirements regulating time or length of the rental agreement.

Owner Occupied Condominium (in a multi-family building) - Short term rental *is not regulated* by Saint Paul Legislative Code Chapter 40 - Fire Certificate of Occupancy. There is a certificate on the building, and the common spaces are inspected. The individual owner occupied units are exempt from the certificate inspection by Chapter 40. The City could respond to complaints of over-occupancy, life safety, and habitability.

Non-Owner Occupied Condominium Unit (individual unit in a multi-family building) - Short term rental is regulated by Saint Paul Legislative Code Chapter 40 - Fire Certificate of Occupancy. There is a certificate on the building, and the common spaces are inspected. The individual, non-owner occupied units are subject to the certificate inspection by Chapter 40. However, the City would have to know that they are being used as non- owner occupied units in order to schedule the inspection. Generally a separate certificate is not required on the non-owner occupied unit.

---

<sup>1</sup> According to Building, Life Safety Code Regulations; Saint Paul Legislative Code Chapter 40 - Fire Certificate of Occupancy; and Saint Paul Legislative Code Chapter 34 - Property Maintenance.

Accessory Dwelling Units (proposed legislation) - As proposed, short term rental of interior units or attached units for owner occupied single family dwellings *is not regulated* by Saint Paul Legislative Code Chapter 40 - Fire Certificate of Occupancy. The City could respond to complaints of over-occupancy, life safety, and habitability. Short term rental of detached units would be regulated by Saint Paul Legislative Code Chapter 40 - Fire Certificate of Occupancy, and a certificate required. However there are no current requirements regulating time or length of the rental agreement.

### ***Current Zoning Regulations***

Saint Paul does not have an ordinance regulating short term rentals and short term rental is not listed as a permitted use in the Zoning Code. The Zoning Code provides for roominghouses, bed and breakfast residences, hotel, inns, and motels as noted below.

#### **Zoning Code Section 65.171 - Roominghouse**

1. Any residential structure or dwelling unit, supervised or not, which provides living and sleeping arrangements for more than four unrelated individuals for periods of one week or longer; or
2. Any residential structure or dwelling unit which provides single room occupancy (SRO) housing as defined in CFR section 882.102 to more than four unrelated individuals; or
3. Any building housing more than four unrelated individuals which has any of the following characteristics shall be considered and regulated as a roominghouse:
  - a. Rental arrangements are by the rooming unit rather than the dwelling unit.
  - b. Rooming unit doors are equipped with outer door locks or chains which require different keys to gain entrance.
  - c. Kitchen facilities may be provided for joint or common use by the occupants of more than one rooming unit.
  - d. Rooming units are equipped with telephones having exclusive phone numbers.
  - e. Rooming units are equipped with individual intercom security devices.
  - f. Each rooming unit has a separate assigned mailbox or mailbox compartment for receipt of U.S. mail.

*Standards and conditions, except in B4—B5 business districts:*

- a. A minimum lot area of 5,000 square feet plus 1,000 square feet for each guest room in excess of two guest rooms.
- b. In the I2 general industrial district, a roominghouse must be co-located with a health department licensed community residential facility as defined and regulated in [section 65.155](#). This condition may not be modified.

Permitted: T2, B4, B5

CUP Required: RM1, RM2, RM3, T1, T3, T4, BC, I2

Parking: 1 space per 3 occupancy units

#### **Zoning Code Section 65.641. - Bed and breakfast residence**

A dwelling unit, located within a one- or two-family dwelling, in which guest rooms are rented on a nightly basis for periods of less than a week and where at least one meal is offered in connection with the provision of sleeping accommodations only.

