



Fees & Charges Report

Date: January 9, 2023
To: City Council
Through: Michael Kennington, Deputy City Manager/Chief Financial Officer
From: Edward Quedens, Business Services Director
Tim Meyer, Business Licensing and Revenue Collections Administrator
Subject: Fees and Charges – Business Services (Citywide)

Purpose and Recommendation

The purpose of this report is to propose new fees for Short-Term Rental (STR) Licenses associated with the proposed Short-Term Rental Ordinance (Mesa City Code Title 5, Chapter 15). If approved by City Council, the fees and charges will go into effect February 1, 2023.

Background / Discussion

The proposed ordinance attempts to address issues that have appeared related to Short-Term Rentals. For several years, the State legislature has been working on the issue and with the changes in Senate Bill 1168 signed by the Governor in July, State law is clearer on what steps municipalities can take in their communities.

State law still limits the municipalities to enforcing existing codes (zoning, nuisance, property maintenance), prohibiting certain harmful purposes, requiring licenses to collect emergency points of contact, requiring neighbor notifications, requiring insurance, allowing for the suspension of a license and civil penalties for violations.

The ordinance proposed intends to accomplish the following:

1. Require licenses for Short-Term Rentals
2. Require compliance with City Codes and applicable laws including zoning, noise, nuisance, health and safety, solid waste, tax, traffic control, and property maintenance
3. Collect emergency contact information of person(s) responsible for responding to complaints and emergencies
4. Require notification of neighboring properties that a property will be used as a Short-Term Rental
5. Establish a minimum liability insurance requirement
6. Prohibit uses per statute including housing sex offenders, sober living home, selling liquor or illegal drugs, obscenity, pornography, adult-oriented business, special events, and retail

7. Defines grounds and processes for denial and suspension of license and establishes Civil penalties against the owner and others

It's difficult to estimate how many Short-Term Rentals we have in the city. There are about 200 Short-Term rentals that have tax licenses. However, those that rent through one of the large companies like Airbnb or VRBO do not license with the City directly, nor are these large companies required to provide the City with a list of specific properties. We estimate there are 2,000 to 3,000 Short-Term Rental properties in the city.

Data to be collected under State law includes:

- Address of the Short-Term Rental
- Name, address, phone, email of owner and emergency contact(s)
- Transaction Privilege Tax number for those not going through a rental company
- Agreement to comply with applicable laws

Grounds for denial are narrow under State Law:

- Failure to provide application information or fee
- Owner has a suspended license for that property
- False or misleading information being provided
- Owner or designee was a convicted sex offender or a convicted felon

The emergency contact must respond to all complaints and emergencies associated with the STR:

- For emergencies (public safety personnel were notified or dispatched): within one hour and in person if requested by public safety personnel
- For all other complaints: within 24 hours and can be in person, by phone or email

Again, suspension of a Short-Term Rental license is regulated by State law.

- Suspension period is proposed to be up to 12-months
- One "serious" violation committed by the owner:
 - Felony offense at or in the vicinity of the STR
 - Serious physical injury or wrongful death at or related to the STR
 - Knowingly renting the STR in violation of the prohibited uses
- Any three violations of the Chapter in a 12-month period
- The Licensing Administrator will implement an administrative process (citation, opportunity for hearing)
- Limited scenario for suspension of use as STR (up to 12 months) through the Courts for felony act that results in death or serious physical injury

Implementation of a Short-Term Rental license will require additional licensing staff. The assessment is ongoing. Implementation will also require license application and renewal processes, definition of the hearing process, integration of Police Department and Code Compliance systems and reporting so violations can be assessed against Short-Term Rental properties.

Proposed fees will be brought to the Council in January after the 60-day public notice required by State statute.

Alternatives

City Council can decide not to implement the Licensing Fee for Short-Term Rentals.

Fiscal Impact

The Short-Term Rental License is expected to generate revenues between \$500,000 and \$750,000 per year, based on an estimated 2,000 to 3,000 short-term rentals.

To support the program, Business Services proposes hiring three (3) Tax & License Specialists, one (1) Sr. Revenue Collections Officer, and one (1) Revenue Collections Supervisor, plus additional expenditures for related administrative costs.

Coordinated with

Code Compliance
Mesa Police Department
Development Services
City Attorney's Office

Fees & Charges Schedule – Key

Heading Configuration

<u>Schedule of Fees & Charges</u>
Department
Contact Information
HEADING 1
HEADING 2
<i>Heading 3</i>
Description of Fee
Description of Fee 2

Font Indications

Font	Font Indications
Regular Font	Existing fee or language
Strikethrough	Fee or language will be deleted from the Fee Schedule
BOLD CAPS	Language is being added to Fee Schedule
Bold	New or increased Fee Amount

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Schedule of Fees & Charges
Exhibit A – Revenue Collection Operations

Department: Business Services

Description of Service	Current Fee Range	Proposed Fee Range	Unit	Revenue Source Code	Total Fiscal Impact	Notes
SHORT-TERM RENTAL					\$500,000-\$750,000	
LICENSE FEE		\$250	One year	1101-4104		New fee to ensure proper regulation and notification of short-term rentals; fee applicable to each property being licensed

Total Annual Fiscal Impact: \$500,000-\$750,000