



City Council Meeting 9/23/2025
Agenda Section: Proposed Ordinances
Agenda Item: 10.a.

Report Prepared By:

Jennifer Anderson, Support Services Manager

Department Director:

Jay Henthorne, Police Chief

Item for Consideration:

Approve the second reading of an ordinance regulating the use and licensing of short-term rentals and related fees in Appendix D, and a resolution authorizing summary publication of the ordinance.

EXECUTIVE SUMMARY

The City Council approved a zoning ordinance restricting short-term rentals to a five-night minimum at the May 27, 2025, Council meeting. It was highlighted at that meeting that licensing regulations would be brought forth later in the summer.

During review of the August 26, 2025 City Council meeting packet and prior to the meeting, the mayor asked for clarification of subsection 1199.05 subd 2 of the draft ordinance, which reads: "License Required - "Property owners may receive a short-term rental license for one property in the city in addition to their homesteaded property or their primary place of business." Internal staff discussion revealed several different interpretations of the language, and it became clear the language needed to be clarified.

During the August 26, 2025, City Council meeting, Council heard the first reading of the licensing ordinance and after much discussion, approved the first reading but asked that staff further discuss the implications of the proposed language in subsection 1199.05, subd. 2 and bring back more information and recommendations.

Concerns raised at the meeting included:

- How many licenses should be issued to residents and non-residents and is it legal to have different standards for residents and non-residents.
- Should current operators be restricted and thereby forced to reduce the number of properties they operate if the allowed license number is one or two and they own three properties.
- Staff capacity to research, monitor and regulate licensed homesteaded properties owned by LLC's, individuals and corporate owners.

Since the August 26th meeting, staff have had internal conversations with the City Attorney and are recommending an alternative approach for licensing short-term rentals they believe meets Council objectives and allows staff to effectively manage the licensing process. With roughly 80 short-term rental operators currently in the city, staff recommend licensing no more than 100 short-term rental operators, regardless of where they live or how many properties they currently own. While licenses will be tracked for inspection and renewed annually, this recommendation eliminates the need

to monitor/research and track property ownership and corporate/LLC status and the number of licenses per owner. This allows those currently operating to continue operating the number of properties they have and allows room for new STR's to be licensed. This ordinance, if approved, can always be revisited in the future for any adjustments needed based on concerns or issues that arise after licensure. 100 short-term rentals would be equal to less than 0.6% of the total city housing stock, and less than 1% of single-family units.

Council should discuss the recommended alternative of capping the maximum number of licenses and direct staff accordingly.

HISTORICAL CONTEXT

With the passage of the short-term rental ordinance in May 2025, the City Council decided short-term rentals should be administered as a business license rather than a rental license. The proposed licensing ordinance addresses required application information, criminal history background investigation, non-transferable licenses, number of licenses issued, renewal requirements, display of license on the premises, inspections and enforcement and the basis for license denial, suspension and revocation. This framework follows other similar license applications the city requires.

RECOMMENDED ACTION

BY MOTION:

- 1. Approve the second reading of an ordinance regulating the use and licensing of short-term rentals and related fees in Appendix D.**
- 2. Approve a resolution authorizing summary publication of the ordinance.**

EQUITABLE OR STRATEGIC CONSIDERATIONS OR IMPACTS

The Richfield Police Department is committed to ensuring equity and inclusivity in our work. In some instances, equity considerations may not directly apply; however, staff review of policy and processes will always consider DEI principles.

POLICIES (RESOLUTIONS, ORDINANCES, REGULATIONS, STATUTES, ETC.)

Chapter IV Building, Housing and Construction Regulations of the Richfield Municipal Code now addresses short-term rentals.

CRITICAL TIMING ISSUES

The short-term rental ordinance and proposed licensing requirements would be effective January 1, 2026, so approval of the proposed licensing ordinance on September 23, 2025 is necessary to ensure staff have time to set up the workflow in the licensing software program and test the process ensuring a smooth roll-out. Additionally, communication with existing STR operators will require a letter to be sent soon outlining application requirements and due date of required materials to the city. This is in addition to the October through December renewal processing of over 700 annual

license renewals under Appendix D, as well as the new licensing process for retail cannabis and low potency hemp edibles.

FINANCIAL IMPACT

The recommended fee for a short-term rental license is \$700.00 which supports licensing staff time, development of the software set-up, training and testing phase, initial licensing process, renewal, background checks, enforcement and inspections. The recommended annual renewal fee is \$500.00 which would be collected in late 2026 for 2027.

LEGAL CONSIDERATIONS

The City Attorney has reviewed and approved the contents of the staff report.

ALTERNATIVE RECOMMENDATION(S)

The City Council could deny the second reading of the ordinance and direct staff on how to proceed. If the proposed language is not approved, the short-term rental proposed ordinance will have to be moved into 2026 with licensing taking place at the end of 2026, effective for 2027.

