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CALL TO ORDER

[Time: 00:58:25]

Mayor Ortega: Hello, everyone. I will call to order the work study session for November 9th. The purpose of this work study is to take a subject and speak freely and openly, but not -- I repeat not take a vote on this, just to give the staff and others a sense of the issues and the timing on those issues.

PUBLIC COMMENT

[Time: 00:58:41]

In order to move forward, we do allow public comment and the public comment is to be time efficient. We request for members of the public to come forward and speak to the item is on the agenda and they will we will proceed to do our business in consideration of the topic. In that way, the public can be heard. We ask for a maximum of five participants and three minutes -- allowing three minutes for that public comment.

I do have a list requested and we would begin -- well, the topic is short-term rentals, and we can have that -- excuse me, the public comment after the presentation. Okay. Let's do it before. We are going to do it before, and with that I would call for Mr. Jerome Landau. Please announce

yourself. Thank you. Yourself, your address and then certainly, we are here to listen. Thank you.

Linda Ambrose: Okay. First you want our address. Linda Ambrose is my name. How is that?

Mayor Ortega: Better.

Linda Ambrose: Linda Ambrose is my name and we live 27800 north Hayden road, Scottsdale, 85266. Okay. Tell me when I begin. Greetings honorable council, I'm Linda Ambrose and my husband who is behind me, is Jerome Landau.

We are in our 70s. Our introduction with summary letters sent to each of you last Thursday, November 4th, tells our story, of being Scottsdale residents since the early 1990s and building our extra casita for my mother in 1995 to live in until her death from Alzheimer's at 87 years old.

Where upon years later we began to rent our detached casita as a vacation short-term rental in order to help provide the extra income in covering the aging casita, and repair expenses. We found that decision to rent contributed to a win/win situation for everyone involved. Number one to us aiding in our financial needs and providing us the enjoyment of being host and hostess and many happy and pleased Scottsdale visitors.

[Time: 01:01:38]

Two, to Scottsdale winter visitors who wanted more than a hotel, yet not a resort, thus providing them more variety of options.

Three, to Scottsdale itself, asking to the covers of many Scottsdale businesses, restaurants and the like as well as to the city's revenue from increased sales taxes, not forgetting the added taxes that we pay to the Scottsdale and the city and state.

All of that win/win went away in July of 202, is we received the most threatening letter from the city of Scottsdale inspector calling it a compliance order which we had one week to take our VRBO, we must move ourselves or not at all rent it. It also indicates that noncompliance would risk finds of \$2,500 a day, along with potential criminal violations. Not only was it a tremendous gut punch it hurt that our beloved city of Scottsdale would resort to mean tactics and threats. It made no sense.

We know that Scottsdale markets our city to attract visitors who need a variety of options for their individuals especially those with family and their animals. The majority of property owners on their report are responsible Scottsdale citizens who don't want large crowds or abusive and loud centers at their vacation rentals or in their neighborhoods. Westerly not absentee landlords.

We are present, interacting and supervising owners and we should be encouraged rather than penalized and denied. I will end with a question for you. Why does it mean matter that our

casita rental is detached? Thank you for your time. Did I do it?

Mayor Ortega: Thank you. You certainly did. We have Jerome Landau spouse and husband coming up next.

Jerome Landau: Thank you. Linda said win/win. It's win/win/win for the city of Scottsdale. She mentioned for we citizens who are residents here who live on properties, this is really an important issue for us, because so many of us we have been here 27 years, we built or bought property that had a separate small building, that's being called a casita. It was preplanning for our parents.

[Time: 01:04:28]

Linda mentioned her mother who moved in with us and spent a number of years in excellent health and then a number of years experiencing dementia, Alzheimer's and I must say those were the best years of my life, to have her there, to be there with her, and to have her be able to sit in her comfort and grace to look out on the desert until her passing.

So so many of us then had those parents of ours as we age, age into passing themselves. And all over the city, there are a number of properties where property owners live there, and they have a casita that now cannot be rented. Tremendous expenses come up, even when it's empties for the casita for our own homes for our own lives nowadays. A lot of are struggling. Social Security does not cover enough.

That's the side for we citizens and where the pin is for us by changes the code as it is now. But for Scottsdale visitors they need an option. The option one side is to go to one of our grand internationally known resorts, where they can be in a resort room and around a lot of excitement and, like we find people sometimes look for, but the other side is visitors sometimes want do come for their holidays and their peaceful vacations to be able to be quiet to go around the city to play golf, to hike, to bike, to do all of the city's activities, and yet to be able to come home to a little bit of peaceful necessary and quiet without a Maddening crowd.

The other side we market, we have Mayo. We have Honor Health. We have a large number of very renowned hospitals and clicks, people who want to come for that. They are either going to the hospital and their spouse needs a place to stay, or they are coming for cancer treatment and the like. As one gentleman who came to visit, you cannot put on shorts and be outside in a hotel, when you have a tube coming down from a colostomy bag. You can't do that.

But to be in a private home, in our private residence while going through these treatments, you can and it's peaceful and it's quiet and it's special. So we need to have those options for people coming to Scottsdale also. I'm speaking on behalf of many people, who have casita, while we are still able to walk around, those who we planned these casitas for are no longer able to, as Linda said her mom at 87.

This is a serious issue and I understand there's been a problem with a very small number of vacation rentals and the city and the police are on top of that and will come up with other ways of doing it also, but for we who have been here 27 years. We have worked on our committees over the years, we put in lots of times because this is our city. I don't want to move, but in actuality, it's actually getting difficult to support everything that's happening at the property and just life.

[Time: 01:07:48]

And so to be able to have a short-term rental and our casita where we are living, 50 feet away, maybe 150 feet away. We are there we know these people, I used to chair a medical foundation. These kind of people don't want to be in a hotel room with a mini bar. They want to be in a small house with a full refrigerator where they can kit back on a patio while they can experience peacefulness. This is the incentive.

I heard from someone else, they have been forced to find an event, because they heard that Scottsdale is cutting out all vacation rentals. Thank you for the time and thank you for your considered as and very serious for a lot of people, we will lose a lot of people who go on the other side of that border. Thank you and God bless.

Mayor Ortega: Thank you for your courtesy. Next, we will have in person, Sonnie Kirtley.

Sonnie Kirtley: Good evening, councilmembers, I'm here as a representative of the COGS, greater Scottsdale board of directors. You say short-term rental in any communication conversation and whoa, you have to back up because here come the complaints.

Nuisance parties, inappropriate behavior, trash, someone knocking at your door in the middle of the night, wrong house. But tonight, I want to talk to you about short-term rentals that is a value to our own permanent residents. We have to take a look at home who will rent their casitas and guest homes in a responsible way.

You know councilmembers and anyone who has lived here a long time, all of these casitas have been rented. They have always been rented. Someone comes for the Arabian horse shore or come for Barrett-Jackson as mentioned here, they come and they take for a week, a month, sometimes Thanksgiving to easter, thank you very much for the tourism.

But the point is these are responsible short-term rentals from a meek to month, to many, many months. So the question is, what's happened? Whoa, the shock that Linda mentioned. She gets a violation.

All of a sudden our guest house renters staying in their own main house are violating an ordinance that has been on the books a long time but it's not been enforced what is that rule? Is the Elmo on? Thank you. Very simply, this is the current zoning. A guest house shall not be represented or offered for rent independent of the main house. So C.O.G.S. approached this

with the wonderful team on short-term rentals and here's the response. That the guest house would then change it into being a multifamily use.

Well, I submit to you, the public looks at the current situation of short-term weekend rentals and says, hey, wait a minute, isn't that commercial use in a residential neighborhood without hotel requirements of safety, sprinklers and health certifications and so on? So multifamily use, as they correctly say would require a new text amendment. Well, we have a suggestion. It is so simple.

[Time: 01:12:13]

How about wording the detached guest home may be rented when the owners occupy the main building. Simple. Very simple. A text amendment to the current ordinance, and what would be the advantages? We picked up three right away. Public safety issue is reduced to near zero with the requirement of the owner being there. The police will talk about the thousands of complaints that have happened on those little weekenders where the whole property is rented. Fairness is established.

