

ISLE OF PALMS

**SPECIAL CITY COUNCIL MEETING
ISLE OF PALMS, SOUTH CAROLINA
February 22, 2007**

A special meeting of the Isle of Palms City Council was held at 6:00 p.m. on Thursday, February 22, 2007 in the Magnolia/Palmetto Room, Recreation Center, #24 Twenty-eighth Avenue, all requirements of the Freedom of Information Act having been satisfied. Present were Mayor Sottile, Council Members Bettelli, Buckhannon, Cronin, Hanbury, McMackin, Rice and Taylor. Also present were City Administrator Tucker, City Attorney Sottile, Building and Planning Director Kerr and City Clerk Darrow.

A. INTRODUCTION OF MEETING

Mayor Sottile called the meeting to order and stated that members of the press and public were duly notified of the meeting in accordance with State Law. Mayor Sottile noted that all council members were present except for Councilman Marino who had a family emergency.

Thereafter, Mayor Sottile noted that tonight's meeting was being taped and would be broadcast on Comcast Access Channel 60 at 7:00p.m., Tuesday, February 27, 2007.

B. Ethics Disclosure

Mayor Sottile noted that in early February 2007 he received a letter from a resident expressing concern about the possibility that some Council members might have conflicts of interest on the rental issue. Mayor Sottile noted he proactively approached the South Carolina State Ethics Commission and requested the department render an opinion on this matter. Mayor Sottile and various Council members, in turn, disclosed any possible connections they or their family might have with either rentals, real estate and other work associated thereto, for property within Isle of Palms, the East Cooper area and nationwide. Mayor Sottile reported that the South Carolina State Ethics Commission was made aware of all this information and declared that none of the Council members had a conflict of interest with the rental issue and could discuss and vote on this matter without cause for concern.

C. Continued discussion of solutions to short term residential rental issues.

i. Consideration of three (3) ordinances for First Reading at the Regular City Council Meeting on February 27, 2007:

First Reading, by Title Only, of Ordinance 2007-2, an Ordinance to Amend Title 5, Chapter 4, Zoning, of the City of Isle of Palms Code of Ordinances to Create Article 9, Short-Term Residential Rentals.

First Reading, by Title Only, of Ordinance 2007-3, an Ordinance to Amend Title 1, Chapter 3, Article D, of the City of Isle of Palms Code of Ordinances, Regarding Violations of City Ordinances and Penalties Therefore.

First Reading, by Title Only, of Ordinance 2007-4, an Ordinance to Amend Title 7, Chapter 1, Section 7-1-15, Suspension or Revocation of License, of the City of Isle of Palms Code of Ordinances.

Mayor Sottile prefaced this topic by noting that the Planning Commission studied the issue of rentals for approximately eighteen (18) months before providing Council with its recommendations. He noted Council held a workshop meeting on January 18, 2007 to review and discuss Planning Commission's recommendations and tonight's meeting was a continuation of that effort. Mayor Sottile recalled that the Isle of Palms is a place for residential homes and investment, with the island balancing residents, visitors and vacation rentals for over a century. He noted that many of the current Isle of Palms residents were once visitors who came to the island to enjoy its many amenities, being induced to stay and put down roots. Mayor Sottile submitted that, in his opinion, Council needed to work toward forging a good balance between residential and rentals into the future. Thereafter, he asked City Administrator Tucker to review the proposed ordinances drafted by the City Attorney based upon the Planning Commission's recommendations and feedback from City Council.

Administrator Tucker reviewed the proposed ordinances before Council for First Reading consideration: Ordinances 2007-2, 2007-3 and 2007-4 (**Exhibit A**).

ORDINANCE 2007-2 SHORT TERM RESIDENTIAL RENTALS
(Title 5, Chapter 4, Article 9)

Administrator Tucker noted that this ordinance would create a new section in the City Code, Article 9 in the Zoning section of the codes. She noted that the other two ordinances related to Penalties and Business License section changes, which were companion ordinances to 2007-2, allowing for better enforcement of the proposed items in 2007-2.

