



Short Term Rentals

Bob Thompson
AMA
Cook County Assessor

Video #1: <https://www.koaa.com/news/covering-colorado/assessor-plans-public-meetings-about-taxes-on-vacation-rentals>

Video #2: https://www.kmov.com/news/hundreds-of-st-louis-short-term-rentals-slapped-with-new/article_3654fcb8-75eb-11e9-81c2-a35587911b1b.html

Video #3: <https://www.youtube.com/watch?v=kGA09fJhPBI>

Where: Crosslake, MN, USA
Check In Check Out Search



\$1,800 avg/night
★★★★★ 14 Reviews
Wonderful 4.9/5

Enter dates for accurate pricing

Check In Check Out
Guests

Request to Book

Lori Millard
Ask owner a question

For booking assistance, call Vrbo at 888-640-7927
Property # 512100

Overview Amenities Reviews Map Rates & Availability

Luxury Cabin On The Whitefish Chain

Link to advertisement: <https://www.vrbo.com/512100>

DISCUSSION:

(A video of the above vacation rental in Minnesota was shown (all photos).) This property books for \$2,400/night with a 7-night minimum stay, there's also a \$700 cleaning fee (the minimum to rent is \$17,500). It is 5,000 sf, accommodates up to 18 people with 5 bedrooms, 5.5 bathrooms, sauna, outdoor kitchen and a 900 sf bunkhouse. There are 13 reviews dating back to July 2014



Agenda

- Intro
- Short-term Rentals 101: Fact Check
- Data Sources
- Identifying Short-Term Rentals
- Implementation of County/City Ordinance
- Highest & Best Use/Income Valuation
- Classification
- Discussion

Short-Term/Vacation Rental Investments



DISCUSSION:

*2018 stats per the National Association of Realtors

The numbers appear to show vacationers are buying in areas with resorts and lakeshore/beach type properties.

- Investors on the other hand are buying in city and suburban areas

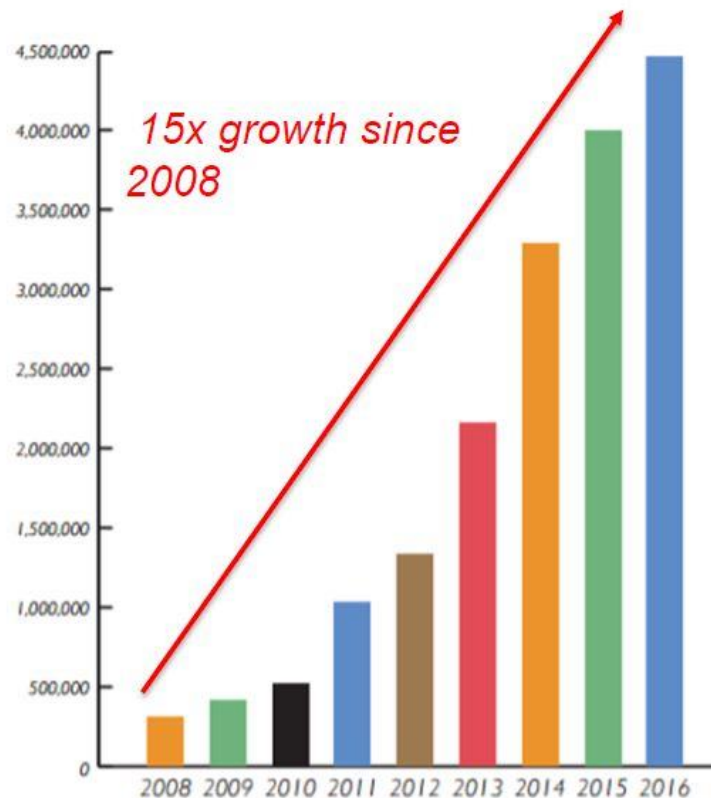
42% of investors and 39% of vacation home buyers paid cash for their properties

Mostly detached single-family units around 1,500 Square feet.

Short Term Rental Industry Overview...

- Rapid Growth

Global listings on top four platforms*
(2008 - 16)



Global listings created by month
(Airbnb 2009 - 16)



DISCUSSION:

Airbnb is just over 10 years old. Between 2008 & 2016 the number of online listings went from under ½ million to over 4.5 million. There are around 35,000 listings added each month.

More recent data shows a 800% increase since 2011

Short Term Rentals Are Now Mainstream...

More people visit Airbnb than any hotel or travel booking website...

25% of the traveling population in the U.S. has now stayed in a short term rental...

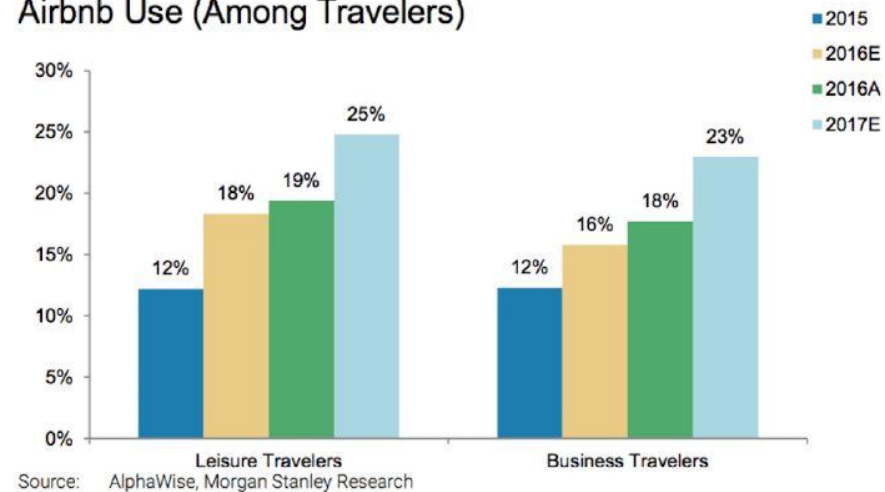
Top 10 US Hotel & Accommodation Sites, Ranked by Total Traffic, Q1 2017

millions and % change vs. same period of prior year

1. Airbnb	106.9 (31%)
2. Booking.com	92.5 (7%)
3. Hotels.com	72.6 (3%)
4. Marriott International	63.2 (-8%)
5. Hilton	48.0 (-6%)
6. Vrbo.com	42.3 (-5%)
7. InterContinental Hotels Group	29.1 (-15%)
8. HomeAway	26.4 (20%)
9. Trivago	26.1 (-8%)
10. Choice Hotels International	22.7 (-18%)

Note: represents activity tracked by SimilarWeb, broader industry metrics may vary; includes desktop/laptop and Android mobile devices

Airbnb Use (Among Travelers)

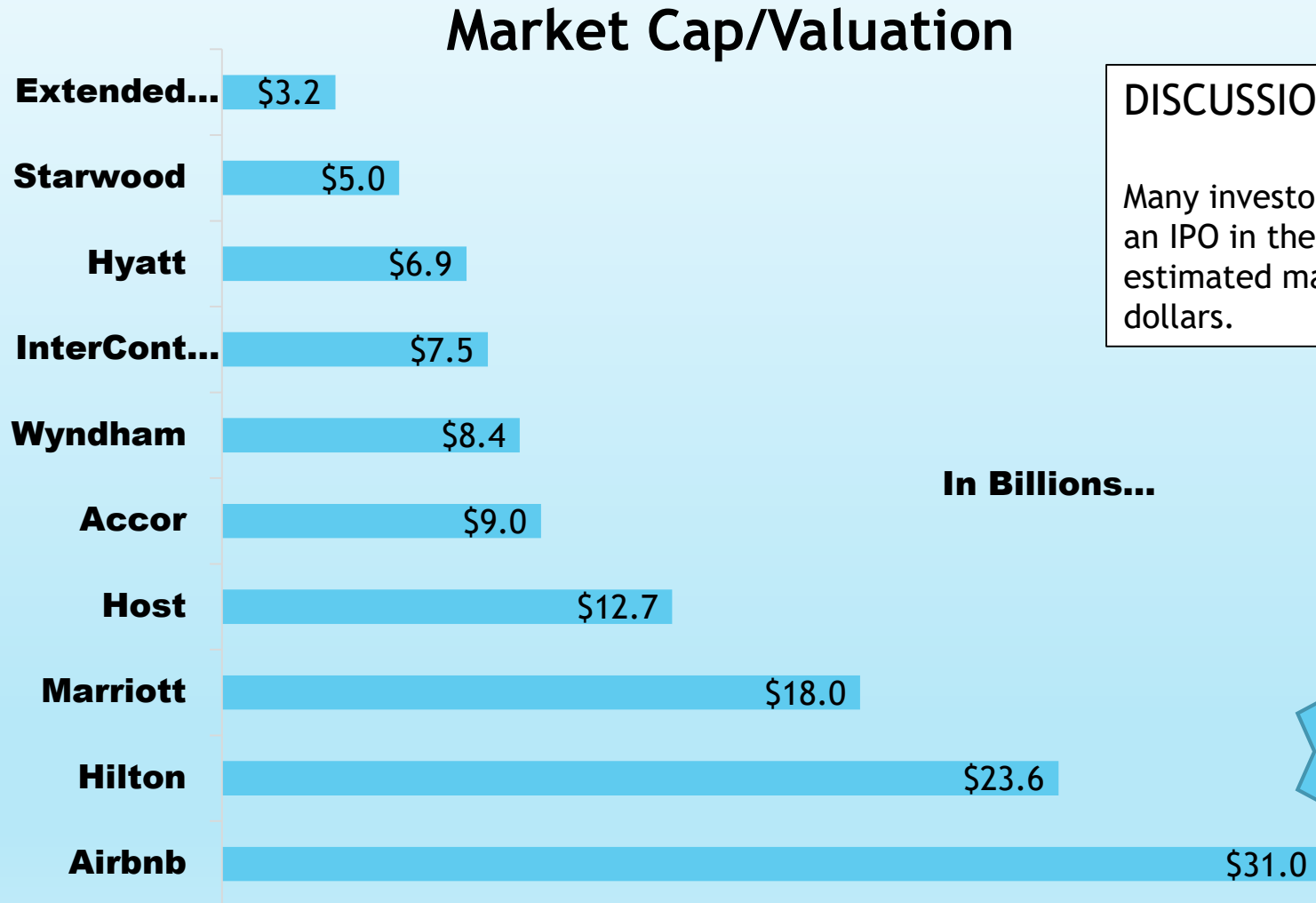


DISCUSSION:

One study shows in the first quarter of 2017 more people visited Airbnb than any other accommodation booking website (Hotels.com/Booking.com).

Roughly 25% of the traveling population has stayed in a short-term rental.

Airbnb's Market Value Is Now Higher Than Any Hotel Chain... Without Owning a Single Hotel!



DISCUSSION:

Many investors speculate Airbnb will have an IPO in the near future with an estimated market value of 31 billion dollars.

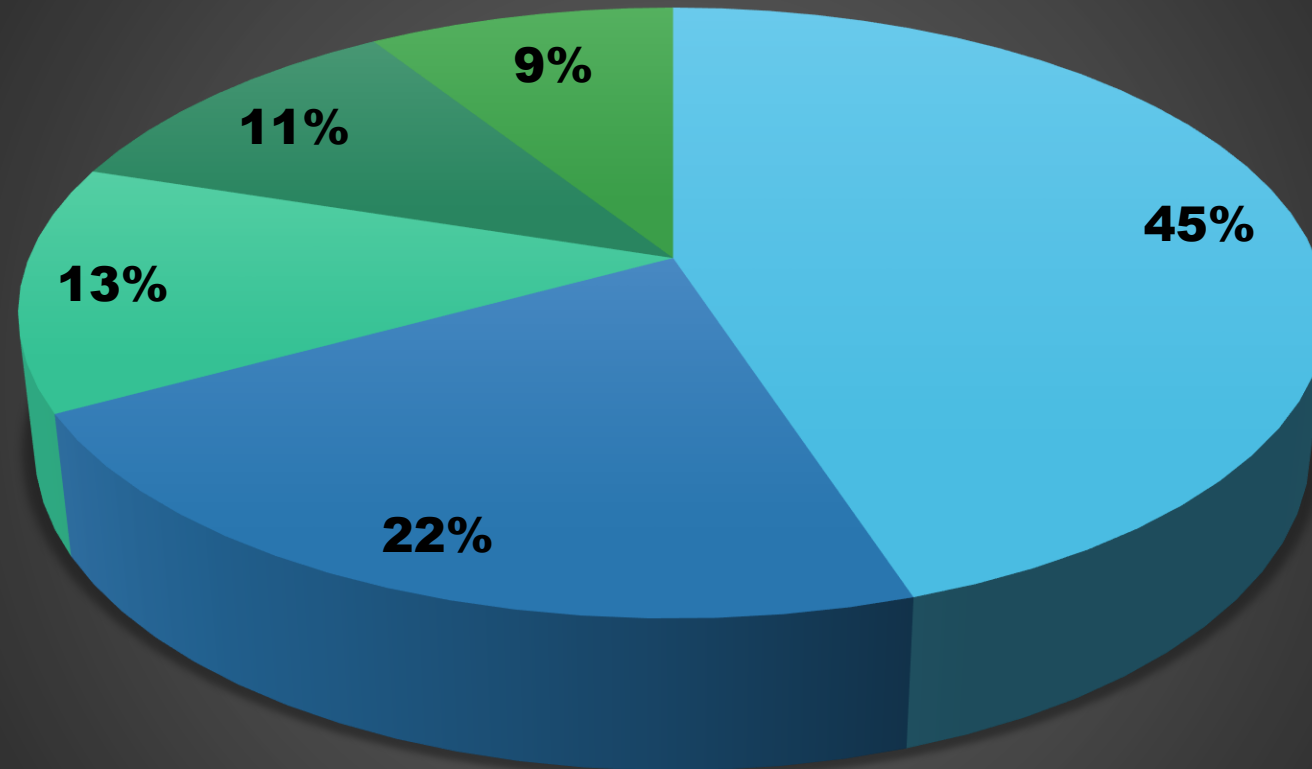
**\$31
Billion!!**



DISCUSSION: Over 100 listing platforms exist.



