



**Short Term Rental Task Force
Regular Meeting
August 3, 2023, 3:00PM
City Hall
102 Butler Street, Saugatuck, MI**

This is an in-person meeting at Saugatuck City Hall, 102 Butler St, Saugatuck, MI 49453. The meeting will also be available live, virtually on Zoom.

1. Call to Order/Roll Call:

2. Approval of Agenda: (Voice Vote)

3. Approval of Minutes: (Voice Vote)

- a. July 20, 2023 Regular Meeting

4. Public Comments on Agenda Items: (Limit 3 minutes)

5. Review/Discussion:

- A.** Town Hall Summary Report
- B.** Regulation Objectives Overview and Validity
- C.** Task Force Request for Recommendations

- a. General discussion on what items the Task Force would like McKenna Associates to prepare a recommendation on.
- b. Acceptable outcomes for identified items.

6. Communication/Correspondence:

- A. Data and Analysis Documents from July 20 STR Task Force Meeting
- B. Patricia Rotchford
- C. Christina Wood

7. Public Comment: (Limit 3 minutes)

<p><u>NOTICE:</u> Join online by visiting: https://us02web.zoom.us/j/2698572603</p> <p>Join by phone by dialing: (312) 626-6799 -or- (646) 518-9805</p> <p>Then enter "Meeting ID": 2698572603</p> <p>Please send questions or comments regarding meeting agenda items prior to meeting to: rcummins@saugatuckcity.com</p>
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8. Member Closing Comments:

9. Adjourn (Voice Vote)



SHORT-TERM RENTAL TASK FORCE MEETING MINUTES- *Proposed* July 20 , 2023

The Short-Term Rental Task Force met for a
Special Meeting at 3:00 p.m.
City Hall
102 Butler St., Saugatuck, MI 49453.

Call to Order:

The meeting was called to order by Chair Anderson at 3:00 p.m.

Attendance:

Present: Anderson, Manns, Hart, Stanton, Steele, Tringali, Boerema, Gudith and Clark.

Absent: None.

Others Present: Director of Planning, Zoning & Project Management Cummins and Clerk Wolters.

Approval of Agenda:

Motion by Manns, second by Gudith to approval the agenda. Upon voice vote, motion carried unanimously.

Approval of Minutes:

Motion by Clark, second by Manns to approve the minutes. Upon voice vote, motion carried unanimously.

Public Comment on Agenda Item Only: None.

Review/Discussion:

Additional STR Date and Maps:

Kyle Mucha from McKenna provided an overview of the reports presented additional map of data that was requested by the committee during last meeting. Supplements to the packet were presented from McKenna; An excel spreadsheet that breaks down the map data included in the packet and also the following graphs: New vs Repeat Short Term Rental, Short Term Rental Profitability and Home Value Increase By Percentage.

STR Regulation Objectives:

McKenna will take key findings from the Town Hall meeting and survey to craft objectives to present to The committee for their STR regulation objectives. Each committee member will email Director of Planning, Zoning and Project Management 3-4 ideas with their suggestions for regulation objectives.

Town Hall Reminder:

- a. There will be a town hall meeting for residents to voice their opinion regarding short term rental on July 25 630p-830p – Saugatuck High School Auditorium.

Communication:

- A. Dan Gaughan
- B. CJ Bagierek

Public Comment:

Nancy Kimble, resident: Are the people taking the survey really who they are and what is the verification process?

Diana Decker, resident: In some municipalities, if someone isn't in compliance, they put it on their tax Bill. In some towns it's nice to see enforcement officers walking around.

Jeanne Johnston, resident: She is concerned about the accuracy of the data. Should start with enforcement. Define the good neighbor policy for people.

Greg Auer, non-resident: He is a part-time STR owner, about 50 days a year. How will you enforce double standard, should apply to residence too. Cut non-compliance through VRBO and Air B&B. Analyze the post pandemic tourism. Look at full-time rentals vs. people doing it less throughout the year.

Dick Waskin, resident: Client lost \$25,000 in a sale due to the current STR discussion, thus the consequences of just talking about caps.