Why should our zoning ordinance give preference to the very short weekend holiday short-term rental property owners and disallow any guest house rental opportunity for our permanent residents departments? And the last -- residents?

And last thing, many winter visitors are accustomed to the guest house rental option. So as COGS would say, let's get the text amendment and let's get it approved. Let's get on with it. Thank you.

Mayor Ortega: We had three in-person. I don't see any notification for remote. You know, hey, I should point out that we have a full council, I should have asked clerk Ben Lane to take our roll call, but we will note that we are in full session. So my apologies for that. At this point, we will have the staff presentation of the -- of the work study discussion.

ITEM 1 – SHORT TERM RENTALS UPDATE

[Time: 01:13:58]

Brent Stockwell: Good evening, mayor and city council. My name is Brent Stockwell. I'm one of the assistant city managers here and I'm the team leader for your short-term rentals team and what we want to do now is, if I can -- so as has already been mentioned, we started that process in earnest back in March when the council asked that a working group be formed to look at this issue.

The working group was formed. Two of your members, Councilmember Janik and Milhaven served on that group. They met six times, heard from nearly 100 residents, received a bunch of emails about that, had lots of deliberations and came up with nine recommendations to you.

The July 1st meeting, councilmembers Janik and Milhaven made a presentation to you and you unanimously adopted or accepted those recommendations and directed us to go out and work on them and come back to you with quarterly updates. And that's why we're here tonight because this is the first quarterly update, we wanted to take a little bit of time to familiarize you with what we have been doing, and the resources that we have available.

We also -- so the management associate to the city manager Shane Stone, the voice that you usually hear introducing remote callers to you, you will see him in person. He will walk you through the report that we have out on the website. Anyone can find it by going to Scottsdaleaz.gov and searching short-term rentals.

On the right side of the page, the fourth box down, it says quarterly report. And after that, then the deputy city attorney, Luis Santaella will come up and walk through the recommended changes to the vacation rental ordinance and the nuance parties and unruly gatherings ordinance, and get your feedback on that and we would like to bring that back at one of your December meetings so they would take effect 30 days later, in early January, in time for high season. And then I will come back and then I will talk you through three issues that we're still working through and want to get your feedback on and the last of those three issues is the issue that you had heard mentioned by Ms. Ambrose and Mr. Landau and Ms. Kirtley.

[Time: 01:16:29]

I do want to recognize that there are a number of staff that are part of the core team that are here tonight. If you have specific questions about police response, Assistant Chief Rich Slaven is here about the business regulation work that we have been doing, the business services manager, Whitney Pitt, business services director is here. And Luis Santaella is here and Holly Walter is here if we want to talk through how we are handling some of the outreach on that.

So I'm going to step down and let Shane Stone take over and then I will be back to join you later in the evening. Thank you.

Shane Stone: Thank you, Brent. And good evening, Mayor Ortega and members of the city council. I'm Shane Stone, management associate to the city manager. Let me click into this report right here.

So following Brent's navigation there, if you search short-term rentals on Scottsdaleaz.gov. Scottsdale short-term rental quarterly report. And if I could get some zoom on that, please, just to make the text a little larger. Thank you. Perfect.

When you go to that report, this is what you will see initially, it's the name of the report and a creation date for the report. If we could zoom out, I think just one click there, just to make sure I get everything there. Sorry about that, we're having some keyboard issues down here at the podium.

The date on the report is November 8th, yesterday, which reminds me there are some slight differences between this report and what you have in the packet. You should have a printed packet there on the dais. As we scroll through this report, the first thing that we see is the objective which is the council approved priority that's in the organization's strategic plan and that is to improve resident livability and review the recommendations to approve short-term rental monitor and enforcement and implement changes to implement complaints by 50%.

And if we scroll down just a little bit further, you see in the white box, the first staff submitted update, that highlights where these recommendations came from, list the nine recommendations individually and notes that they are listed as initiatives within this plan, and shown below with regular updates.

So the first initiative here or recommendation from the short-term rental working group was to improve enforcement against properties who regularly violate our ordinances. Staff has continued to evaluate potential demands, future demands on staffing, especially in the areas of the police department, code enforcement and the city attorney's office.

We are evaluating collaboration between these citizens services, call center and 911, to make sure we are routing calls appropriately. Business services has been focusing on following up with short-term rental properties, reviewing 3500 listings, and delivering 2,000 letters, seeking their voluntary compliance and the police department we know has responded to more than 1700 calls for service to short-term rental properties over the last two years.

[Time: 01:19:56]

And in the next 12 to 18 months, they will be installing a new records management system, which will give us even better, richer data on the responses to short-term rental properties for future staff needs for a response team.

So moving through, we go to recommendation number two, which was to work with the shore-term rental industry, to increase properties providing that emergency contact information, and to ensure we're receiving input from the industry.

Fryer to implementing -- prior to implementing any recommendations, we met with representatives from several short-term rental companies about potential updates to the city code and to discuss compliance issues that we have run into.

Between the adoption of these recommendations and the end of September, so just in that quarter thanks to the leg work of business services we were able to get contact information for more than 384 short-term rental properties.

Recommendation number three, which is highlighted there on the screen, is to use technology to identify and increase emergency contacts and compliance from short-term rental properties.

I'm happy to share with you we have contracted for use of the rental scape technology, to identify short-term rental properties, and to help automate our outreach to those short-term rental property owners and hosts to make sure we're gathering contact information, and they are paying the taxes that they should be paying.

Just as another highlight on a data point, I shared with you that 384 number. Over this calendar year, because of business services, more than 700 new properties have provided their emergency contact information to the city.

Moving to Recommendation 4, to ensure that we are collecting all allowable revenue, what we have done so far is gone through this manually, with business services. They reviewed the listings to make sure there's a transaction privilege tax or TPT number on file with the Arizona department of revenue and we are seeking voluntary compliance and if we don't get that we have filed verified violations with ADOR, and the technology solution that I mentioned, rental scape is going to help us there as well.

Indirectly by identifying those properties that identify more short-term rental properties to make sure we are just verifying the TPT number and also by giving us a scope for how much short-term rental activity there is in the city as a whole.

So we can at least estimate how much under reporting there may be and how many revenues we may be losing there. Recommendation five is to strengthen the Scottsdale's orders to eliminate loopholes and improve the ability to enforce. Those draft ordinances under your packet, but deputy city attorney Luis Santella will be covering those. And then recommendations 6, 7, and 8, which I'm not able to get on the same screen at the same time are all related to communications.

Initiative six, it's for wide distribution, and Recommendation 7 is about empowering neighborhoods, to help manage this situation, we have already hosted two neighborhood meetings with a combined total of 78 participants and we will host more of them as demand necessitated it and Recommendation 8 is about developing best practices for residents, owners and hosts and so we are developing guidebooks for each of those groups of stakeholders?

The final recommendation is to use the tools that are available to us and advocate for necessary changes in state law to return some of that local control on this issue as you are all aware when this was drafted, a little better was under review to be sent to local legislators and legislative leaders, but you all have signed that letter and it's already been sent out today.

And we are also preparing for the upcoming legislative session, by meeting with various stakeholders, and this will be included on the legislative -- at least the draft legislative agenda, which will be presented to council in December.

[Time: 01:24:01]

Also in this report, beyond those textual updates we have some data points to provide some context, to what we have been working on, but also just the situation on the ground. The first of those are the number of short-term rental requests through our resident request platform, Scottsdale E.Z. You can see that we were hovering in the teens or the 20s with the requests related to short-term rentals. We saw that number greatly increase up to a high of 72 June of this year. They were filing a request that they had an issue with a short-term rental.

The next measure I want to highlight are the nuisance party police service fees assessed and this includes all property short-term rentals. These are the fees when the police have to respond to nuisance parties that hovers from \$500 up to more than \$13,000 in a given month and this does not reflect fees later rescinded or reduced through the legal process but just gives an understanding of the sincerity of the issue there.

Next we have short-term rental code compliance complaints. They are using it for a nonresidential use or failure to comply such as hosting events, weddings and other similar things. We see a hover in the 30s or the 40s until the short-term rental working group. And then we had 175 such complaints in June. And 77 complaints in July. Then we have the short-term rental properties, these are all call to service for the short-term rentals.

