

ORDINANCE NO. O-23-04

AN ORDINANCE AMENDING TITLE 3 (HEALTH AND SANITATION), CHAPTER 7 (PROPERTY RENTAL CODE) OF THE CITY CODE PERTAINING TO SHORT-TERM RENTAL PROPERTIES

WHEREAS, the City of Prospect Heights, Illinois, (the "City") has enacted City Code regulations for the purpose of improving and protecting the public health, safety, comfort, convenience and general welfare of the people; and

WHEREAS, short-term rental properties have been developing throughout the residential real estate market and have become a popular alternative for people to use instead of hotels; and

WHEREAS, the City does not currently regulate short-term rental properties and has determined it is in the best interests of the public safety, health and general welfare to enact reasonable zoning standards and restrictions to alleviate any potential adverse impacts for the future.

NOW, THEREFORE, BE IT ORDAINED by the City Council of the City of Prospect Heights as follows:

SECTION 1: The recitals set forth above are incorporated herein.

SECTION 2: Chapter 7 (Property Rental Code) of Title 3 (Health and Sanitation) of Code of the City of Prospect Heights is hereby amended **with deletions in strikethrough and additions in bold, underline text so that the same shall be read as follows:**

3-7-1: LICENSING REQUIREMENTS:

Every person, individual, firm, owner, corporation or landlord or combination thereof engaged in the business of leasing or renting any apartment building, multiple-unit, multiple dwelling, **non-owner occupied, short-term rental property,** dwelling or dwelling units whether compensated or not is hereby required to make application to and receive an annual license from the city before engaging or continuing in such business. The application shall be accompanied by **the annual license fee and first inspection fee,** a twenty five dollar (\$25.00) ~~annual license fee for each commercial space leased, rented or to be rented~~

Annual License Fee:

Commercial space: twenty-five dollar (\$25.00)

Residential dwelling unit: twenty-five dollar (\$25.00)

Short-Term Residential Rental: five hundred dollar (\$500.00)

An application for a license required by this chapter shall be made in conformance with section 2-1-2 of this code. The city shall issue said license if the following conditions are met:

- A. Code Compliance: The applicant's property is not in violation of any ordinance of the city.
- B. Designation Of Agent: No operating license shall be issued or renewed for an applicant unless such applicant has first designated an agent for the receipt of service of complaints for

violations of the provisions of this chapter or code and for service of process pursuant thereto when said applicant is absent from his or her normal place of business. Such a designation shall be made in writing, and shall accompany each application form.

C. **Renewal Of License:** An application for renewal of an operating license shall be made thirty (30) days prior to the expiration of the current operating license. An application form shall be mailed to owner at least forty five (45) days prior to the expiration of the current operating license. **The city shall have the right to audit bookings and payments at the time of renewal for short-term rental properties to ensure all required payments were made to the city.**

D. **Notice Of Change In Ownership:** Every person holding an operating license shall give notice in writing to the building official within ten (10) days after having transferred or otherwise disposed of legal control of any licensed apartment building, multiple unit, multiple dwelling, dwelling or dwelling units. Such notice shall include the name and address of the person or persons succeeding to the ownership or control of such apartment building, multiple unit, multiple dwelling, dwelling or dwelling units.

E. **Term Of License:** Every license shall be in effect for the current fiscal year (May 1 – April 30) unless sooner revoked for cause by the city. **However, no new license for a short-term rental property shall be issued unless first authorized by the city council and is consistent with the requirements of the city's zoning ordinance. No license issued to a short-term rental property shall be transferable to another person or location.**

F. Definitions.

OCCUPIED, NON-OWNER: Any single-family, condominium, townhome dwelling unit the property owner does not occupy as their primary residence.

OWNER: An individual with at least a fifty one percent (51%) ownership interest in the property on which the short-term rental property is situated.

SHORT-TERM RENTAL MARKETPLACE: A platform through which the owner or authorized agent of the owner of the single-family or residential dwelling unit offers a short-term/vacation rental to an occupant/customer.

SHORT-TERM RENTAL PROPERTY: A single-family dwelling, that is offered through a short-term rental market place for rent for a period shorter than thirty (30) consecutive days to any person other than a member of the owner's family. The term "short-term rental" shall not include hotels, motels, or lodging establishments licensed pursuant to this Code or a unit that is used for non-residential purposes such as educational, healthcare, retail, restaurant, banquet space, event center, or other similar uses.

3-7-2: INSPECTIONS:

All one-family and two-family dwelling units, which are rented or leased, or are intended to be rented or leased, all multi-family dwelling units which are rented or leased or are intended to be rented or leased, **all short-term rental properties**, and all boarding or lodging houses shall be

inspected annually by a city inspector. Fees for such inspections or reinspections shall be paid by the property owner or landlord prior to the performance of said inspection or reinspection. The fees shall be levied as set forth in this chapter.