Mark Klungle, resident: The economy is past the COVID days of low interest rates and a lot of investment.

Keith Charack, resident: Only voting residents should be able to take the survey. If residents keep leaving it will be hard to fill boards/committees. It is too easy to take the survey multiple times by one person.

Member Closing Comments:

Sean Steele: It's important information on the survey to understand what residents have to say.

Kevin Tringali: The online comment about noise and resident/non-resident. Noise is noise, whether full-time or not, it all needs to be considered regarding compliance issues.

Chair Anderson: Saugatuck does not have a good neighbor policy and have been discussing this. How everyone can live together peaceably.

Adjournment:

*Motion by Steele second by Manns to adjourn. Upon voice vote, motion carried unanimously.
Chair Anderson adjourned at 4:14 p.m.*

Respectfully Submitted

Jamie Wolters, City Clerk

July 26, 2023

City of Saugatuck Short-Term Rental Task Force
Ryan Cummins – Director of Planning and Zoning
City of Saugatuck
102 Butler Street
Saugatuck, MI 49453

Subject: Summary: Short-Term Rental Task Force Town Hall July 25, 2023

Dear Mr. Cummins,

The following is a synopsis of the comments received during the Short-Term Rental Task Force Town Hall, held on July 25, 2023. These comments are not placed in any particular order but encapsulate written and verbal comments provided by interested persons. Some comments that may have been communicated to the facilitators by multiple attendees have been combined into a single bullet point. These comments are not verbatim and are synthesized to highlight main ideas. The Town Hall held on July 25th had an estimated **103** participants in attendance.

ENGAGEMENT BOARDS

Prompts about opportunities in short-term rentals, a “Good Neighbor” policy, and caps City-wide or in specific zoning districts, were available to encourage discussion. Participants also had an opportunity to share general comments with the Task Force on a large poster board. Attendees were able to place Post-It notes with their comments on these boards.

Opportunities in Short-Term Rentals

This engagement display asked “*What opportunities do you think short-term rentals bring to the City?*” Attendees could write any benefits or opportunities they believed short-term rentals brought to the City, or if they did not think short-term rentals brought any benefits or opportunities to the City.

- Allows property owners to create generational wealth.
- STRs support the City’s tourist-based economy and bring more tourists to Saugatuck.
- People who stay in an STR may decide to move to Saugatuck full-time.
- Full-time new residents are not attracted to Saugatuck because of the number of STRs.
- Helps people afford taxes/expenses on generational family cottages.
- STRs bring money and employment opportunities.
- STRs support restaurants, bars, and entertainment in the downtown area.
- People buy a property and rent it as an STR to be able to retire in Saugatuck in the future.
- There are no opportunities.
- [STRs] Hinders affordable housing by inflating property values.
- Increases tax income for the City, which supports the schools.
- Leads to more part-time residents that do not support businesses year-round.
- Helps 2nd homeowners afford non-homestead taxes.
- Keeps chain businesses out of Saugatuck.
- None – STRs ruin the charm that attracts tourists to Saugatuck.

“Good Neighbor” Policy

Should the City consider creating a “Good Neighbor” policy for short-term rentals?

- Yes, but needs to be enforced.
- Unsure what a “Good Neighbor” policy means.
- Yes, reduces the need for police response.
- Police do not respond to STR issues when called.
- The City does not enforce existing rules.
- No, a “Good Neighbor” policy may be dangerous to enforce.
- There needs to be communication between the City and the owner any time there is a problem.
- A “Good Neighbor” policy appears great on paper. How would it be enforced?

Caps

Should the City place caps on short-term rentals? Should short-term rentals be permitted citywide, or in specific locations – if so, where?

- Not enough data to support caps.
- More background knowledge is needed to support caps, but supports policies that encourage residency.
- Caps hurt property values, the tax base, and create winners and losers.
- No caps. Current noise and parking ordinances need to be enforced first.
- Need a cap at some percentage, maybe 20% or 25%.
- No caps and no restrictions on location for STRs.
- The city’s infrastructure, like cell service, cannot handle volume of people.
- The market will regulate itself – eventually we will have saturation, if we don’t already.