Global Listings



■ Airbnb
 ■ VRBO
 ■ Flipkey
 ■ HomeAway
 ■ Other

DISCUSSION: Airbnb currently has the majority of listings at 45%, VRBO 2nd with 22%.

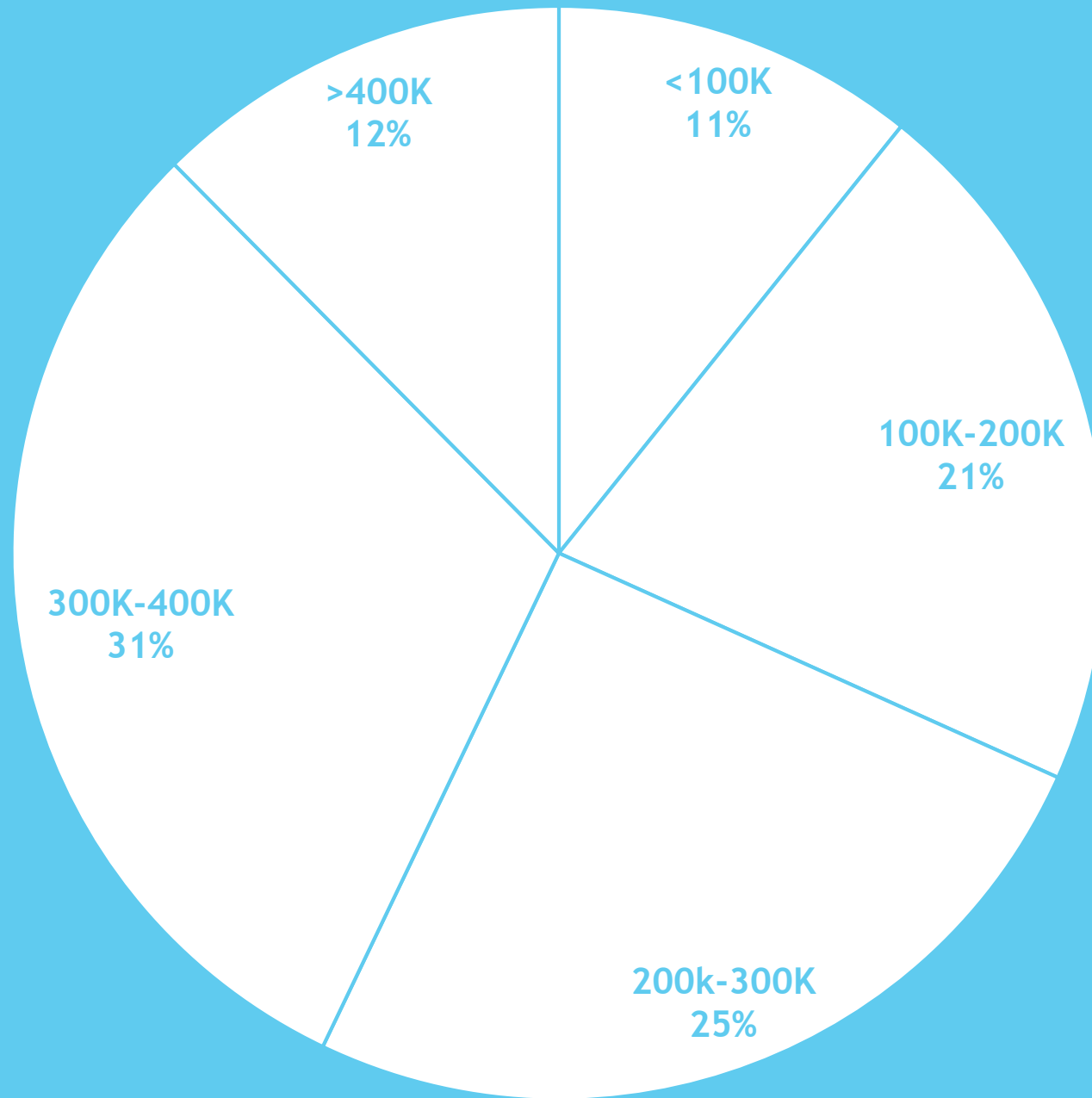
Short Term Rentals in Cook County

- 326 Cabin/Home units - Total EMV: \$91,209,130
 - Average parcel value of \$311,294/\$235 a night
 - Low \$38,700/\$40 a night (room only)
 - High \$1,039,700/\$690 a night
- 321 Resort units - Total EMV: \$78,989,100
 - Average parcel value of \$213,500
- Over 10 % of county's total EMV (\$170,198,230)
 - Effect on affordable housing

DISCUSSION (Cook County specific data):

- 647 total units on 614 parcels
- 326 cabin units on 293 parcels..
- 321 resort units with 370 owners/tax statements..
- 134 of the 321 resort units are advertised on VRBO/AirBNB, some privately owned and some part of a resort ownership, hotel, or motel.

EMV BRACKETS





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Available Data Sources

- ECRV
- Permit/License within jurisdiction
- MN Department of Health list
- Advertising platforms
 - VRBO.com
 - AirBNB.com
 - FlipKey.com
 - Craigslist.org
- Private tracking & regulating companies

View Summary for Preliminary eCRV ID 898991

County: Cook Auditor ID: 5104

Submit Date: 11/29/2018 10:24 AM Accept Date: 11/30/2018 11:05 AM

Buyers Information

Organization name: 47 N 90 W Enterprises, LLC
Address: PO Box 148, Lutsen, MN 55612 US
Foreign address: No
Phone number: 2186637971
Email:
**** MN Revenue does not display SSN/Tax ID fields due to privacy. ****

Sellers Information

Person name: Jacqueline Heilicher
Address: 2643 Snowmass Circle, Minnetonka, MN 55345 US
Foreign address: No
Phone number: 6127233260
Email:
**** MN Revenue does not display SSN/Tax ID fields due to privacy. ****

Property Information

County: Cook
Legal description: Lots 5 and 6, Block 17, HARBOR ADDITION to the Village (now City) of Grand Marais according to the plat thereof on file and of record in the office of the Cook County, Minnesota, Recorder. ABSTRACT PROPERTY
Deeded acres:
Will use as primary residence: No
What is included in the sale: Land and Buildings
New construction: No

Property Location(s)

Property location: 115 1st Avenue West, Grand Marais, 55604

Parcel ID(s)

Parcels to be split or combined: No
Primary parcel ID: 80-217-0050
Additional parcel ID(s):

Use(s)

Planned use: Residential / Rental/Investment (1 unit)
Primary use: Yes
Prior use: Residential / Rental/Investment (1 unit)

Sales Agreement Information

Deed Type:
Date of Deed or Contract: 11/29/2018
Purchase amount: \$342,009.00
Downpayment amount: \$68,409.00
Seller-paid amount: \$0.00
Delinquent Special Assessments Paid by Buyer: \$0.00
Financing type: New Mortgage

Personal Property

Personal property included: No

Data Sources

- There has been a collective move towards the professionalization of the vacation rental market.
- One of the challenges that property managers face is the increasing hospitality demands from guests. This is in part due to new guests being converted from hotel stays, and so they expect more hotel-like products and services.
- There are solutions that encompass all parts of the management process such as cleaning, marketing, maintenance, guest services, accounting and home automation.
- Solutions for local government to identify, track, regulate and enforce.

DISCUSSION:

The vacation and short-term rental industry is an exciting place for startups right now. There's been plenty of investment flowing in, with lots of growth, which has created momentum for new companies.

Data Sources

Solutions for local government to identify, track, regulate and enforce.

- Host Compliance (hostcompliance.com)
- Harmari (harmari.com)
 - Full Service
 - Property identification (updated every three days)
 - Tracking (rates and number of bookings)
 - Develop/review ordinance
 - Enforcement
 - Collection of lodging tax
 - Live 24-hour complaint line

DISCUSSION:

HostCompliance & Harmari offer services ranging from property identification, tracking bookings (nights booked & rates), providing a means of auditing lodging tax, and complaint/enforcement services. A number of county/city departments can benefit from these services. (Visit Websites

<https://hostcompliance.com/> , YouTube Videos <https://www.youtube.com/watch?v=XUdNxIqX5dY>)

Cook County received a quote of just over \$101/parcel for full service through Host Compliance. Host Compliance charges based off the number of listings (some are advertised on multiple platforms).

There are five different services available through HostCompliance

- Address identification (base service and is mandatory)
- Mobile registration
- Compliance monitoring
- Rental activity monitoring
- 24/7 dedicated hotline

Data Sources

Solutions for local government to identify and track.

- **AirDNA** (airdna.co)
 - Analytical data
- **Transparent** (seetransparent.com)
 - Analytical data

Could potentially be used to track advertisements and bookings for primary use questions or lodging tax audits.

DISCUSSION:

There are a number of private companies that offer everything from analytical data Airdna.com & Transparent.com, to full-service for local governments.

(Visit AIRDNA Website <https://www.airdna.co/> /YouTube Video <https://www.youtube.com/watch?v=qjljHjei4fQ>)

Host Resources

- Yield Management & Pricing
 - beyondpricing.com
 - Pricelabs.co
- Home Automation (*Noise Monitoring/Keypad Entry*)
 - roomonitor.com
 - slickspaces.com
- Cleaning
 - turnoverbnb.com
 - getproperly.com
- Concierge, Guestbook, Upselling Local Experiences
 - hellohere.com
 - touchstay.com
 - wishbox.co
- Property Management Systems
 - lodgify.com
 - guesty.com

DISCUSSION:

- Many vacation home owners are not local to the property and utilize local property management services. Some tech startups are starting to bridge those gaps and in more populated/urban areas a property owner may be able to self-manage the property remotely.
- These are some services available for hosts to create more of a curated, hotel-like experience.
- As well as some interesting “experience up-selling” services.
 - (visit <https://www.new.hellohere.com/>)