Highlights of this review included:

- 1. Definition of short-term rentals – three (3) months or less.**
- 2. Definition of maximum overnight occupancy –**
Age of children exempt from this computation was reduced to two (2) years, based upon the January 18, 2007 Council meeting.
- 3. Maximum occupancy at any one time at a property –**
Reduced from fifty (50) to forty (40) people pursuant to the January 18, 2007 Council meeting.

MOTION: Councilman Taylor made a motion to refer the following three (3) draft ordinance documents (Exhibit A) for First Reading consideration at the February 27, 2007 Council meeting: (1) Ordinance 2007-2, an Ordinance to Amend Title 5, Chapter 4, Zoning, of the City of Isle of Palms Code of Ordinances to Create Article 9, Short-Term Residential Rentals; (2) Ordinance

2007-3, an Ordinance to Amend Title 1, Chapter 3, Article D, of the City of Isle of Palms Code of Ordinances, Regarding Violations of City Ordinances and Penalties Therefore; and (3) Ordinance 2007-4, an Ordinance to Amend Title 7, Chapter 1, Section 7-1-15, Suspension or Revocation of License, of the City of Isle of Palms Code of Ordinances; seconded by Councilman Bettelli.

Discussion:

Councilwoman McMackin indicated she had some specific recommendations and changes she would like to make to Ordinance 2007-2 and asked if Council would go through the Ordinance by each line item. Thereafter Council briefly discussed how it would proceed on the ordinance review.

MOTION TO AMEND: Councilwoman McMackin made a motion to revised Ordinance 2007-2 (Exhibit A) to remove the following language from Section 1 (B), Findings: “at the beach are trying to cram the most fun and enjoyment into the least amount of time, which renters...;”seconded by Councilwoman Rice.

Discussion:

Councilwoman McMackin indicated that this language in the Findings section was inappropriate, unnecessary and reflected conclusions which do not belong to Council. Councilman Taylor noted that the Findings of an ordinance do not end up in the City Code.

Call for the question (Roll Call vote requested):

MOTION UNANIMOUSLY PASSED.

Thereafter Councilwoman McMackin indicated she would like to make a second motion; however, she outlined her recommended changes to Section 5-4-201 in Ordinance 2007-2 and Council discussed them. Mayor Sottile concluded this discussion by recommending Council members provide revisions in writing for all of Council’s consideration prior to the February 27, 2007 Council meeting.

Highlights regarding proposed changes to Section 5-4-201 of Ordinance 2007-2:

Councilwoman McMackin indicated her desire to revise the definition of short term rentals in Ordinance 2007-2 to twenty-eight (28) days or less, to incorporate language establishing requirements for an annual short-term rental license and inclusion of the six (6) criteria set out from the Planning Commission for rental applications (Exhibit B).

Council Discussion:

Councilwoman McMackin noted she advocated the reduced rental period as less than one-month because, in her opinion, these time frames more accurately reflect short-term rental activity. She wanted to include language, which allowed the City to review the appropriateness of an individual to rent a property. Council briefly discussed the time frame for a short-term rental, with Councilman Cronin noting that the State defined short-

term rentals as being ninety (90) days or less, submitting this was the reason why the Planning Commission embraced that time frame.

Councilwoman Rice advocated accountability for rentals, noting that the City needed to develop a mechanism by which renters and property owners could be better held accountable for activity on the properties. She advocated the establishment of a separate short-term rental license to distinguish between those licenses and regular rental licenses. Councilwoman Rice indicated that short-term rentals should be held to strict standards and such property owners should bear the burden of proving all taxes have been paid, for example. Councilman Cronin noted that individual property owners do not receive receipts when paying taxes to Charleston County or the State. He noted that many rental owners hire property management companies to handle matters like payment of property taxes. Councilman Cronin submitted that the City could modify its practices and procedures to follow up on business license issues.

