



AGENDA REPORT

City Council Meeting

TODAY'S DATE: January 6, 2026

MEETING DATE: January 21st, 2026

TO: Mayor Grimm, members of City Council

FROM: Jason Welker, Planning & Community Development Director

SUBJECT: PUBLIC HEARING: Amendments to Title 3, Chapter 12: Short Term Rental of Dwelling Units

PURPOSE:

The purpose of this item is to consider proposed amendments to Sandpoint City Code Title 3, Chapter 12, regulating short-term rental (STR) operations within city limits. The amendments modernize the existing ordinance, clarify permitting and enforcement provisions, and align the City's regulations with Idaho Code §67-6539, which affirms the authority of municipalities to regulate STRs in order to protect public health, safety, and neighborhood character while respecting private property rights.

PLANNING & ZONING COMMISSION RECOMMENDATION

Leading up to tonight's public hearing, two previous hearings were held at the Planning & Zoning Commission level: the first on November 17th and the second on December 16th. At the December 16th meeting the Commission voted 5-0 in favor of recommending City Council adopt the amendments to the STR ordinance as presented in this staff report.

BACKGROUND

Sandpoint first adopted regulations governing short-term rentals (STRs) in 2018, with minor amendments made in 2020. In the years since, Idaho's legal and regulatory landscape surrounding STRs has continued to evolve, shaped most recently by two significant court decisions. In *Idaho Association of Realtors, Inc. v. City of Lava Hot Springs* (2025), the Idaho Supreme Court invalidated that city's prohibition on non-owner-occupied STRs in residential zones, holding that Idaho Code §676539 expressly forbids any ordinance that has the "express or practical effect" of prohibiting short-term rentals of any type. Soon after, in *Scott v. City of McCall* (2025), the Fourth District Court largely upheld McCall's STR ordinance as a reasonable exercise of local police power under the same statute—emphasizing that municipalities retain authority to impose objective, health, safety, and welfare-based regulations so long as they do not amount to a functional ban.

Together, these rulings have clarified the boundaries of permissible STR regulation in Idaho, confirming that while cities may not prohibit STRs outright or by effect, they may regulate them to mitigate impacts on neighborhood character and livability. Recognizing that Sandpoint's current ordinance predates these precedents and includes provisions, such as a numerical cap on non-owner-occupied STRs, that are increasingly difficult to defend under state law, the proposed amendments remove that cap while preserving and strengthening the City's ability to regulate operational and neighborhood impacts

through reasonable, objective standards related to parking, noise, occupancy, and safety. These changes ensure the City's STR regulations remain legally defensible, enforceable, and consistent with Idaho Code §67-6539.

OVERVIEW OF CHANGES

The proposed amendment to Sandpoint City Code Title 3, Chapter 12 modernizes and simplifies the City's short-term rental regulations to improve clarity, enforceability, and alignment with Idaho state law. The ordinance has been reorganized for better structure, now moving logically from purpose and applicability to definitions, permitting, operational standards, and enforcement. The purpose statement has been rewritten to clearly align with Idaho Code §67-6539, affirming the City's authority to regulate short-term rentals in order to protect public health, safety, and neighborhood character while balancing private property rights and housing opportunities.

The amended ordinance removes the outdated cap limiting non-owner-occupied short-term rentals in residential zones and eliminates references to owner-occupied distinctions, which are increasingly inconsistent with state law and have been subject to legal challenges in other Idaho cities. In its place, the ordinance introduces two clear permit types, Standard and High-Occupancy, based on guest capacity. High-Occupancy rentals, defined as those accommodating twelve or more guests, require a conditional use permit in residential zones but not in commercial districts.

Other updates consolidate and clarify administrative procedures, including annual renewal requirements and non-transferability of permits. Operational standards have been expanded to include off-street parking requirements to mitigate neighborhood impacts, while existing safety and inspection requirements remain in place. Enforcement language has been strengthened, with fines now tied to the City's adopted fee schedule and clarified provisions for revocation, appeal, and illegal advertising.

Overall, the proposed amendments eliminate outdated and potentially unenforceable restrictions, provide clearer direction to both staff and property owners, and ensure that Sandpoint's short-term rental regulations are consistent with state law and best practices statewide.

DECEMBER 16, 2025 UPDATE TO PZ COMMISSION

Following the November 18th public hearing at which amendments were first presented and discussed, staff implemented additional changes to the proposed amendments based on commissioner and community feedback. Those changes are summarized below:

1. **Addition of a definition of "neighborhood integrity":** State law Title 67, chapter 6539 of Idaho code allows counties and cities to enact and enforce ordinances that "protect the integrity of residential neighborhoods in which short-term rentals or vacation rentals operate." However, neither state law nor local ordinance has provided a definition of "neighborhood integrity." In response to the Planning & Zoning Commission's request to adopt such a definition, staff have developed the following:
 - *Neighborhood integrity: "The condition in which residential areas function in a manner consistent with their intended character and density, such that short-term rental activities do not generate impacts such as noise, traffic, parking congestion, or public nuisance, beyond those normally associated with lawful long-term residential use."*
2. **Creation of a new type of STR permit:** In the November 18th presentation the draft amendment proposed requiring High-Occupancy Short Term Rentals (HSTRs, defined as STRs advertising occupancy for 11 or more guests) to obtain a Conditional Use Permit (CUP). Staff have since determined that the better option is to create a new type of STR permit specifically for high-occupancy units, and keeping the permitting process separated from the CUP process, which typically relates to regulation of land use under Title 9, Zoning.
 - The proposed HSTR permit process mirrors the process for a CUP closely, requiring the same noticing and public hearing at which the PZC has authority over approval or denial of a HSTR permit.

