

Ordinance No. 963

An Ordinance by the City of Red Lodge, Montana to Regulate Short-Term Rentals within City Limits

WHEREAS it is the duty and responsibility of the City to ensure public health, safety, and welfare of all its residents in all its districts by enforcement of ordinances and regulations and

WHEREAS in 2018, the Red Lodge City Council passed Ordinance No. 948, to approve the amended City Zoning Code Title 12 Section 4.4.22 (Specific Uses) to allow for and include regulation of Short Term Rentals (STRs) as registered businesses; and

WHEREAS the City is using improved processes that ensure compliance of STR businesses with the laws and regulations of the City of Red Lodge and the State of Montana; and

WHEREAS the City of Red Lodge seeks to proactively assess and mitigate any negative impacts of proliferation of short-term rentals within City limits which have been experienced by other tourism-based communities across Montana, and

WHEREAS Resolution #3607 established a Short Term Rental Advisory Committee (STRAC) tasked with gathering public input, researching, discussing, and drafting recommendations for STR regulations for the City Planning & Zoning Board (P&Z Board) and the City Land Use & Planning Standing Committee (LU&P Committee) to review; and

WHEREAS the STRAC submitted their recommendations to both the P&Z Board and the LU&P Committee on December 8, 2022; and

WHEREAS the STRAC, the LU&P Committee, and the P&Z Board all provided presentations to the City Council outlining their research, public input summary, and recommendation reasoning on March 28, 2023, and

WHEREAS the Land Use and Planning Standing Committee reviewed all Short Term Rental Advisory Committee recommendations and determined some of the recommendations were appropriately addressed by Ordinance; and

WHEREAS the City Council of the City of Red Lodge, Montana did conduct duly noticed public hearings on May 23 and June 13, 2023 on the proposed new regulations for STRs within City Limits,

NOW THEREFORE, The City Council of the City of Red Lodge, Montana, does ordain as follows:

Section 1: In addition to all state and federal requirements, as well as the City requirement to obtain a business license, The City hereby requires either an Employer Identification Number (EIN) issued by the Internal Revenue Service or a Lodging Facility Sales and Use Tax Permit (LFT) issued by the Montana Department of Revenue to legally operate a STR within City limits.

Section 2: The City shall adopt a written Good Neighbor Policy summarizing local laws, regulations, and community norms pertinent for visitors. It is the responsibility of the STR Business Owner to ensure the Good Neighbor Policy is provided to all guests, and it is the responsibility of the City to provide the most updated Good Neighbor Policy to each STR Business Owner.

Section 3: STR Business Licenses are valid for one year and can be renewed. STR Business Licenses issued

or renewed as of June 30, 2023 are considered “grandfathered” as it pertains to any future changes in STR zoning or setting of an overall threshold of total number of STRs allowed within City limits. STR Business Licenses are assigned to the owner AND the dwelling unit. They are non-transferrable. Owners cannot take their license to a different dwelling unit, and licenses do not carry over if there is a change in ownership of the licensed dwelling unit. For those licenses with an “in progress” application as of June 30, 2023, City staff will first determine if each application has met all of the criteria for approval and if so, that license will be awarded with a “grandfathered” status.

Section 4: Along with compliance of all other federal, state, and local STR regulations, STR licenses must be used within a year of being issued or renewed. If an owner or property manager does not renew their STR business license by September 1, the license is automatically terminated. If a license is terminated, the property owner will be required to apply for a new license. If a license is not used within 365 consecutive days it will be automatically revoked. Use of a STR license will be determined by the remittance of resort tax to the City of Red Lodge.

Section 5: The City of Red Lodge hereby establishes a **limit** of total STR licenses permitted within the City of Red Lodge calculated as twenty percent (20%) of the total number of dwelling units in the City of Red Lodge, **as determined by the 911 address list provided by the Red Lodge Fire Department.**

The **limit** will be calculated by Red Lodge City staff each June annually. In the event that the **limit** is reached, a waiting list shall be established to facilitate new permits when existing permits expire and are not renewed. Regulations in this ordinance will be reviewed as set forth by resolution.

Section 6: STR classifications will be established to determine exempt status and for data collection purposes:

- (Type 1) EXEMPT: Owner-occupied - A short term rental of one or more bedrooms in a dwelling that is legally identified as the property owner’s primary residence and the owner is occupying the primary residence for the entire rental period. **Type 1 STRs are exempt from the threshold established in Section 5.**
- Type 2: Property Manager/ Property Management Company - A person or company designated and licensed within the City of Red Lodge and State of Montana to provide property management of 1 or more properties, as regulated by Section 37-51-6, Licensure of Property Managers of Montana Code Annotated. Management includes but is not limited to maintenance, coordination, remittance of all taxes on behalf of their clients as well as act as the Responsible Person/Local Emergency Contact/Owner Representative. Property Managers are required to maintain all necessary licensing, insurance and records as required by law. **Type 2 STRS - 55% of the threshold established in Section 5 shall be reserved for professionally managed short-term rental properties. The remaining 45% of the threshold established in Section 5 shall be made available to all classification types, unless exempt from the threshold per this Ordinance, including those managed professionally.**
- Type 3: All other short term rentals not classified as Type 1 or Type 2.

PASSED AND APPROVED on the first reading by the City Council of the City of Red Lodge on the 25th day of July, 2023.

PASSED AND APPROVED on the second reading by the City Council of the City of Red Lodge on the 22nd day of August, 2023.

Mayor

ATTEST:

City Clerk