General Comments

Place any additional comments you may have on short-term rentals.

- STRs should be managed by a local on-call company.
- Consider hiring an enforcement officer that could be paid using STR fees.
- Limiting STRs will decrease property values.
- Increase the number of trash cans available.
- Without STRs, tourists will take their business elsewhere.
- Increase hotels by highway exits in commercial zones.
- STRs are not essential for tourism as people came to Saugatuck before STRs.
- Need caps on STRs in residential areas.
- Offer incentives to people who offer long-term rentals.
- Create an ascending fee structure for owners whose renters violate policies.
- Implement an occupancy capacity of 3 persons per full bath and 1-2 persons per half bath.
- Limit owners to one rental per address and limit parcel splitting.
- Recommend limits on large property acquisition to discourage large chain businesses.
- Consolidate/coordinate STR policy with Douglas.
- Create more jobs outside of tourism.
- Concerned that STR owners in Saugatuck Township will eventually need to abide by the City’s rules when the Township adopts them.

- Zoning matters and businesses need to be kept in business districts.
- Guests should pay “rental tax” to the CVB like other businesses.
- Do not support the CVB.
- STR owners already pay higher taxes and don’t receive a PRE exemption.
- Per the police, 2/3 noise complaints are against homeowners/residents.
- Please don’t make changes that will affect current STR owners, as they have already made business decisions under current regulations.

PUBLIC COMMENT

24 people spoke during the public comment period. These points represent themes brought up by attendees during the public comment period and are not verbatim. Themes that multiple attendees brought up may be consolidated and only appear once. The City Clerk, present during the public comment period, may have additional verbatim wording on the public comments received during the engagement event. Those interested in more detailed notes taken during the public comment period are recommended to reach out to the City Clerk.

- Partial vacancies have increased due to STRs.
- STRs do not support the City’s schools or community organizations.
- High concentrations of STRs degrade the neighborhood.
- Limits or caps should be considered in residential districts.
- STRs help Saugatuck’s tourism industry, and if the city loses STRs it will lose business.
- Fees do not cover current administration costs and should be raised to cover the enforcement costs of STR regulations.
- STR operators should lose their license after 3 violations.
- Better communication between the City and the Sherriff’s Department to improve enforcement.
- Engagement Survey should have only been made available to voting residents.
- Caps are a bad thing because it creates winners and losers and will decrease property values.
- Concerned about raising taxes and fees on STRs because STR owners already pay more in taxes to the City and pay additional sales tax to the State.
- Appreciation is provided regarding non-resident’s having the ability to address the Task Force.
- More long-term rentals are needed in the City and some STRs should be converted into long-term rentals to support low-income people in Saugatuck.
- Require inspections and license renewals annually rather than every 3 years to improve safety in STRs.
- Fees should be increased for repeat violations.
- Add an enforcement officer or a summer intern that can patrol STRs.
- Disregarding occupancy limits and overuse are a big issue.
- The market may be changing and will reduce the number of STRs.
- Put the compliance burden on STR tenants and increase fees for tenants.
- Support a “Good Neighbor” policy and improve enforcement.
- Task Force membership should have been voted on by residents.
- Without a limit on STRs, there won’t be enough residents to serve on Boards and Commissions.
- Limit the number of STRs a person can own.
- Look at different types of licensing structures, like what South Haven does.
- Housing costs are prohibiting families from moving to Saugatuck, and renting their home as an STR is necessary in order to live there.

CONCLUSION

The public engagement Town Hall/Open House event had an estimated total of 103 persons in attendance. As described in previous sections, comments ranged from taking a soft-hand approach (letting the market on short-term rentals regulate itself) to a firmer approach (limiting the numbers, increased enforcement, annual inspections, increased application fees). McKenna planning staff, Planning Director Cummins and members of the Task Force were present to engage with participants.

