

CITY OF WAUWATOSA
MEMO

To: **Community Affairs Committee**

From: **Laura Stephens, Health Officer, Meghan Spredemann, Public Health Manager, and Alan Kesner, City Attorney**

Date: **October 10, 2023**

Subject: **Response to Questions Related to Licensing and Inspection of Short-Term Rentals in the City of Wauwatosa**

A. Issue

The Wauwatosa Health Department is proposing a new program to license and inspect short-term rental properties. This issue was originally proposed to the Community Affairs Committee on September 26, 2023, along with a memo detailing the program. This additional memo is to answer questions that have come up as a result of the original proposal.

B. Background/Options

Goals of the Program

With this program, we are aiming to:

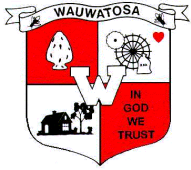
- Ensure the health and safety of STR properties for all visitors
- Improve awareness and surveillance of properties as the number of STRs continues to grow
- Improve responsiveness to neighbor complaints
- Provide clear expectations and requirements for STR owners
- Ensure compliance with our DATCP MOA

If this program is not approved, the Health Department will continue to be in non-compliance with our DATCP MOA. As a result, DATCP could increase our reimbursement fees or possibly discontinue our contract.

STRs in Wauwatosa

Earlier this year, the Health Department met with Granicus to learn more about their services related to STRs. In their proposal, Granicus provided data on current STR trends in Wauwatosa:

- There are 128 STR listings in Wauwatosa
- Median nightly rate for STRs in Wauwatosa is \$145
- 89% of units are entire homes and 11% are partial homes
- 71% of listings are single family homes and 29% are multi-family homes
- The number of STR listings in Wauwatosa has grown 22% over the last year



CITY OF WAUWATOSA MEMO

If the STR program is approved, we would use Granicus to identify STR properties located in Wauwatosa. They will scan over 60 STR websites to identify listings and provide us with addresses and owner details. We would utilize Granicus for the first licensing year to identify existing STRs. After the first year, we will rely on STR owners to self-identify. We will provide comprehensive information on our website for new owners to learn about and understand the licensing and inspection requirements. If we become aware of a STR that is not properly licensed, we will reach out to assist them in the process.

Licensing Fees

STRs applying for a license for the first time will be charged a one-time pre-inspection fee of \$385 plus the \$160 license fee. Each year after, STRs will be charged \$160 to renew their license. Room tax (7%) is collected through the booking site (Airbnb, VRBO, etc.) and is not a part of the proposed annual licensing process. STRs will not be required to obtain any additional permits (including zoning permits, local sellers permits, etc.) from the City of Wauwatosa.

The pre-inspection fee (\$385) is an existing fee in the consolidated fee schedule and is used for pre-inspection of all newly licensed facilities. The annual STR license fee (\$160) is based on the median nightly rate of STRs in Wauwatosa (\$145) with an increase to account for reimbursement to the state and additional program costs.

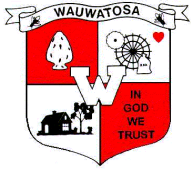
In southeast Wisconsin, 10 out of 17 health departments are currently licensing STRs. The average annual license fee is \$174, with a range from \$100-\$265. At the state level, DATCP charges \$110 for an annual fee with a \$300 pre-inspection fee. These fees were last updated in 2011.

Licenses are not transferable from one location to another. If an owner would like to move an STR to a different location, they will need to apply for a new license.

License fees are the same for all STRs regardless of size, number of rooms, and number of days rented out. By definition, STRs are smaller properties with fewer than 5 rooms rented out. Some STRs may be a single room while others are an entire house, but the inspection process follows the same checklist. Larger properties renting 5 or more rooms would be required to apply for a hotel license, which ranges from \$245-\$570 for an annual license. Additionally, the inspection and licensing process is the same whether an owner chooses to rent the property for just a few days or for many days. Our license fee covers the cost of the inspection as well as the administrative process to coordinate licensing.

Revenue

Revenue from pre-inspection fees and annual license fees will be primarily used to offset the costs of the program. Our current environmental health specialists are at capacity for their inspection load, so we will need to hire someone to inspect STRs. We plan to hire an environmental health tech or intern every spring/summer to conduct these inspections. We estimate this will take approximately 200 hours and will cost up to \$4,600. There will also be administrative costs associated with the program, including staff time to review license applications, collection of license fees, license mailings, website updates, and communication to owners.



CITY OF WAUWATOSA MEMO

Any remaining, unused revenue generated from this program will be used toward departmental tax levy reduction.

Inspection Process

STRs applying for a new license will go through the pre-inspection process using the same checklist used for the annual inspection. Pre-inspections are often more complex and time consuming because the regulations are new to the owner and it can take more time to explain the requirements and help owners gain compliance. STRs are then inspected on an annual basis.

A registered sanitarian or other certification is not required to conduct the annual inspections. Our MOA with DATCP requires that STRs be inspected by a licensed sanitarian once every 5 years, but the annual inspection can be done by someone without this certification.

If an STR is found to be in violation of inspection requirements, we will work with the owner to come into compliance. Our environmental health team works to educate owners on the importance and purpose behind regulations – and works closely with them toward a solution. We typically do not charge for an initial reinspection, but we have the option to charge a fee for excessive inspections if an owner is not actively working to come into compliance. Our goal is to ensure the health and safety of the property and we want to help owners to achieve that.

The inspection checklist is created from state statute requirements. We are able to add additional requirements if we choose to but we have to follow state statute at minimum. We are not proposing any additional regulations. One requirement in state statute is that all STRs must collect a register of guests. During an inspection, owners would be asked whether they keep a register but will not need to produce it during the inspection. The register needs to include the true name of the person who is booking the rental, but does not need to include the names of all guests staying in the property. An online record is acceptable.

By conducting inspections of STRs and working with owners to comply with state statute requirements, we can achieve the goals of the program as outlined in the beginning of the memo.

C. Strategic Plan (Area of Focus)

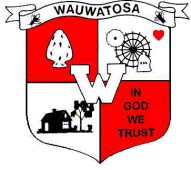
Priority 5: Quality of Life

Goal 2: Align public health resources in the City with those across the region and state.

D. Fiscal Impact

The revenue generated from this program will depend on the total number of STRs in the city, but there is no negative impact on the tax levy under this proposal.

E. Recommendation



CITY OF WAUWATOSA MEMO

Without licensing and regulation, we will continue to be out of alignment with the DATCP MOA. The staff recommend implementing this proposal, considering the relatively low costs for the inspections, and the certainty that properly licensing and inspecting STRs will continue to make the City of Wauwatosa a safe place for residents to live, work, eat, and play.