



Legislation Text

File #: 31136, **Version:** 4

Fiscal Note

The Ordinance amendment will align the City's Zoning Code with State requirements that establishments that provide temporary lodging be inspected and licensed. Establishments that comply with such requirements are subject to local Room Tax requirements. Assuming the Ordinance amendment results in greater compliance, then the City might subsequently anticipate additional Room Tax revenues.

The number of such currently unlicensed establishments in the City that provide temporary lodging is unknown. Estimates range from 50 to possibly a few hundred. Under the proposed Ordinance amendment, unlicensed establishments will be required to ensure they are in compliance with zoning code restrictions and permitted conditional uses, pay an annual licensing fee, be subject to annual Health safety inspections, and pay the appropriate amounts of Room Tax. Non-compliant entities may be cited for non-compliance and subject to penalties.

It bears emphasis that the data regarding the number of unlicensed establishments are not currently available. Further, it is not known whether the overall impact of the Ordinance amendment on unlicensed establishments will result in additional compliance, the potential compliance magnitude thereof, whether some establishments may cease operations, and so on.

For purposes of illustration, if it is assumed that 100 such establishments operate within the City and comply with inspection, licensing and Room Tax requirements, the following are the estimated fiscal impacts:

Licensing Fees: The initial fee to open a Tourist Rooming Home is \$595; after the first year of licensed operation, license renewal fees are \$220 per year. These fees are used to support the inspection efforts of Public Health Madison and Dane County. Assuming 100 new licensees, the licensing revenues generated will be \$59,500 in the first year, followed by annual renewal fees of \$22,000. These revenues are dedicated to support the inspection efforts of the Health agency, and are not credited to the City General Fund for the support of City operations.

Conditional Use Fees: All currently unlicensed temporary lodging establishments will need to comply with the City's Zoning Code and will need to apply with the City for a conditional use approval. A conditional use application fee is \$600. This is a one-time fee, intended to cover the City's costs to process the application. An additional 100 conditional use application fees @ \$600 each would yield a total of \$60,000, funds which would be credited to the City General Fund.

Room Tax: The lodging rates charged by each establishment and the occupancy rates of the establishments vary considerably, and good data are lacking. Assuming 100 establishments, each charging an average of \$100 per night, and with average annual occupancies of 30 days, then total lodging-generate revenues are \$300,000. The Room Tax rate is 9% of room rental revenues, or about \$27,000 annually, which would be credited to the City Room Tax Fund.

City and Health Agency Administration: At this time, the need for additional staff resources to administer the requirements is not anticipated. However, depending on the actual number of establishments that may ultimately be identified, it is possible that there may a need for additional staff administrative resources in the future. These resources would need to be included in future operating budgets, subject to Common Council approval.

Title

AMENDED SECOND SUBSTITUTE Amending Sections 28.032, 28.061, 28.072, 28.082, 28.091, 28.151, and 28.211 of the Madison General Ordinances to add Tourist Rooming House to the Zoning Code and to eliminate spacing requirements between bed and breakfast establishments.

Body

DRAFTER'S ANALYSIS: The City has become increasingly aware of websites such as VRBO and AirBnB that facilitate short-term rentals of private homes. The current zoning code does not specifically address these rentals. The code regulates bed and breakfast establishments; however many of these new rentals would not be eligible for a bed and breakfast license. A B&B license requires the owner to be present in the home at the time of rental.

Under state law, this other type of rental is defined as a "Tourist Rooming House (TRH)." Such establishments are required to be licensed by the health department and to pay room tax just as hotels and bed and breakfast establishments do. This amendment establishes a Tourist Rooming House as a permitted use in all districts, and requires that they be operated by an owner who uses the property as his or her primary residence. It requires that a TRH be licensed with Public Health of Madison and Dane County, registered with the Treasurer's office, and pay room tax. Additionally, this amendment limits operation of a TRH to owner of the property, unless a lease agreement specifically allows a renter to operate, and sets a maximum limit for operation of a TRH at of thirty days per licensing year.

This amendment also eliminates the 500-foot spacing requirement between bed and breakfast establishments, and clarifies that a bed and breakfast establishment must be the owner's personal residence, but not necessarily his or her primary residence. This distinction would allow a person who lives part of the year in another state to operate a bed and breakfast during the time they live in their Madison home. This is different from the rule for TRH, which requires that the residence be the owner's primary residence.

The Common Council of the City of Madison do hereby ordain as follows:
See BODY-**AMENDED** SECOND SUBSTITUTE in attachments.