You can see the spring months when there's a lot of events there's likely more short-term rental events. We had a peak in May of 2020, and another peak in 2021 in March and April at 112 calls per this service per month. The most recent month shown in September had 44 calls for service. And this next data point reflects the short-term rental properties providing short-term emergency contact. Every month new properties sharing their contact information. The big number on the left, 212 is when this initially went into effect. A lot of properties registering.

[Time: 01:26:24]

Not a whole lot of activity hovering between 20 and 60, any given month and then business services made a concerted effort and you see that reflected with 142 up to 205 in July and with the rental scape technology, we expect to see more properties registering. So now I want to go into revenues and I do want to preface this next piece with this includes both the privilege or the sales tax and the occupancy bed tax.

That bed tax is 50% of that goes to destination marketing, and the other half is tourism-related expenses made by the city. Here we see the growth of short-term rental properties of prevalence of using short-term rentals and the seasonality, because we had a peak in I believe it's March of 2019, with \$688,000 of revenues related to short-term rentals and then a valley through the warmer months and back up to \$956,000 in the beginning of 2020 in January before obviously that dropped off with the pandemic, down below \$160,000, but as it came back, we saw more than \$1.2 million in revenue, and that was here in March of 2021, a bit of a drop for the summer months when it was awfully warm outside but back up to \$851,000 of revenue in September. And it's a final measure to share with you, this is short-term rentals as a percent of total short-term state revenues.

That is to say, if -- short-term rentals, as well as hotels, motels, resorts, all the revenue, we are collecting from those, what comes from short-term rental properties and the answer back in 2018, routinely was less than 10%. We have seen that continue to grow, as they take a bit more of that market share and we had a peak with 39% in March of 2020, which coincided with the pandemic and then 45% in January of 2021, but this shows that continued growth of short-term rental properties generally speaking and our most recent number was 26% in September of 2021.

So that concludes the publicly available report that I wanted to share with you and I will now turn it over to deputy city attorney, Luis Santaella.

[Time: 01:28:40]

Mayor Ortega: Let's take this piece by piece, so at this point if council has any comments. I see Councilwoman Whitehead. And then we will go to the next piece and comment on that. Do you have a question or a comment?

Councilmember Whitehead: Yeah. Very nice report, Shane. Thank you. So just so I'm clear, I'm glad we are seeing the number of registrations go up and that you hired this Rentalscape. How many total registrations do we have of short-term rentals? Do you have that number handy or does anybody? No? That's fine.

Shane Stone: Thank you for that question. I believe we are pulling that number up. I know we are about 1300.

Councilmember Whitehead: Do we have an estimate of how many we have here?

Shane Stone: Thank you for that question. I heard ranges but it's in the 4,000 to 5,000 range, is what I heard.

Councilmember Whitehead: And at what point in time does -- does Rentalscape give us a time frame of when we will have, you know, more significant portion?

Brent Stockwell: Yeah, mayor, members of the council, Councilmember Whitehead. So let me clarify a little bit of that. So Shane is correct, the number that we have gotten so far is about 1300. And there is a range of what we heard generally, we'll hear -- and from M.A.G., we heard there was about 4300 in the city.

For the Rentalscape technology, we just got access to that last week. And what that will tell us is not only how many different units that are advertising but also how many listings there are. And we don't even have our kickoff meeting with them until next Monday. So it's very preliminary. But in general, when we talk to them or other providers, that it's anticipated that through a concerted effort like this, that we could get up to about 85% through a concerted effort in the

first year.

I think it's reasonable to think that we -- if we have 4500 in the city that we could get up into the 3,000 range or higher. That's certainly the target we are working for, but when we have that tool and have it tested, we will have better information and probably give you a better estimate on that for the next quarter.

Councilmember Whitehead: Thank you. I think the key to that is we just got it yesterday or whatever it was. Thank you so much for your work.

Mayor Ortega: While you are up, there I want to clarify a couple of things. So the bed tax, and other could you tell us whether the bed tax comes to us. And reporting to the state. So we are discussing two areas. One is how many had registered with the state of Arizona? And then, of course, we are searching out those who have not to find our own numbers. So just go into that a little bit for clarity.

Brent Stockwell: Sure. Mayor, members of the council, I will take a stab at this but I realize that this is a financial area and so I may say something that either the city treasurer or the business services director needs to weigh. In but let me talk about this in general. So the information that are on here are all the non-hotel-related revenues remitted to the city of Scottsdale by the state of Arizona.

And it is a separate thing, the number of things registered with us and the number to track the lines with the state. Although they need to have individual licenses for each property, at online lodging marketplaces, which is Expedia, VRBO, that makes it somewhat complicated to have the Nexus between those two things.

But we are hopeful that once we have the rental scape up and ended, we will have a much better sense of how much we probably should have collected based on what's out there on the platforms and how much was actually collected and sent in. I hope that answers your question.

[Time: 01:33:24]

Mayor Ortega: Yes, and, you know, when I testified to the legislature with the registration with the tax privilege license at the state, I learned that they, the state are not enforcing the registration, so it's self-reporting by a property. They don't have any reinforcement resources allocated to validate it. We were told that they were about 600 in Scottsdale registered through the state.

Now that seemed to have spurred on more disclosure, but it's my understanding, that also they allocate resources to track it down, we are trying to get a step ahead of it. If the state doesn't do it themselves.

We have a big unknown factor in terms of null number and whether or not they are remitting at

all to the state. I know our budget allocates in a number of properties on the platforms but may not have been registered with the city. Can you just explain that real briefly, what the registration with the city of Scottsdale entails.

Brent Stockwell: Yes, mayor and members of council, Mayor Ortega. There has to be a law and then you actually have to actually enforce the law. And so what business services did, is the city treasurer, worked with the business service director to assign two of the employees part-time to check their websites to make sure that they were complying with state law and the city ordinance to put that actual license number on that.

They are doing the work on that and code enforcement had done that before it. When they noticed that someone is not registers and they don't have that, then they are filing a verified violation with at Arizona department of revenue. That's our obligation to do. The other side of the equation, the department of revenue has to do something with it.

We have been given the indication that they don't plan to do anything with it. But the most important thing is that we're trying to use all the resources that we have to get people to list their contact information and make sure they put their TPT information on there. So we can double check that and cross-check it.

I think it will dramatically increase, that properties advertising within the city of Scottsdale are paying their Scottsdale and occupancy tax to the state of Arizona.

[Time: 01:36:42]

Mayor Ortega: Thank you. We want to cover these section by Section and I will ask to move to the next section as planned. Councilwoman Whitehead.

Councilmember Whitehead: I was blinking. I just want to make sure I understood the second part of what you said, you all right -- if you find a short-term rental that's not registered, you report it to the department of revenue and you said they are not going to do anything with it? Explain that to me.

Brent Stockwell: Mayor and members of council. Let me try that one more time. We are notifying them that they have to provide their contact information to the city and we are following up on that. At the same time, we are also, when we notice that it's not on the website and they haven't been responsive, we are also filing the paperwork that the state requires through the process no notify the department of revenue that they have more than 300 properties in Scottsdale, that are advertising for their properties for short-term rental and they are not listing a tax number.

That does not necessarily mean that they don't have a tax number. They are just saying that they don't have it. And business services is going through to try to identify that before they do that.

Councilmember Whitehead: So business services can go after them and get the taxes. We don't need the department of revenue? No, we cannot.

Councilmember Whitehead: I will wait until the next section. Thank you.

Brent Stockwell: We will have Whitney Pitt the business services director come up and clarify that point.

Whitney Pitt: Brent did a great job for the most part on all of that. The only other two parts that I can do on that, ADOR does collect on our behalf. The one thing that I will add is we are sending out two letters. So we give them a courtesy heads up of a couple of things. So we have reached out to almost 3,000 identified short-term rentals. Of those 3,000 we have gotten many calls. We send a first letter, saying, please give us your contact information, or you are not listing your TPT with your advertisement or we have identified that you are a pom short-term rental and we don't see you on the ADOR website or software that we are able to see that you have a TPT listed. They contact us and say we don't have a short-term rental, you are wrong. We updated that or they say I have no idea.