*Standards and conditions in residential and BC community business (converted) districts:*

- a. In residential districts, a conditional use permit is required for bed and breakfast residences with two or more guest rooms, and for any bed and breakfast residence located in a two-family dwelling. In RL—R4 residential districts, a bed and breakfast residence may contain no more than one guest room.
- b. The bed and breakfast residence may be established in a one-family detached dwelling or a two-family dwelling, located within a single main building.
- c. The guest rooms shall be contained within the principal structure.
- d. There shall be no more than one person employed by the bed and breakfast residence who is not a resident of the dwelling.
- e. Dining and other facilities shall not be open to the public, but shall be used exclusively by the residents and registered guests.
- f. No additional exterior entrances shall be added to the structure solely for the purpose of serving guest rooms.
- g. The zoning lot shall meet the minimum lot size for the one-family dwelling or two-family dwelling in the district in which it is located, and shall have a minimum size according to the following combination of dwelling units and guest rooms:

Dwelling Units	Guest Rooms	Minimum Lot Size
1	2	6,000
1	3	7,000
1	4	8,000
2	1	6,000
2	2	7,000
2	3	8,000

- h. One-family dwellings may contain no more than four guest rooms. Two-family dwellings may contain no more than three guest rooms.
- i. No bed and breakfast residence containing two through four guest rooms shall be located closer than 1,000 feet to an existing bed and breakfast residence containing two through four guest rooms, measured in a straight line from the zoning lot of an existing bed and breakfast residence.

Permitted: R1, R2, R3, R4, T1, T2, T3, T4, B1, BC, B2, B3

Permitted/Conditional: RT1, RT2, RM1, RM2 (P/C - sometimes permitted, sometimes requires a CUP)

Parking: 1 space per dwelling unit and 0.5 spaces per guest room

**Hotel, inn, motel**

There is no definition in the Zoning Code.

**Licensing Code Section 407.02 - Definition**

"Hotel" means and includes every building or structure kept, used, maintained, advertised or held out to the public to be a place where sleeping or rooming accommodations are furnished to the general public for a shorter period of time than one week, whether with or without meals and which does not qualify for a bed and breakfast residence license under the provisions of chapter 378. The person or persons in



charge of any such hotel, whether as owner, lessee, manager or agent, shall, for the purpose of this chapter, be deemed to be the proprietor of such hotel.

Permitted: T2, T3, T4 (no motel in the T districts), B3, B4, B5, IT, I1, I2

Parking: 1 space per 3 occupancy units plus required parking for bars, restaurant, assembly rooms

### **Zoning Code Definitions**

#### **Zoning Code Section 60.207 - F**

*Family.* One or two persons or parents, with their direct lineal descendants and adopted or legally cared for children (and including the domestic employees thereof) together with not more than two persons not so related, living together in the whole or part of a dwelling comprising a single housekeeping unit. Every additional group of four or fewer persons living in such housekeeping unit shall be considered a separate family for the purpose of this code.

#### **Zoning Code Section 60.205 - D**

*Dwelling unit.* One or more rooms, designed, occupied or intended for occupancy as a separate living quarter, with a single complete kitchen facility (stove and/or oven, refrigerator, and sink), sleeping area, and bathroom provided within the unit for the exclusive use of a single household.

#### **Zoning Code Section 65.111 - Dwelling, one-family**

A building designed exclusively for and occupied exclusively by one family in one dwelling unit.

## **3. Current Taxes**

The City's ½ cent sales tax, the City's 3% lodging tax, and State sales (lodging) tax should apply to short term rentals.

The City's 3% lodging tax states:

Sec. 25.02. - Tax imposed.

- (a) There is hereby imposed a tax of three (3) percent in addition to the sales tax imposed by the State of Minnesota on room charges, as herein defined, except that no tax shall be imposed on rooms renting for two dollars (\$2.00) or less per day. The tax shall apply to sales made on or after March 1, 1970.

Sec. 25.01. - Definitions.