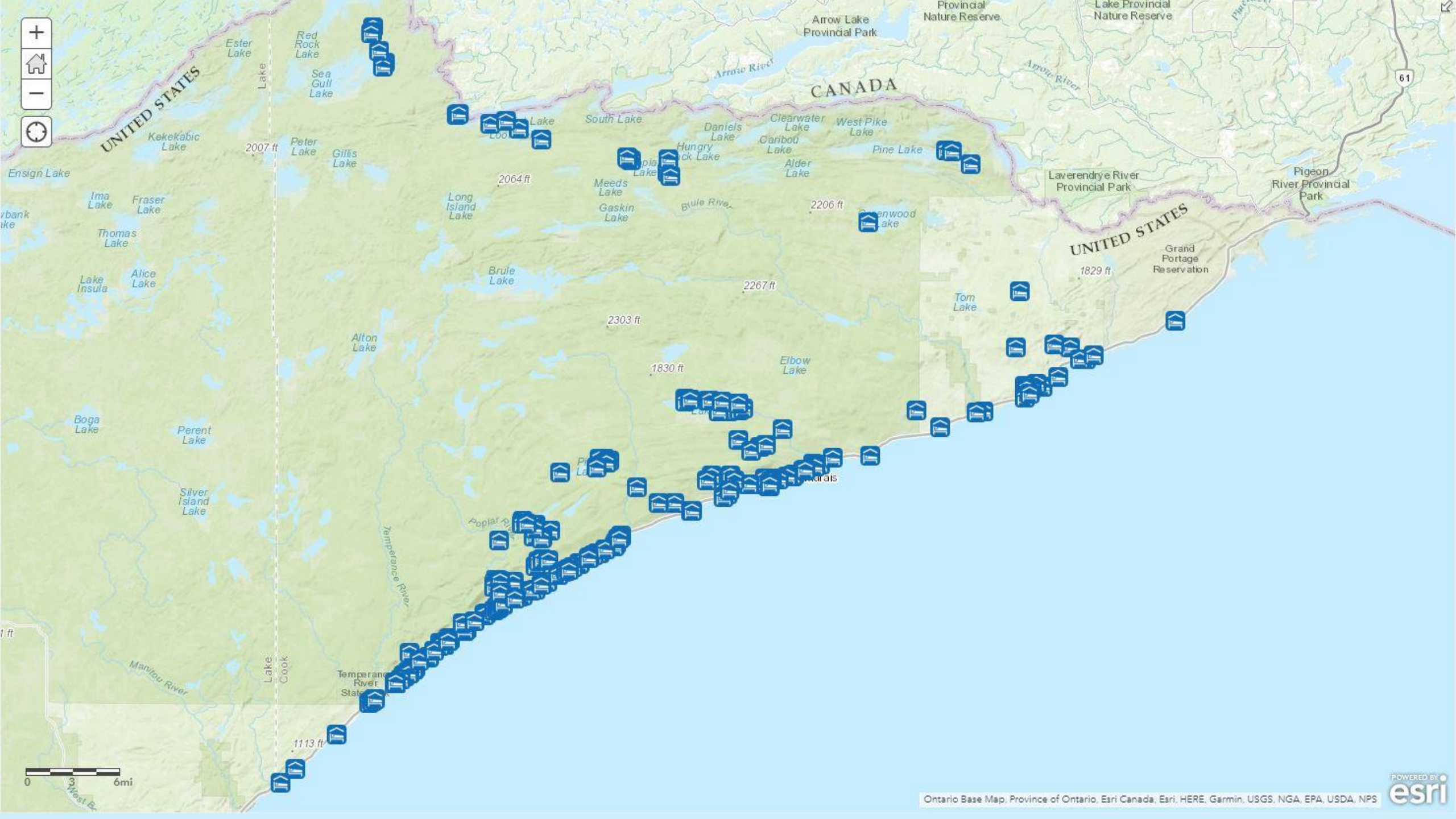


Agenda

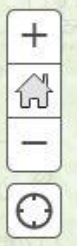
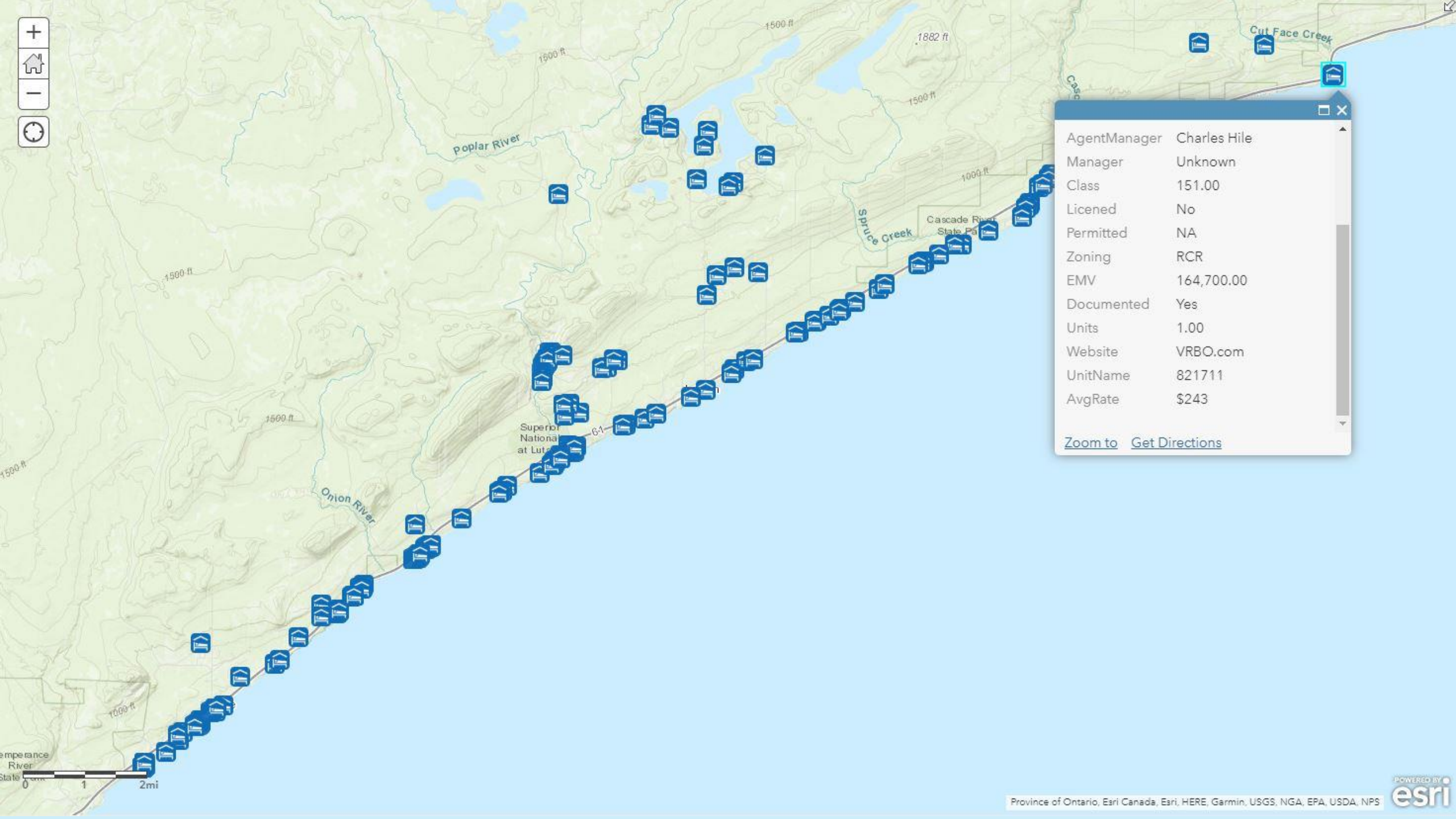
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Identifying Properties

- Search your jurisdiction on the popular websites
- Search property records by owner
- Search GIS aerials based on advertised map location
- Compare CAMA photos to advertisement
- Create a list & GIS layer including all pertinent data
 - PID
 - Owner
 - Physical & Mailing Addresses
 - EMV & Classification
 - Number of Units/Bedrooms
 - Zoning
 - Link to Advertisement
 - (Permitted, Licensed, Manager, Etc.)



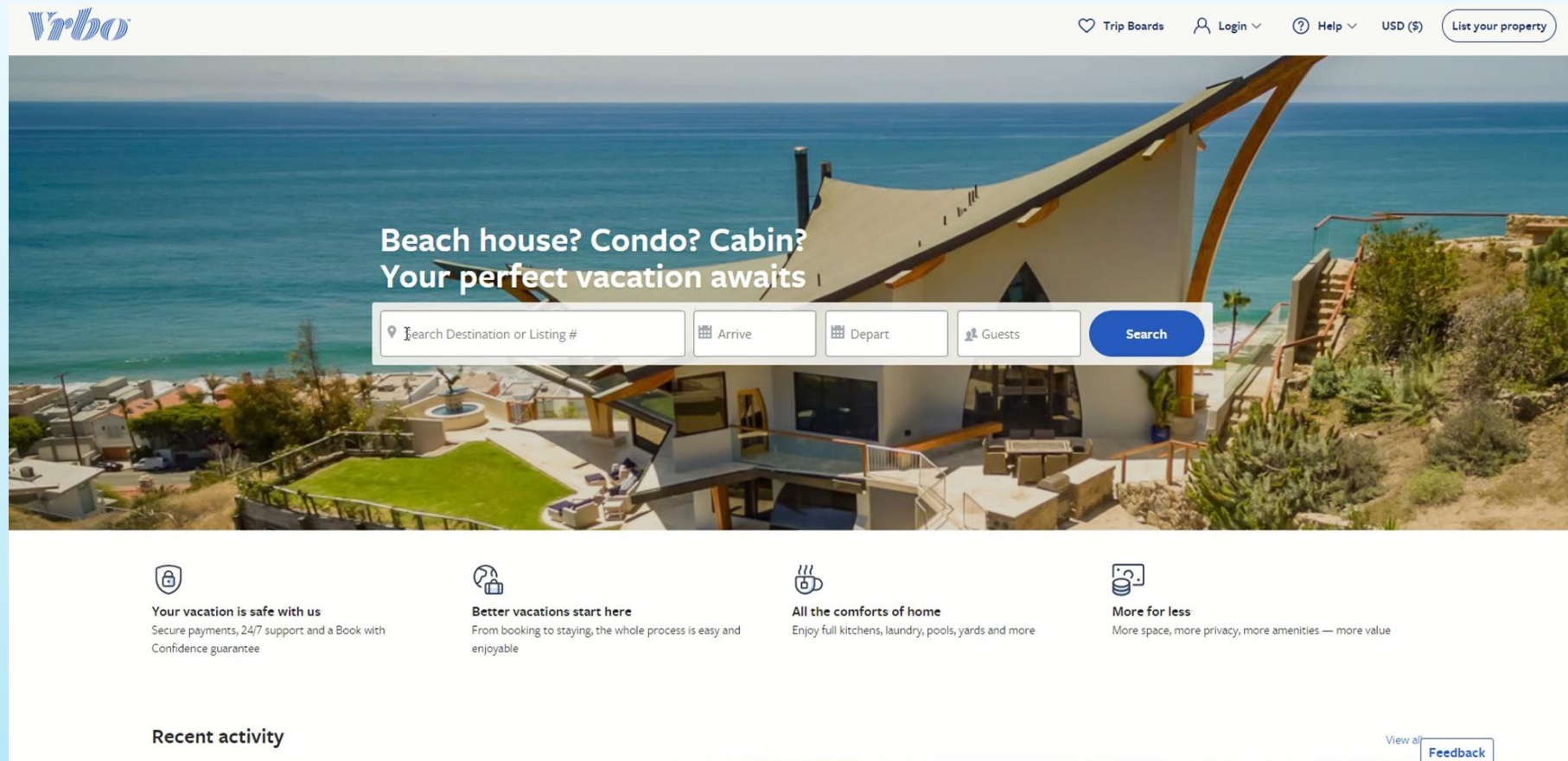
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AgentManager	Charles Hile
Manager	Unknown
Class	151.00
Licensed	No
Permitted	NA
Zoning	RCR
EMV	164,700.00
Documented	Yes
Units	1.00
Website	VRBO.com
UnitName	821711
AvgRate	\$243

[Zoom to](#) [Get Directions](#)

Identifying Properties



DISCUSSION:

Two videos were shown on how to identify properties advertised on VRBO.com. Owner name and geographical map location are used in the first example. In the second example, the area was scanned from GIS ariel's looking for features that stand out at first glance (Lakeshore, Dormers and a Deck)

Video #1: <https://cookasr.blob.core.windows.net/asr/VRBO Video.mp4>

Identifying Properties

Vrbo Trip Boards Login Help USD (\$) List your property

Where: Cook County, MN, USA

Check In Check Out Guests

Price Bedrooms Instant Confirmation More Filters

1 - 30 of 30 Sort

The Aurora, a stunning new organic contemporary with ...
House · 2 BR · 1 BA · Sleeps 4 · 865 Sq. Ft.
Viewed 50 times in the last 48 hours
Wonderful! 4.9/5
\$279 avg/night
Premier Partner
★★★★★ (31)

The SkyHouse. A stunning new built organic contempor...
House · 2 BR · 2 BA · Sleeps 6 · 1264 Sq. Ft.
Viewed 39 times in the last 48 hours
Wonderful! 4.9/5
\$345 avg/night
Premier Partner
★★★★★ (19)

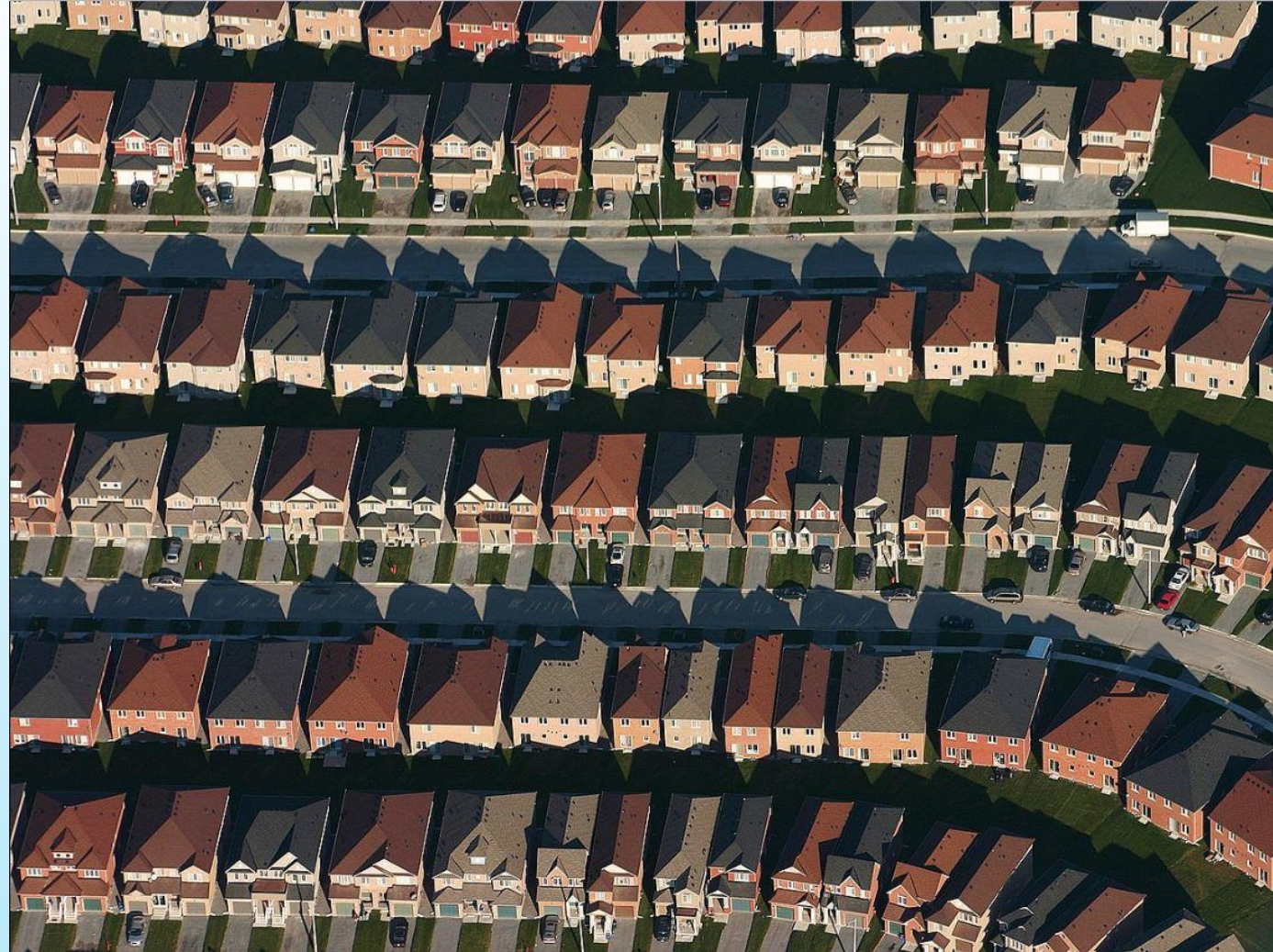
Outstanding Lake Superior Views, Grand Marais Harbor ...
Hotel Suites · 2 BR · 1 BA · Sleeps 6 · 900 Sq. Ft.
Great find! This property is usually booked.
Rare Find

Map: Grand Marais, MN. Pins indicate property locations. Search when I move map. Feedback.