[Time: 01:39:27]

If we don't hear after the first letter, about 30 to 45 days after that, we sent a second letter and at that point if we still don't hear another 30, 45 days we are completing a verified violation with ADOR. And ADOR at that point, doesn't have -- hasn't given us specifics about what they will do with the verified violation. We have reached out to them and they let us know to submit them, here's how to submit them, we have been doing it like Brent said. We have close to 300 we are already planning on that we haven't gotten responses for whatever it may be, but at this point, we are waiting for ADOR for next steps.

Councilmember Whitehead: If we want taxes we need ADOR to take action.

Whitney Pitt: Yes. Yes.

Councilmember Whitehead: Thank you.

Whitney Pitt: Any other questions about that? Business regulations? Great.

Mayor Ortega: Thank you very much. I see no other hands up from the council. We'll move to the next section.

Luis Santaella: Good evening mayor and members of the city council, my name is Luis Santaella I'm a deputy city attorney. I wanted to talk about the ordinances. Prior to doing that we have some additional tools that we can use beyond sending letters for people that don't put their tax license on their advertisement or don't provide their emergency contact or complaint

information.

We can ultimately follow that with a long-term civil citation and we are exploring that with business services at that point. So there's more than just reporting to ADOR that we can do. So now going back to the ordinances, there are two ordinances they are talking about, one is 4527, and that's an amendment to the short-term vacation rental ordinance. That's the limited stuff that the state allows us to regulation and what we are proposing to change is the emergency contact portion of the ordinance.

With requirement that emergency contact has to respond to a public safety emergency physically at the location within one hour. And there are consequences to the -- to that emergency contact or the owner if that fails to happen.

We have received some feedback from the industry that they don't like that provision. They want to be able to text or phone us. But we think the physically responding is important because that person, that owner, that property, that agent can help to control their guests, with help public safety, police specifically, deal with the occupants. It also puts some skin in the game in the sense that they are now and they are present and they are allowing this nuance party to go forward.

And it helps the police use some additional enforcement tools. Basically in the ordinance. It's amending to have the one-hour requirement. It defines what an emergency is, which is any time public safety personnel, police, other first responders, fire have to respond to a call for service at that location, and it includes -- it would nuance parties in unruly gatherings and Kelsey, perhaps you could put page 13 up of the ordinance. Thank you.

[Time: 01:42:04]

Mayor Ortega: Okay. Any comments thus far? I want to clarify in terms of the possible ordinance example that we are just -- we are just leaning into right now, when first responders, whether police or fire have to respond, and there is an unknown occupant, for instance as we just said, if they have not registered or are not known to us.

They may be an LLC in China or New York or somewhere, and typically your police or fire want to know if there's a domestic situation or perhaps violence or so forth and if there's no record of occupant or unknown because the property is not attended, there's not a hotel manager that could correct them with a key to -- could direct them with a key to get into that room.

When you say an emergency number, there's a public interest in protecting our police whether or not it involves a short-term rental or not. That's why it's important to have that registration and those contacts, as well as some finds that could accumulate with that.

If not, we could potentially place our people in jeopardy because of not knowing who the occupants may be or the responsible party. There's certain things that are outlined in the

legislation that preempted the city from that, and that is whether or not we could control certain ordinance or whether or not the purposes of vacation short-term rental, housing, sex offenders, maintaining or selling drugs, et cetera.

So there are certain things that the state has said that are in our ordinance, that it's an illegal use of a property if used for those purposes. This is another reason why the underreporting is a serious matter, I believe, and it should be addressed as well as with some escalating question. Another topic that we'll hit later is whether or not the responsible party may even be in town or may be a recording, maybe -- who knows whether that's an active number.

So I believe that's why we need to seek that. I think that's important here. It's not a punitive situation, so much as being responsible, and certainly the adjoining neighbors if they call 911 because there's something serious going on then the police are fire will have to respond to that situation.

[Time: 01:46:49]

There's also the question of liability and where the liability lies to manage that property correctly. And I would like to see some data on really where the ownership is, how much of it is out of state and how much is conglomerate, whether or not there's a first position. I'm not asking for it tonight.

But I think I really do commend the short-term rental group for identifying many of these areas and we'll go on not next section. Oh, excuse me, Councilwoman Littlefield. Go ahead.

Councilmember Littlefield: Thank you, mayor. While we are talking about this this fits into the question that the landau's have, you have a short-term rental, we don't know who owns it, what is the basis for not allowing a homeowner to rent out his casita. I mean the homeowner is right there.

There wouldn't be any problem in locating them, and if there's a problem or an issue. I would like to know what is the reasoning behind not allowing that?

Luis Santaella: So mayor and members the council, that is going to be addressed a little while later, it's a policy issue for the council to decide on what the best policy is. It would require a text amendment. And I think Mr. Graham is going to talk to the council about that later.

I don't want to defer this. Otherwise, you would just get my opinion. We imposed two penalties. If the person is a no-show, the emergency contact is a no-show, then it's a \$500 civil citation. If they show up but they show up late, then it's a \$250 citation.

This ordinance, the existing ordinance requires short-term vacation rentals to have both an emergency contact on file and a contact for complaints. The state statute that preempted us talks about those things differently.

So we have demonstrable data why an emergency contact is necessary, and right now the failure to provide your information or complaint contact information is pretty low, it's set as a property maintenance fine, it's like \$250 and it can be reduced to \$50 if you get that -- you were to register.

And now the city council can consider a higher fine for not providing your contact and emergency information or complaint information and I don't call it registration, because we're not allowed to register rental properties. So I'm trying to be careful with my words. We can't license them. Any property that we can find out who the property owner, is through the assessor. That doesn't tell us whether it's short-term or long-term rental.

A lot of short-term vacation is probably owned by L.L.C.s and not individual peoples. That's a clue that it's a commercial or investment property. So in terms of that ordinance, if anyone has any questions on that particular ordinance, it's just basically ordinance one. I can take those questions or I can move on to the unruly party ordinance.

[Time: 01:50:49]

Mayor Ortega: Thank you. I see Councilwoman Whitehead and then Caputi and Durham.

Councilmember Whitehead: I want to weigh in. I think we should weigh in and give you some direction. Of course, I think it's ridiculous that we have such a small fine for such a large consequence on our P.D. and I think down the road, I would want to know what the cost of those P.D. calls are. I'm not asking you for your opinion, but find out what the cost of those calls have been to the taxpayer, thanks.

Mayor Ortega: Vice mayor Caputi.

Vice Mayor Caputi: Are we talking about the owner of the property needing to respond in person within an hour to a complaint?

Luis Santaella: It's not necessarily the owner --

Vice Mayor Caputi: The emergency contact.

Luis Santaella: So I could live in New Jersey, but have John Smith my local emergency contact who would have to respond.

Vice Mayor Caputi: I think one of the problems with a short-term, probably they wouldn't be within an hour to show up. We are asking that they designate a person within an hour to respond physically to a complaint?

Luis Santaella: Yes, Vice Mayor.

Mayor Ortega: Good. Councilmember Durham?

Councilmember Durham: Thank you. Following up on a question we just it -- is there any penalty on the owner if the emergency contact doesn't show up?

Luis Santaella: At this point, no. That's something we could rework in the order. We know who the emergency contact, is it will have to be a physical person, while the owner could be an LLC, and a fictitious person. We could make it a violation on the owner as well, it would be slightly harder to enforce, but we can enforce it.

Councilmember Durham: Yeah, that makes sense to me that it would be imposed on the owner as well. I can understand it may be more difficult to enforce if it's out of state.

[Time: 01:53:24]

Luis Santaella: We can certainly update the ordinance and include that as well, penalize the owner for their emergency contact, not showing up.

Mayor Ortega: Good? Councilwoman Whitehead?

Councilmember Whitehead: Can't we require that the owner be a person as well, that if -- if the owner of the property is an LLC, they provide an owner contact?

Luis Santaella: The state statute allows us to provide emergency contact and also a complaint contact. It doesn't specifically authorize that -- us to do that. So that's a really good question. Ultimately, it's easy enough to find out who the members of LLCs are we can look them up in the corporation commission. We can certainly explore looking at that angle.

