

Date: April 30, 2024

To: Empire Village Council and Short-Term Rental Committee

From: Frank Clements

Re: Short-Term Rental Ordinance Caps

Dear Empire Village Council and Short-Term Rental Committee,

Background:

From the letters submitted by current short-term rental owners in the Village, I sense concerns of theirs include grandfathering and the number of caps on STRs, both now and in the future. Conversely, single family residential homeowners want to know their homes and neighborhoods will not be adversely affected by an unreasonably high, or no STR caps. Both views are legitimate and need to be discussed and resolved into equitable solutions. These discussions need to happen soon, well in advance of the study's end date and subsequent public forums or community gatherings.

I have faith the current draft ordinance addresses the regulations of most health, safety and welfare issues, as well as nuisance issues, and will receive approval. Now it's time to discuss caps on STRs. To facilitate a dialogue or discussion, I have prepared the following information:

Current Situation:

- From the 2023 STR Committee's report we can see that Short-Term Rentals have increased by **28%** over the last 4 years, while Long-Term rentals increased by only **1.8%**. At this rate in four years the number of STRs would be 81. A concerning, unsustainable trend.
- Empire currently consists of **376** housing units of which **65** are considered STRs. This means over **17%** of our housing stock in Empire is already STRs.
- The average cap to STRs in Leelanau County communities is **6.4%** of each community's housing stock. This information is from a project memorandum report prepared by the consulting firm of a Beckett & Rader ¹. for the Village of Suttons Bay, and reflects the review of 51 existing short-term rental ordinances in the State of Michigan as well as multiple villages and townships in Leelanau County. The report went on to point out they

found that most Leelanau County communities with a STR cap have not met the current cap.

- Over **48%** of the Short-Term Rentals in Empire are located in the General Residential Zoning District, a district of single family homes and neighborhoods which currently only allows the lowest density for single family homes. From a zoning perspective of protecting single family homes from incompatible uses, this district is the last one which would allow commercial business, such as Short-Term Rentals. (The current percentage of STRs per zoning districts is: Front Street District 14%, Gateway Corridor District 1%, Village Residential District 21%, General Residential District 48%, PUD 14%, Mixed Residential 1%, Light Industrial 0%)
- Out of the **65** STRs identified in Empire, **39** of them use some form of national online host program like VRBO to market and manage their transient Short-Term Rental business. This may indicate a majority of the owners are passive out of town investors, not mom and pop operators like we have been led to believe, who are just looking to pay their property taxes or earn a little extra income. The majority of STR owners appear to be out of town for profit businesses.

Considerations for STR Caps:

The following are examples of ranges of STR caps which could be considered.

- A cap of **6.4%** on 376 units = **24** units. (16:1 ratio)
(The Suttons Bay Study found in Leelanau County the average cap is 6.4% of the housing stock.)
- A cap of **12.8%** on 376 units = **48** units. (8:1 ratio) (This is the number of units allowed if the County wide average of 6.4% units *were doubled.*)
- A cap of **17%** on 376 units = **65** units. (6:1 ratio) (This is the number of units currently classified as STRs in Empire.)

Ratios are important indicators of density or frequency. For example, a ratio of 16:1 means that there are 16 single family homes to every one STR on a street or in a block, a low density/frequency. A 6:1 ratio indicates there are only 6 single family homes to every one STR on a street or in a block, and is considered a high density/frequency.

Proposed STR Caps for Empire:

I believe the 65 operating Short-term Rentals in Empire exceeds our community's capacity and are inconsistent with the goals of the Empire 2019 Master Plan Update Housing section which states; "The objective is to provide a wide variety range of housing types, sizes, densities to ensure housing options for all incomes, ages, household sizes and abilities conducive to the Villages small town character". These objective came from community surveys, community workshops and other public participation activities and, as such, reflect the broad sentiments of our residents. This report did not advocate for any STRs, it only stated that they needed more study.

With STRs composing roughly 17% of the total housing stock in the Village, and trending rapidly to more, it is necessary to establish a cap on the number of STRs permitted.

I propose we immediately establish a moratorium on any increases to our current 65 STRs and work toward reducing this number to 45 STR units through natural attrition. This number (45) seems very reasonable in that it is twice the average cap allowed in most Leelanau County communities.

To encourage the placement of STRs in a commercial zone where they are a more compatible use and to limit the number of STRs in single family residential neighborhoods, the Front Street Zoning District and the Gateway Zoning District would be allowed STRs without any caps. The number of STRs in these two districts would not be counted against the proposed 45 STR cap.

Question:

Will Empire stay a thriving family oriented community with a small town atmosphere or will it become a place where the homes are for tourists, and shops and stores are only for tourists, a place where no one lives there anymore?

These towns are called Zombie Towns. If we don't have a short-term rental ordinance that protects the health, safety and welfare, controls nuisances and limits the amount of STRs, will we become a zombie town? I hope not.

Thank you for your consideration of this matter,

Frank Clements

1. Village of Suttons Bay Project Memorandum, 10/21/2024