At this time Council spent some time discussing the preferred method for proceeding with review of the draft ordinance documents. Councilwoman Hanbury broached the issue of reviewing the proposed ordinance language at this meeting. She noted that she was ill prepared to review and rewrite ordinances at this time and expressed her understanding that the draft ordinance language was provided to Council to review. She submitted that Council should use the ordinance drafts as a tool for discussing basic short-term rental issues, which need some consensus. Councilwoman McMackin indicated she had studied the ordinance drafts and was prepared to make specific conclusions and recommendations tonight. Councilman Taylor indicated he thought the purpose of tonight's meeting was to discuss items in general and refer drafts for First Reading Ordinance consideration on February 27, 2007.

After some further discussion, Mayor Sottile asked Council members to submit recommended changes to him in writing before the February 27, 2007 Council meeting so that all of Council could review them. He noted that there would be at least two (2) more opportunities for changing the ordinance prior to the March Regular Council meeting. He submitted that the purpose of tonight's meeting was, in his mind, to review the proposed changes made at the January 18, 2007 Council workshop meeting and further discuss issues to try and reach consensus.

Definition of short-term rentals:

Councilwoman McMackin reiterated her desire to reduce the time frame for short-term rentals to twenty-eight (28) days or less. Councilwoman Hanbury clarified that if short-term rentals were defined as three (3) months or less then anything over a three (3) month rental period would be considered long term rental by default, not falling under the additional restrictions of short term rentals pursuant to Ordinance 2007-2. Administrator Tucker answered Councilwoman Hanbury's questions in the affirmative. Thereafter Councilwoman Hanbury expressed her desire that any restrictions or ordinances which might be passed by Council be applied to all properties, to ensure equal treatment.

Councilwoman McMackin further explained her desire to see short term rentals defined as twenty-eight (28) days or less: specific type of activity and vacation rentals for such rental

time frames require more oversight; as for the limitations and restrictions on short-term rentals, she submitted that if the City narrowed the scope of rentals defined as short term rentals to those she opined were true short term rentals, then the restrictions would apply to those rentals which need them most and perhaps be more acceptable to members of the rental community. She then submitted that many other communities define short-term rentals as twenty-eight (28) days or less.

Councilman Bettelli opined that if the City intended to proceed with implementing restrictions and guidelines on short-term rental activity, then Council should attempt to make these guidelines applicable to as many rentals as possible. Councilman Buckhannon submitted that it would be appropriate to study other island's methods for handling this issue, but when deciding the best course of action for Isle of Palms, Council should look to the unique needs of this island. Councilman Cronin agreed in principle with Councilman Buckhannon but submitted that practically it would be administratively easier to cross reference tax and other information with the State if the City proceeded with short-term rentals as defined by the State.

Mayor Sottile asked Administrator Tucker if staff would have a problem administering the program if short-term rentals were defined other than three (3) months maximum. Administrator Tucker noted that the administration of short term rentals would be problematic under all situations; however, if Council decided to define short-term rentals as twenty-eight (28) days or less, then staff could and would make adjustments accordingly. She noted that the goal of the short-term rental definition was to find a way to better differentiate between twelve month/long term rental and shorter term rental activity.

Councilwoman Hanbury expressed her opinion that it was appropriate to define short-term rentals as three (3) months or less. Mayor Sottile asked Building and Planning Director Kerr to provide insight as to the Planning Commission's recommendation on the definition of short-term rentals. Director Kerr noted that the Planning Commission left the definition of short-term rentals to the end of the study process. He noted that the Planning Commission found in their research that there is a current trend for multiple college students to rent a house for three month periods of time, sharing the space in short bursts similar to short term rentals.

Council then moved to discussion regarding parking

On-site parking:

Councilwoman Hanbury reference discussion between Council as captured in the January 18, 2007 meeting minutes. She asked if it would be premature for Council to establish maximum on-site parking for properties without assurances that the lots could accommodate the parking spaces.

Mayor Sottile asked Director Kerr for insight regarding the Planning Commission's reasoning process on this issue.

Director Kerr noted that the Planning Commission did not want to require a maximum parking amount for the site in total as much as limiting the amount of parking on the

property. He noted that the Planning Commission's concern was that requiring all parking be put on-site would encourage pavement of whole front yards when the City wanted to encourage preservation of green space instead.