The following words, terms and phrases when used in this chapter shall have the meanings ascribed to them in this section except where the context clearly indicates a different meaning: (3) *Room charges* shall mean the furnishing for a consideration of lodging by a hotel, roominghouse, tourist court, or motel or the granting of any similar license to use real property other than the renting or leasing thereof for a continuous period of thirty (30) days or more, but shall not be applicable to a mission as that term is defined in Section 60.214 of the Zoning Code.

Based on 2015 City Lodging tax revenue collected (from entities offering less than 50 rooms for rent), there is potentially a significant amount of tax revenue not being collected from short term rentals. The City contracts with the State Department of Revenue to collect and audit these tax collections.

## 4. Potential Impacts of Short Term Rentals

The City of New Orleans issued an exhaustive study on short term rentals in January 2016. This study provides excellent background on the benefits associated with and negative impacts of, short term rentals. These are important for Saint Paul to be aware of as it considers whether and how to regulate short term rentals. The [\*City of New Orleans Short Term Rental Study\*](#) addresses the issues raised in the Saint Paul City Council's resolution requesting this study. The study discusses at length the benefits and negative effects associated with short term rentals. Below is a summary of the benefits and negative impacts discussed in the study.

The **benefits** associated with short term rentals are:

- Short term rentals are part of the rapidly growing sharing economy
- They provide additional income for hosts and individuals that support short term rentals
- Short term rentals support the tourism economy and provide a significant financial benefit to the region
- There is potential for the City to earn additional income through taxes and fees
- Short term rentals help reduce blight, activate neighborhoods, and support local businesses
- The negative impacts on neighborhood quality of life and affordable housing are over stated as most operators are good managers

The **negative impacts** associated with short term rentals are:

- Short term rentals are a commercial encroachment in residential neighborhoods
- Short term rentals reduce neighborhood quality of life due to late night activity, noise, crime, litter, property damage, fire danger, loitering, and reduced on-street parking
- Short term rentals result in a reduction in long-term residents which changes the character of neighborhoods, especially in neighborhoods with the highest concentration of short term rentals
- Short term rentals reduce the number of affordable housing units in a city
- Short term rentals have an unfair competitive advantage from hotels, bed and breakfasts, and legal short term rentals because they are not licensed, do not pay taxes, are not held to the same safety requirements, and have lower capital and operating costs

## 5. Local and National Short Term Rental Regulations

Most of the Minnesota cities contacted for this study do not regulate short term rentals. Others prohibit them. Below is a description of how some Minnesota cities handle short term rentals.

**The City of Prior Lake** adopted an ordinance in mid-2015, precipitated by complaints from neighbors. The City engaged known short term rental hosts during discussions. They helped shape the regulations and permit process. Those hosts have since received permits from the City. The City is aware of other hosts that have not applied for permits. The City is following up with them. The adopted regulations link the number of parking spaces available to the number of bedrooms that can be rented. The number of guests is governed by the size of the structure and the lot. The ordinance requires there to be an owner or local agent who lives and works within 30 miles of the rental unit and the City's laws related to short term rentals must be disclosed to the guests and posted in the unit. The agent must be available 24 hours a day during the rental period to respond immediately to complaints and the agent's phone number must be provided to the City. The agent must maintain and make available upon request to City staff or law enforcement a list of all current occupants. Disorderly conduct is prohibited on all premises and the ordinance defines and gives examples of disorderly conduct.

**The City of Duluth** recently adopted an ordinance that provides two options. Those wishing to operate a vacation rental can do so via an interim use permit and those wishing to rent out part of their home can do so with a home share permit. The interim use permit regulates the length of stay, number of occupants, number of rooms, off-street parking. A \$650 fee applies. It also requires the permit holder to designate a managing agent who resides within 25 miles of the city to respond 24 hours a day to complaints and the contact information of the managing agent must be provided to all property owners within 100 feet of the property boundary. The permit holder must also post their permit number on all print, poster and web advertisements and also apply for and be granted state and local sales tax numbers. Prior to rental the building must be inspected and a permit issued by the Fire Prevention office. The home share permit regulates the length of stay, number of occupants, and owner occupancy. A \$100 fee applies annually. The permit holder must also: post their permit number on all print, poster, and web advertisements and also apply for and be granted state and local sales tax numbers. Prior to rental the building must be inspected and a permit issued by the Fire Prevention office.