ATTACHMENTS

1. DOCSOPEN-#1044039-v6-STR Licensing Ordinance - Clean Version (002Updated)
2. App. D Proposed fees for Short-Term Rental Licenses
3. Sum Pub Res for Ord Related to Chapter XI STR (R1)

BILL NO. _____

AN ORDINANCE AMENDING CHAPTER XI OF THE RICHFIELD CODE OF ORDINANCES BY ADDING A NEW SECTION 1199 REGULATING THE USE AND LICENSING OF SHORT-TERM RENTALS

THE CITY OF RICHFIELD DOES ORDAIN:

SECTION 1. Chapter XI of the Richfield Code of Ordinances is hereby amended by adding a new Section as follows:

SECTION 1199. – SHORT-TERM RENTAL LICENSING

1199.01. – Purpose and Findings.

The City of Richfield makes the following legislative findings: The purpose of this section is to protect the public health, safety, and welfare of those who stay in short-term residential rentals and those who own or occupy neighboring properties in the City. Implementing the regulations set forth in this section related to short-term rental businesses will support this purpose. The City finds and concludes that these regulations are appropriate and lawful and are in the public interest and for the public good.

1199.03. - Definitions.

Subdivision 1. The following words and terms, when used in this section, shall have the following meanings unless the context clearly indicates or requires a different meaning:

Subd. 2. "Booking Service" means any reservation and/or payment service provided by a person or entity that facilitates a short-term rental transaction between a short-term rental host and a prospective short-term rental guest, and for which the person or entity collects or receives, directly or indirectly, through an agent or intermediary, a fee or compensation in connection with the reservation and/or payment services provided for the short-term rental transaction.

Subd 3. "City" means the City of Richfield.

Subd. 4. "Compensation" is remuneration or anything of economic value that is provided or promised or donated primarily in exchange for services rendered. This includes, but is not limited to, voluntary donations, and fee-sharing.

Subd. 5. "Director" means the Director of Public Safety or his or her designee.

Subd. 6. "Dwelling unit" means a room or group of rooms located within a building and forming a single habitable unit with facilities which are used or intended to be used for

living, sleeping, cooking and eating by persons other than the owner of record regardless of familial relationship or whether rent or other compensation is paid to the owner.

Subd. 7. “Occupant” means any person renting a short-term residential rental.

Subd. 8. “Owner” means any person who, alone or with others, has title or interest in any building, property, dwelling, or portion thereof, with or without accompanying actual possession thereof, including any person who as tenant, agent, executor, administrator, trustee, or guardian of an estate has charge, care, control of any dwelling.

Subd. 9. “Person” means any individual, firm, corporation, association, governmental entity, or partnership and its agents or assigns.

Subd. 10. “Rental dwelling” means any dwelling used for residential occupancy for compensation by one or more persons who are not the owner.

Subd. 11 “Responsible Party” means an individual(s) with the legal authority to make and act on decisions of tenancy, building maintenance, complaints and repairs relating to applicable safety codes. The Responsible Party must be available as a point of contact for the City as well as any short-term rental guest(s) for the duration of the guest(s) stay in the short-term rental. A Responsible Party may also be the Owner of the property.

Subd. 12. “Short-term residential rental” means a rental dwelling or dwelling unit that is offered to transient guests for a period of less than thirty (30) consecutive days.

1199.05. – License Required.

Subdivision 1. No person, may operate a short-term residential rental in the City without first obtaining a license pursuant to this section.

Subd. 2. The City will issue no more than 100 short-term residential rental licenses. The City will issue licenses on a first-come, first-served basis.

Subd. 3. Exemptions. This section does not apply to the following:

- (a) Hotels;
- (b) Motels;
- (c) State-licensed residential care facilities;
- (d) Nursing homes.

1199.07 – Initial and Renewal Applications.

Subdivision 1. Application Required. All applicants for an initial or renewal short-term rental license must submit an application on a form provided by the City. The form may be amended from time to time by the City. The application must include or be accompanied by all the information requested on the application form including:

- (a) business name, if applicable;
- (b) Short-term rental address and parcel identification number;
- (c) Owner name, address, email address, and telephone number, and date of birth of the Owner;
- (d) Name and telephone number email address, and other 24-hour contact information of Responsible Party;
- (e) Proof of Department of Revenue registration for capture of lodging tax;
- (f) Certificate of liability insurance;
- (g) Names of booking services the Owner or Responsible Party will use to promote the short term rental;
- (h) A copy of a current government-issued photo identification;
- (i) Proof of dwelling inspection;
- (j) License application fee as established in the City's fee schedule.

Subd. 2. Background check. Applicants for short-term residential rental licenses are subject to criminal history background investigations performed by the Director.

Subd. 3. Changes in ownership. Licenses are not transferable to another person, entity or location. A new license is required if there is a change in the ownership of the rental dwelling or dwelling unit.

Subd. 4. License term. The term of the license is for one year and shall expire after the earlier of the date specified on the license or December 31 of the year the license was issued.

Subd. 5. Renewal applications. In addition to the items listed in subdivision 1 (a) – (j), renewal applications must also include the following:

- (a) documentation of the number of nights that were booked in the term of the last issued license;
- (b) the amount of rent that was paid to the Owner or Responsible Party;
- (c) a copy of the guest register for the term of the last issued license;
- (d) proof of paid lodging tax from the City's Finance Department;
- (e) a list of any outstanding code enforcement complaints or violations,
- (f) proof of dwelling inspection within the last two years; and
- (g) authorization for the City to access the guest register.

