



**1/30/2024**

**RE: 231550 Communication from various City departments relating to the regulation of short-term rental alternative to hotels.**

To support the evaluation of potential policy options and regulations for short term rentals alternatives, the Office of the Mayor, Department of Administration, Office of the Assessor, Office of the City Clerk – License Division, Department of City Development, Milwaukee Health Department, and Department of Neighborhood Services formed a working group and conducted an extensive research and met several times during 2023 to analyze the current status of short term rental regulation in Milwaukee and evaluate whether additional regulations should be considered to further regulate short term rentals.

The STR Working Group evaluated the current landscape and regulatory requirements within the City of Milwaukee, reviewed State and local Regulations, and carried out case study and precedent research exploring how other cities have or have not elected to regulate STRs. This analysis included a review of potential benefits associated with STRs including providing homeowners with additional revenue streams, supporting tourism, including providing options for visitors in neighborhoods that may not be served by hotels and a wider mix of options for visitors to Milwaukee. It also considered concerns associated with STRs including impacts on neighborhoods and local housing markets.

As the group explored potential new regulatory options, we also explored the staffing and budget impacts of implementing new regulations since research from peer cities indicated that successfully implementing additional STR regulations would not be possible with current staffing levels.

We will share a summary of our initial findings with the Council today and anticipate engaging in additional discussion with Council members on this topic.

It is important to provide a bit of context for this discussion about the current regulatory framework for STRs:

Short Term Rentals are generally defined by the State of Wisconsin as “Tourist Rooming Houses.” The State of Wisconsin requires all operators of tourist rooming houses to secure a tourist rooming house license and delegates the authority to issue those licenses to units of local government.

In Milwaukee, a Tourist Rooming House (TRH) license is offered by the Department of Neighborhood Services (DNS), which acts as an agent of the State of Wisconsin.

DNS provides TRH licenses as an agent of the State of Wisconsin and the Department of Agriculture, Trade, and Consumer Protection (DATCP). This includes ensuring licensed premises are inspected.

DNS has complied with all of its responsibilities in the State-agent agreement despite very limited staffing capacity and we believe are currently in compliance with the applicable state regulations.

There is no penalty provision in City ordinances for failure of a STR operator to secure the required license. This has led to generally low compliance, as the City lacks any enforcement tools to take any new action within the current structure.

TRH: Licenses Issued in Milwaukee State reimbursement currently at 11% and will go up to 12% again in July of this year

	Application	Renewal
2023	71	53
2022	24	31
2021	3	15
2020	21	

One concern expressed by Council members was whether there was an opportunity to generate new revenue for the City through additional STR regulations. The work group researched this question and confirmed that Airbnb and other STR hosting platforms are collecting the local hotel taxes imposed by traditional hotels and transmitting them via the State DOR to the Wisconsin Center District. For the City of Milwaukee to benefit from room taxes generated by STRs, either a change in State law or change in the City’s agreements with the Wisconsin Center District would be required.

The working group also explored whether new license or similar fees could be charged to the operators of STRs that would generate new revenue for the City. State law would require that any license type fee be directly linked to the cost of providing the services related to that license, such as processing the license and inspecting the property. So, while increased license revenue may be generated from additional STR enforcement, it would be at best a “break even” result with costs used to offset the cost of new staff associated with implementing a new enforcement structure.

During evaluation of best practices and discussion with other municipalities it was discovered that in order to appropriately implement a proactive STR regulatory procedure on a long-term approach, any new regulatory framework should:

1. Provide adequate resources for personnel and software needs
2. Provide the time to develop, establish, and implement a successful proactive STR enforcement procedure
3. Comply with State requirements

The working group evaluated the potential costs and staffing implications of multiple forms of additional STR regulatory structures. DNS and other impacted departments are still in the process of

refining those estimates based on impacts of the 2024 budget and other items and is willing to present those estimates in greater depth to council members at a future date. However, initial conclusions suggest that there would be significant staffing impacts associated with a new STR regulatory framework.

While considering STR regulations, tracking and enforcement financial impact to multi department policies and operations, the STR Working Group’s conclusion was that the cost and administrative burdens associated with developing a new STR framework would not generate significant public benefit, and that increased license fees are not likely to fully cover associated City costs of regulation and enforcement. Therefore, the group is not recommending that the City implement additional regulations on STRs at this time.

Members of the work group are present at Committee today to answer questions on the various aspects of this complex issue and we remain willing to engage in dialogue with Council members on this topic to determine how to best move forward to achieve shared policy goals.