**The City of Eagan** changed its definition of dwelling unit in November 2015 to prohibit short term rentals of less than 30 days where an owner is not present. An owner can rent out a room in an occupied unit for less than 30 days as long as the owner is present and the guest has full access to the home during the stay. This use is not regulated. Registered accessory dwelling units can be rented for 30 days or more.

**The City of Burnsville** prohibits short term or vacation rental in residential zoning districts. It recently adopted an ordinance restricting short term or vacation rental in its business licensing section of the City Code (the City Attorney felt that licensing was a more appropriate part of the code to regulate the use than the Zoning Ordinance). Issues identified by the city council are: 1) vacation rentals bring strangers



into a neighborhood; 2) people come and go at all times of the day and night; 3) since customers are not residents, they have no interest in maintaining the neighborhood; 4) noise; 5) trash; and 5) transient nature of the operation.

**The City of Minneapolis** does not regulate short term rentals and they report that they have not received many complaints about them. Complaints that have been received have tended to come from condominium buildings where unsold units are rented out and subsequently condominium residents become upset about noise and activity. The City feels that it has a mechanism to deal with these complaints. It is aware that there are short term rentals throughout the City but does not plan to regulate them at this time since they do not seem to be causing a problem.

The Appendix provides information about how short term rentals are regulated in some Minnesota cities as well as Information on short term regulation in cities outside of Minnesota.

The *City of New Orleans Short Term Rental Study* referenced earlier in this report also includes an assessment of regulations adopted by cities around the United States. While New Orleans is a major tourist destination and has far more short term rental units than Saint Paul, the information gathered in its study from other cities around the country has value and relevance to the conversation in Saint Paul about whether and how to regulate short term rentals. Important findings in the report are noted below.

The *City of New Orleans Short Term Rental Study's* assessment of regulations in other cities identified the components of a short term rental ordinance into the following categories and discusses each at length. The main take away is that each city regulates differently depending upon the issue it is trying to address, but many cities tend to include most of these items in their regulations. The study also notes that the success experienced by the cities surveyed varied and that the best regulations were adapted over time as issues arose.

- **Definitions** (most are called short term rentals though some use vacation rental, timeshare, or tourist rooming house)
- **Categories** (full dwelling unit rental, single-room rental, or shared-room rental)
- **Size limitations** (number of rooms that can be rented)
- **Concentration** (limits on number of units within a geographic area)
- **Time limitations** (generally less than 30 days, the number of times a unit can be rented per year)
- **Owner occupancy** (whether owner or tenant occupancy is required and for how many days per year the owner must occupy the unit)
- **Use Standards and Guidelines** (no changes to allow a separate entrance, parking, agent contact information, posting of city ordinances, accessible agent to respond quickly to complaints, limiting number of visitors guests may have)
- **Fees** (generally between \$100 and \$150)
- **Notice** (information posted alerting surrounding properties of the use as a short term rental)
- **Taxes** (collection and payment of taxes either by hosting platform or host)

- **Fines and enforcement** (fees should be high enough to deter violations and ordinance should allow for revocation of permit or license for repeated violations)
- **Building code and inspections** (most require at a minimum fire and carbon monoxide detectors, some require inspections, many require permits, licenses, or registrations)

The *City of New Orleans Short Term Rental Study* found that short term rentals are residential uses with commercial type impacts. Generally, short term rentals where the owner or tenant is present are associated with fewer impacts than those where no owner or tenant is present and consequently, tended to be regulated with few restrictions. Short term rentals where the owner or tenant is not present tended to be regulated more strictly because the impacts of their use tended to be more commercial in nature. The City emphasized the importance of having a structure in place to regulate short term rentals to be able to minimize the negative impacts on surrounding properties and facilitate enforcement on problem operators