Councilmember Whitehead: I strongly support that a physical person shows up, otherwise why are they running a business here? And I like councilman Durham's suggestion that we levy a fine on the owner, LLC or owner person, as well as the emergency contact.

Luis Santaella: We will, certainly incorporate council's suggestions to the best of our ability.

Mayor Ortega: Councilwoman Littlefield and then myself.

Councilmember Littlefield: I would like to second or third that. I think those are good suggestions to look into. Thank you.

Mayor Ortega: So my comment is that perhaps for years there have been rogue, unreported strs in Scottsdale and we need to clamp down so that we do have a contact. I'm for pumping that up to \$1,000 and \$500 if there's a no show in the next couple of hours, whatever, because we should spur the responsible parties to come forward, and having us police these properties costs

citizens of Scottsdale money and takes our resources from other neighborhoods and situations.

1800 of those, apparently have been already responded to, that is an outrageous number in Scottsdale. So I think we'll move to the next issue if you have a segment to offer.

Luis Santaella: Yes, I would be happy to. The next ordinance we will talk about is the unruly party. I'm sorry, the unruly party gathering. This was passed right when the short-term rental vacation issue started getting out of control, soon after the state preempted us. Now it applies to all occupancies, long-term rentals.

State law requires us to treat nuisances involving short-term rentals the way we would treat a nuisance of a long-term rental. One the things that the city council and the working group were concerned about was the issue of noise. So one the things that the amended ordinance does, it adds levels and measurement criteria. It replaces the police service fee and administrative hearing process with the civil citation.

We had to duplicate things, for example, collections, we have civil hearing officers as already. It has turned out to be much more efficient the last few months thanks to our business services director, Whitney Pitt who has done a great job handling the administrative appeals. We think putting this responsibility in the court will ultimately make it more effective. We have changed the finds for hosts -- for the responsible parties versus owners. The fines are going to be steeper on owners. Initially.

[Time: 01:58:06]

A lot of people gets police service fees were not from Scottsdale and they were never going to come back. We feel if we start out a little bit of a lower fine with them, it's more likely that they will pay it rather than contest it and so on. We also have a provision that allows the court to mitigate or suspend finds if the owner can she they have taken efforts to mitigate issues within their short-term vacation rentals.

Examples is installing noise mitigation or monitoring software, posting best practices rules for the resident, observing best practices for engaging in the rental, the short-term vacation rentals. And we define habitual offenders. Someone who has committed multiple violations. They could be turned into a criminal prosecution. If you could go to the ordinance itself. Again, thank you.

And if you could change to the second page of the ordinance. So throughout you will see various definitions like defining what an A. band and is and a C. band. And A. is normal noise and C. and is base. And a lot of times base is what's bothering people and the city has in order meters that can measure A. band and C. band. And one the things we defined what excessive noise means. And we created basically a reasonable person standard where excessive noise means noise caused by a nuisance party that disturbs the peace or quiet of a residence or neighborhood from the perspective of a reasonable person of normal sensibilities.

For deciding that noise is excessive pursuant to this article, it should include Scottsdale police officers or in other city employees. That's important because generally the peace can't be. A sound meter may be used but is not required in determining whether it's excessive. It should be reputable that noise levels over 68 dBA or 70 dBA, they can be heard beyond the property line where the party is unruly gathering is. These are place holders at this point.

Now, some of the enough that we have done, Mr. Stockwell consulted a noise ecologist, and was not a fan of noise meters and told us something that everyone in this room knows that what is considered loud noise is subjective and whether it's bothersome or burdensome. Some people are very sensitive to noise and some people are not. That's why we have the normal sensibilities. We want our officers and other enforcement people to look at the totality, all the factors, time of day. And right now, in terms of a noise reading, we have the -- so it's not required that they use a noise reading.

You can use it at any time of day, but it's a rebuttable presumption. Why is rebuttable because the burden is always on us to determine that there's a violation. If you exceed one of those levels, then it's presumed to be excessive. Now the police have been doing some testing with their meters. And one instance, they -- and it was a sergeant that lives in Scottsdale. He was inside his house and just tested the ambient noise of the ceiling fan. It was 68 on the C level. So you have to be very careful that -- with the type of levels that are crafted because you don't want to end up making it illegal for a pool party at 3:00 to violate. And sometimes just simple talking with actually have pretty high noise levels.

[Time: 02:02:52]

So at this point, those numbers which would be -- we think are pretty reasonable for that time period -- that period of time, there are other communities that do have lower standards. Paradise Valley has had a noise ordinance in place for years. They don't have the C level but they have the A level and it's actually very low. It's 50.

I'm not sure how they -- and I think it's at all times of day, I'm not sure how they are able to not arrest people for kids pool parties or not, but that's the standard. So that's one of the big changes here. The other big changes are just et cetera getting rid of the police services, going to a strict citation system, and the owner reason responsible as well, and so the responsible party person is usually the person having the party. It could be the owner if they are on site.

But they will also be citeable if they either intentionally, knowingly or recklessly allow the party to proceed or to happen. It's another important part of why it's important to get the emergency contacts physically there. And then we change the fine structure and align what the task force recommended. So more an owner, a first offense is \$750. Second offense is \$1,500. And a third or subsequent offense is \$2,500. The maximum fine that we can generally impose is -- unless otherwise state law, is \$2,500.

The habitual. Since it's a criminal offense. In the penal code of Arizona, there's a provision that

allows higher fines on fictitious entities on LLCs or corporations. That's you why see higher fine scheduled there if we were to go to a criminal. And there's some other miscellaneous provisions in here, for example, when our police are responding to one of these nuisance parties whether it's owner occupied or short- term vacation rental, people might not be willing to give their information and so this gives the police the authority to require them to provide a name and date of birth.

So that's helpful for the enforcement and also the authority to detain and serve people for the suspected civil violations. At this point, I will take any questions anyone might have.

Mayor Ortega: Councilmember Durham?

Councilmember Durham: Yes, thank you, mayor. The definition of a habitual offender, they have not paid the fines from the four prior offenses. Why is that requirement in this that they have not paid their fines?

[Time: 02:06:10]

Luis Santaella: It's basically a scofflaw provision. A scofflaw provision, where the -- we could change it but to -- you know, the people that are actually paying their civil fines, at some point, they are probably going to. Come into compliance and we could do both.

It's mainly the deal with people would are scofflaws and that are just basically not complying with anything but we could make it if we have four prior civil violations. Some of the -- there are some difficulties, especially if it turns out to be a fictitious person but we can certainly change that.

Councilmember Durham: That's something I would consider if someone had four prior violations and hasn't done anything to come into compliance that four violations within 24 months, that's charging habitual offender just on that.

Luis Santaella: Some of it is based on the police service fees. We had a couple of properties one on Mitchell street and they received a lot of police service fees and they ultimately ended up selling the property. We had another one where there were multiple violations and they ended up selling the property. So we have ultimately in most cases have been able to get people eventually into compliance with civil sanctions but we certainly, councilman can take a look at that change that.

Mayor Ortega: I realize we have a zoning and ordinance presentation coming up. Wouldn't you say that occupancy and large numbers correlate with noise? And whether it's a daytime party or a nighttime party, you know if 75 people show up.

Luis Santaella: Absolutely.

Mayor Ortega: That seems like it's an area that it may not be covered in the legal citations but seems to relate to -- we do have governance over that in terms of number of occupants, and safety issues as well.

Luis Santaella: Yes, we do to a degree. We regulate what a single family is and how many people can live in a residence. An officer that responds to a nuisance party. The problem that we face is the occupancy in terms of living people, they can invite people over so we don't have a per se limit except for people living there. Which is in the zoning ordinance.

Mayor Ortega: Thank you. I think we will move on to the next section, please.

Luis Santaella: Perfect. Thank you.

Brent Stockwell: That was a great segue because the next thing we were going to talk about was occupancy. I highlighted that this in the memo that was in, there but the first one that we just wanted to hire on occupancy. There are some real problems with enforcing it.

[Time: 02:10:05]

You can either get cross-wise with the freedom of privacy by trying to figure out who is sleeping in the home or freedom of association, which is how many people, property owner is inviting over to their house. So as of right now, we focused on the negative results associated with occupancy and they were addressed in the nuisance party ordinance. So what are the problems that happen when large numbers of people gather rather than the sheer fact of people coming together but we continue as it's noted in here, we are continuing to look at other ordinances and continuing to enforce on any properties exceeding the occupancy.