DISCUSSION:

Some appear to intentionally hide the owner/location information, this advertisement of this property is listed under a name other than the owner and the map location is off.

Video #2: <https://cookasr.blob.core.windows.net/asr/VRBO Video 2.mp4>



DISCUSSION:

Others are just hard to distinguish from other similar properties (Condo/Townhomes/Cookie-Cutter subdivisions).

Sometimes patio furniture, trim color, etc. are the only distinguishable features.



Identifying Properties

- Advertising platforms are uncooperative
 - Currently no statutory obligation
- Effectiveness of in-house identification
 - Readily available resources, somewhat accurate
 - Not likely to correctly identify all properties
- Costs involved with third party contracting
 - Constant monitoring benefit
 - Means of auditing data
- Counties/Cities to consider ordinance
 - Assessor (*classification*)
 - Auditor (*lodging tax*)
 - Land Services (*zoning*)

The New York Times

Judge Blocks New York City Law Aimed at Curbing Airbnb Rentals



Protesters rallying against Airbnb in Manhattan in June. City officials say online home-sharing sites have aggravated New York's housing shortage. Rick Loomis for The New York Times

By Benjamin Weiser and J. David Goodman

A federal judge on Thursday blocked a recent New York City law intended to crack down on Airbnb and other online home-sharing sites that city officials say have essentially turned residential apartments into illegal hotels and have aggravated the city's housing shortage.

The law, [which was enacted last summer](#) and was to go into effect next month, would have required the home-sharing services to disclose monthly to the city detailed information about tens of thousands of listings, and the identities and addresses of their hosts.

Airbnb and another firm, HomeAway, sued in August, contending the law was unconstitutional.

On Thursday, the judge, Paul A. Engelmayer of United States District Court in Manhattan, granted Airbnb and HomeAway's request for a preliminary injunction, stopping the law from going into effect. He wrote that the ordinance violated the guarantee against illegal searches and seizures in the Fourth Amendment, and that the companies were likely to prevail on their claim.

"The city has not cited any decision suggesting that the governmental appropriation of private business records on such a scale, unsupported by individualized suspicion or any tailored justification, qualifies as a reasonable search and seizure," the judge wrote.

DISCUSSION:

New York City, due to housing shortages has banned short-term rentals. In 2018 the city enacted a law that would require advertising platforms to provide detailed information on tens of thousands of illegal listings and the identities and addresses of their hosts. A Federal Judge granted an injunction stopping the law from going into effect. He wrote the ordinance was a violation of the guarantee against illegal search and seizures in the fourth amendment.

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Washington Dispatch AHLA Industry News Trends & Research

Americans Strongly Support Reforming Federal Law To Rein In Illegal Short-Term Rentals

By Lodging Staff - September 11, 2019



Washington, D.C. – According to a new national survey, Americans overwhelmingly support amending federal law to remove loopholes used by short-term rental sites, like Airbnb and HomeAway, to avoid having to comply with local laws enacted by cities and other localities across the country. Three in four Americans (76 percent) believe short-term rental sites should be held accountable for complying with local laws, and 73 percent support an amendment to Section 230 of the Communications Decency Act (CDA) to stop companies, like Airbnb and HomeAway, from invoking the federal law to avoid compliance with state and local ordinances, according to the Morning Consult survey.



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Advertisement

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[LEARN MORE](#)

DISCUSSION:

<https://lodgingmagazine.com/americans-strongly-support-reforming-federal-law-to-rein-in-illegal-short-term-rentals/>

A federal bill titled the “PLAN Act” (Protecting Local Authority & Neighborhoods) was sent to the House of Representatives on 9/6/19

If passed, advertising platforms would be required to either remove illegal ads or illegal ads would have to become compliant with local ordinances.

To amend the Communications Act of 1934 to ensure the ability to enforce State and local law relating to leasing and renting of real property, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 6, 2019

Mr. CASE (for himself and Mr. KING of New York) introduced the following bill; which was referred to the Committee on Energy and Commerce

A BILL

To amend the Communications Act of 1934 to ensure the ability to enforce State and local law relating to leasing and renting of real property, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Protecting Local Au-
5 thority and Neighborhoods Act” or the “PLAN Act”.

Identifying Properties

- Cook County attempted to track listings on VRBO & AirBnb after local media did a story regarding short-term rentals and a potential commercial property tax classification.
- The numbers show that properties are often added and removed from the advertising platforms and constant monitoring requires significant resources.

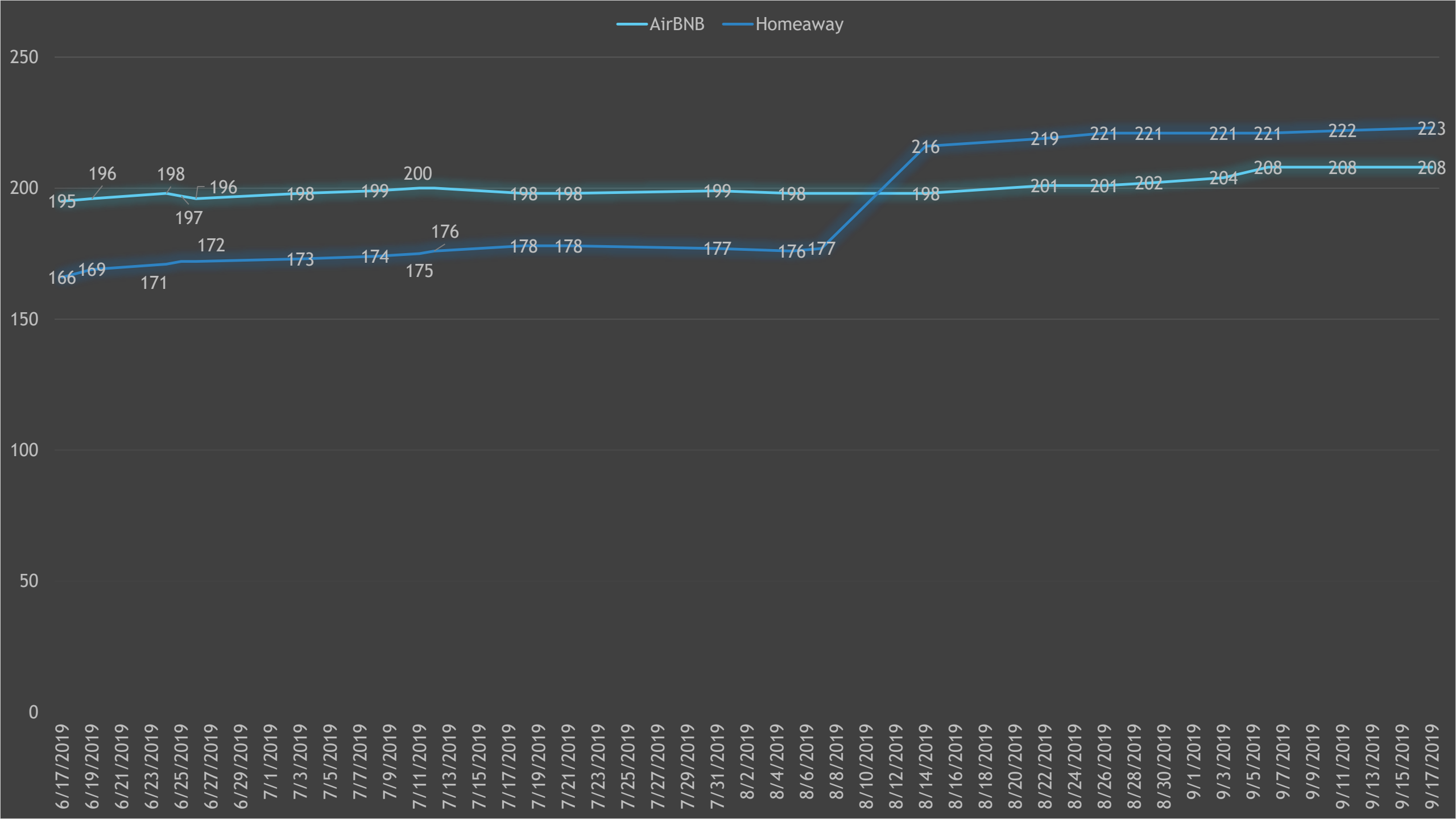
DISCUSSION:

Cook County tracked listings daily on VRBO & AirBnb after local media did a story regarding short-term rentals and a potential commercial property tax classification.

Cook County is aware that some properties are never advertised but are rented nearly all summer, this is due to years of business and repeat customers.

The large spike on August 18th is due to a resort, under new, youthful ownership, started advertising almost 40 units on VRBO.com

These resort units, although they do not require or pay for a county rental license, are included in the numbers and estimates calculated by HostCompliance. In other words, currently Cook County is contracted to pay for services that it cannot recoup through a license fee.





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- **Implementation of County/City Ordinance**
- Highest & Best Use/Income Valuation
- Classification
- Discussion

County/City Ordinance

1. Cook County's first step was the creation of a Vacation Rental Committee

- County Officials
 - Auditor - lodging tax
 - Land Services - environmental issues, zoning, permitting, etc.
 - Assessor - classification
- Property Managers
 - Business
- Property Owners
 - Quality of life
- Realtors
 - Clients
- Resort Owners
 - Fairness in regulation and operation



- After years of meetings, the committee decided there was a need for some form of oversight, such as a permit or license, enforceable through county ordinance.
- Cook County's Land Services Director surveyed all Minnesota Counties for information on if they regulate short-term rentals, and how.

Survey results attached

County/City Ordinance

1. Cook County's first step was the creation of a Vacation Rental Committee.
2. The Vacation Rental Committee established a need for oversight.
 - License
 - Creates a registry
 - Enforce state health regulations
 - Held to existing lodging standards
 - Most simple to implement
 - Less restrictive
 - Permitting
 - Conditional use
 - Significant staff hours
 - Can be restrictive
 - Interim Use
 - Can be restrictive

County/City Ordinance

1. Cook County's first step was the creation of a Vacation Rental Committee.
2. The Vacation Rental Committee established a need for oversight.
3. Land Services Director & County Attorney draft ordinance.
 - Address the needs of all interested parties
 - Requirement of MN Department of Health license
 - Requirement of lodging tax collection
 - Requirement of a local, 24 hour contact
 - Requirement to comply with local zoning
 - *CUP/IUP*
 - Necessary Prohibitions
 - Not allowed in recreational vehicles
 - Not allowed in an accessory structure other than a guest cabin
 - No more than two license per parcel in a residentially zoned district

Cook County Draft Ordinance attached

County/City Ordinance

1. Cook County's first step was the creation of a Vacation Rental Committee.
2. The Vacation Rental Committee established a need for oversight.
3. Land Services Director & County Attorney draft an ordinance.
4. Vacation Rental Committee discusses and modifies ordinance.
5. Final draft goes to a vote by the Planning and Zoning Board.
6. A public comment period is posted and held before the board of commissioners.
7. Ordinance is presented to the County Board of Commissioners for a vote.
8. Ordinance is adopted and takes effect.
9. Land Services Enforcement Division works toward 100% compliance.

License/Permit Application

- The Assessor's office has an opportunity to request information within the license or permit application that would help establish the primary use of the property for classification purposes.
 - Property Identification
 - Number of units / Rental structure
 - Number of days advertised
 - Number of days rented
 - Number of days used personally / seasonal-recreational use
 - Length of longest lease
- (Similar data request as 1c Homestead Resort or 4c(1) Seasonal Resort)
- Based on preceding year of business
 - Declaration due to the Assessor's office January 15th, every year



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Highest & Best Use

- Legally Permissible?
- Physically Possible?
- Financially Feasible?
- Maximally Productive?