New Orleans intended to work with the hosting platforms like Airbnb and VRBO to reach agreements to cooperate on the following:

- Platforms should collect and remit all applicable taxes or inform their users of their requirement to pay taxes
- Platforms could require that all listings provide and post a permit number to advertise
- Upon notice from the City of evidence of a violation, platforms should provide specific, relevant data to the City and remove or modify listings that are found to be in violation of the short term rental regulations

## Department of Safety and Inspections

### *Short Term Rentals*

#### *Proposed Licensing Code Amendments*

The City of Saint Paul proposes to:

- 1) Require Short Term Rental host platforms, offering booking services, to be licensed by the City.

Requirements:

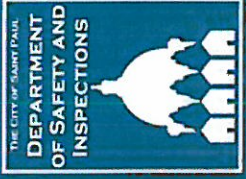
- Educate hosts on Saint Paul Regulations.
- Hosts are compliant with City ordinances – as determined by Host Assertion Form completed by host prior to listing.
- Provide host's information and activity to the City when requested; included but not limited to Host Assertion Form.
- Collect Lodging and Sales taxes for any bookings processed or where there is any transaction or travelers fee assessed.

- 2) Require short term rental host platforms offering advertising services to:

- Educate hosts on Saint Paul Regulations.
- Require hosts to provide Host Assertion Form completed by host prior to advertising.
- Provide host's information and activity to City when requested; included but not limited to Host Assertion Form.

The ability of the above regulations to be achieved and ensure city objectives will impact the City of Saint Paul's consideration of a licensing program for all short term rental hosts. The City looks to partnering with short term rental host platforms to create a regulatory framework that supports short term rental activities, a level playing field, and safe, affordable, healthy, and livable neighborhoods.





# City of Saint Paul

## Short Term Rentals

### Workgroup

**SAINTPAULMINNESOTA** The most livable city in America.



# Agenda

- Welcome and Introductions
- Purpose of Workgroup
- Overview of Initial Short Term Rental Study
- Discussion
  - Proposed Zoning Code Language
  - Proposed Licensing Code Language
  - Group identified topics
- Next Steps





# Purpose of Workgroup

Evaluate and provide recommendations for policy and ordinance amendments related to Short Term Rentals in the City of Saint Paul.





# Initial Short Term Rental Study

## Key Findings:

- Saint Paul has approximately 250 short term rentals listed online.
- Short term rentals do not appear to be generating many complaints.
- Saint Paul currently has no licensing requirements for short term rentals.
- Saint Paul's Zoning Code does not list short term rental as a permitted use.



- Fire Certificate of Occupancy ordinance regulates non-owner occupied.
- Some tax revenue of short term rentals is not being collected.
- Short term rentals are residential uses with commercial impacts. Rentals with lesser impacts should be regulated with fewer restrictions.
- Host platforms are companies hosting thousands of listings. They offer services to hosts and renters, but generally do not ensure compliance of hosts with local ordinances.



## Recommendations:

- Develop a Zoning Code amendment to permit short term rentals and develop standards related to owner occupied and non-owner occupied units.
- Ensure non-owner occupied units are regulated for life safety concerns through Fire Certificate of Occupancy program.







- Develop mechanism to ensure tax collection is occurring, possibly via host platforms.
- Develop an ordinance amendment to license host platforms, with specific requirements relating to reporting and compliance.
- Utilize complaints about short term rentals to inform future regulations.
- Educate City staff about short term rental uses and the potential for complaints.



## Next Steps:

Assemble a work group of individuals representing host platforms, hosts, hospitality industry, Visit Saint Paul, and city staff to develop specific language for recommended ordinance and policy changes.



## Proposed Zoning Code Language:

- Sec. 65.645. Short term rental dwelling unit Reserved.