While no official count was taken in regard to a specific comment received, McKenna staff noted the following:

1. Short-term rentals provide tourism opportunities and housing, which increases spending at local businesses.
2. Further education on a “Good Neighbor” policy is encouraged.
3. Participants are seeking increased enforcement of the current regulations pertaining to short-term rentals: noise disturbances; refuse/debris scattered across a property; occupancy limits.
4. Participants support reviewing the current fee schedule for short-term rentals. An optimistic consensus of the participants indicated positive feedback on increasing short-term rental application fees to cover staffing costs.
5. The concentration of STRs is perceived to reduce the “neighborhood feel” of the residential areas.
6. STRs should be classified as a business and not a residential use.
7. Further regulations should be reviewed for residential properties but open up commercial areas for STRs.

Respectfully submitted,

McKENNA



Kyle Mucha, AICP
Senior Planner



Memorandum

TO: City of Saugatuck Short Term Rental Task Force

FROM: Kyle Mucha, AICP
Christopher Khorey, AICP

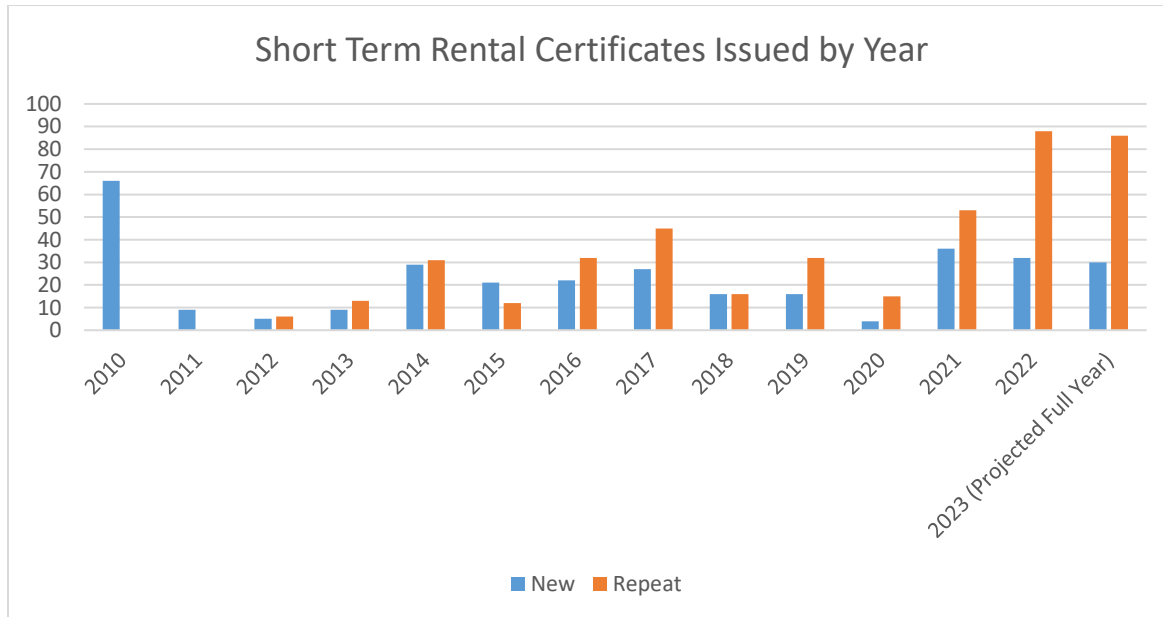
SUBJECT: Housing and Short Term Rental Market Trends – Additional Analysis

DATE: July 18, 2023

As requested, below please find additional analysis into three topics that were included in our June 30 Market Analysis memo.

NEW VS REPEAT SHORT TERM RENTALS

The graph below shows the Short Term Rental Certificates by year that were issued to first-time short term rental properties compared to properties that had previous been Short Term Rentals. The term “repeat” is used instead of renewal because some properties had their certification lapse before being certified again later.