Highest & Best Use

- Legally Permissible?
 - Locally Regulated in Minnesota
 - PUD Covenants & Restrictions

The following two slides are court decisions in Wisconsin and Michigan, challenging whether or not short-term rental is a commercial use which violates a Planned Unit Development's Covenants and Restrictions

Each state ruled differently and each case has made it to the court of appeals. The Wisconsin case went to the Wisconsin Supreme Court

Forshee v. Neuschwander,

10 for

¶3 We review a single issue: Whether the short-term rental of the Neuschwanders' property constitutes "commercial activity" under the restrictive covenant that encumbers their property. We conclude that the term, "commercial activity," which is undefined in the covenant, is ambiguous. Therefore, we narrowly interpret it and conclude that it does not preclude either short-term or long-term rentals of Neuschwanders' property. Accordingly, we affirm the decision of the court of appeals.

STATE OF MICHIGAN

COURT OF APPEALS

DONALD EAGER and CAROL EAGER,

Plaintiffs-Appellants,

v

CECILIA PEASLEY, Individually and as Trustee
of the CECILIA L. KAURICH TRUST,

Defendant-Appellee,

and

JEFFREY CAVANAUGH and SANDRA
CAVANAUGH,

Defendants.

FOR PUBLICATION

November 30, 2017

9:05 a.m.

No. 336460

Alcona Circuit Court

LC No. 2014-002282-CH

Advance Sheets Version

Before: O'CONNELL, P.J., and MURPHY and K. F. KELLY, JJ.

K. F. KELLY, J.

Plaintiffs appeal by right an order denying their request for injunctive relief. Plaintiffs sought to preclude defendant from renting out a lake house for transient, short-term use, arguing that such use violated a restrictive covenant.¹ The trial court found that the restrictive covenant was ambiguous and that, as a result, the law required free use of the property, including transient, short-term rentals. Finding no such ambiguity, we reverse.²

Highest & Best Use

- Legally Permissible?
 - Locally Regulated in Minnesota
 - PUD Covenants & Restrictions
 - Very Controversial topic
 - Cities & Counties create ordinances
 - Taxpayers challenge in court
 - Advertising platforms lawyer-up


StarTribune

LOCAL

Cook County in northern Minnesota looks to license short-term rentals

Cook County looks to license properties.

By Pam Louwagie Star Tribune | MARCH 5



A stand-alone property outside of Grand Marais, Minn., sitting on Devil Track Lake.


BRAINERD DISPATCH

NEWS BUSINESS SPORTS OPINION OUTDOORS LIFESTYLES ENTERTAINMENT MILESTONES OBITUARIES SHOPPER COMMUNITY

Ad closed by Google

Crow Wing County Board: Lakefront property owners say unregulated rentals cause for concern

By Frank Lee on Jan 10, 2019 at 9:00 a.m.



Dave Williams of Pelican Township voices his concerns about vacation rentals by nearby homeowners at the Tuesday, Jan. 8, statutory organization meeting.


ECHO JOURNAL

NEWS SPORTS OBITUARIES LIFESTYLES OPINION MILESTONES E-EDITION KLICK EXTRA SHOPPER

PLOWS THAT PERFORM
PROFESSIONAL STRENGTH, PROFESSIONAL RESULTS
HINIKER

Pequot Lakes: Action taken to regulate vacation rental homes

By Nancy Vogt on Dec 14, 2018 at 10:00 a.m.



Attempting to better regulate vacation rental homes in the city, the Pequot Lakes City Council adopted a short-term rental ordinance on a 4-1 vote Tuesday, Dec. 4. Council member Jerry Akerson was opposed.

"I buy a house and pay taxes. If I want to rent it out every lunch hour, I should be able to do that," Akerson said. "I don't know how Pequot thinks it can come in and limit the..."

Join Our Open House Tue June 4th from 3-7pm

Vrbo

\$355 avg/night Cabin in Lutsen	\$275 avg/night Cottage in Lutsen
\$169 avg/night Cabin in Grand Marais	\$188 avg/night Cabin in Lutsen
\$350 avg/night House in Lutsen	\$349 avg/night Cabin in Lutsen

Highest & Best Use

- Physically Possible?
 - Everything from Yurts to Highrise's
 - New construction intended for STR is prevalent



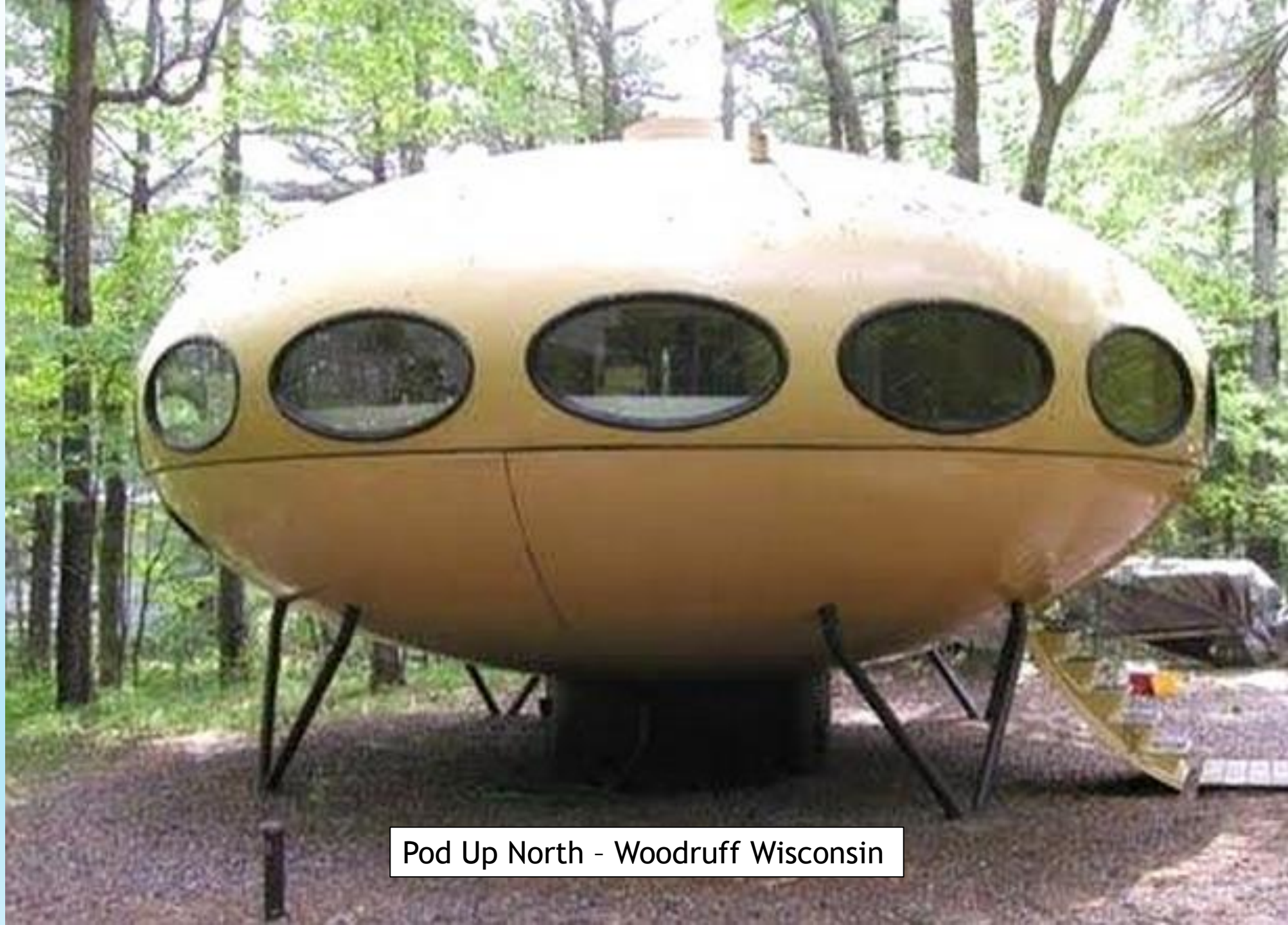
A brand new home which was advertised as a short-term rental upon completion in 2018
(Oberg Mountain in the Background)

A brand new home which was advertised as a short-term rental upon completion in 2017
(On Ski Hill Rd about a mile from Lutsen Mountain Ski Area, On Superior National Golf Course)





Skylodge Adventure Suites - Cuzco, Peru



Pod Up North - Woodruff Wisconsin



Dog Park Inn - Idaho



Sphere - British Columbia



Fuselage - Costa Rica

Highest & Best Use

- Financially Feasible?
 - Positive Leverage?
 - Negative Gearing?

DISCUSSION:

Investors include mortgage principle payments as an expense.

Negative Gearing is an investor planning for annual losses with an expectation that the present tax benefits, future capital gains, or both will exceed the losses. Capital gains tax could potentially be avoided down the road if the property was not part of a 1031 exchange or bought as part of an IRA investment.



Highest & Best Use

- Maximally Productive?
 - Short-Term
 - Long-Term
 - Retail/Service/Office

Highest & Best Use

- Short-Term rates are dynamic and it becomes hard to accurately calculate Potential Gross Income
- Vacancy & Collection loss varies significantly with differences in location, size, age, quality and nightly rates
- Effective Gross Income is easier to estimate or extract from the market

Subject:

2 Bedroom, 1 Bathroom
Sold: 2/9/2017 - \$118,400

Short-Term Income:

105 - nights booked (6 months)
x \$149 - average nightly rate
\$15,645 - EGI (July through December)

136 - estimated total nights booked
x \$149 - average nightly rate
\$20,264 - Estimated EGI

Effective Gross Income: \$20,260
Operating expenses: \$5,200

**Self Managed*

Net Operating Income: \$15,060



Effective Gross Income: \$20,260

Operating expenses: \$5,200

Net Operating Income: \$15,060

Net Income Ratio (NOI/EGI): 74.33%

Operating Expense Ratio (OE/EGI): 25.77%

Effective Gross Income Multiplier (Sale Price/EGI): 5.84

Overall Capitalization Rate (NOI/Sale Price): 12.72%

Subject:

2 Bedroom, 1 Bathroom
Sold: 2/9/2017 - \$118,400

Financing:

20% Down / 80% Financed
.8 Loan-to-value ratio
30 Year mortgage
4.5% Interest rate
\$479.83 Monthly P & I Payment
x 12 Months
\$5,757.96 Annual Debt Service



Effective Gross Income: \$20,260
Operating expenses: \$5,200
Net Operating Income: \$15,060
Net Income Ratio (NOI/EGI): 74.33%
Operating Expense Ratio (OE/EGI): 25.77%
Effective Gross Income Multiplier (Sale Price/EGI): 5.84
Overall Capitalization Rate (NOI/Sale Price): 12.72%
Annual Debt Service: \$5,757.96
Debt Coverage Ratio (NOI/Annual Debt Service): 2.62
Cashflow Before Taxes (NOI-Annual Debt): \$9,302.04

Subject:

2 Bedroom, 1 Bathroom
Sold: 2/9/2017 - \$118,400

Short-Term Income:

105 - nights booked (6 months)
x \$149 - average nightly rate
\$15,645 - EGI (July through December)

136 - estimated total nights booked
x \$149 - average nightly rate
\$20,264 - Estimated EGI

Effective Gross Income: \$20,260
Operating expenses: \$12,730

**With Professional Management*

Net Operating Income: \$7,530



Effective Gross Income: \$20,260

Operating expenses: \$12,730

Net Operating Income: \$7,530

Net Income Ratio (NOI/EGI): 37.17%

Operating Expense Ratio (OE/EGI): 62.83%

Effective Gross Income Multiplier (Sale Price/EGI): 5.84

Overall Capitalization Rate (NOI/Sale Price): 6.36%

Subject:

2 Bedroom, 1 Bathroom
Sold: 2/9/2017 - \$118,400

Financing:

20% Down / 80% Financed
.8 Loan-to-value ratio
30 Year mortgage
4.5% Interest rate
\$479.83 Monthly P & I Payment
x 12 Months
\$5,757.96 Annual Debt Service



Effective Gross Income: \$20,260
Operating expenses: \$12,730
Net Operating Income: \$7,530
Net Income Ratio (NOI/EGI): 37.17%
Operating Expense Ratio (OE/EGI): 62.83%
Effective Gross Income Multiplier (Sale Price/EGI): 5.84
Overall Capitalization Rate (NOI/Sale Price): 6.36%
Annual Debt Service: \$5,757.96
Debt Coverage Ratio (NOI/Annual Debt Service): 1.31
Cashflow Before Taxes (NOI-Annual Debt): \$1,772.04

Subject:

2 Bedroom, 1 Bathroom
Sold: 2/9/2017 - \$118,400

Long-Term Rental Income:

\$1,100 - Monthly Rent
x 12 - Lease Length
\$13,200 - Potential Gross Income

8% - Vacancy & Collection Loss
• $\$13,200 \times .08 = \underline{\$1,056}$ (VAC)

\$13,200 - PGI
-\$1,056 - VAC
\$12,144 - Effective Gross Income

Operating expenses: \$2,514
Net Operating Income: \$9,630



Effective Gross Income: \$12,144
Operating expenses: \$2,514
Net Operating Income: \$9,630
Net Income Ratio (NOI/EGI): 79.3%
Operating Expense Ratio (OE/EGI): 20.7%
Effective Gross Income Multiplier (Sale Price/EGI): 9.75
Overall Capitalization Rate (NOI/Sale Price): 8.13%

Subject:

2 Bedroom, 1 Bathroom
Sold: 2/9/2017 - \$118,400

Financing:

20% Down / 80% Financed
.8 Loan-to-value ratio
30 Year mortgage
4.5% Interest rate
\$479.83 Monthly P & I Payment
x 12 Months
\$5,757.96 Annual Debt Service