If we notice on an advertisement that they are saying more than six adults and their related dependent children can take there, then we are enforcing on that. And we will continue to do so and I believe that the rental scape technology will also help us with that, and mayor, to the point that you were making earlier, about -- oh, I had it and then I said it.

The question you made earlier, the technology will also help us with that, trying to figure out -- I can't remember what it is now. That's the -- that's the hard thing about being up here and trying to answer all the questions. So -- the rental scape technology will be very helpful and we are looking at them too.

Because it also has to be applied to long-term rentals and single-family residences. We are always running things through a filter and making sure, you know would an owner-occupied residence be okay with that rule, as well? And so we certainly have been looking through it, the number of cars parked there and all of these other things.

I wanted to highlight that as an issue that came up with the working group. You told us to look into it, we were still looking into it but there are some signifying any that you have a question?

Councilmember Whitehead: You just said now, I think this is a big difference. Now if I have a constituent who calls me and says I have an advertisement for a three-bedroom house that sleeps 15 adults, you are -- our city code enforcement can respond and take action.

Brent Stockwell: Yeah, and I think we specifically had that happen. So you eyes have let you know about a citizen that had a property right next to them, and it was advertising in excess of the or Nance requirement, and -- ordinance requirement and they were issued a notice of violation and we worked with them until they got into compliance with it. Let me clarify -- and I have to clarify that with people of all. The zoning ordinance has six adults or related dependent children.

So if their advertisement says sleeps 18, right, and it's -- if it's not clarifying that it's only 6 adults are allowed, that's what we are clarifying. Could you have 18 people staying at a residence. It's just only six of them could be adults. The rest of them would have to be their children.

Councilmember Whitehead: That's a big loophole, no?

Brent Stockwell: Loophole or that's what the zoning ordinance says. It says six adults and related dependent children. We are having them include it and say no more than six adults can stay there and we are enforcing on that and we are getting compliance and the rental scape technology will be helpful for this, because then we can proactively scan and look to see if advertisements are advertising in excess of the ordinance and then work to get them addressed.

[Time: 02:14:13]

Councilmember Whitehead: That's earth shattering because that's not what we were able to do a few years ago. Thanks.

Brent Stockwell: So the next item on the additional regulation, one the things that we included in the recommendations was that we were going to analyze data on complaints and calls for service to see if additional regulations are warranted relating to fire and building codes, health or sanitation and traffic control, and we have reached out to that, we have talked to the fire chief about that, we have been looking at our calls for service data and we are not seeing trends in that, that warrant doing additional requirements in that area, however, we're also looking at other best practices and studies that have been out there.

I will say from a very practical level, this is also very much related to the letter that you sent to the legislature, which asked for a level playing field between hotel properties and short-term rentals.

And so if you are staying in a hotel, you know that had the smoke alarms in the room are checked and that the access plans are checked and you know pools are checked and maintained regularly, all of those things are done because they are done at a hotel. When you stay at a

short-term rental, that may or may not be the case.

We are looking at the relatively limited authority that the state legislature has given to look in these particular areas and as we get more, we are required to demonstrate that those regulations are necessary for public safety. So we are working on the demonstration of that and as we are demonstrating that we will bring back those additional to you. We haven't forgotten about that. And we are also having discussions with Experience Scottsdale about how to work with the tourism industry to identify those regulations, and we're working on all of those and continue to work on those.

So last but not least is the issue that Mr. Landau and Ms. Ambrose raise and Dr. Kirtley raised and that is the issue of rental of detached casitas or guest houses separate from the main residence.

And as mentioned in Dr. Kirtley's presentation she put on the Elmo, the zoning ordinance currently states that all dwelling units and accessory guest houses must be rented or offered for rent together and may not be rented or offered for rent independently.

And so, of course, you have this request that the council consider changing this requirement to allow them to separate it separate from the main residence. I know in the presentation that was provided to you, it was if the owner was in the main house, and renting the guest house. I do know that during the working group process, and the working group members will remember this, there was a person that testified as well that they actually live in the guest house and rent out the main house.

So you certainly have residence in Scottsdale that have both of those situations, and Randy grant will talk in a minute about why specifically we have in there and what you may be able to do about it.

[Time: 02:17:47]

I think it's important to note that Mr. Landau and Ms. Ambrose, when they got that complaint. Someone went on to the city of Scottsdale and VRBO and took it themselves to go to Scottsdale E.Z. and submit a violation for each one of those. They were 20 or 30 properties that were identified by say citizen that knew that this was a violation of the ordinance, and was trying to take it on themselves in regards to short-term rentals.

I point it out for every one of those houses that was doing that, we heard from people in the working group that were concerned about casitas on people's properties. So it's a difficult issue but we wanted to make sure and identify it for you so that you had that issue. So if you want your zoning administrator and economic development, Randy grant, we can talk more about that issue and then you can ask questions about it. Thank you.

Mayor Ortega: Thank you, Mr. Grant.

Randy Grant: Mayor and members of the council, Randy grant. In light of the litany of complaints that have been lodged about short-term rentals this looks to be fairly benign, but I will tell you having managed code enforcement time after time, over the past 30 years, rentals of casitas and guest houses has been an issue.

And we can always find a situation in which it makes a lot of sense for that condition, but I don't think we would be able to put in the time to do term whether or not the owner is living in the main quarters or not. A lot of properties are listed under trusts and a lot of properties are listed under corporate names.

It's not quite as simple as saying the owner has to live there, as logical as it may be. That reduces the complaints. An on-site manager would be able to manage the property more appropriately, but you are essentially taking two dwellings. It's not different than having a duplex on one lot.

You have two dwellings in the duplex, they are usually separated by a common wall, but we have seen houses that come in and put in three kitchens and the only reason you would put in three kitchens is you are too hungry to go upstairs or downstairs to eat or you are locking those doors off and creating dwelling units separate and independent.

[Time: 02:20:56]

So we could do amendments to allow that to occur but I would suggest that you think through all of the ramifications because it's going to be very difficult to control that to simply the owner on site. And I think you would find that you would have twice the number of parking complaints, twice the number of vehicle complaints in the driveway, you would have transient traffic coming in and out, more frequently than a single-family residence. You have all of those impacts. It's something to consider in thinking that through.

Mayor Ortega: And I will comment about that. So typically we have zoning, r1-43. That means one residence -- run residence per acre. And a single-family dwelling, it could be 5,000 square feet. It could be 2500 square feet on that one acre, and it is possible to have a mother-in-law or a casita setup, which can be done and -- and there's limitations on size, but typically, if it is a family member, so-called nucleus family member, and there's a definition for that as well, if -- if a group of people live as one unit, but if you have a transient population, it's r2-43.

R2-residence into a one acre lot and that's not acceptable. That breaches all of Scottsdale's traditional classifications. There's r1-35 that would say one residence per 5 acres or 3 acres. Those are dead nations that have defined our zoning. Now, it is true, I'm very -- I'm not for shifting the gears so radically, because this is what is going to happen.

An LLC will say, gee, I just found out I can basically do a lot split or provide two homes or two single residences on the same lot. So if it didn't have a casita, they would build one, and then

that would enable, again, double the problem, double the headache, et cetera, and radical change.

Now, we know you have explained your situation with mom and so forth. The problem is that if this were granted, life may change for a particular situation and they would say, I will move to assisted care, and I have two cash flows coming in, they were to change their physical situation or whatever. The rule would run with the land. One could get this as a Ma and pa operation and for some reason something changes radically in your lives and you say, wow, now I will sell it.

And now it's a commercial property with two -- it surpassed that mom and pop operation of somebody living there, kindly and knowing what's going on. And really, the other problem is most seniors are not property managers. Right?

[Time: 02:25:06]

They are not able or capable to do that, and you may end up even having a casita here, the main building here and two different users of the swimming pool that are squabbling and who knows what is going to happen. It can happen and the city ends up violating our general policy when we would normally handle lots of lot splits based on sizes and subdivision control. So most of our discussion tonight has been the pitfalls and how the state has handcuffed us to make our regulations and make sound decisions because they have preempted us and this would bring in a whole new category of short-term rentals with whatever particular intention that it started with to be a much larger problem in your low density areas, where you do have that -- the two families.