A dwelling unit, or a portion of a dwelling unit, rented for a period of less than thirty (30) days.





Standards and conditions:

- (a) In RL – RT1 districts, there shall be no more than one (1) short term rental dwelling unit on a zoning lot. In other districts up to 50 percent of dwelling units, to a maximum of four (4), in multi-unit buildings may be short term rental dwelling units.
- (b) A short term rental dwelling unit shall not be open to the public, but shall be used exclusively by registered short term rental dwelling unit guests.





- (c) No exterior identification sign of any kind shall be permitted.
- (d) Total occupancy of a short term rental dwelling unit shall not exceed the definition of family in Section 60.207 allowed in a single housekeeping unit except that occupancy in excess of the definition of family may be permitted with a conditional use permit, on a case by case basis, for large one- and two-family dwellings on large lots.



## Proposed Licensing Code Language:

Require Short Term Rental host platforms, offering booking services, to be licensed.

### Requirements:

- Educate hosts on Saint Paul Regulations.
- Require Host Assertion Form to be completed by host prior to listing.
- Provide host's information and activity to the City when requested.
- Collect Lodging and Sales taxes for any bookings processed.

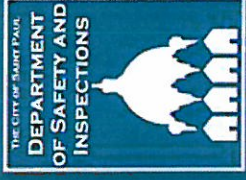


Require Short Term Rental host platforms offering advertising services to:

- Educate hosts on Saint Paul Regulations.
- Require Host Assertion Form to be completed by host prior to advertising.
- Provide host's information and activity to City when requested.







The ability of the above regulations to be achieved and ensure city objectives will impact the City of Saint Paul’s consideration of a licensing program for all short term rental hosts.

The City looks to partnering with short term rental host platforms to create a regulatory framework that supports short term rental activities, a level playing field, and safe, affordable, healthy, and livable neighborhoods.







# Next Steps





CITY OF SAINT PAUL  
Christopher B. Coleman, Mayor

375 Jackson Street, Suite 220  
Saint Paul, Minnesota 55101-1806

Telephone: 651-266-8989  
Facsimile: 651-266-9124  
Web: [www.stpaul.gov/dsi](http://www.stpaul.gov/dsi)

## **SINGLE FAMILY AND DUPLEX RESIDENTIAL** **PRE-INSPECTION CHECKLIST**

These are not all state and local requirements, but the most commonly found violations.

### **EXTERIOR**

**ADDRESS NUMBERS** - Must be clearly readable from the street, and alley if applicable, both day and night. Minimum of 4 inches posted on the house/garage.

**ROOF** - Must be tight, without leaks, and in good condition.

**EXTERIOR WALLS/PAINT** - Exterior surfaces other than decay-resistant wood must be painted with non-lead-based paint. (Scrape and paint where peeling.)

**STAIRS/PORCHES/DECKS** - Must be maintained in sound condition and good repair. Balustrades and guardrails no more than four inches (4") apart must be present on stairways/porches/decks more than thirty inches (30") above grade.

**HAND RAILS** - Handrails required on stairs with four or more risers and must be maintained in good condition.

**DOORS** - Must be in sound condition and good repair, capable of being easily opened from the inside without the use of a key. (Single-family and first floor of duplexes can be equipped with double-cylinder deadbolts.)

**WINDOWS** - Must be in sound condition, have no broken glass, have hardware to hold in the "open" position, fit tight within the frame, and secure locking mechanism. (Locks required on every window up to and including second story or accessible by fire escape, stairs, etc.) Windows can be equipped with bars for security if they are not required "egress windows." Windows must be equipped with screens.

**ESCAPE WINDOWS** - One Window from each sleeping room must be easily openable from the inside. These windows must have a net glazed area of five (5.0) square feet, minimum net clear openable height dimension of twenty-four inches (24"), minimum net clear openable width dimension of twenty inches (20"), and a sill-side height of no more than forty-eight inches (48") above the floor. Area wells must be at least nine square feet (9sq.ft.).