Subd. 6. Approval and issuance. The City will act only on a complete application. A complete application means that the applicant has submitted all information required by this section and has paid the license or renewal fee as set forth in the City's fee schedule. The City will not approve a license or renewal of license if any of the reasons for denial in subsection 1199.11 are true.

Subd. 7. Display of license number. Upon approval, the City will issue a license and an associated license number to the applicant. The license number must be listed on any booking service advertisements of the rental dwelling or dwelling unit.

Subd. 8. Guest register. The Owner or Responsible Party must continuously maintain a current register of guests and other persons who have a lawful right to occupy the rental dwelling or dwelling units. The register must be available for inspection by City officials or representatives at all times.

Subd. 9. No vested rights. Licenses granted for short term residential rentals constitute a revocable, limited right and nothing herein shall be construed as granting a vested property right.

Section 1199.09 – Inspections and Enforcement.

Subdivision 1. Short-term residential rentals are subject to inspections by authorized City officials to ensure compliance with applicable City Code provisions, including but not limited to the International Property Maintenance Code (IPMC), adopted pursuant to City Code Section 405.

Subd. 2. Authorized officials may enter the premises at any reasonable time. If the licensee objects to the inspection, the City official shall obtain an administrative search warrant before conducting the inspection.

Subd. 3. Short-term residential rentals are subject to an inspection at least once every two years or more frequently if determined necessary by the City based on complaints or non-compliance with applicable provisions of City Code or the IPMC.

Section 1199.11 – Basis for Denial.

The City will not issue a license or renewal for any short-term residential rental if any of the following are true:

Subdivision 1. The applicant has not submitted a complete application;

Subd. 2. The applicant does not comply with the requirements of this section or any other applicable provision of the City Code;

Subd. 3. The short-term rental premises do not comply with the requirements of the housing code, IPMC, building code, or the fire code;

Subd. 4. The applicant has a felony conviction or a gross misdemeanor or misdemeanor conviction in the last five years involving the use of force, possession or sale of a controlled substance, prostitution, indecent conduct, operation of a disorderly house (Minn. Stat. 609.33) or unlawful possession of firearms.

Subd. 5. The applicant is not current with property taxes or assessments at the location of the short-term residential rental.

Section 1199.13 – Standards.

Subdivision 1. All dwelling units must post a floor plan indicating fire exit and escape routes in a conspicuous place.

Subd. 2. All dwelling units must have a properly maintained and charged fire extinguisher that is placed in an easily accessible location.

Section 1199.15 – License suspension or revocation.

Subdivision 1. Suspension or Revocation. The City may suspend or revoke a license for a violation of this section or any other applicable provision of the City Code or state or federal laws after reasonable notice and failure of the owner or responsible party to end the violation or take reasonable steps to ensure that the violation ends.

Subd. 2. Notice. The notice must include the alleged violations and inform the licensee they have a right to appeal. The City will deliver notice in person or by regular mail to the address of the licensee, or by electronic communications.

Subd. 3. Appeal. A licensee may appeal a suspension or revocation. An appeal must be in writing and delivered or mailed to the City within ten (10) calendar days of issuance of the notice or else the right to a hearing is waived. If no request for a hearing is received, the City may proceed with the suspension or revocation. If the City receives a timely request for a hearing, it will designate a hearing officer, which will be an impartial City employee, or an impartial person retained by the City to conduct the hearing.

Subd. 4. Decision. The hearing officer will issue a written decision to the appellant and the City within ten (10) business days of the hearing. The hearing officer's decision must identify their findings supporting the decision to either uphold the suspension or revocation or impose a different penalty.

Subd. 5. Costs. If the hearing officer upholds the suspension or revocation, the appellant must pay the city's actual expenses related to the hearing up to a maximum of \$1,000.00.

Subd. 6. Appeal of hearing officer. The final decision of the hearing officer is appealable by petitioning the Minnesota Court of Appeals for a Writ of Certiorari.

Section 1199.17 – Violations.

A violation of this section is a misdemeanor. Violations may also be subject to administrative citations and penalties under Section 325 of the City Code.

Section 1199.19 – No warranty.

By enacting this section, neither the City nor its officers, agents or employees warrant or guarantee the safety, fitness or suitability of any short-term residential rental in the City. Owners and guests should take appropriate steps to protect their interests, health, safety and welfare.

SECTION 2. SEVERABILITY. Every section, provision and part of this ordinance is declared severable from every other section, provision and part thereof. If any section, provision or part of this ordinance is held to be invalid by a court of competent jurisdiction, such judgment shall not invalidate any other section, provision or part of this ordinance.

SECTION 3. EFFECT. This ordinance will be effective in accordance with Section 3.09 of the City Charter.

Adopted by the City of Richfield this ____ day of _____, 2025.

Mary B. Supple, Mayor

ATTEST:

Michelle Friedrich, City Clerk