Source: City of Saugatuck



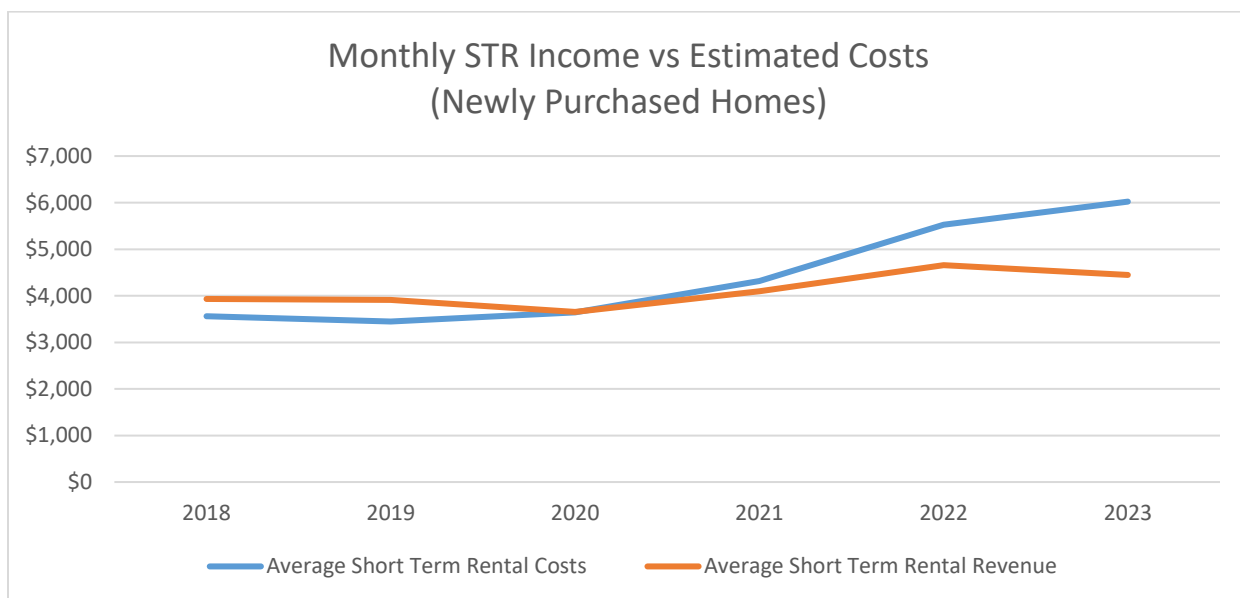
The data suggest that some of the increase in Short Term Rental Certificates since 2020 has been caused by a higher rate of renewal among existing Short Term Rentals, as well as homes that were previously Short Term Rentals being certified again after a hiatus (perhaps during the pandemic lockdowns). There has also been an increase in the number of first-time Short Term Rental certificates, of course.

2023 also shows a small downward trend from 2022. It is not clear if this trend will continue.

SHORT TERM RENTAL PROFITABILITY

The chart below shows the average monthly income for a Short Term Rental in Saugatuck compared to the estimated costs of owning a Short Term Rental in the City. The inputs for this chart are as follows. Notably, this analysis shows the profitability of buying a house in Saugatuck for the purposes of operating it as Short Term Rental. Mortgages and tax costs may be lower for properties that have been owned for a longer period.

- The average daily rental rate in the Saugatuck market for each year, as reported by AirDNA.
- An average daily occupancy of 33%, as estimated by members of the Task Force.
- The average monthly mortgage payment (principal and interest) for the median home sold in Saugatuck in a given year, broken down into monthly payments. City of Saugatuck non-PRE property owners pay 54.3048 mills, including County, School, and other taxes, in addition to the City.
- The taxes owed on a non-PRE property in the City of Saugatuck valued at the median sale price in each year.
- \$1,000 per month in insurance, maintenance, utilities, and other expenses, based on data from BuildYourBNB. This number could be altered based on the experiences of Task Force and community members.