Councilman Taylor noted that the draft ordinance language establishes maximum overnight parking on the site only. Councilwoman Hanbury indicated she did not want to see thirteen (13) cars parked on a sixty (60) foot front lot. Councilman Buckhannon agreed with Councilwoman Hanbury's concerns but submitted that each lot on the island was unique and no ordinance could attempt to be a rubber stamp to fit the requirements for each property. Administrator Tucker suggested that the City could address this issue administratively as part of the application process, requiring applicants to provide a parking plan showing the City how it would handle the maximum parking allowed on the site.

Councilwoman McMackin asked about off-street and submitted rental owners should show how they would handle off-site parking. Councilman Buckhannon asked how this would be enforced and Councilwoman McMackin noted that Sullivan's Island requires property owners and rental property managers to provide off-street parking for tenants and their leisure machines (boats, jet skis, etc).

Councilwoman Rice supported the concept of the property owners showing parking plans, noting that when she recently rented a lake house upstate in an area with limited parking, her rental lease made it very clear that she was limited to one (1) vehicle. She advocated more accountability for the owner and property manager.

Councilman Cronin pointed out that the Planning Commission was concerned with over-regulating parking on lots, as this might deter vegetative growth on lots in favor of pervious or impervious materials (ie. rocks).

Councilman Buckhannon noted the goal of the ordinance was define short-term rentals and provide a framework by which the City could better monitor and/or restrict parking. He agreed with Administrator Tucker that some of these issues could be handled as part of the application process. He also commented on the parking problems associated with day trip visitors to the island, drawn by the Marina and beach amenities. Councilwoman McMackin suggested that the City could also possibly track vehicle data as part of the application process and Mayor Sottile noted that rental companies may already gather this information during the rental process.

Garbage issues:

Councilwoman Hanbury noted that rental companies require roll-out cart services for many of their rental properties and asked if this stipulation would be necessary in the ordinance as the City had a good trash collection ordinance on the books. Councilwoman McMackin noted that the City has a lot of rent by owners who may or may not use roll out cart services. She submitted that the City needed to establish rules regarding this issue to ensure compliance among all short-term renters. She suggested charging a user fee for renters with more than two (2) trash containers, to offset the impact of the collection to the City. Various Council members expressed reservations with this suggestion, noting some year-round residents have more than two (2) trash containers and do not have to pay impact fees.

Councilman Cronin submitted that the City had a good ordinance in place for trash collection which needed to be fully enforced, noting that people habitually violating the roll-out cart ordinance be brought to Municipal Livability Court for consequences.

24 Hour Written Notice:

Councilwoman McMackin indicated she wanted to add verbage to require short term rental property owners provide written instructions to vacationers about noise, trash and other restrictions.

Councilwoman Hanbury agreed that renters should be made aware of City restrictions but cautioned that any information be short and simple, preferably in a one-page handout.

Councilwoman Rice asked about the hot-line and Councilman Bettelli informed Council he has been communicating with his Bellsouth contacts and obtained ten (10) possible hot-line numbers from which the City could choose. Mayor Sottile noted the Livability hot-line would be routed directly to dispatch.

Safety Inspections:

Councilwoman Rice submitted that any version of Ordinance 2007-2 should include language regarding safety inspections with the goal to make owners take on the burden of proving to the City that the rental properties have necessary safety features such as adequate, working smoke alarms and fire extinguishers.

Mayor Sottile expressed support for this concept.

ORDINANCE 2007-3: Title 1, Chapter 3, Article D (Penalties)

Maximum violations before license revocation:

Councilwoman Hanbury noted the Planning Commission recommended a four (4) strikes/out policy for violations, which Council needed to discuss.

Councilman Bettelli noted that Ordinance 2007-4 would deal with habitual violations and business license revocation. Councilman Cronin noted that 2007-3 would give habitual violators the opportunity to go before the Municipal Court, for a factual judgment of the circumstances. He noted that the findings from the Court would allow the City the ability to revoke the business license for such violators while giving them an opportunity for a hearing process.

