

Overview of the Shared Housing Ordinance



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September 12, 2016

Background to the Shared Housing Ordinance

- The "house share" economy
 - Guests book a place to stay that can be cheaper than other rentals.
 - Hosts book a spare room or an entire place to earn income.
 - Companies facilitate these bookings online and charge a fee.
- Challenges leading to the Ordinance
 - More than 5,000 units estimated being listed on a company's website; however, only 300 were licensed as a vacation rental or bed-and-breakfast establishment.
 - City needed data and information to properly regulate this type of activity.
 - Public concern with respect to enforcement and quality of life.

Key Components of the Ordinance: Licensure

❖ The Ordinance Created 3 License Types:

1) Short Term Residential Rental Intermediary

- License Fee - \$10,000 + \$60 per unit / annual license
- Quality of Life Plan
- Registration data submitted to the City; rental activity submitted to the City and affected alderman
- Insurance requirements

2) Short Term Residential Rental Advertising Platform

- License Fee - \$10,000 if the platform has 1,000(+) units; \$5,000 if 999 units or less / annual license
- Quality of Life Plan
- Registration data submitted to the City

3) Shared Housing Unit Operator

- License Fee - \$250 / two-year license
- Heightened regulatory standards

Key Components: Registration through Companies

- Requires units to be registered as a “shared housing unit” (if booked through an intermediary) or licensed as a vacation rental or bed-and-breakfast establishment (if booked through an advertising platform).
- Intermediary Platform
 - Intermediary delivers registration applications for all shared housing hosts through a secure electronic server.
 - Upon receipt of registration report, City will determine eligibility of units.
- Advertising Platform
 - Company provides the City with unit listing data.
 - Host must interact with the City, because they are licensed as a vacation rental or bed-and-breakfast establishment.

Key Components: Eligibility of Units for Registration

- Limitations on Allowable Shared Housing Units

- Single Family Homes

- Only primary residences may be rented, unless exception applies.

- 2 to 4 Unit Buildings

- Only primary residence of the specific dwelling unit to be listed, unless exception applies.
 - One unit per building, unless exception applies.

- Buildings containing 5(+) Units

- Limit of one-quarter of the total number of dwelling units in the building or 6 rental units, whichever is less.

Key Components: Eligibility of Units for Registration

Number of dwelling units in building	Maximum number of shared housing units plus vacation rentals
1	1 (primary residence, with exceptions)
2-4	1 (primary residence, with exceptions)
5-7	1
8-11	2
12-15	3
16-19	4
20-23	5
24 and above	6

Key Components: Commissioner Adjustments

Commissioner's adjustment may be granted when a short term residential rental provider wishes to be exempt of the primary residency requirement for a single family home or 2 to 4 unit building.

- Factors that Commissioner may consider include:
 - Relevant geography
 - Population density
 - Degree to which the sought adjustment varies from the prevailing limitations
 - Size of the building and number of units contemplated for the proposed use
 - Legal nature and history of the applicant
 - Applicant's proposed measures to maintain security and quiet
 - Economic hardship to the applicant
 - Police reports of illegal activity at the location
 - Whether the affected neighbors support or object to the proposed use
- Requires aldermanic input.
- If granted, the host must comply with plan of conduct that will be attached to the host's registration.

Key Components: Eligibility of Units for Registration

Every shared housing unit registration application will be reviewed for completeness and zoning compliance (including review of restricted residential zones). In addition, the shared housing unit will be cross checked on the following lists:

Building Scofflaw/Problem Landlord List	Uncorrected Code Violations List
Nuisance List	Egregious Condition List
Prohibited Buildings List	Suspension or Revocation List

- Most lists will be maintained on the City's data portal.

Key Components: Ineligible Units

- When a unit is determined ineligible, the host and the platform will be notified; the host will have an opportunity to appeal.
- If a final determination made that the unit is ineligible, the host and the platform have a duty to remove ineligible unit from the platform.