Source: McKenna Calculation as Described Above



The data suggest that buying a home in Saugatuck for the purposes of creating a Short Term Rental was likely to be a profitable endeavor up until 2020. However, in the years since, home prices have increased to the point where buying the median home for sale to offer as a Short Term Rental would not be profitable, due to increased mortgage and tax costs. This trend is likely the cause of the dip in new Short Term Rental certifications, and, if it continues, could cause that trend to accelerate.

However, homes with capped property taxes and low-interest mortgages continue to be financially attractive as Short Term Rental opportunities.

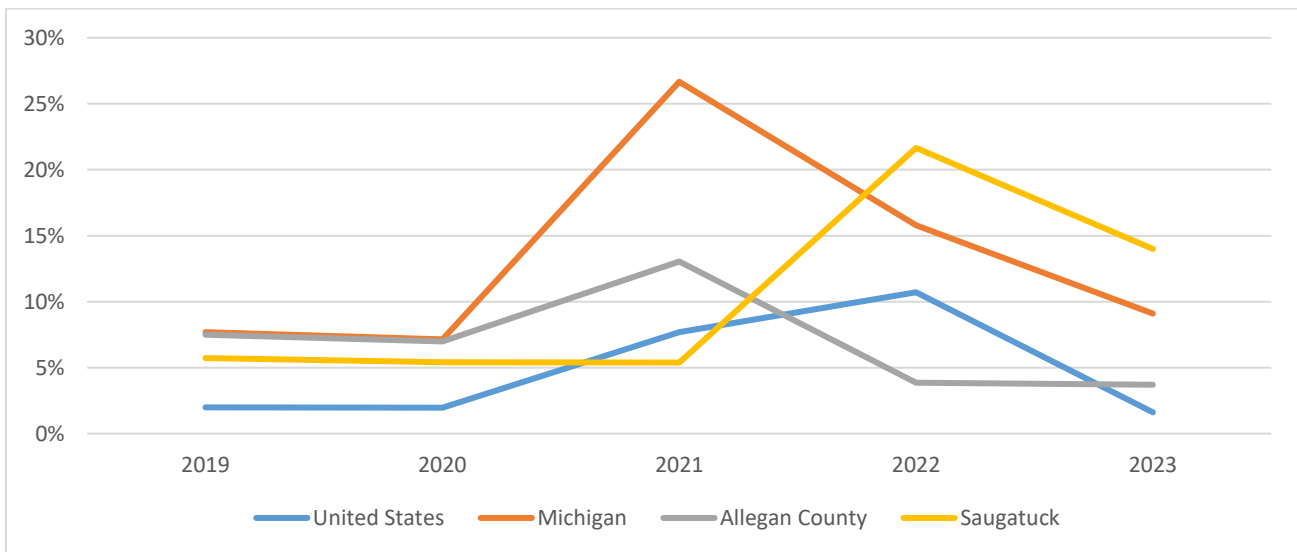
HOME VALUE INCREASE BY PERCENTAGE

The three charts below show the percentage change in median sale price for Saugatuck and several comparison geographies – the United States, State of Michigan, Allegan County, three nearby cities (Holland, Fennville, and Allegan) and three lakefront resort communities (New Buffalo, South Haven, and Charlevoix).

The trend lines all follow a similar pattern, though with different degrees of intensity. All experienced a sharp increase in values between 2019 and 2021, with geographies with lower starting points (Michigan, Allegan, South Haven, etc) experiencing earlier and more substantial increases, on a percentage basis. The lakefront communities experienced longer and more intense growth periods, especially New Buffalo and Saugatuck.

All geographies have seen housing value growth slow in 2023, though none has seen its median home value decline.