Effective Gross Income: \$12,144
Operating expenses: \$2,514
Net Operating Income: \$9,630
Net Income Ratio (NOI/EGI): 79.3%
Operating Expense Ratio (OE/EGI): 20.7%
Effective Gross Income Multiplier (Sale Price/EGI): 9.75
Overall Capitalization Rate (NOI/Sale Price): 8.13%
Annual Debt Service: \$5,757.96
Debt Coverage Ratio (NOI/Annual Debt Service): 1.67
Cashflow Before Taxes (NOI-Annual Debt): \$3,872.04

Subject:

2 Bedroom, 1 Bathroom
Sold: 2/9/2017 - \$118,400

Three different Scenarios:

Self Managed, Short-term income: \$9,302

- *material participation/business income*

Private Management, Short-term: \$1,772

- *Real Estate Investment income*

Private Management, Long-Term: \$3,872

- *Real Estate Investment income*



Real Estate Taxes:

- 1a - \$999
- 3a - \$2,582
- 4b(1) - \$1,859
- 4bb(1) - \$1,604
- 4c(12) - \$1,522

Subject:

2 Bedroom, 1 Bathroom
Sold: 2/9/2017 - \$118,400

Three different Scenarios:

Self Managed, Short-term income: **\$9,302**
• *material participation/business income*



Real Estate Taxes:

- 3a - **\$2,582**

Subject:

2 Bedroom, 1 Bathroom
Sold: 2/9/2017 - \$118,400

Three different Scenarios:

Private Management, Long-Term: **\$3,872**

- *Real Estate Investment income*



Real Estate Taxes:

- 4b(1) - \$1,859
- 4bb(1) - \$1,604

Subject:

2 Bedroom, 1 Bathroom
Sold: 2/9/2017 - \$118,400

Three different Scenarios:

Private Management, Short-term: **\$1,772**

- *Real Estate Investment income*



Real Estate Taxes:

- 3a - \$2,582

Annual loss \$810

Subject:

2 Bedroom, 1 Bathroom
Sold: 2/9/2017 - \$118,400

23 months after sale

Principle reduction: \$3,126.29

2019 EMV: \$156,300

Capital Gain : \$41,026.29

\$67.50

x 23 months

\$1,552.50

\$41,026.29

- \$1,552.50

\$39,473.79 Net Capital Gain



Annual loss \$810
Monthly cost \$67.50

Subject:

2 Bedroom, 1 Bathroom
Sold: 2/9/2017 - \$118,400

23 months after sale

Principle reduction: \$3,126.29

2019 EMV: \$156,300

Capital Gain : \$41,026.29

\$67.50

x 23 months

\$1,552.50

\$41,026.29

- \$1,552.50

\$39,473.79 Net Capital Gain



\$39,474 Capital gain

/ \$23,680 Initial investment

67% Return ON investment

167% Return OF investment



Subject:

3 Bedroom, 2 Bathroom
Sold: 9/29/2016 - \$602,200

Estimated \$75,000 in renovations and
decorating immediately after purchase

Potential Gross Income: \$149,705
Vacancy & Collection Loss: 44.69%
Effective Gross Income: \$84,300
Operating expenses: \$20,400

*Without Management (50% of NOI)

Net Operating Income: \$64,900

*\$32,450 if Managed Professionally



NIR: 76.99%

OER: 33.01%

EGIM: 8.03

OAR: 9.58%

NIR: 47.31%

OER: 62.69%

EGIM: 8.03

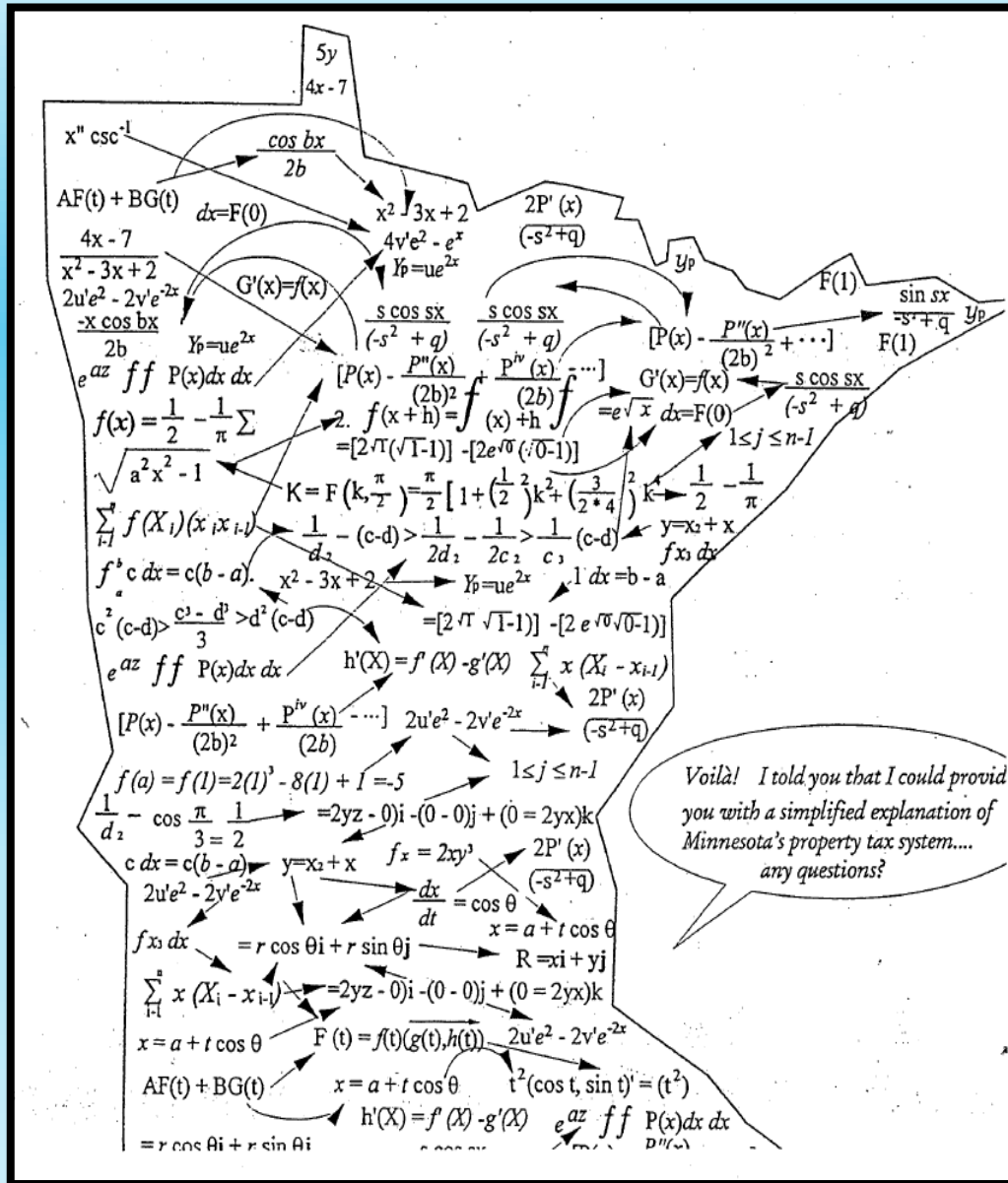
OAR: 4.79%



Agenda

- Intro
- Short-term Rentals 101: Fact Check
- Data Sources
- Identifying Short-Term Rentals
- Implementation of County/City Ordinance
- Highest & Best Use/Income Valuation
- **Classification**
- Discussion

Property Taxation in Minnesota...



- Said to be the Most Complex Property Tax System in the Country

- Typical Classifications are:

- Residential
- Agricultural
- Commercial
- Industrial

- Average # of Classifications per US State is 5

- MN Has about 60 (depending how you interpret)

- Next Most is South Dakota at 12

Classification of A Short-Term Rental

Factors To Consider...

- How is the Property Used?
- What is the Primary Use?
- Does the Property Generate an Income?
- Number of Rental Units?



Classification of A Short-Term Rental

Factors To Consider...

- How is the Property Used?
 - Vacation home?
 - Investment?
 - Combination of both?



Classification of A Short-Term Rental

Factors To Consider...

- What is the Primary Use?
 - Exceeding other uses
 - Vacant days?
 - Advertised vs Rented/Occupied?



Classification of A Short-Term Rental

Factors To Consider...

- Does the Property Generate an Income?
 - Revenue is certain
 - Profit is not guaranteed
 - Reported on income tax statements?



Classification of A Short-Term Rental

Factors To Consider...

- Number of Rental Units?
 - Potentially a resort?



4c(1) Seasonal Residential Recreational Commercial (resort)

- Intended to reduce the property tax burden on income-producing resorts which operate seasonally and the cabins/units are rented less than 250 days of the year.
- Must have a minimum of three rental units(Cabins, Condominium, townhouses, sleeping room or individual camping sites with water and electrical hookups for recreational vehicles).
- 40% or more of the bookings must be from business conducted during 90 consecutive days.
- If the property has less than 20 units and is located in a township or city with a population less than 2,500 and a state administered DNR trail then no recreational activities need to be provided by the resort to qualify.
- If more than 20 units, the resort must offer recreational activities ON-SITE *and*
A or B
 - a) At least 60% of bookings must be for periods of at least two consecutive nights.
 - b) At least 20% of the annual gross receipts must be from charges for providing recreational activities

Declaration Submitted To The Assessor By January 15th Of The Assessment Year.

Large cities & townships will not have to consider 4c(1) as a potential classification without specific recreational activities on site.



- Both parcels owned by the same investor
- Three rental units on each parcel
- As long as the units don't exceed 250 days rented each..
- **4c(1) Seasonal Resort**

DISCUSSION:

Both in Grand Marais, and in much of Cook County, Seasonal Resorts do not need to provide recreational activities if they are less than 20 units.



- One structure with 5 bedrooms
- Formally a Bed & Breakfast
- 5 Bedrooms are offered for rent individually
- **4c(1) Seasonal Resort**

Department of Revenue Guidance

- In June 2013 the DOR Info & Education section gave an opinion on a question posed regarding short-term rental activity.
 - The opinion was that 3a Commercial was the appropriate classification.
- In June 2018 the DOR Info & Education section gave an opinion on a question posed regarding short-term rental activity.
 - The opinion was that 3a Commercial could be appropriate if the primary use is short-term rental, and 4c(12) might be appropriate if the primary use is Seasonal Residential Recreational.
- **May 21, 2019 MDOR Memo**
 - Primary use test, if the primary use is short-term rental the appropriate classification is 3a commercial.

Case Law

- ▶ In **June 2014 T.C. Hewitt LLC** was the petitioner in a tax court case **versus McLeod County**. The petitioner challenged a 3a commercial classification which was the result of short-term rental activity. With detailed data regarding the primary and additional uses, the tax court upheld the 3a Commercial classification.
 - ▶ In this tax court case the judge argued the property does not meet the definition of “Residential real estate”, citing **“The Assessment & Classification Practices Report for Residential Use Properties”** dated 2/12/2007, which defines 4b properties as “Residentially used property that is non-homestead, but is either the primary residence of someone or is a vacant dwelling not used for any purpose.”

STATE OF MINNESOTA
COUNTY OF MCLEOD

TAX COURT
REGULAR DIVISION
FIRST JUDICIAL DISTRICT

T.C. Hewitt, LLC,
Petitioner,

**FINDINGS OF FACT,
CONCLUSIONS OF LAW AND
ORDER FOR JUDGMENT**

vs.

File Nos. 43-CV-11-743
43-CV-12-693
43-CV-13-696

County of McLeod,

Respondent.

Dated: June 27, 2014

This matter came before The Honorable Thomas G. Haluska, Judge of the Minnesota Tax Court.

Christopher M. Roe, Attorney at Law, represents petitioner, T.C. Hewitt, LLC.

Michael K. Junge, Assistant McLeod County Attorney, represents respondent County of McLeod.

SHIPMAN v. DOMINION HOSPITALITY

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Supreme Court of Missouri, En Banc.

**Scott SHIPMAN, St. Charles County Assessor, Appellant, v. DOMINION
HOSPITALITY, Respondent.**

No. SC 85905.

Decided: October 26, 2004

Charissa L. Mayes, Office of St. Charles County Counselor, St. Charles, for Appellant. James P. Gamble, St. Louis, for Respondent.

The St. Charles County Assessor (“assessor”) appeals a judgment of the circuit court affirming a decision of the State Tax Commission (“STC”) to set aside the assessor’s commercial classification of real property located in St. Charles, Missouri, known as TownePlace Suites-Marriott (“property”). The STC reclassified the property as “mixed-use,” sixty percent residential and forty percent commercial, and assessed the property at \$416,810 residential and \$468,000 commercial. After opinion by the Court of Appeals, this Court granted transfer.

Mo. Const. art. V, sec. 10. The judgment is reversed.¹

The Missouri Supreme Court has weighed in on short-term rental activity as early as 2004

Section 137.016.1(1) defines "residential property" as

all real property improved by a structure which is used or intended to be used for residential living by human occupants, vacant land in connection with an airport, land used as a golf course, and manufactured home parks, but residential property shall not include other similar facilities used primarily for transient housing. For purposes of this section, "transient housing" means all rooms available for rent or lease .

(emphasis added).

