THE CITY OF
NORTHFIELD
MINNESOTA
ESTD 1855

Housing Ordinance "Phase 2" Update

Northfield
Planning Commission

April 17, 2025

Agenda

- Background
- Timeline of “Phase 2” Rental Ordinance Changes
- 20% Rental Restriction
- Short Term Rentals

Background

- Housing Studies
  - Enterprise (2022)
  - Maxfield (2024)
- 2021-2024 Strategic Plan
  - Rehabilitation of existing homes
  - **Rental Housing Ordinances "Phase 1"**
    - Nuisance/property maintenance
  - **Rental Housing Ordinances "Phase 2"**
    - Short Term Rental Ordinance
    - 20% Restriction Revisited
    - HRA moved to support both staff recommended motions on March 6, 2025

Timelines

Short Term Rental Ordinance	HRA March 6 ☑
	PC March 20 (Public Hearing)
	EDA March 24
	PC April 17 (recommendation)
20% Restriction	HRA March 6 ☑
	PC March 20
	EDA March 24
	PC April 17 (recommendation)

March – June 2025

- **Short-term rental license ordinance**
- **20% limitation revisions**

May to August 2025

- Tenant protections
- Inclusionary zoning

Spring 2025 – Winter 2026

- Zoning code revisited
- HRA-facilitated production

Comprehensive Plan Decision Making

Guiding Value: Promote Safe and Stable Housing

- … affirmatively further fair housing?
- … ensure all housing is safe and secure in all weather conditions?
- … address housing conditions and/or increase the supply, variety and affordability of housing types needed?
- … promote inclusive neighborhoods?

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Addressing Short-Term Rentals

Current State of Short-Term Rentals

– Residential properties rented using a 3rd-party booking site
– For fewer than 30 days at a time
– Currently **unlicensed** and **uninspected**
– Subject to statewide lodging sales tax
– **Not subject** to existing Northfield 3% lodging sales tax
– May be operated by absent property owners
– May be owned by multi-national/corporate owners
– ~35 listed on a 3rd party site in Northfield

What does this look like to the owner?

- AirBnb lists an **Occupancy Tax** – a **sales** tax

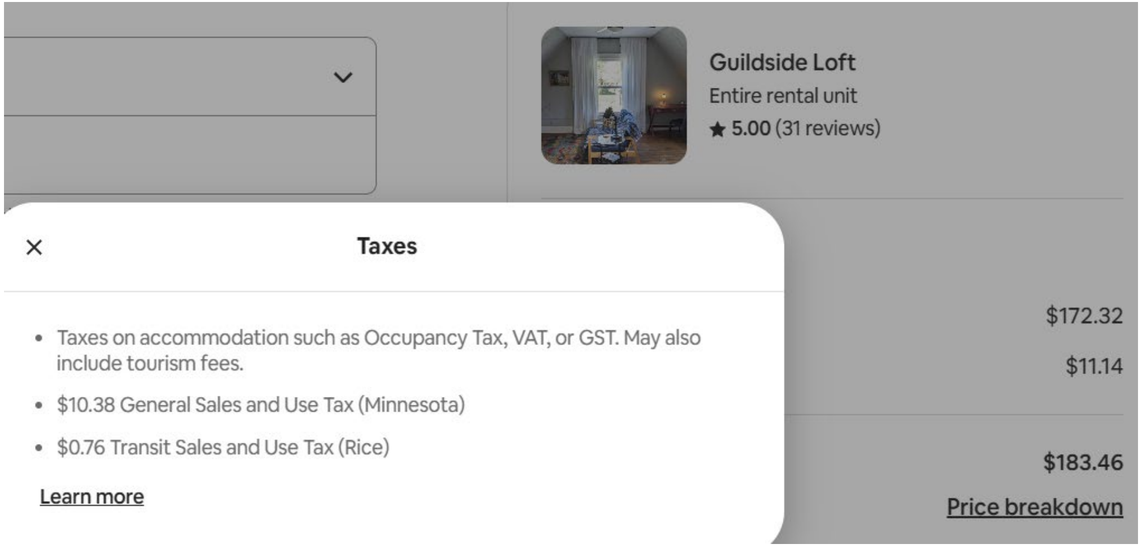
- Northfield established a **3% lodging tax** to fund the **Convention and Visitors Bureau** Without registering these units, the CVB can not receive the tax.

Guest paid

$79.00 x 4 nights	$316.00
Cleaning fee	$15.00
Guest service fee	$46.73
Occupancy taxes	$24.41
Total (USD)	**$402.14**

Example from the host side of a third-party booking site showing what is included in the payment.