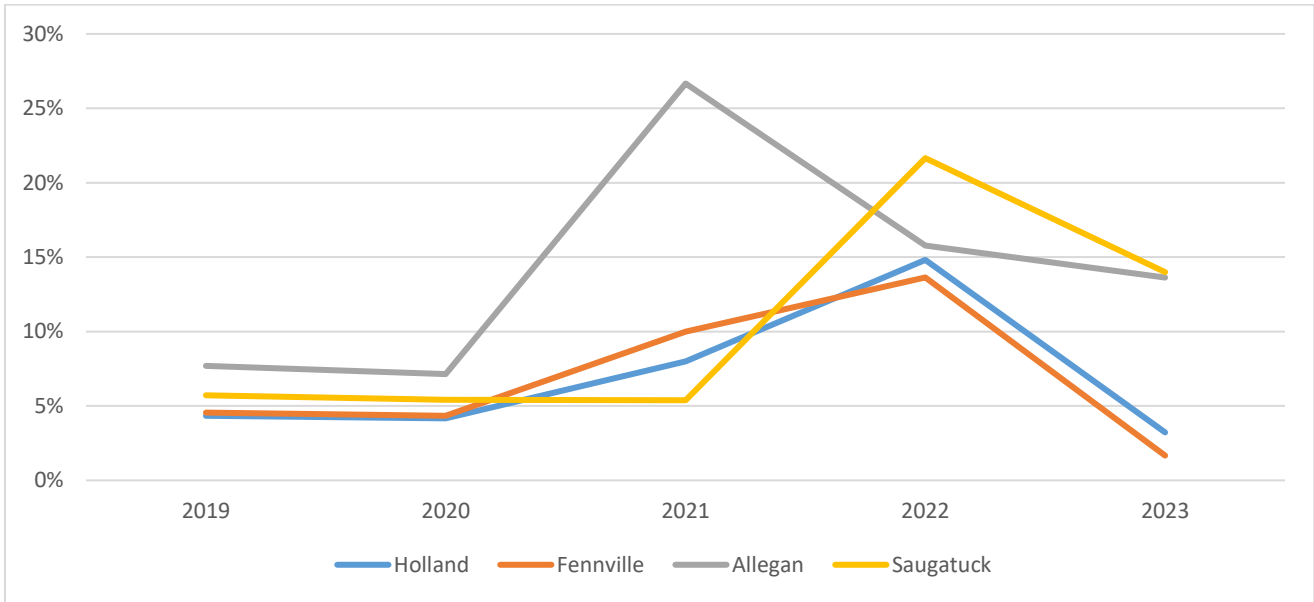
Percentage Change in Median Sale Price: Saugatuck vs Allegan County, Michigan, and United States