This statute requires that the hotel be classified not by its use, but rather its availability for use. In its definition of "residential property," the legislature has made plain that the benefits of this designation shall not flow to "facilities used primarily for transient housing." And "transient housing" is defined as "all rooms available" for short-term occupancy. Id. Although property is generally classified by its use, that rule has no application here where it is not its use, but rather its availability for use, that the legislature has specified must determine a property's classification. Thus, because here all the hotel rooms were available for short-term occupancy, the clear language of the statute compels the denial of the hotel's quest for residential classification.

Furthermore, the statute forbids a mixed-use classification under these circumstances. Although mixed-use classifications of property are generally permitted under section 137.016.4,3 the legislature has made an exception as to facilities used "primarily" for transient housing in its definition of "residential property." Sec. 137.016.1. To the extent there is a repugnancy between classifying property as mixed-use or by its primary use for "transient housing," the chronologically later specific disqualification of subsection 1 would prevail over the earlier more general provision of subsection 4. *Laughlin v. Forgrave*, 432 S.W.2d 308, 313 (Mo. banc 1968).

Therefore, if, as here, a facility makes more than half its rooms available for short-term occupancy, the property is entirely disqualified from a residential classification. Thus, the property's classification is dependent on whether its facilities are primarily available for short-term occupancy, not on what percentages of use might be ascribed to short-term and extended-stay occupants.

For the foregoing reasons, the judgment is reversed.

A clip from the Missouri Supreme Court ruling

Agents, Buyers & Management Companies

- If a commercial classification is deemed appropriate, the property tax implications are substantial and all investors should be made aware of the potential impact.

What's the tax implications?

$$(x + a)^n = \sum_{k=0}^n \binom{n}{k} x^k a^{n-k}$$

\$222,300 Townhouse in Lutsen...

4c(12) - \$1,956.02

4c(1) - \$2,318.43

4b(1) - \$2,267.88

3a - \$5,008.16

Agenda

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- Data Sources
- Identifying Short-Term Rentals
- Implementation of County/City Ordinance
- Highest & Best Use/Income Valuation
- Classification
- Discussion



RESULTS OF STATE-WIDE COUNTY LEVEL VACATION RENTAL OVERSIGHT SURVEY

JULY 6, 2018

41 – COUNTY'S RESPONDING

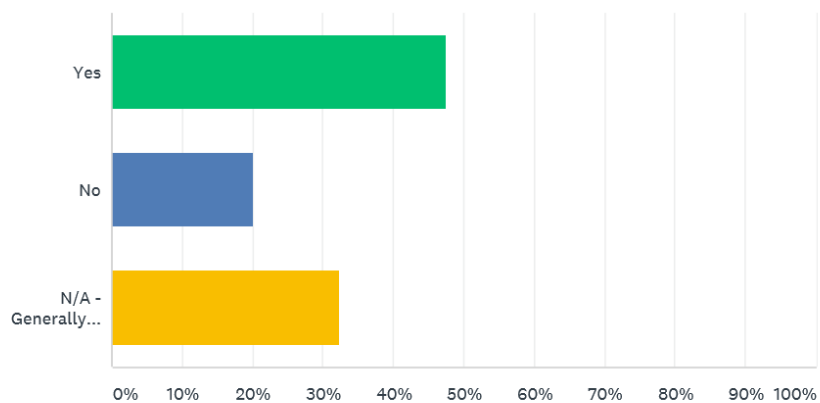
Crow Wing
Polk
Aitkin
Douglas
Kanabec
St. Louis
Becker
McLeod
Faribault
Jackson
Clearwater
Nobles
Wilkin
Carlton

Winona
Lake of the Woods
Wabasha
Wright
Nicollet
Brown
Pope
Mower
Lac qui Parle
Norman
Le Sueur
Rice
Yellow Medicine
Big Stone

Clay
Marshall
Morrison
Renville
Steele
Sherburne
Goodhue
Lake
Hubbard
Mille Lacs
Cass
Stearns
Murray

Has there been a noticeable increase in Vacation Rental operations in your county over the last five to ten years?

Answered: 40 Skipped: 1



ANSWER CHOICES	RESPONSES
Yes	47.50% 19
No	20.00% 8
N/A - Generally minimal to no Vacation Rental activity in the county.	32.50% 13
TOTAL	40

[Comments](#) (15)

Counties reporting that they have seen a noticeable increase:

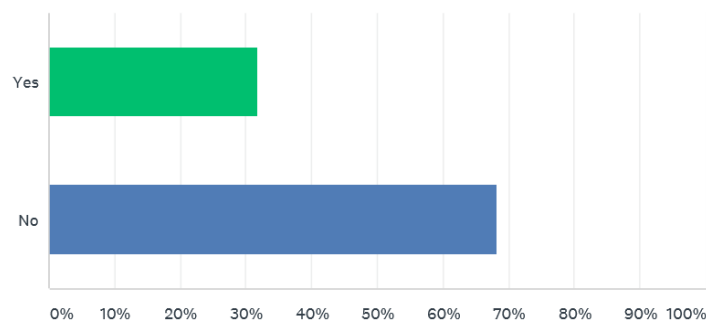
Aitkin	Becker	Big Stone
Carlton	Cass	Clearwater
Crow Wing	Douglas	Hubbard
Kanabec	Lake	Lake of the Woods
Le Sueur	Rice	Sherburne
St. Louis	Sterns	Winona
Wright		

Additional Comments:

1. A study done in 2014 showed 267 rentals on VRBO.com and today there is close to 350.
2. The only rental properties that I know of are deer hunting properties with cabins on them.
3. We've been tracking vacation rentals for at least 5 to 7 years and the number has increased since 2010
4. went from nobody talking about this issue to some evidence that short term lake rentals on a few of our lakes might be becoming an issue
5. We are updating the shoreland ordinance to address them
6. Only one site is listed on vrbo and airbnb sites and it is within a city.
7. We will soon have 2 that I know of
8. We don't allow them, but we are getting increasing requests. We consider it like a motel or hotel.
9. Mower County has 4 by CUP (please note Mower County has no lakes).
10. Have found a couple that have been operating for several years!!
11. We have permitted one.
12. Hard to tell, it's not something that we track. I know that we have a few based on previous permits we issued.
13. We went from zero to approximately three. That's triple!
14. We do not have any at this time.
15. We believe they have gone from zero to 10-20 in the last few years

Have you completed any kind of inventory to see how many Vacation Rentals may be operating in your county, and if yes, please provide the number in the comment box, even if it is an estimate, or a ball-park guess.

Answered: 41 Skipped: 0



ANSWER CHOICES	RESPONSES	
▼ Yes	31.71%	13
▼ No	68.29%	28
TOTAL		41

[Comments \(14\)](#)

Counties that have completed an inventory:

Aitkin (60)	Brown (2)	Carlton (7)
Clearwater (3)	Crow Wing (350)	Douglas (75)*
Jackson (1)	Lake (46)	Lake of the Woods (12)
Morrison (7)	Nicollet (1)	Rice (10 – 20)
St. Louis (210)	Steele (1)	

Other Counties Estimates:

Mille Lacs (5)	Mower (4)	Renville (6)
Sherburne (8)		

** Now estimates 80 - 100*

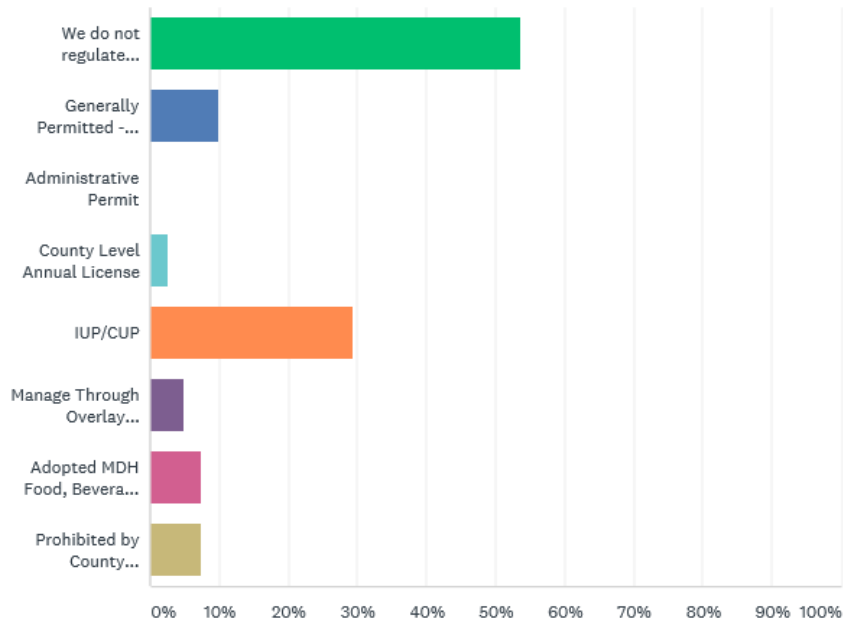
Additional Comments:

1. 2 permitted, 5 un-permitted (for now)
2. Only online research on popular VRBO rental sites. These searches have shown approximately 350 listed properties.
3. approximately a dozen
4. We check websites on a regular basis and require IUP's. Most comply and others quit renting. We have about 50 on IUP's and another 10 in the permitting stage.
5. 7
6. No, if you have examples I'd love them
7. During the last review, we had one in the middle of a farm field.
8. I just looked it up and only one site is listed on the vrbo and airbnb websites. It is located within a city.
9. Soon to be 2
10. I have occasionally checked the website. The 4 we have (I am aware of) are permitted by CUP.
11. Although there are probably may vacation rentals that we are not aware of, we are currently permitting 46.
12. Based on previous permits, I know we have at least five.
13. 3
14. Just from looking online. 10-20



How do you currently regulate Vacation Rentals? (Select all that apply)

Answered: 41 Skipped: 0



ANSWER CHOICES	RESPONSES
▼ We do not regulate Vacation Rentals	53.66% 22
▼ Generally Permitted - With no Required Permit	9.76% 4
▼ Administrative Permit	0.00% 0
▼ County Level Annual License	2.44% 1
▼ IUP/CUP	29.27% 12
▼ Manage Through Overlay Districts	4.88% 2
▼ Adopted MDH Food, Beverage & Lodging Program	7.32% 3
▼ Prohibited by County Ordinance	7.32% 3
Total Respondents: 41	

[Comments \(3\)](#)

Counties that do not regulate Vacation Rentals, or where they are generally permitted:

- | | | |
|-----------------|--------------------|------------|
| Big Stone | Cass | Clay |
| Clearwater | Crow Wing | Faribault |
| Goodhue | Hubbard | Kanabec |
| Marshall | McLeod | Mille Lacs |
| Morrison | Murray | Nicollet |
| Nobles | Norman | Polk |
| Pope | Renville | Sherburn |
| St. Louis | Steele | Wright |
| Yellow Medicine | Lake of the Woods* | |

* Depending on Zone District

Counties that regulate through the IUP/CUP process:

Aitkin (60)	Becker	Brown (2)
Carlton (7)	Douglas (80 – 100) ¹	Jackson (1)
Lac Qui Parle	Lake (46)	Mower (4)
Sterns	Lake of the Woods ² (12)	Wabasha

1 – Operations having over 12 overnight occupants require a CUP, Under 12 is a license.
 2 – Depending on the zone district.

Counties where Vacation Rentals are prohibited by County Ordinance:

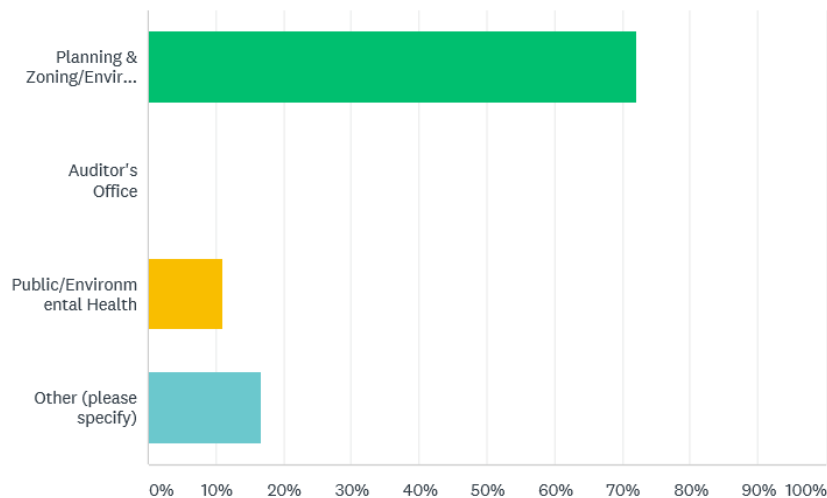
Le Sueur	Rice	Sherburne
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Additional Comments:

1. We used to regulate through MDH delegation to our County, however about 1 year ago, we gave the responsibility back to MDH, opted out. *(Winona County)*
2. If located within a commercial zoning district this activity is allowed; however, if not located anywhere else, a CUP is required.
3. We previously required an IUP, but effective May 1, 2015 they are allowed with standards. *(Mille Lacs County)*

If your County regulates Vacation Rentals, which department is responsible?
 (If your County does not regulate Vacation Rentals, you can skip all of the remaining questions.)