3-7-3: INSPECTION AND ENFORCEMENT:

The building official shall cause the health inspector, enforcement officer or such other appropriate authority as he may designate to make annual inspections to which an applicant for a license or licenses shall consent, to determine the health and safety conditions of the apartment buildings, multiple dwellings, rooming houses, **short-term rental properties**, dwelling or dwelling units within the city. For the purpose of making such inspections the health inspector, enforcement officer or the appointed public official shall request permission from the licensee to enter, examine and survey at any reasonable time all apartment buildings, multiple dwellings, rooming houses, **short-term rental properties**, dwelling or dwelling units.

If the tenant or person in charge of an apartment building, or a commercial building, multiple dwelling, rooming house, **short-term rental property**, dwelling or dwelling unit shall refuse such permission to the health inspector, enforcement officer and/or designated official, the city administrator is hereby authorized to seek a warrant from a court of competent jurisdiction to enter the premises and conduct said inspection. Permission by tenant or person in charge to enter the premises is interpreted as free access to the leased portion of the premises or central facilities serving the premises for the purpose of such inspection, examination and survey.

3-7-4: REVOCATION OF LICENSE:

Any license or permit may be revoked by the city council during the life of such license or permit for the violation by the licensee or permittee of any ordinance provisions relating to the license or permit, the subject of the license or permit, or the premises occupied; such revocation may be in addition to any fine imposed. This section shall not apply to any license or permit for which a specific procedure for revocation of such license or permit is provided by another ordinance of the city.

3-7-5: NOTICE OF REVOCATION AND HEARING:

The city administrator shall cause notice of the revocation of the license to be served on the licensee either personally or by certified United States mail and the reason or reasons therefor and such licensee may within ten (10) days of the date of such notice, petition the mayor and city council for a hearing on restoration of license under such conditions as the mayor and city council may deem necessary for the correction of conditions set forth in the revocation notice.

3-7-6: INSPECTION FEES:

When inspections are performed as set forth in section 3-7-2 of this chapter, the owner or landlord shall first pay the following fee:

First inspection	\$100.00
First reinspection	175.00
All subsequent reinspections in a calendar year	175.00

Rental inspection fee effective date shall be January 1, 2008.

3-7-7: SHORT TERM RENTAL PROPERTIES:

A. In addition to the requirements set forth for rental properties in this chapter of the code, short-term rental properties shall also meet the following standards and regulations:

- 1. The property's maximum occupancy limit established per the international property maintenance code shall not be exceeded.**
- 2. No short-term rental property shall be rented for a period shorter than three (3) consecutive nights.**
- 3. The owner shall not advertise or allow guests to book the short-term rental property for an occupancy greater than the established legal occupancy per city inspection.**
- 4. The short-term rental shall be for the entire property. The owner may not rent out individual rooms or portions of the property.**
- 5. The owner must provide at the time of application a copy of their insurance specifically covering short-term rental liability for their property with limits of not less than one million dollars (\$1,000,000.00) per occurrence, for bodily injury and property damage arising in any way from the issuance of the license. Each policy of insurance required under this subsection shall; (i) be issued by an insurer authorized to insure in the State of Illinois, and (ii) include a provision requiring thirty (30) days' advance notice to the city prior to cancellation or lapse of the policy. The owner shall maintain the insurance required under this subsection in full force and effect for the duration of the license period for each short-term rental property. A single violation of this subsection may result in suspension or revocation of the license.**
- 6. The short-term rental property must be offered through a short-term rental marketplace and the owner must provide documentary evidence of the marketplace platform that is used for their bookings to the city.**
- 7. Any short-term rental property shall be subject to the Hotel and Motel Tax as set forth in this code, as may be amended from time to time. The owner shall fulfill all requirements of the Illinois Department of Revenue for operation of a short-term property rental, including the payment of any applicable taxes associated with such rental.**
- 8. If the short-term rental marketplace used by the owner does not include services directing required payments to the city, the owner shall use a third party tax payor service to ensure all required forms and payments are received by the city. The owner must provide documentary evidence of such service.**
- 9. The short-term rental property must be in good standing with the short-term rental marketplace. The owner shall only advertise a short-term rental that complies with all of the short-term rental standards and restrictions set forth in this chapter.**
- 10. The short-term rental program shall be in good standing with the property rental licensing and inspection program.**
- 11. If the short-term rental property is subject to regulations or restrictions by a homeowners' association or condominium association, the owner must provide documentary evidence that the applicable association or board has approved the use of the property as a short-term rental.**

12. Any overnight parking for short-term rentals must be accommodated on the site or in another approved location, and parking, including overnight parking, shall be in conformance with this code and zoning ordinance requirements.
13. In order to ensure the safety and well-being of the city and its residents, the owner shall maintain security cameras at the short-term rental that show the driveway and parking areas, and each entrance door, with video storage/archive capability to provide such information to the city or police department at any time upon request.
14. The property rental must comply with all city building, fire, property maintenance and other code requirements including city and State regulations.
15. The owner shall be prohibited from permitting any criminal activity or public nuisance, including excessive noise, to take place on the property. If the owner knows or suspects that any criminal activity or public nuisance is taking place on or immediately adjacent to the property, the owner shall immediately notify the police department of such fact and cooperate with the police department in any investigation that may ensue. The city's building administrator and police chief shall have the authority to abate the nuisance at their discretion pursuant to their authority as officers for the city. Repeated violations at the property shall be cause for revocation as set forth in subsection (c).