So it would go from single family property to two-family. And I know that some may be there for a month and some may be there for an operation and some may be there just for the weekend, because it was listed on a short-term rental which is less than 30 days. Regardless of whether it was more than 30 days, or less than 30 days, we are pretty strict with our controls saying sorry, you either have to rent the whole thing, the whole property, which happens to have a casita and a building in one transaction than have it split.

And that's a very firm planning aspect that I think I'm more concerned about holding to that. Other situations about parking, garages, a pool enclosures, you know, security and all of that ends up being rather awkward because the guy in the casita may not be breaking any noise rules, right and the one in the main house may be letting all hell break loose, right?

So this is not where it's in my opinion, at first plush, I don't think even saying well, it's easy, we will just say as long as whoever owns it is living in the big house or the little house, that could change just with the sale of the property, and it could be, you know, radically changed the number effectively double or triple the number of these rentals, which increases our problem. That's my overall opinion at this point. I'm not convinced.

I understand that if some transaction were done, in our zoning change, that, of course, having

that ability is sellable, right, something you could sell the property, and it could run to somebody else, that would not be you and it would not have the same personal aspect that would be in consideration. I have Councilwoman Whitehead, Councilmember Durham, that's kind of my opinion so far on this issue. Councilwoman Whitehead and then Durham.

Councilmember Whitehead: Thanks, mayor. So these casitas were built. They were -- and they went through the process and they were authorized to be built. What are the requirements for a person with a room that has a casita and they want to build a casita, what are the basic rules?

[Time: 02:28:53]

Randy Grant: Well, if you go back historically, we tried to limit the expansion of residential use of a property by preventing the installation of a kitchen in the guest house. Over time, that proved to be difficult, because people would go in, they were then encouraged to go in and make the improvements without getting building permits. So we said, what is now in the ordinance that you are able to keep those properties and use them and use them as an extension of the residence. But you can't rent them out. If a mother-in-law situation comes up, you are able to use it for that purpose but not being able to rent it out was the restriction that kept it from becoming an apartment or a second unit.

Councilmember Whitehead: Sure and I understand. I think we are going to have to -- I mean the state has thrown us this, you know, can of worms and the state's initial intention was precisely for the landlady, old, they will be someone who has a casita and rent it out for extra income or extra bedroom.

We are in this situation, and I agree with what the mayor said, we are in this situation where the governor promised us that we are helping senior citizens or young people, whoever to get a little extra income out of their property and now the only people that we're excluding from this tidal wave of short-term rentals are the very people we were trying to by the law for or the governor was trying to pass the law for.

I want to try to figure out some solutions. I don't think we will figure those out today. I have spoken with colleagues in other cities. Let's say I have a rental property I want to put in that -- put in that third kitchen, what stops me? So it's a single building. It's a single house, but I'm putting in a second or a third kitchen. How is the city going to stop me?

Randy Grant: Well, what we discovered is there's a lot of very creative people and it's difficult to try to anticipate how people are going to avoid the law. But we would look at when they come in for a tenant improvement, to look at the number of kitchens. We probably would question that. We probably would ask, can you lock that off from the other portion of the unit? And we would go through a process of trying to determine whether or not this is simply creating an additional amenity for the people that live this or creating a second dwelling unit. It's not perfect, but it's -- it's what we have to work with.

Councilmember Whitehead: So, again, it seems to me we have an issue it's not the casita, per se, it's the fact that we have entities whether they are residents or not, trying to abuse our single-family resident homes, and I just -- I think it's for us to single out casitas. You said it's difficult to prove that the owner lives here. Maybe we don't care. Maybe all we care is for -- maybe we grandfather in that if you have a casita that's approved by the city, I don't see why it should be excluded from this all out change to our community of short-term rentals but what I would like so see -- and this if we managed to range in some of these short-term rentals then maybe the casita falls in the same category.

If you are back to saying you can only have one-month rentals that would apply to everybody. I guess it's not clear to me how we allow LLCs that aren't in this country to buy up entire townhome communities and then pinpoint a few 20 casitas and I would rather be a little bit more -- I hear what you are saying and I what the mayor is saying. I guess I would ask staff to think about how do we that playing field where the short-term rentals are everywhere?

[Time: 02:33:32]

Randy Grant: I agree. It's and it's a challenge. The difference with the short-term dwelling. It's the amount of time.

Previously you had to rent it for 30 days or more, because that is the -- by month is the typical lease rate and most people leasing a single-family house are leasing it for a year at a time. So the 30 days was a way to perm whether the occupancy would turn over quicker than it would. We can look at other options. The difficulty is to try to define that as not a duplex.

Councilmember Whitehead: I hear you. I see casitas all over the place. Near where I live. And they sure like they are rented. I don't think they are short-term rental because I see the same car when I run by on my daily jog or whatever. I think we need a better handle of what's going on. I think if we are going to have an ordinance we need to see if it's an ordinance we are enforcing equally across the board. I will wait and see what other comments there are.

Mayor Ortega: What we will do is we have a comment from city attorney and then Councilmember Durham.

City Attorney Sherry Scott: Thank you, mayor. While we are on this topic, I just wanted to alert the council that if the zoning ordinance is changed to allow single family owners to rent out their casitas, for either long-term or short-term rentals, that would then require us to also allow folks who are renting their single-family residence for short-term rental to also be able to rent that casita out separately.

We can't -- part of the way the state law has preempted the city is not to allow us to treat single family homeowners different than the short-term rentals. I want to make sure that the council understands the consequence of that would also be that a short-term rental property owner could decide to rent both of home to one short-term renter, and the casita to another.

Councilmember Whitehead: That's an important clarification. This law just keeps giving. So thank you.

Mayor Ortega: Good and we have Councilmember Durham and then Councilwoman Littlefield.

Councilmember Durham: Thank you. One the advantages of the system that I think is present that Ms. Kirtley didn't mention is the problem that short-term rentals often reduce our housing stock, which is a big problem, but if you are renting out a casita, that's -- that's not interfering or reducing our housing stock.

So it seems to me that being able to rent casitas is beneficial in that sense, because it doesn't -- it doesn't take out a house, which would otherwise be available to a family. It sounds to me that this rule hasn't been enforced, and we haven't seen the collapse of anything in Scottsdale as a result of that. And I'm sure it's going on all over.

[Time: 02:37:32]

So I don't see that anyone has believed that there's a lot of damage or problems arising from that, to the contract. I -- to the contrary, I think that there's going to be better supervision of the premises in terms of loud parties and nuisance parties and so forth and so on.

So I think that's less likely to occur in these situations. I guess I'm not sure why there would need to be a zoning change because it doesn't sound to me like it converts it too a multifamily property just if you have a short-term rental of a separate piece of property. Maybe there is something, but, if there was some way of saying that you can rent your casitas as Ms. Kirtley suggested.

I don't know if that conflicts with our zoning law somehow, but it doesn't seem to me like it would be that complicated and I think there may somebody issues here, but it seems to me that they are not insurmountable.

Mayor Ortega: He's a zoning official. And he will tell you where the code problem is, in terms of whether it's enforced or not and whether there's two residents allowed. So let's go ahead because he's the zoning official, that has to say it appears there are two buildings here, or could be rented to two separate parties.

Councilmember Durham: There may be two separate -- I have seen properties defined in other ways as not being a dwelling if they didn't have a kitchen because it's -- this occurred when I was looking at some laws in Minnesota, that a unit without a kitchen was not considered to be a dwelling.

Mayor Ortega: Well, let's hear from the zoning administrator and then Councilwoman Littlefield and Councilwoman Janik.

Randy Grant: The ordinance is very specific. That there are three criteria that you -- that allow a guest house to occur. The third criteria is that it's not rented out. So we would definitely need to change the ordinance to accomplish that. Now, you are right in the past, not having a kitchen was the way that we distinguished a guest unit from a second dwelling unit.