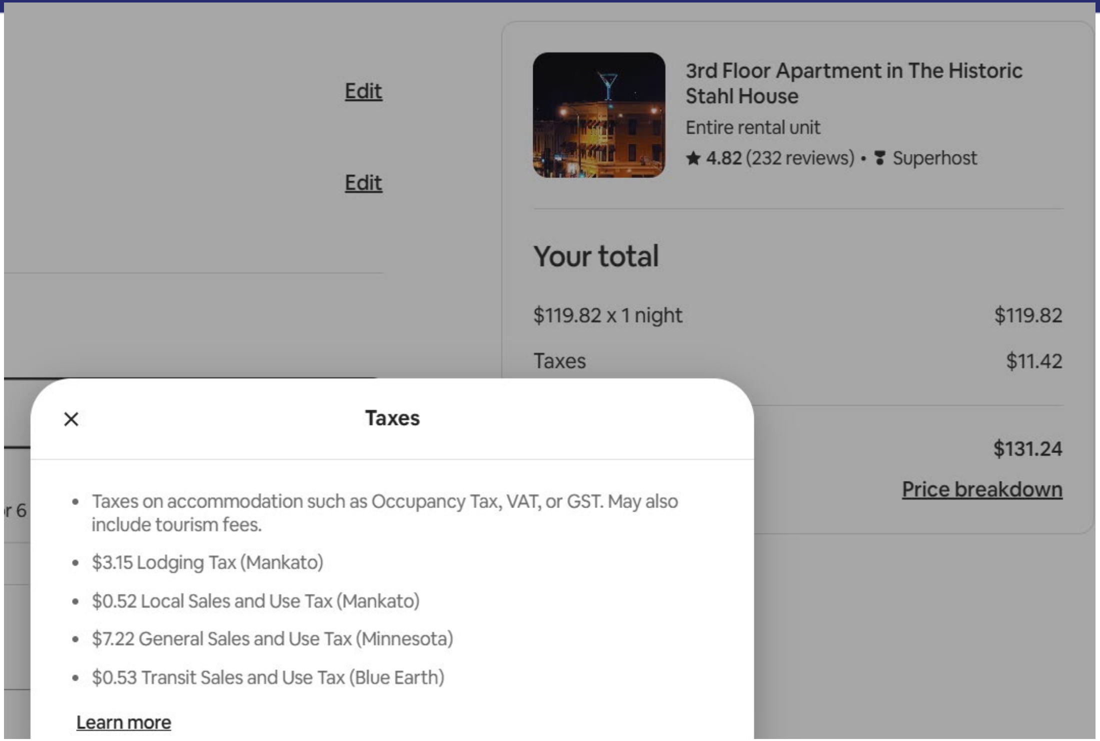
What does this look like to the purchaser?



Before registration

- AirBnb lists the taxes that apply. This Northfield listing shows what is captured in the total collected from the “guest.”

- Without registering these units, the CVB can not collect the related tax.



After registration

- Site will show a breakdown of taxes and fees that can include Northfield's **3% lodging tax**

- This example is from Mankato.

Addressing short-term rentals

- Staff recommendation:
  - Add definition to the city's code
  - License identical to all residential rental properties
  - Adopt appropriate standards and conditions
  - Limit the number of short-term rental units per person or firm to 10
- Benefits:
  - All rental units treated the same
  - All rental units licensed
  - Complaints can be addressed
  - Convention and Visitor's Bureau receives lodging tax
  - Limit non-local or corporate ownership

Staff Recommended Action

Pass a resolution recommending the staff recommended changes to the city code of ordinances

Addressing the 20% Limitation in R1 and R2 Zoning Areas

Legend

- PI-S: Public & Institutional
- PB-S: Public Benefit District

Dakota County HOA Parcels

- R1-B: Low Denisty Residential
- R2-B: Medium Density Residential
- R3-B: High Density Residential
- R4-B: Manufactured Home Park
- N1-B: Neighborhood General 1
- N2-B: Neighborhood General 2
- C1-B: Downtown
- C2-B: Highway Commercial
- I1-B: Industrial
- A-S: Agricultural
- CD-S: College Development
- PI-S: Public & Institutional
- PB-S: Public Benefit District