City Attorney Sottile clarified that the City revokes business licenses, not the Municipal Court. He noted Ordinance 2007-3 would provide criminal penalties for violations through Municipal Court. He further noted that regardless of what the court issued a violator in the way criminal citations or fines, the City already reserved the right to revoke a business license if necessary.

Councilman Bettelli clarified that the Livability Officer would assist staff in providing information on habitual violations to determine the revocation of a business license.

Councilwoman Rice expressed a desire to see a return to the Planning Commission's recommendation for four (4) strikes/out, to assure accountability for rentals. She submitted that the draft ordinance language was too vague and open to interpretation. Mayor Sottile asked Director Kerr to provide the Planning Commission's thoughts on this issue.

Director Kerr noted that the Planning Commission had not considered the one tenant/one-night scenario where four or more violations could be issued in one night. He submitted that Planning Commission reasoned that four occasions where there were violations within one (1) year was really too many infractions and warranted a revocation of the license.

Councilman Cronin cautioned that the problem with absolute numbers is that there would be limited ability to appeal a license revocation. He submitted that the purpose of the new Livability Court judge would be to determine fairness and the opportunity to appeal.

Administrator Tucker noted that judges have discretion within the law and asked City Attorney if he had any feedback regarding the ordinance language referring to those who "knowingly allows other persons or..." (**Exhibit A**). City Attorney noted that this language was included in the proposed ordinance for a reason, which he needed to explain in executive session. Mayor Sottile suggested City Attorney Sottile provide Council with this information during the February 27, 2007 Council meeting in executive session. Councilwoman McMackin noted she would like to see additional language included to tie Ordinance 2007-3 and Ordinance 2007-4 together better. Mayor Sottile reiterated that Council should wait until it received the City Attorney's input in executive session before proceeding further with Ordinance 2007-3 and Ordinance 2007-4 modifications.

Councilwoman Hanbury clarified that if Council approved First Reading of Ordinances 2007-2, 2007-3 and 2007-4, Council would not be tied to the final text presented tonight. Mayor Sottile repeated that Council would have at least two (2) additional opportunities to review these ordinances after tonight.

RESTATEMENT OF AMENDED MOTION:

Motion to refer the following three (3) draft ordinance documents (Exhibit A) for First Reading consideration at the February 27, 2007 Council meeting:

- (1) Ordinance 2007-2, an Ordinance to Amend Title 5, Chapter 4, Zoning, of the City of Isle of Palms Code of Ordinances to Create Article 9, Short-Term Residential Rentals with the following revision: remove the following language from Section 1 (B), Findings: "at the beach are trying to cram the most fun and enjoyment into the least amount of time, which renters...;"**
- (2) Ordinance 2007-3, an Ordinance to Amend Title 1, Chapter 3, Article D, of the City of Isle of Palms Code of Ordinances, Regarding Violations of City Ordinances and Penalties Therefore; and**
- (3) Ordinance 2007-4, an Ordinance to Amend Title 7, Chapter 1, Section 7-1-15, Suspension or Revocation of License, of the City of Isle of Palms Code of Ordinances.**

Call for the question (roll call vote): MOTION UNANIMOUSLY PASSED.

**ii. Consideration of citizen petition received by the City
on Wednesday, January 10, 2007.**

Mayor Sottile thanked the citizens who signed the petition, particularly for their concern and interest in the future of the island. Mayor Sottile expressed his opinion about rentals on the island: he noted the island has a long history as a tourist destination, noting that long before its incorporation visitors came to the island. He noted that many people visit the island and enjoy its amenities, often buying property on the Isle of Palms. Mayor Sottile noted that Council has continued work tonight to develop guidelines and restrictions on rental activity to help ensure a continued high quality of life on the island for all residents. He submitted that further restrictions would be, in his opinion, a mistake as property values would be hurt and City income demonstrably reduced. Mayor Sottile noted that the City's only industry is tourism and the lifeblood for the continued service comes in the form of Accommodations Tax revenue. He noted that the City retains a very small percentage of the revenue collected from property taxes, with Charleston County School Board receiving the lion's share of the revenue followed by Charleston County. Mayor Sottile noted that without Accommodations Tax and other visitor related tax revenues the City would not enjoy a new Recreation Center, Front Beach Enhancement or a City owned public Marina. He noted that this Council and previous Councils have been able to make these strides forward without raising residents' municipal taxes, partly due to the offset of Accommodations and tourist related taxes.