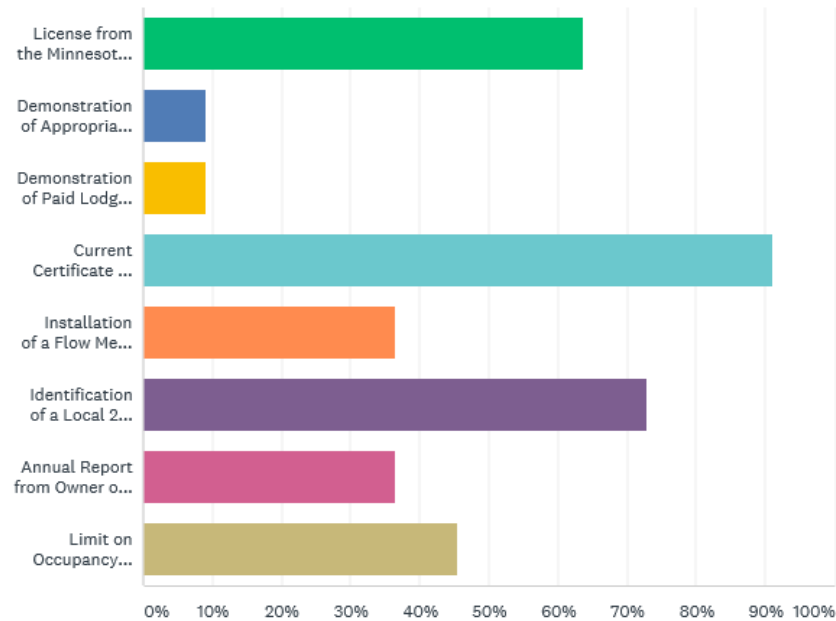
Answered: 18 Skipped: 23



ANSWER CHOICES	RESPONSES	
▼ Planning & Zoning/Environmental Services/Land Services	72.22%	13
▼ Auditor's Office	0.00%	0
▼ Public/Environmental Health	11.11%	2
▼ Other (please specify)	Responses 16.67%	3
TOTAL		18

In regulating Vacation Rentals, what is included on the list of requirements for the operation to remain in compliance? (Select All That Apply)

Answered: 11 Skipped: 30



ANSWER CHOICES	RESPONSES
▼ License from the Minnesota Department of Health.	63.64% 7
▼ Demonstration of Appropriate Insurance.	9.09% 1
▼ Demonstration of Paid Lodging Taxes.	9.09% 1
▼ Current Certificate of Compliance for Septic System.	90.91% 10
▼ Installation of a Flow Meter for Water Usage.	36.36% 4
▼ Identification of a Local 24/7 Point of Contact.	72.73% 8
▼ Annual Report from Owner on Occupancy.	36.36% 4
▼ Limit on Occupancy Levels Per Bedroom or Beds.	45.45% 5

Total Respondents: 11

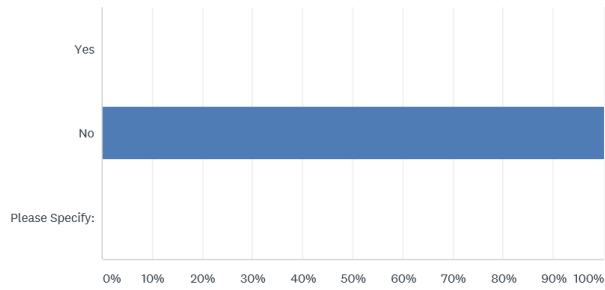
[Comments \(7\)](#)

Additional Comments:

1. We have a specific section in our zoning ordinance that lists the requirements that must be met for the rental unit and IUP application. We also have a list of conditions that are placed on each approved IUP.
2. license from local health dept.
3. Becker County does not have a formal list of requirements. If a CUP is granted the stipulations/requirements may vary.
4. They are considered a permitted use so no special zoning approval is needed.
5. license from County per FBL requirements.

Does your County employ any type of Vacation Rental tracking software or internet service such as "Host Compliance", and if so, please describe in the comment box what you use, and how would you rate that software or service?

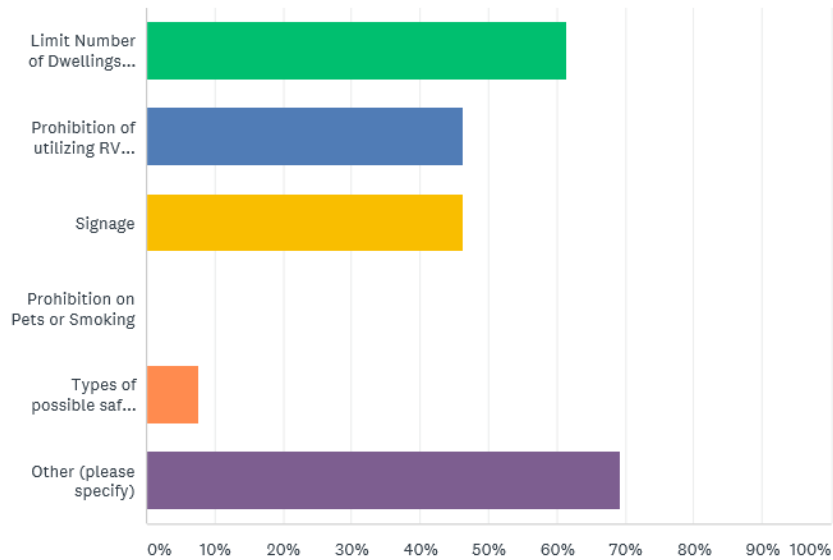
Answered: 20 Skipped: 21



ANSWER CHOICES	RESPONSES
Yes	0.00% 0
No	100.00% 20
Please Specify:	Responses 0.00% 0
Total Respondents: 20	

Do you have any other additional regulatory requirements for Vacation Rentals? (Check All That Apply)

Answered: 13 Skipped: 28



ANSWER CHOICES	RESPONSES
Limit Number of Dwellings or Units for rent on any one parcel.	61.54% 8
Prohibition of utilizing RV's as Vacation Rentals	46.15% 6
Signage	46.15% 6
Prohibition on Pets or Smoking	0.00% 0
Types of possible safety and medical equipment.	7.69% 1
Other (please specify)	Responses 69.23% 9
Total Respondents: 13	

Additional Comments:

1. Federal tax ID #, compliance with local lodging tax requirements
2. no
3. See Zoning Ordinance and if needed can provide copy of conditions placed on the IUP's
4. use of a good neighbor brochure, requirements for marking property boundaries, no on-street parking, limited number of guests on property (during day)
5. NA
6. Property boundaries must be marked. No fireworks or firearms can be used. Quiet hours.
7. I will use this column to voice my opinion. I do not think Vacation Rentals should be allowed - period. If I own a cabin on a lake that is next to a rental cabin and they party all night and overflow with people, I am going to be pissed off at the county for allowing this stupid activity on lakeshores across Mn...
8. Please refer to Provision 504.10 of the Development Ordinance which can be found on this page of the County's website: <https://www.co.mille-lacs.mn.us/ordinances>
9. water test for nitrates and bacteria; not allowed on a holding tank

Cook
County
Vacation
Rental
Ordinance
Number 62

Draft November 8, 2018

Cook County Land
Services Department

COOK COUNTY VACATION RENTAL ORDINANCE

Article 1.0 STATUTORY AUTHORIZATION AND POLICY

1.1 **Statutory authorization.** This ordinance is adopted pursuant to the authorization and policies contained in the County Planning and Zoning enabling legislation in Minn. Stat. chapter 394.

1.2 **Purpose and intent.**

(a) Cook County has a long history as a tourism and recreational destination. Private vacation rental homes do appear to provide a benefit to Cook County by expanding the numbers and types of lodging facilities available, and by providing additional jobs and revenues. However, the use of residential properties for short-term rental can have an adverse impact on neighboring properties.

(b) It is the purpose and intent of this Ordinance, consistent with the terms of the Cook County Comprehensive Plan, to continue the allowed use of private vacation rental homes in the identified zone districts but also mitigate possible adverse impacts to the health, safety, and welfare of surrounding properties through the establishment of a licensing program for the review and approval of vacation rental home operations.

Article 2.0 DEFINITIONS AND GENERAL PROVISIONS

2.1 **Definitions.** Unless specifically defined below, words or phrases used in this Ordinance shall be interpreted to give them the same meaning they have in common usage and to give this Ordinance its most reasonable application. For the purpose of this Ordinance, the words “must” and “shall” are mandatory and not permissive, and the words “may” and “should” are permissive.

2.1.1 **“Bed and Breakfast”** means an establishment in a residential dwelling that supplies temporary accommodations to overnight guests for a fee where an owner or manager resides on the premises.

2.1.8 **“Parcel”** means a unit of real property that has been given a tax identification number maintained by the County.

2.1.9 **“Vacation Rental”** Means any home, cabin, condominium or similar building that is advertised as, or held out to be, a place where sleeping quarters are furnished to the public on a nightly, weekly, or for less than a 30-day time period and is not a bed and breakfast.

2.2 **Severability.** If any section, clause, provision, or portion of this Ordinance is adjudged unconstitutional or invalid by a court of competent jurisdiction, the remainder of this Ordinance shall not be affected thereby.

3.1 **Jurisdiction.** The provisions of this Ordinance apply to all unincorporated areas of Cook County.

ARTICLE 3.0 ANNUAL LICENSE REQUIRED

- 3.1 No owner of a Vacation Rental may rent that unit for periods less than 30 consecutive days without a valid Vacation Rental license issued pursuant to this Ordinance.
- 3.2 All existing Vacation Rental operations as of the enactment date of this Ordinance shall be licensed by the County within three months from the enactment date of this Ordinance.
- 3.3 All new Vacation Rental operations as of the enactment date of this Ordinance shall obtain a license from the County prior to commencing operations.
- 3.4 All Vacation Rental operations shall have between January 1st and March 31 of each year to re-apply annually for their license renewal.

ARTICLE 4.0 LICENSE APPLICATION REQUIREMENTS

- 4.1 **Application Requirements.** The following information shall be provided to the County on the Vacation Rental license application:
 - (a) The name, mailing address, email address and telephone number of the owner of the Vacation Rental home for which the license is to be issued;
 - (b) Physical location, parcel identification, zone district and description of the property on which the Vacation Rental operation is located;
 - (c) The name, address, telephone number and email address of the agent, representative and/or local contact person for the Vacation Rental;
 - (d) Demonstration that any lodging taxes associated with the Vacation Rental operation is current;
 - (e) Acknowledgement of property liability insurance for the Vacation Rental operation;
 - (f) Demonstration that the Vacation Rental operation has a license issued by the Minnesota Department of Health, or written certification from the property owner that a license is not required by the State of Minnesota, stating the reasons the reasons;
 - (g) All other information that is requested on the Vacation Rental License Application;
 - (h) Payment of the application fee that will be listed on the Cook County Fee Schedule.
- 4.2 **Application Process.** Applications for vacation rental operation licenses may be filled out online at <https://permits.co.cook.mn.us/index.php>.

Once the application is received along with the supplemental information and payment of fee, Cook County will issue or deny the license in accordance with the timelines established under Minnesota Statute 15.99, during which time the County may contact the applicant for additional information. If the permit is denied, a letter will accompany the denial explaining the reasons for the denial, and the applicant may reapply once the conditions surrounding the application denial are corrected.

Article 5.0 GENERAL REQUIREMENTS

5.1 **Zone Districts Allowing Vacation Rentals.** Vacation Rental operations are allowed in the following zone districts as described in the Article 4 of the Cook County Zoning Ordinance:

(a) **Permitted Use**

- Forest Agriculture Recreational Zone District	FAR-1
- Forest Agriculture Residential Zone District	FAR-2
- Forest Agriculture Residential Zone District	FAR-3
- Lake Shore Residential Zone District	LSR
- Single Family Residential Zone District	R-1
- Tofte Mixed Use Zone District	TMU
- Resort Commercial Zone District	RC/R
- Wildwood Acres Overlay District	WAOD

(b) **Conditional or Interim Use**

- Lutsen Town Center Residential Zone District	LR-1
- Lutsen Town Center Residential Initiative District	LR-2
- Tofte General Commercial Zone District	TGC

5.2 **Conformance with Existing Regulations.** Vacation Rental operations shall conform to all existing standards listed in Minnesota Statutes and Rules, and County Ordinances with regards to Noise, Sanitation, Parking and Trespass.

5.3 **Property Contact Information.** The owner, agent, representative or manager of a Vacation Rental operation shall designate and provide information, to the County and each renter, for a point of contact that would be available 24-hours a day, seven days a week to respond to issues that may arise regarding the Vacation Rental.

Article 6.0 ENFORCEMENT

6.1 **Enforcement.** The Land Services Department shall investigate all violations of this Ordinance, notify the owners of violations and direct the property owner to correct violations within a reasonable period of time, and, if compliance is not obtained within a reasonable period of time, such violation shall be reported to the County Attorney, who shall take appropriate and immediate action on the matter.

6.2 **Penalties.** Any person, firm or corporation, or agent, employees or contractors of such, who violate, disobey, omit, neglect, refuse to comply with, or who resist enforcement of any of the provisions of this Ordinance may be subject to the forfeiture of their license. Violations of this Ordinance may also be deemed a misdemeanor. Each day that a violation continues to exist shall constitute a separate offence. All fines for violations shall be paid to the County and shall be credited to the General Revenue fund.

Article 7.0 ADOPTION

The Cook County Vacation Rental Ordinance is hereby adopted by the Cook County Board of Commissioners on this _____ day of _____.

Ginny Storlie, Chair, Cook County Board of Commissioners

ATTEST:

Braidy Powers, Cook County Auditor

EFFECTIVE DATE: _____