Rice County Parcels

- R1-B: Low Denisty Residential
- R2-B: Medium Density Residential
- R3-B: High Density Residential
- R4-B: Manufactured Home Park
- N1-B: Neighborhood General 1
- N2-B: Neighborhood General 2
- NC-F
- C1-B: Downtown
- C2-B: Highway Commercial
- I1-B: Industrial
- A-S: Agricultural
- CD-S: College Development
- PI-S: Public & Institutional
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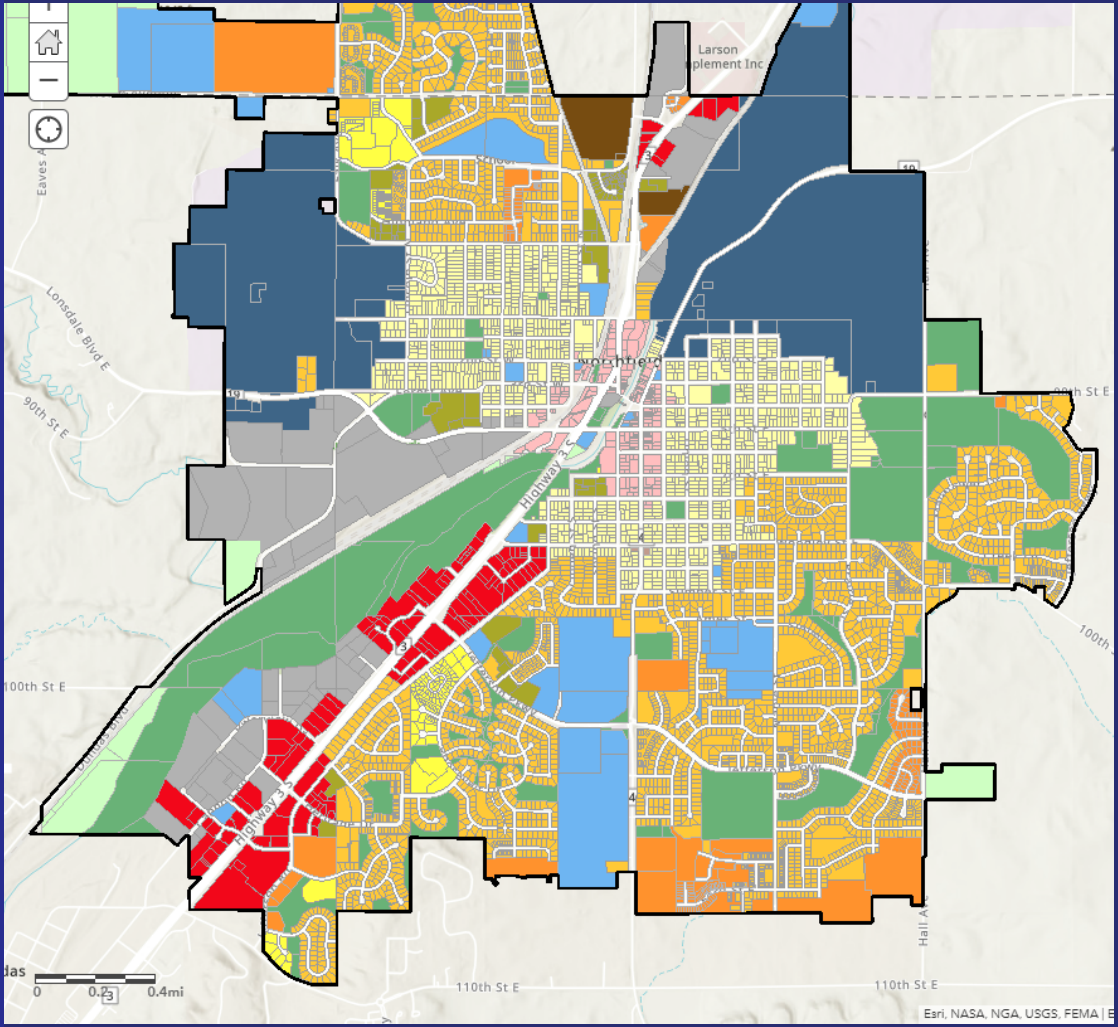


Addressing the 20% limitation in R1 & R2 areas

- Established in 2008 to address concerns:
  - Off-campus student housing
  - Inattentive landlords
  - Nuisance acts and properties
  - Potential unsafe conditions
- ~1,460 lots in R1 & R2
- Includes 13 properties both homesteaded and licensed

- Today:
  - Colleges rehabilitated and built more housing
  - Colleges allow minimal off-campus housing
  - Successful licensing and nuisance abatement program
  - Unlicensed homes rented
  - Homesteaded properties artificially limit availability

Staff Recommendation

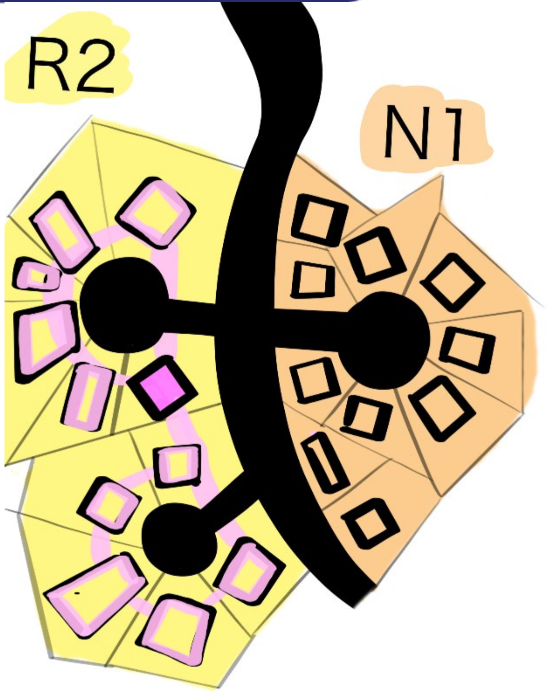
Remove limitation: Any property owner in R1/R2 (~1460) may apply for a license

Impact

- Increases safety for renters
- Increases housing availability
- Staff has time to address other issues
- Increases fee-based revenue
- May increase economic opportunity for existing property owners

Where zones collide…

- One side of the street can be subject to the restriction while the other is not
- Cul-de-sacs create complications with interpretation



Future Rental Housing "Phase 2" Ordinances

- Tenant protections
  - Source of income protections
- Inclusionary zoning ordinance

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Questions

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