B. License Prohibitions:

No license to engage in short-term property rental shall be issued to:

1. Any applicant owner, if such applicant owner or any other person with an ownership interest in the property on which the short-term rental is located has ever been convicted in any jurisdiction of any felony that is rationally related to the individual's fitness or capacity to operate a vacation rental.
2. Any applicant whose license to operate a short-term rental or similar establishment at any location within or outside the City has been revoked for cause within the last three (3) years.
3. Any applicant where the applicant or any other person with an ownership interest in the property on which the short-term rental is located is in default to the city regarding payment of water and sewer charges, special taxes or assessments, parking and other city violation citations or judgments, Motor Vehicle Tax, or any other taxes or fees that are due and unpaid by such person to the city, pursuant to the city code, where there are delinquent property taxes owed to Cook County on the property on which the short-term rental is located, or any other property owned within the city by the applicant.

C. Revocation:

Actions to suspend or revoke a short-term rental license issued under this chapter shall be in accordance with sections 3-7-4 and 3-7-5. Additionally, if the short-term rental license is revoked for any cause, no license shall be granted to any person for the operation of a short-term rental at the property described in the revoked license, or to the revoked

licensee, and his or her co-owners for a period of three (3) years from the date of revocation.

3-7-8: PENALTY:

Any person violating any provision of this chapter shall be fined not less than one hundred dollars (\$100.00) nor more than seven hundred fifty dollars (\$750.00) for each offense; and a separate offense shall be deemed committed on each day during or on which a violation occurs or continues.

SECTION 4: Severability. If any provision of this Ordinance or application thereof to any person or circumstances is ruled unconstitutional or otherwise invalid, such invalidity shall not affect other provisions or applications of this Ordinance that can be given effect without the invalid application or provision, and each invalid provision or invalid application of this Ordinance is severable.

SECTION 5: Effective Date. This Ordinance shall be in full force and effect upon its passage and approval as required by law.

PASSED and APPROVED this 27th day of February 2023.


Matt Dolick, Acting Mayor

ATTEST:

Deputy Clerk Schultheis

AYES: Morgan-Adams, Ludvigsen, Cameron, Dash, Dolick
NAYS: None
ABSENT: None

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City of Prospect Heights

Department of Building & Zoning
8 North Elmhurst Road, Prospect Heights Illinois, 60070-6070
Office: 847/398-6070 x 211-FAX: 847/590-1854
www.prospect-heights.il.us

MEMORANDUM

Date: February 22, 2023
To: Acting Mayor Dolick and Aldermen
Cc: Joe Wade, City Administrator
From: Daniel A. Peterson, Director of Building & Development
Subject: Ordinance #O-23-04 Amendments to Title 3 Chapter 7 – Property Rental Code

ISSUE:

Consideration of Ordinance #O-23-04 proposed changes to Title 3 Chapter 7 Rental Property Code.

BACKGROUND:

At the January 9, 2023 City Council meeting, staff made a presentation of the Property Rental Code and the necessity to amend the City's Zoning and Health and Sanitation codes to address Short-Term Rentals (STR). Staff received concurrence to present a text amendment to the PZBA for public hearing and recommendation.

The PZBA held a public hearing on January 26, 2023, to consider the text amendment application and supporting changes to the Health & Sanitation Code. Director Peterson represented the application, the reasons why the changes are necessary to protect the health safety and welfare of the residential districts and the recommended changes to the ordinances.

The proposed changes to Title 3 Chapter 7 are necessary to provide the code requirements to administer the Short-Term Rental program created in text amendment Ordinance #O-23-01. The PZBA members deliberated and found that the application met the standards for the Text amendment and voted unanimously (5-0) to recommend approval of the text amendment to Title 5 Chapters 2 and 6 to add the required definitions and short-term rentals as a permitted use in the R-1 Single Family residential district. Additionally, the PZBA concurred with the recommended changes to Title 3 Chapter 7 Property Rental Code related to short-term rentals.

RECOMMENDATION: City Council approve Ordinance #O-23-04 amending Title 3, Chapter 7 Property Rental Code pertaining to Short-Term Rentals. (Second Reading)