Key Components: Shared Housing Host and Building Owner Requirements

Shared Housing Host Attestations and Requirements

- As a condition of listing a unit on an intermediary platform, a shared housing host must attest that the host has reviewed and understood the requirements of the Shared Housing Ordinance.
- A shared housing host may not list a shared housing unit on a platform that violates condominium or cooperative building restrictions.
- A shared housing host may not list a shared housing unit on a platform if the unit is subject to a rental agreement and the unit owner has prohibited shared housing activity.

Building or Dwelling Unit Owner Disclosures

- Rental/Leasing: A building or dwelling unit owner must disclose to the prospective lessee or tenant, if they know, that: (1) the dwelling unit being leased is registered with the City as a shared housing unit; or (2) the dwelling unit being leased is ineligible to be rented as a shared housing unit.
- Purchase/Sale: A building or dwelling unit owner must disclose to the prospective purchaser, if they know, that: (1) the dwelling unit being sold is registered with the City as a shared housing unit; or (2) the dwelling unit being sold is ineligible to be rented as a shared housing unit or vacation rental.

Key Components: Rules for a Shared Housing Unit

Listing Requirements	Operational Requirements
ADA accessibility	Soaps and clean linens
Parking availability	Sanitized utensils and food disposal; food handling safety; no service of alcohol
Availability of, or restrictions on, use of recreational facilities or other amenities	Notification to police of illegal activity; cannot permit criminal activity, public nuisance, or egregious conditions
Number of sleeping rooms and bathrooms, and portion of which are available for use	No rental under 10 hours; no multiple rentals within 10 hour period; cannot exceed max occupancy; no overlapping bookings
Registration number	Posting contact information and evacuation diagram
Cancellation and Check-In/Out Policies	Maintain guest registration records

Vacation Rentals: New Requirements

The law regarding vacation rentals also changed through the Shared Housing Ordinance.

Beginning **December 17, 2016**, a vacation rental must be:

- The owner's primary residence if the vacation rental is a single family home or located in a building with 2 to 4 dwelling units;
 - Exceptions: (1) Owner is on active military status; (2) Owner held a valid vacation rental license as of June 22, 2016; or (3) Owner obtained a Commissioner's adjustment.
- If within a building with 5(+) dwelling units, only one quarter of the total dwelling units, or no more than six dwelling units total, whichever is less, are allowed. This requirement applies to the combined total of shared housing units and vacation rentals.

Vacation Rentals: New Requirements

- Zoning review includes restricted residential zones.
- Vacation rentals will be checked against ineligibility lists maintained by the City.
- Insurance must name City of Chicago and State of Illinois as additional insured.
- Comply with all local, state, and federal laws, including tax laws.
- Disclosure requirements.
- Rental under 10 hours prohibited; multiple rentals within 10-hour period prohibited.
- No overlapping bookings.

Vacation Rentals: New Requirements

- If listed on a short term residential rental platform, then the vacation rental licensee must:
 - Include descriptive information on the listing, including:
 - Cancellation and Check-In/Out policies
 - ADA accessibility
 - Availability of, or restrictions on, use of recreational facilities or other amenities
 - Number of sleeping rooms and bathrooms
 - License number
- Must be a lawfully established dwelling unit with six or fewer sleeping rooms.
- Cannot list on a platform if prohibited by a homeowners' association or board of directors.
- Discriminatory practices prohibited.

Enforcement & Prosecution: Shared Housing Units & Vacation Rentals

- If a shared housing unit provider or vacation rental licensee commits violations, they are liable for fines and other applicable penalties.
- Shared housing unit registrations and vacation rental licenses are subject to suspension or revocation if:
 - Situs of 3 or more objectionable conditions;
 - Situs of 3 or more nuisance conditions; or
 - Situs of 1 or more egregious conditions.
- Shared housing unit registrations and vacation rental licenses are subject to **immediate** suspension or revocation when:
 - Imminent threat to public health, safety or welfare; and
 - Grounds exist for revocation or suspension of the registration and/or license.

Questions?