Source: Zillow Home Value Index

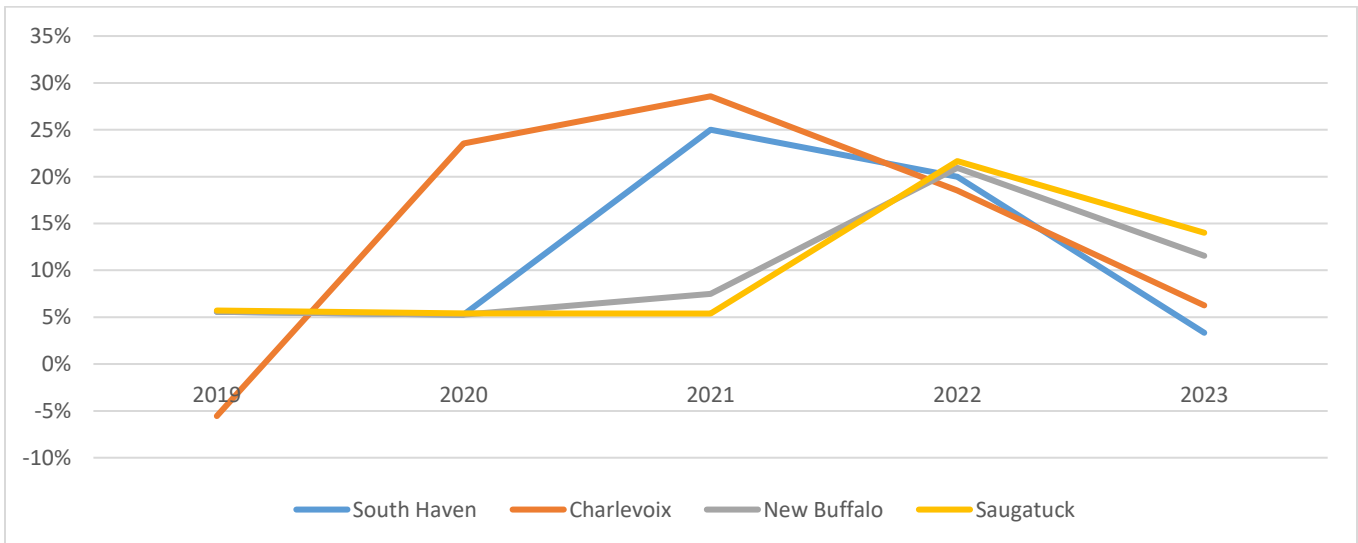


Percentage Change in Median Sale Price: Saugatuck vs Nearby Communities



Source: Zillow Home Value Index

Percentage Change in Median Sale Price: Saugatuck vs Lakefront Communities



Source: Zillow Home Value Index

Jamie Wolters

From: Patricia K. Rotchford <patkresq@msn.com>
Sent: Wednesday, July 19, 2023 5:39 AM
To: Jamie Wolters
Subject: Re: Short Term Rental Survey and Town Hall Meeting

Dear committee .

Thank you for the survey.

I would like to see a survey from full time residents asking how often they shop downtown and utilize the restaurants.

Why do most of the shops and restaurants close after tourist season ?

If we did not have a visible downtown would we have marinas and transient boaters?

Should we survey tourists to find out why they come to Saugatuck?

Would full time residents be willing to pick up the additional taxes and fees without a viable tourist town?

I would like to see a budget based solely on full time residents.

How would we respond to the state who advocates tourism?

Every year the state is losing residents..College grads do not return.

How many highschool students are actually living in Saugatuck?Actual residents?

What is the projection for an increase in full time residents purchasing if rental proper are reduced or eliminated?

I have owned my home since 1988.

I am not willing to make up the lost revenue that strs bring to the city.

Focusing on negatives without the financial data may harm our city.

On Jul 18, 2023 3:28 PM, Saugatuck City Clerk <jwolters@saugatuckcity.com> wrote:

[View this email in your browser](#)



Ryan Cummins

From: Chris Wood <chrismwood1@gmail.com>
Sent: Thursday, July 27, 2023 3:50 PM
To: Ryan Cummins
Subject: STRs

This email is in response to the July 23 Sentinel article about your task force meeting. Full disclosure, I do not live or own property in Saugatuck. However, due to connections I will share, I have followed the news coverage and it appears that your task force may be addressing this issue better than most.

For 30+ years I have owned a second home south of Traverse City. In that time we have rented the property long term, used the home ourselves, and tried it as a vacation rental. We contracted with both a Holland property management company and then a local company to manage the vacation rental. We tried that market for three or four years, and then rented the house long term again. Contrary to the perception of the public, not all owners of vacation rentals are raking in the big bucks. In addition to this property, we own two rental properties in Holland. We are concerned about the shortage of affordable housing everywhere and none of the tenants in our three properties are paying market rate rent. Both my husband and I do some part time work for a local property management company.

Obviously when a group of people gather at a property, especially to celebrate a special event, the noise level may increase. Tenants and their guests may not follow parking, quiet hours and other rules despite being provided with information about those things by the owner or management company. This quote from the Sentinel reflects an anti-tenant bias, whether vacation or long term rental: "We expect the city of Saugatuck to hold these short-term rental property owners accountable on all levels regarding strict rules and regulations for their guests." The owner of a local management company has a logical response, given that likely neither the owners or property managers are on the premises. "Do what you would do with any neighbor who was disturbing your peace....call the police." I believe a June Sentinel article reported that since 2021 in Saugatuck only 38% of calls for noise complaints involved STRs.

Consider this email a pat on the back for the way your task force is working to develop recommendations regarding STRs. It appears you are looking at objective data rather than complaints based on hearsay. Because most counties in the state are grappling with this issue, your work can be viewed as an encouraging example.

Christina Wood
Holland