- The new permit includes specific requirements regarding performance and impacts of the proposed HSTR.
 - Findings include requirements that the HSTR will “maintain the integrity of the surrounding residential neighborhood”.
3. **Updated parking requirements:** The draft brought to the November 18th meeting required a minimum of two off-street parking spaces for an STR, with requirements increasing with additional bedrooms beyond three. The updated proposal brings this requirement more into line with the residential parking requirements and the nature and reality of transient occupancy of STRs.
- One off-street parking space is required for STRs advertising accommodation for five or fewer guests.
 - Two spaces are required for STRs advertising 6 – 10 guests.
 - Rationale is most vehicles can accommodate up to five passengers. It is reasonable to tie off-street parking requirements to likely demand for parking resulting from STR operation.
 - HSTR parking requirements to be established as a condition of approval by the PZC.

CONSISTENCY WITH THE COMPREHENSIVE PLAN

The proposed amendments to the City’s short-term rental regulations are generally consistent with the goals and policies of Sandpoint’s 2024 Comprehensive Plan, particularly those addressing neighborhood preservation, housing availability, and livability.

The Comprehensive Plan acknowledges that approximately 20% of Sandpoint’s housing stock is used for seasonal, recreational, or occasional purposes and notes that the proliferation of short-term rentals has a direct impact on the availability of year-round housing. It further recognizes community concern over the effects of STRs on neighborhood character, affordability, and sense of community, stating that “residents continue to want regulations and enforcement of short-term rentals to ensure neighborhood residential character is maintained.”

Within Chapter 5: Housing and Neighborhoods, the Plan sets forth policies to (1) protect the residential character of existing neighborhoods and (2) continue to manage short-term rentals to mitigate adverse impacts on year-round residential neighborhoods as allowed by law (Goal 3, Policy C).

The proposed ordinance advances these goals by strengthening operational standards that address neighborhood impacts, such as parking, occupancy, and safety, while improving clarity and enforceability. It aligns with state law by removing numerical caps that have proven difficult to defend legally, shifting instead toward impact-based regulation consistent with the Comprehensive Plan’s intent to “manage” rather than prohibit short-term rentals.

However, staff acknowledge that removal of the citywide cap on non-owner-occupied short-term rentals may represent a partial divergence from the Plan’s policy direction to maintain housing availability for full-time residents. While the proposed amendment upholds the Plan’s neighborhood protection objectives, it does so through administrative and operational controls rather than through quantitative limits on the number of STRs.

Overall, the proposed changes maintain substantial consistency with the Comprehensive Plan by focusing regulation on mitigating neighborhood and housing impacts, ensuring compliance with Idaho Code §67-6539, and preserving the City’s ability to monitor and manage STR activity as part of its broader housing strategy.

LEGISLATIVE THREAT TO CONTINUED REGULATION OF STRs AND THE AIRBnB LOBBYING EFFORT IN BOISE – WHAT IT MEANS FOR THE FUTURE OF STR REGULATION IN SANDPOINT

While staff have continued refining our local STR ordinance, the Idaho Vacation Rental Association and its Silicon Valley backers (notably AirBnB) have drafted a bill amending State Law Title 67-6539,

“Limitations on regulation of short-term rentals and vacation rentals” to further strip City’s rights and abilities to regulate STRs to mitigate their impacts on neighborhood integrity. Notable changes to State law being proposed include,

1. Changing language that currently states, *“A county or city may implement such reasonable regulations **as it deems necessary** to safeguard the public health, safety and general welfare in order to protect the integrity of residential neighborhoods in which short-term rentals or vacation rentals operate”* to *“...regulations **contained in subsections (4) and (5)** to safeguard the public health...”*
 - Cities would no longer be permitted to determine what regulations are necessary and instead would be limited to regulations the state says we are allowed to implement. Those included in (4) and (5) include:
 4. *Cities may require smoke alarms, fire extinguishers, removable fire escape ladders in sleeping areas above the main floor, carbon monoxide detectors, set maximum occupancy limits based on the international fire code, and require the owner to provide informational handouts regarding location of exits, fire extinguishers, and first aid kits.*
 5. *Other reasonable regulations that “shall not impose greater restrictions or obligations on the short-term rental than are imposed on similar dwelling units not used as short-term rentals.”*
2. Eliminating city and county’s licensing / permitting authority for operation of STRs, such that Cities are prohibited from requiring STRs to register with the City.

If the bill amending the State’s STR laws makes it through the legislature in the upcoming session, Sandpoint will be required to further amend our own STR ordinance to remove permit requirements and any performance standards beyond those identified in (4) and (5) above.

STAFF RECOMMENDATION:

Staff recommend that the City Council approve adoption of the proposed amendments to Sandpoint City Code Title 3, Chapter 12, as presented. The revised code provides a clearer, more enforceable, and legally defensible framework for regulating short-term rentals consistent with state law and community objectives.

ACTION:

Council may choose from the following actions:

1. **Approve** the proposed amendment to Sandpoint City Code, Title 3, Chapter 12, as presented;
2. **Modify** the proposed amendment;
3. **Postpone or table** consideration to a date certain to allow for additional information or revisions; or
4. **Deny** of the proposed amendment.

WILL THERE BE ANY FINANCIAL IMPACT? N HAS THIS ITEM BEEN BUDGETED? N/A

ATTACHMENTS:

Draft amendments to §3-12 Short Term Rental of Dwelling Units

Notice of Public Hearing

District Court Decision: McCall v. Scott

Supreme Court Opinion: Taylor v. City of Lava Hot Springs