**EXTERIOR** – All exterior property areas shall be free of any accumulation of refuse, garbage, or feces.

**EXTERIOR LIGHTING** – (Exterior exits) entry way are required to be adequately lit for security.

**GARBAGE CONTAINERS** - Owners are required to furnish sufficient containers with lids and weekly garbage pick-up (also see Public Works Ordinance for Recycling requirements).

**PARKING AREA** – All parking spaces shall be paved with asphalt, concrete, or a durable dustless surface. Site Plan approval must be obtained according to the Saint Paul Zoning Code.

**VEHICLES** – All vehicles must be currently licensed (tabs), operable, and parked on an approval surface or remove from the property.

**OPEN BURNING** – All recreation fires must be a minimum of 25 feet from the structures, or contained in a grill or outdoor fire place. Wind speeds must be less than 10mph, constantly attended, and a means to extinguish must be provided. Only natural wood can be burned. (No construction material, brush or waste material) Fire must be extinguished if the smoke is deemed a nuisance.

## **INTERIOR**

**WALLS/CEILINGS** - Must be maintained clean, painted, and in a professional state of repair.

**FLOORS** – Must be clean and maintained in a professional state of repair.

**STAIRS/HAND RAILS** - Same specifications as exterior stairs.

**EXTERMINATION** - Owners are responsible to exterminate insects and rodents in all areas of the building and premises.

## **FIRE SYSTEMS/EQUIPMENT**

**OTHER SYSTEM TESTS** – Sprinkler systems, standpipes, fire pumps, and other fire protection systems must be tested in accordance with their respective standards by qualified personnel and documentation provided to Fire Inspectors during Certificate of Occupancy renewal.

**FIRE EXTINGUISHER SERVICING** – Not required but if present, must be maintained. Extinguishers must be inspected and tagged every year by qualified personnel and hydrostatically tested by a qualified company every six years.

## **EXITS**

**EXIT OBSTRUCTIONS** - All exits to the building must be unobstructed at all items.



No storage is allowed in stairwells, in corridors, in front of doors or emergency escape and rescue opening (egress windows).

**FIRE DOOR OBSTRUCTIONS** – Fire doors must not be blocked opened or obstructed with storage. Self-closures must be in operable condition.

## **UTILITIES**

**FURNACE/HEATING PLANT** - Must be capable of providing heat at 68 degrees five feet above the floor in any area of the dwelling. Installation, repair, or alteration of heating equipment must be done by a licensed contractor under permit from the Building Inspection and Design Division. Upon renewal of the Certificate of Occupancy, a form will be provided the owner/manager which must be filled out by a licensed contractor verifying that the heating system or space heater has been serviced and is free of carbon monoxide spillage.

**PLUMBING/SEWER** - Kitchen sinks, hand sinks, bathtub, showers, toilets or urinals must be supplied with running water, adequate hot water where applicable, and must be connected to the sewer and water system in accordance with all provisions of the Plumbing Code.

**WATER HEATER** - Must be capable of supplying adequate hot water at a minimum temperature of 120 degrees and a maximum of 130 degrees at every kitchen sink, tub, shower, and laundry facility. All repairs or alterations must be made under permit from the Building Inspection and Design Division by a licensed contractor in accordance with the Plumbing Code.

**GAS CONNECTIONS** - Flexible connectors on stoves AGA approved. Single walled connectors that are kinked, damaged, or corroded must be replaced dryer venting must be UL. Exhaust ducts for dryers must be constructed of smooth metal, size of 4 inches in diameter and installed under permit.

**ELECTRICAL** - Service must be adequate to serve needs of occupants and maintained in accordance with the Electrical Code. Modifications, alterations and service upgrades may prompt additional requirements.