Thereafter Council discussed and considered various aspects of the citizen petition.

One-week minimum rental:

Mayor Sottile noted that a motion to enact this restriction was made at a Council meeting in January 2007 and was defeated by a vote of six (6) to three (3).

Councilman Cronin noted that the steps Council is taking tonight and will continue to take on the issue of short-term rentals will go a long way to enact regulations to control the rental environment. He submitted that Council should let the proposed rules and regulations be put in place and allowed to work before considering additional restrictions. He submitted that once staff was put in place to focus on livability issues, there should be a material change in the impact of short-term rentals. Councilman Cronin applauded the addition of the Livability Court, judge and officer.

Councilwoman Hanbury noted that in her research she has read of nation-wide trends whereby vacationers were moving away from one and two week vacations to shorter vacations of three or four days. She noted magazines reporting on this trend cite people's workload, children's school and extracurricular activities, and the challenge of coordinating large blocks of vacation time between dual income families as reasons for the trend toward the mini-breaks and mini-vacations. She noted that, if this trend were a reality, then the economic impact of requiring a minimum one (1) week rental would be significant on Isle of Palms.

Councilwoman Rice noted that SR1 and SR2 zoned districts are the only areas where this restriction is being proposed. She noted these zoning districts are residential and submitted

there was no need for renters to traverse in and out of this zoning district for any length of time under four (4) days. She noted such activity would materially detract from the residential character and nature of the neighborhoods.

Councilwoman McMackin submitted the City needed to find a way to prevent events in SR1 and SR2 zoned properties, such as weddings, conferences and large jewelry sales, all occurring for one or two days. She noted that many rental agencies and rental managers already require a four (4) day minimum for rentals.

Councilman Buckhannon indicated his support in principle for this concept but expressed a need to see how such restrictions would be enforced and managed first. Councilwoman McMackin submitted that it was the purview of Council to establish policy and directions and it was the purview of Administrator Tucker and staff to set up procedures to implement Council's policies.

Councilman Taylor questioned the economic impact of requiring a family or individual to rent for a minimum of one week. He noted that many people have rented properties over time for short periods and the cost of requiring a one-week rental would probably encourage people to share the cost by collaborating with other families. He suggested that it was appropriate for there to be a one-week rental in the summer and noted that almost all property owners require that; however, he could see the need to allow for shorter than one week rental stays for the off-season.

Councilman Cronin submitted a three (3) day minimum for all rentals, noting that this would prevent the advertisement of nightly rentals via internet ads. Councilwoman Rice reiterated that the petitioners requested this restriction in SR1 and SR2 zoning districts only. If the one-week rental cap were implemented, habitual violators would have their business license revoked, a very effective enforcement mechanism.

Councilwoman Hanbury indicated that she had some concern for the impact such a restriction would have on property owners who have rented their property for years and need the income, often to retain a family home passed down by parents. She indicated she could support some type of minimum rental restriction for the summer season but had reservations about a restriction for rentals throughout the off-season. Councilwoman McMackin disagreed with Councilwoman Hanbury and expressed support for a longer rental term.

Cap on short-term rental at the current level:

Councilwoman Hanbury noted she visited the island as a tourist twenty-one (21) years ago and decided to move to this island based upon her visit. She noted that the island was purchased over one hundred years ago for a vacationer/holiday destination and, over the years, has developed into a residential island, which included tourists and vacation renters.

