



CITY OF MARSHALL AGENDA ITEM REPORT

Presenter:	Ilya Gutman
Meeting Date:	Tuesday, November 22, 2022
Category:	NEW BUSINESS
Type:	ACTION
Subject:	Rental Ordinance
Background Information:	<p>In the summer of 2021, the City received a complaint about a VRBO rental property in town. The current ordinance does not address short-term rentals, such as VRBO's and AirBnB's. At the Council meeting discussing the situation, staff received direction to develop an ordinance addressing the short-term rentals. However, at the Legislation and Ordinance Committee meeting discussing the first draft, it was suggested that short-term rentals should be handled similar to most other cities, which regulate them through a rental ordinance along with other rental properties.</p> <p>At the subsequent L&O meeting in December 2021, a draft rental ordinance was presented and discussed, receiving generally positive review. Staff presented the Ordinance to the Council in February 2022 and requested an authorization to set up a meeting with local landlords/property owners prior to finalizing the Ordinance and its implementation program.</p> <p>Two meetings, necessary to accommodate a large number of rental properties and their owners in the City, took place at the end of March. There were close to 100 people attending who asked a lot of questions and shared their input. A list of proposed inspections was presented and discussed, and all questions and comments were documented and taken into account.</p> <p>At the L&O meeting on June 28, 2022, the final draft was presented and approved. However, at the W & M meeting on August 29, 2022, while discussing rental ordinance fee, a suggestion was made to have another meeting with property owners before presenting to the Council.</p> <p>Conversation was, again, separated into two meetings that took place at the end of October. The first meeting included mostly multiple family owners with attendance of about 25 people, who complained about high cost of the program, especially inspections. However, they offered a suggestion of, and expressed support for, a registration program backed by significant negative repercussions for Housing Code violations reported to the City by tenants. The second meeting was attended by about 20 people, mostly single-family houses owners, who voiced their strong agreement with the registration plan that was mentioned by staff.</p> <p>The City of Marshall is the only city among comparable cities (and one of very few cities of similar size in the State of Minnesota) that does not have a rental ordinance. It is home to a four-year college, which increases demand for rental properties, and with 44% of the population renting, Marshall is near the top of the list for such percentage in Minnesota. The City has a Housing Code that has been in place for several decades, and is enforced on a complaint basis only. However, many people are unaware of this code, on one hand, and the City is unaware of many rental properties, on the other hand.</p>

	<p>The Rental Ordinance was generally based on similar ordinances from comparable cities, but it has been revised now to become a registration program only. Mandatory registration with a nominal one-time fee and no mandatory regular inspections will reduce owners' expenses. Registration process will require property owners to sign a statement that their properties meet current Housing Code. Valid complaints and concerns - the ones that are made about items covered by the Housing Code and which have been brought up to the owner/manager - will be investigated by staff during inspections. These inspections will review the entire unit for other violations though, and the owner will have to pay inspection fees for these inspections. Fines and revoking registration are possible in cases when cooperation is lacking, and rental units become non-compliant.</p> <p>The revised Ordinance will still absolve landlords of some responsibilities such as pest control in single family rentals. Additionally, short-term rentals are addressed as a separate section within this Ordinance. Staff would also recommend amending the ordinance by allowing renting to more than three unrelated adults, which would expand rental opportunities for college students living in single family houses.</p> <p>The license term is proposed to be two years considering that there are no required inspections and there are no fees, and the first term will start in 2023.</p> <p>An ordinance summary, a Registration Certificate form and inspection lists are attached for reference.</p>
Fiscal Impact:	N/A
Alternative/ Variations:	
Recommendations:	Staff recommend the recommendation to the City Council approving the new Article VIII Residential Rental Code.