**ALL FACILITIES AND EQUIPMENT** - All required and supplied equipment and all building spaces and parts must be constructed and maintained to properly and safely perform their intended function. (An air conditioner is not required; but if provided, must work and be installed in a professional manner.)

**WOODSTOVES** - Are not allowed in residential garages or areas where flammable liquids or vapors are present.

**GASOLINE/ PROPANE STORAGE** - No gasoline or other flammable liquid can be stored in a residential building unless stored in a **one-hour, fire-rated room** or approved fire-rated cabinet. Flammable liquids can never be stored in a room with a source of ignition, such as a furnace, water heater, etc. Propane cannot be stored in the building. (No lawn mowers, snow blowers, mopeds, or motorcycles)

**CONDEMNATION/UNFIT** - A dwelling unit or entire building may be condemned when it is determined to be a hazard to the safety or welfare of the tenant(s).

## **UNITS - DWELLING**

**SMOKE DETECTORS/CARBON MONOXIDE ALARM** - State statute requires an operable smoke detector provided and maintained in accordance with the manufacturer's instructions outside **each** sleeping area of the rental unit. Battery or electric smoke detectors are allowed, but electric are recommended. Electric smoke detectors installed must have battery backup. Carbon Monoxide alarm must locate within 10 feet of each sleeping area.

**DEADBOLT LOCKS/DOORS** - Doors of single-family and grade levels of duplexes may be equipped with double-cylinder deadbolts, but owners must warn occupants of one inches (1") approved single cylinder deadbolt lock.

**PATIO/GLIDER DOORS AND WINDOWS** - A removable track filler or key-operated vertical or horizontal bolt lock on patio and glider windows is required. A wood filler strip or removable screw in upper track of windows should be installed to prevent them from being lifted out of track.

**PAINT** – Must be in sound condition and good repair. All paint must be non-lead-based. Any peeling or flaking paint must be removed and repainted.

**WOODWORK** – Must be in sound condition and good repair.

**WINDOW LOCKS** - All windows must be equipped with secure locks.

**SPACE HEATERS** - Subject to all requirements of servicing/cleaning (see Furnace/Heating Plant) and must be serviced by a licensed contractor and proof furnished during Certificate of Occupancy renewal. All regulations of the Mechanical Code must be applied.

**BATHROOM LIGHT/VENTILATION** - Every bathroom must have a window openable to the outside, a minimum size of eight percent (8%) of the total floor area of the room, or an approved mechanical ventilation system.

**TOILET/HAND SINK/TUB/SHOWER** - Each dwelling unit must contain a bathroom with toilet, hand sink, and tub or shower installed and maintained in accordance with the Plumbing Code.

**BATHROOM FLOOR** – Must be impervious to water. Carpeting not allowed. Cracks or missing tiles must be repaired/ replaced.

**ELECTRICAL OUTLETS** – Must be in good condition not painted, and maintained per the electrical code.

**EXTENSION CORDS/ADAPTERS** –Not allowed for permanent wiring. Extension cords overload on the wiring in the wall, produces heat and can be a fire hazard. (Power strips are allowed.)

**TENANT SANITATION/RESPONSILILTIES** – Occupants are required to maintain their unit in a clean and sanitary condition and dispose of refuse in the containers provided by the owner. They are also required to keep supplied fixtures clean and sanitary and use reasonable care in their use and operation. If they furnish any fixtures of their own, they must be installed and maintaining in accordance with the Building Code.

**PETS**– All dogs over 3 months of age must be licensed. For complete list of animals that may need a permit or license, contact Animal Control at (651) 266-1100

Minnesota State Statute 299F.362 requires smoke detectors and Minnesota State Statute 299F.50 requires carbon monoxide detectors. Saint Paul Ordinance 39.02(c) requires that an affidavit stating that "all detectors are inspected and serviced when needed and are operational be filed before a Certificate of Occupancy can be issued or renewed."