Councilwoman McMackin expressed pride that the City has balanced residential and commercial components. She pointed out that the island includes Wild Dunes, a resort vacation destination, the Front Beach and residential neighborhoods. She noted that when she purchased her home it was in a residential neighborhood and submitted that the eight

hundred and twenty-five (825) petition signatories want their neighborhood to remain residential too. Councilwoman McMackin noted that City's Comprehensive Plan provides direction and guidance on the balance of tourism and residential within the City and noted that SR1 and SR2 zoning has been identified in the Comprehensive Plan and City Codes for low-density residential use. She submitted that she has met with petitioners to hear their valid concerns and also met with the residential management company representatives this week. Councilwoman McMackin offered the following compromise: (1) continue to allow short-term rentals for Wild Dunes, Front Beach, GC3 zoned districts and the hotels; (2) limit short term rentals in SR1 and SR2 zoned districts only; and (3) place a temporary cap on short term rentals SR1 and SR2 zoned districts for one (1) year. This rental moratorium would allow for rental owners who currently have a license on the island to get another license, but close the application process and cap licenses for one (1) year, in order for the City to study the efficacy of the proposed short-term rental ordinances.

Councilman Bettelli noted that he has been a resident since 1967 and noted that in all his time on the island there have been rentals within the SR1 and SR2 zoning districts. He observed that usually families rented a three (3) bedroom house for a week long vacation, having a reduced impact on the neighbors. He submitted that the change from forty (40) years ago has been the continuing trend to tear down smaller JC Long ranch style houses and replacing them with bigger houses. He noted that the island would never again see small ranch style houses, due to the new building codes and need to elevate structures coupled with increased land prices. Councilman Bettelli noted that he and everyone present tonight would not be alive forever and he personally hoped that his children would retain ownership of his house, perhaps for family vacations back to their hometown. He noted that many island houses belong to families who might not be able to continue to pay the increasing property taxes without rental revenue to offset it.

Councilwoman Rice indicated appreciation for Councilwoman McMackin's compromise and noted that she would like a one-year cooling off period to evaluate the impact of short-term rental ordinances on the rental business. In response to Councilman Bettelli's comments, Councilwoman Rice noted that the dynamics of rentals has materially changed over the years because many rentals have forty (40) people in one very large house, instead of the standard one family per home.

Councilman Buckhannon commented that Council continues to develop regulations and a short term rental program that would hopefully address the negative impact of some rentals; however, he submitted that the City needed to allow time for the program to be put into place and work.

Councilman Cronin raised a concern with implementing Councilwoman McMackin's suggestion to cap rental licenses, namely that property owners would rush to designate their properties as short term rentals in order to allow themselves the continued flexibility of renting out the property. Additionally, he submitted that with caps, once they are in place they either continue at their current level or matters revert back to the status quo.

Councilman Taylor noted he has served as Chairman of the Ways and Means Committee for many years and has worked closely with the development of the City budget for some

time. He noted that there is an important balance of tax income for renters/investment homeowners (6%) and primary residents (4% tax rate), which allows for a continuation of many City services without increasing municipal taxes. He also noted that the City has shifted the payment of many City expenses from property taxes to funds realized from Hospitality Tax and Business Licenses. He noted that changes or restrictions upon the rental community, while evident and forthcoming, would have an impact on these tourist-based revenues. He cautioned against a rush to cap rental licenses and prevent property owners from ever being able to rent their properties.

Councilwoman McMackin submitted that the City could establish criteria by which a property owner could obtain a rental license pursuant to any rental cap, suggesting that if a property owner would have to have operated his/her property as a short term rental within the last three (3) months in order to obtain a rental license. She submitted that there would be no change in the amount of taxes realized by the City if the rentals were capped at their current level.

Cap on new home construction to 5000 sf:

Mayor Sottile noted that the Planning Commission has been working on floor to area ratios (FAR) for houses, lot coverage and lot sizes. He suggested Council wait for the Planning Commission recommendations on this matter.

Councilwoman Rice asked when the City anticipated receiving feedback from the Planning Commission and Director Kerr estimated a recommendation within two (2) months.

On another matter, Mayor Sottile announced that the City has selected Judge Michael Malony to serve as the City's Livability Judge and the first Livability Court will convene on April 5, 2007.

There being no further business to come before the Council, the meeting was unanimously adjourned at 7:55 p.m.

Respectfully submitted,

Lisa Darrow
City Clerk

To be approved by City Council at the March 27, 2007 Council meeting.