But I don't think that having challenges with enforcement means that we haven't enforced it. We have looked at it every time a property has come if for an improvement, it's required a permit. It's just that it's hard to collect what somebody does after the permit has been issued. We know that they are out there. But the best way that we have of monitoring that is the neighbors will look at the traffic coming on to the property: If they know that's the mother that's staying with them, they are not going to file a complaint.

[Time: 02:41:09]

If it turns into every weekend it's a different group coming in, they'll file a complaint. And so we deal with that quite a bit, and again, it's not a perfect scenario because there's so many gray areas and there's so many ways to manipulate it, but we really try to maintain that sickle family lot as a single dwelling unit that may have an accessory unit that a relative comes to live in, but not -- not turning every week.

Councilmember Durham: Right. Thank you.

Mayor Ortega: Thank you. Councilwoman Littlefield and then Councilwoman Janik.

Councilmember Littlefield: Thank you. Excuse me, thank you, mayor. I understand that you are saying with my head, but my heart doesn't like it, because -- and the reason is it doesn't -- it doesn't sound rational. Here we are with a huge shortage of places for people to live. We had a man come in from the state to talk to us the other day who was saying, you are going to enclose your garages so you can rent them out to people to use as a apartments, and now you can't use a casita to rent out which is designed as a separate unit for livability? It doesn't make logical sense.

One the things maybe we ought to do is talk to the state and say, are you planning on changing these rules and regulations for us, because if you are, we would like to know, you know? You never know what they are going to do. But that's one thing. I do agree with Councilwoman Whitehead that it's logical to use it. I mean just on the front end of it, it's logical. You've got this bedroom and little firm area, and whether or not it has a kitchen or not, could you have a microwave in there and you have a bathroom and it's perfectly livable for a person to go in there.

We had a casita in a house we lived in in Bellasera, and we bought it specifically for the casita because our daughter was going to college in Flagstaff and she came on weekends and it was great place for her to stay and hang out. We never tried to rent it. It was there and it would have

been any other place where you could have rented it, you couldn't do there in Bellasera. It would have been logical to say I need a little extra money to make ends meet and I will represent out the unused casita that's sitting there in the backyard.

It seems like a partial answer to the shortage of living space in Scottsdale right now, but we can't do it because of our zoning ordinance and because the state enforcing that. I think maybe the place to start is look at the state and say, which way do you guys want to go here. We're getting really conflicting, you know, stories from you. You want us to enclose our garage but you don't want us to rent out a casita that's in the backyard, that's sitting there and ready. So maybe -- I don't know.

I understand what you are saying, Mr. Grant and I agree with your concerns, and your issues on it, but maybe there is a way that we could eventually work around this, because they ought to at least give us somewhat, you know, direction to go in the same direction.

[Time: 02:44:35]

Randy Grant: I certainly agree that the state imposed on us some conditions that we're now having to deal with. But the state's regulation says you can't street a single-family residence different than you treat a short-term rental. It's still one unit on the property, so there is nothing that is telling us that, you know, that we need to look at accessory uses or guest houses or anything else differently than we have historically.

I certainly understand the argument and conditions here are different than they have been in the past, so maybe it's something that we want to look at. But I would just say, it's not something you go back from.

Once we have implemented that we are dealing with people that don't have the good intentions that these folks have and they are dealing with maximizing the profit on their property. And that becomes a problem.

Councilmember Littlefield: I understand that totally. That's true. It seems like the state is giving us conflicting information on what they think is a good thing to do, and what they think isn't. But that's not unusual either.

Mayor Ortega: Okay. Thank you. Next, Councilwoman Janik and then Councilmember Milhaven.

Councilmember Janik: On the surface, I think it sounds like a great idea that could help to alleviate our problems with we don't have enough places for people to live, but to me, this falls under the theory of unintended consequences.

What if what happened with short-term rentals happen with homes with casitas, big companies move in, they say, oh, that house has a casita and I will pay whatever price you want and then all of a sudden, we have got two short-term rentals on one parcel and then we have the neighbors

complaining.

Now, maybe there's a weigh to rein it in and I don't pretend to know that way. Maybe we need to poke holes in it and see if it can be done in a legitimate fashion.

Councilmember Milhaven: That was exactly sort of where my mind was going when I first heard Ms. Kirtley first came and said shouldn't people be allowed to rent their casitas, oh, certainly. You are there. You are on the premises, they will behave and it makes all the sense in the world. Talking to staff and recognizing it's multifamily housing. You are opening the door to people building a second -- it's a single-family residence. You are opening the door and we know these institutional investors are spending big money and Councilwoman Whitehead, they talked about, they are buying entire townhome complexes for the purpose of short-term rentals.

I would imagine not just buying properties specifically for the casitas but having a proliferations of casitas but 1 acre lots with 4 or 5 casitas. I know that may sound ridiculous. When there's money to be made, they will find a way. I hope to find a way for you to be able to continue to rent your casitas. I think Councilmember Janik's well-made point we need to be aware of unintended consequences. I think we need to be really, really cautious what this means longer term. Thank you.

[Time: 02:47:56]

Mayor Ortega: Vice Mayor Caputi.

Vice Mayor Caputi: Yeah, I agree. I think we absolutely have a housing shortage in this city and it's a thorny issue because we want to help people who just want to rent out a casita. I just gave the city manager an article on this like two weeks ago, about what's happening in California where they are starting to subdivide. People will be in the house and then you start to have this exact situation, where -- and I'm not saying it's good or bad. Of course, that will come multifamily housing. I mean, that will be multifamily housing.

So we will have to make a decision that we're going to zone for multifamily, in my opinion because of all the reasons that are being brought up right now. I don't know how we -- it's sensitive, right? I don't know how you create a solution for one person would is trying to do the right thing, without -- of course it will result in more housing which is not necessarily a bad thing. It just is going to result in more housing being provided on people's homes.

Mayor Ortega: Okay. Done. I think with what we covered, we are looking for consensus. This is a form of blanket duplex overlay, which is not acceptable. That is two units per acre. It's just not in our general plan. It's not in our philosophy. It's -- it renders -- I have designed many of these, okay, for people, in Paradise Valley. They are limited to 2500 square feet. In Scottsdale, they are under 2,000 square feet, typically for a 1 acre lot.

People have -- I have designed them for motorcycle collectors, right where actually the

mother-in-law also lives there and then they use it for a nice home collection for their personal use.

So this is, for me, a very important, impactful area because the last vestige of local control is our own zoning. And that is absolutely vital, when the state cannot preempt us on our zoning decisions, then to give that up, or to let it be too loose, in my opinion, is -- it works very much in contrary and it's not a question of whether or not we're enforcing it well enough, because we have been through that drill on short-term rentals and how difficult that, is but then doubling the problem that we would have created ourselves is not in our best interest. So that's the final. Did you have a wrap-up?

[Time: 02:50:53]

Brent Stockwell: Yes, mayor, members of the council, if I could wrap up. We will be bringing back the vacation rentals and the nuisance party, on December 7th or 8th. We will make the adjustments we talked about tonight and bring that back in final form and vote on that. My sense is on the last issue, that a majority of council would be okay if we researched this issue for further and brought back an initiation of a text amendment at the same time in December so that you could vote on whether or not the text amendment should be initiated. And so you will get a little bit more information on that.

You can make that decision at that time, it will go through a public outreach process, and then we'll bring back the -- it will go to the planning commission and then we'll bring back the final -- if you vote to initiate it at that time. I wanted to clarify that. That's what I heard, and we'll proceed with that unless we hear differently right now. Okay.

Mayor Ortega: Well, I think we have concluded the purpose of a study session that is healthy exchange of questions and really appreciate the staff again, the committee that worked on this it ultimately is in our hands and I'm very pleased to say that we do have a general plan, that is going to be unfolding as we look at other ordinance impacts and applaud that one way or another, that people help to craft it and that this council was able to craft it and certainly this issue is -- would be a title change in that, I believe, the mandate that just occurred with our general plan.

ADJOURNMENT

[Time: 02:52:45]

It's I anticipate that the canvassing the results, the election results will happen at the next council meeting. With that, I will ask fore a motion to adjourn.

Councilmember: So moved.

Mayor Ortega: So moved and seconded and tripled. Register your vote. So moved. Thank you.